



February 9, 2017

[REDACTED] President  
AFSCME Local 2512  
[REDACTED]

Case Number: 320-6009444 [REDACTED]  
LM Number: 545477

Dear [REDACTED]:

This office has recently completed an audit of AFSCME Local 2512 under the Compliance Audit Program (CAP) to determine your organization's compliance with the provisions of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). As discussed during the exit interview with you, Vice President [REDACTED], and AFSCME Council 5 Political Organizer [REDACTED] on January 31, 2017, the following problems were disclosed during the CAP. The matters listed below are not an exhaustive list of all possible problem areas since the audit conducted was limited in scope.

#### Recordkeeping Violations

Title II of the LMRDA establishes certain reporting and recordkeeping requirements. Section 206 requires, among other things, that labor organizations maintain adequate records for at least five years by which each receipt and disbursement of funds, as well as all account balances, can be verified, explained, and clarified. As a general rule, labor organizations must maintain all records used or received in the course of union business.

For disbursements, this includes not only original bills, invoices, receipts, vouchers, and applicable resolutions, but also documentation showing the nature of the union business requiring the disbursement, the goods or services received, and the identity of the recipient(s) of the goods or services. In most instances, this documentation requirement can be satisfied with a sufficiently descriptive expense receipt or invoice. If an expense receipt is not sufficiently descriptive, a union officer or employee should write a note on it providing the additional information. For money it receives, the labor organization must keep at least one record showing the date, amount, purpose, and source of that money. The labor organization must also retain bank records for all accounts.

The audit of Local 2512's 2012 through 2016 records revealed the following recordkeeping violations:

1. Failure to Record Receipts

Local 2512 failed to record in at least one record any information concerning the receipts that were deposited into its checking account during fiscal year ended December 31, 2012 through December 31, 2015. As previously noted, union receipts records must include an adequate identification of all money the union receives. The records must show the date and amount received, the source of the money, and the purpose. The date of receipt is required to verify, explain, or clarify the amount required to be reported in Statement B (Receipts and Disbursements) of Form LM-3. Failure to record all such information could cause the union to omit some receipts on its LM-3 report or include them on an LM-3 report for the wrong year.

I recommend that Local 2512 maintain a separate receipts journal that lists in chronological order all income transactions during each month. A twelve-month summary ledger should also be maintained to accumulate the monthly cash receipts totals. The receipts summary ledger would facilitate the preparation of the union's LM-3 report. Enclosed is a sample of a receipts journal.

2. Failure to Record Disbursements

Local 2512 failed to record in at least one record any information concerning the disbursements made from its checking account during fiscal year ended December 31, 2012 through December 31, 2015. As previously noted, union disbursement records must include an adequate identification of all money the union disburses. The records must show the date, the payee, the amount, and the business purpose of each disbursement. Failure to record all such information could cause the union to omit some disbursements on its LM-3 report or include them on an LM-3 report for the wrong year.

I recommend that Local 2512 maintain a separate disbursements journal that lists in chronological order all disbursements during each month. A twelve-month summary ledger should also be maintained to accumulate the monthly disbursements totals. The disbursements summary ledger would facilitate the preparation of the union's LM-3 report. Enclosed is a sample of a disbursements journal.

3. Lack of Supporting Documentation for Disbursements

Local 2512 did not keep adequate supporting documentation for disbursements to vendors totaling more than \$22,000. For example, checks [REDACTED], [REDACTED], and [REDACTED] totaling over \$2,400 were payable to the Paris Hotel in Las Vegas; however, the union failed to retain the associated hotel bills. Also, the union failed to retain any documentation for 2 checks issued to Chris Jensen Health and Rehabilitation Center for over \$2,200, and 3 checks to AFSCME Council 5 for over \$15,000.

In addition, Local 2512 did not keep adequate records for more than \$700 in reimbursed expenses. For example, [REDACTED] was paid \$431 for "Gas and Food" and you were paid

\$290.21 for “Picnic” expenses; however, the union failed to retain any documentation for these expenditures, which is not sufficient.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. With regard to meal expenses, Local 2512 must maintain itemized receipts provided by restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206. In addition to itemized receipts, union records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges.

The president and treasurer (or corresponding principal officers) of your union, who are required to sign your union’s LM report, are responsible for properly maintaining union records.

#### 4. Lack of Salary Authorization

Local 2512 did not maintain records to verify that the salary paid to former Local 2512 Treasurer [REDACTED] was the authorized amount.

During the organizational interview you advised that Local 2512 officers are not paid a salary. However, [REDACTED] received \$1,300 for 13 months of “stipends” from February 2014 through February 2015, at \$100 per month. During the exit interview you stated that the Local 2512 membership authorized these payments, yet authorization for this salary was not documented in the membership meeting minutes or in the local’s constitution.

The union must keep a record, such as meeting minutes, to show the current salary and other forms of compensation have been authorized by the entity or individual in the union with the authority to establish these amounts.

Based on your assurance that Local 2512 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

#### Reporting Violations

The audit disclosed a violation of LMRDA Section 201(b), which requires the president and treasurer or corresponding principal officers of each labor organization to file an annual financial report that accurately discloses the financial condition and operations of the labor organization within 90 days after the end of its fiscal year. Local 2512 has failed to file its Labor Organization Annual Reports (Form LM-3) for the fiscal years ended (FYE) December 31, 2014 and December 31, 2015 by the due date required by Section 201(b) of the LMRDA. Section 201(b) requires that annual financial reports be filed within 90 days after the end of the labor organization’s fiscal year. Local 2512’s fiscal year ends on December 31, and it must file its annual financial report by March 31 of each year (or by March 30 in a leap year).

During the exit interview you agreed to file your union's delinquent reports to this office at the above address as soon as possible, but no later than February 28, 2017. Please note that your organization's LM-3 report for the FYE December 31, 2016 must be filed by March 31, 2017.

Other Issue

Lost Wage Policy

During the audit period, Local 2512 disbursed over \$5,300 to you for lost wages and for personal time you spent working on union business. During the organizational interview you stated that officers are entitled to receive wages when they are required to be absent from their job at the employer to attend to union business, and you stated that officers are entitled to receive wages when they attend to union business on their own time, such as when they travel to conventions, which is paid at the members regular hourly rate. The audit revealed that Local 2512 does not have any written policies or procedures for the payment of lost wages and lost personal time for officers and employees that work on union business.

To ensure compliance with the LMRDA and to safeguard union assets by promoting transparency and accountability, OLMS recommends that union policies and procedures concerning the payment of lost wages and the payment of wages for conducting union business on personal time be reduced to writing and added to your union's constitution or discussed at an executive board or membership meeting where they can be supported by entries in the meeting minutes. Please refer to the pamphlets that I provide to you during the exit interview entitled "Authorization for Salary and Paid Leave for Union Officials" and "Union Lost Time Payments" which both offer additional guidance on this matter.

I want to extend my personal appreciation to AFSCME Local 2512 for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make sure this letter and the compliance assistance materials provided to you are passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,

[REDACTED]

Senior Investigator

cc: [REDACTED], Treasurer  
[REDACTED] AFSCME Council 5 Political Organizer