

U.S. Department of Labor

Office of Labor-Management Standards
Office of Field Operations
Frances Perkins Building
200 Constitution Avenue, NW, Suite N5119
Washington, DC 20210
(202) 693-1204 Fax: (202) 693-1343



March 27, 2025

Dr. Leonard Pugliese, President
American Federation of School Administrators
AFSA NHQ
815 16th Street NW, Suite 4125
Washington, DC 20006

Case Number: 051-6029464()
LM Number: 543904

Dear Dr. Pugliese:

This office has recently completed an audit of American Federation of School Administrators (AFSA) under the International Compliance Audit Program (I-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, Secretary Treasurer Mark Cannizzaro, Executive Vice President Luran Waters-Cherry, General Counsel Bruce Bryant, Chief of Staff Nicholas Spina, Director of Administration Paul Wolotsky, and Project Specialist Jack Wood on March 17, 2025, the following problems were disclosed during the I-CAP. The matters listed below are not an exhaustive list of all possible problem areas since the audit conducted was limited in scope.

Recordkeeping Violation

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 (unless electronically maintained) 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 AFSA's September 2022-August 2023 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

AFSA did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by union officers and employees totaling at least \$6,900. For example, you were reimbursed for at least \$594 in transportation costs for which the only records retained were screenshots of uber trip totals or photographs of personal credit card statements. Partial receipts and credit card statements alone are not sufficient to fulfill the recordkeeping requirements.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. 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.

2. Meal Expenses

AFSA did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$400. The union 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.

The union's records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, on December 14, 2022, you charged \$258.42 at Il Piatto. The union retained the itemized receipt, but business conducted and the names of those present for the meal were not recorded. 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. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

3. Reimbursed Auto Expenses

Union officers and employees who received reimbursement for the business use of their personal vehicles did not retain adequate documentation to support payments to them. Officers submitted expense reports that were not always adequate because the location traveled to and from, the number of miles drives, and business purpose were not always properly identified. For example, Secretary Treasurer Mark Cannizzaro was reimbursed \$475.52, for mileage and tolls for travel on four dates to attend a conference and go to the "Maritime Center." However, Mr. Cannizzaro failed to identify the specific location he traveled to and from, the number of miles driven per trip, and business purpose for the trips to "Maritime Center." AFSA must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The record must also show the business purpose of each use of a personal vehicle for business travel by an officer or

employee who was reimbursed for mileage expenses. Business purposes such as “meetings” or “union business” are not sufficiently descriptive.

4. Failure to Record Receipts

AFSA did not record in its receipts records some affiliate per capita tax receipts and other receipts from various sources, totaling at least \$19,900. For example, in November 2022, AFSA deposited at least six receipts from affiliates and an insurance company, totaling \$6,437.85. However, these receipts were not recorded in any union record. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

5. Disbursement Authorizations

AFSA did not maintain records to verify that the disbursements reported in Schedules 18 (General Overhead) of the LM-2 was the authorized amount and therefore was correctly reported. For example, AFSA maintains service agreements with Lan2Wan, Inc., MCSP, Inc., and Tricom Associates, Inc. The audit revealed that AFSA is paying more than the contracted amounts to each vendor. Director of Administration Paul Wolotsky advised that the contract increases were authorized, but no documentation showing the new amount was retained. The union must keep a record, such as contracts, meeting minutes or other resolutions, to show the current authorized amounts by the entity or individual in the union with the authority to authorize or establish service or other agreements.

AFSA advised it has implemented new policies to ensure proper supporting documentation is maintained. Based on your assurance that AFSA 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 labor organizations to file annual financial reports accurately disclosing their financial condition and operations. The Labor Organization Annual Report (Form LM-2) filed by Local AFSA for the fiscal year ended August 31, 2023, was deficient in the following areas:

1. Loans

AFSA did properly report loans in Schedule 2 (Loans Receivable). During the audit year, AFSA made a loan to Local 137 (Supervisory and Professional Administrators Association of San Diego Community College), totaling at least \$25,000. Local 137 made loan repayments of at least \$9,000. However, nothing was reported in Schedule 2. AFSA erroneously reported this loan in Schedule 20 (Benefits). The union must report details of all direct and indirect loans in Schedule 2.

2. Membership Status Information

AFSA did not properly complete membership information in Schedule 13 (Members Status Information) and Item 69 (Additional Information). Specifically, AFSA correctly reported the categories of members in Schedule 13 and defined the category of membership in Item 69. However, AFSA did not indicate whether the members pay full dues in Item 69, as required in the instructions.

3. Failure to Itemize and Failure to Properly Itemize

AFSA did not properly report several “major” transactions in Schedules 14 through 19. A “major” transaction includes any individual transaction of \$5,000 or more or total transactions to or from any single entity or individual that aggregate to \$5,000 or more during the reporting period and which the union cannot properly report elsewhere in Statement B. For example, in June 2023, AFSA received \$10,326.43 from Union Privilege. However, the audit found these receipts were not itemized in Schedule 14 (Other Receipts). As another example, AFSA made 13 disbursements during the reporting period, totaling at least \$175,391.79 to Tricom Associates, Inc. Each of the 13 disbursements exceeded \$5,000, which requires that each transaction be individually reported in the appropriate schedule. However, AFSA reported only one non-itemized disbursement totaling \$165,365, in Schedule 18 (General Overhead).

In addition, AFSA included several transactions that were not “major transactions” in Schedules 14 through 19. Transactions that do not meet the definition of “major transactions” as explained above and cannot be reported elsewhere in Statement B should be reported in Item 3 (All Other Receipts or All Other Disbursements) of the Detailed Summary Page (Schedules 14 through 19). The audit found that AFSA reported no receipts and disbursements in Item 3 of the Detailed Summary Page.

During the exit interview, I provided the LM-2 instructions and compliance tip sheet, *Form LM-2 Common Reporting Errors*, that contains instructions and samples on how to properly complete Schedules 14 through 19 detailed summary page and itemization pages.

4. Disbursements to Officers and Employees

AFSA did not include some reimbursements to officers and employees / payments to officers and employees totaling at least \$5,300 in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). It appears that the local erroneously reported these payments in Schedules 15 through 19.

In addition, AFSA did not report the name and payments to at least one employee who received more than \$10,000 in gross salaries, allowances and other direct and indirect disbursements and the total amounts of payments to them or on their behalf in Schedule 12. Communication Strategist Chiara Coletti received at least \$16,000 in gross salary. However, Ms. Coletti does not appear in Schedule 12. The union must report in Schedule

12 all direct and indirect disbursements to employees of the labor organization during the reporting period.

The union must report in Column F of Schedules 11 and 12 (Disbursements for Official Business) direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedules 11 and 12 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union personnel incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business. The union must report in Column G (Other Disbursements) of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

5. Withholding Taxes and Other Payroll Deductions

AFSA did not properly report withholding taxes and other payroll deductions in “Less Deductions” in Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees). Item 67a (Withholding Taxes and Other Payroll Deductions – Total Withheld) reports that AFSA withheld \$65,058. However, nothing is reported in “Less Deductions” in Schedules 11 and 12. These figures should agree. The union must report the total amount of withheld taxes, payroll deductions, and all other deductions on the “Less Deductions” line in Schedule 11 and 12.

6. Interest and Dividends

AFSA did not properly report interest and dividends in Items 40 (Interest) and Item 41 (Dividends). During the audit year, AFSA received at least \$5,200 in interest and \$23,300 in dividends. However, nothing is reported in Items 40 and 41. The union must report the total amount of interest received by the labor organization from savings accounts, bonds, mortgages, loans, and all other sources in Item 40, and must report the total amount of dividends from stocks and other investments received by the labor organization in Item 41.

7. Investments

AFSA did not properly complete Schedules 3 (Sale of Investments and Fixed Assets), 4 (Purchase of Investments and Fixed Assets) and 5 (Investments). Review of the investment brokerage statement shows that AFSA sold securities totaling at least \$23,000. In addition, AFSA purchased additional securities by promptly reinvesting capital gains and dividends. However, nothing is reported in Schedules 3 and 4. The union must report the details of the sale or redemption and/or purchase of U.S. Treasury securities, marketable securities, other investments, and fixed assets during the reporting period in Schedule 3 and 4, respectively.

In addition, review of AFSA's brokerage statements show AFSA held at least two marketable securities which had a book value over \$5,000 and exceeded 5% of the total book value of its marketable securities. However, AFSA did not itemize these investments in Schedule 5.

8. Failure to File Constitution

The audit disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its revised constitution and bylaws with its LM report when it makes changes to its constitution or bylaws. AFSA amended its constitution in 2022 but did not file a copy with its LM report for that year. AFSA has now filed a copy of its constitution.

9. Failure to File LM-2 Reports by the Due Date

The president and treasurer, or corresponding principal officers, of each labor organization are required to file an annual financial report accurately disclosing the union's financial condition and operations. AFSA has failed to file its annual financial report with OLMS by the due date required by Section 201(b) of the LMRDA since 2018. From fiscal year 2019-2023, AFSA has filed its LM report an average of 330 days late. To date, AFSA has failed to file its annual financial reports for fiscal years ended August 31, 2024. Section 201(b) requires that annual financial reports be filed within 90 days after the end of the labor organization's fiscal year. AFSA's fiscal year ends on August 31st; therefore, the union must file its annual financial report by November 29th of each year.

AFSA must file an amended Form LM-2 for the fiscal year August 31, 2023, to correct the deficient items discussed above. The report must be filed electronically using the Electronic Forms System (EFS) available at the OLMS website at www.dol.gov/olms. The amended Form LM-2 must be filed no later than June 13, 2025. In addition, AFSA has agreed to file fiscal year end August 31, 2024, report by August 15, 2025. AFSA also has agreed to timely file all future reports it files with OLMS. Before filing, review the reports thoroughly to be sure it is complete and accurate and signed by the required officers.

Other Issue

Failure to Hold an Audit

During the audit, AFSA advised that no external audits or financial compilations have been conducted since approximately 2021. Article VII (Duties of Officers), Section 3 of AFSA Constitution states, the secretary-treasurer "shall have the books and accounts audited regularly, as determined by the general executive board (GEB), by independent outside certified accountants." Periodic audits are an effective internal control of union funds. OLMS recommends AFSA review its audit plans to improve internal control of union funds.

I want to extend my personal appreciation to AFSA for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make sure this letter and the

Mr. Leonard Pugliese

March 27, 2025

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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]

[REDACTED] Lead Investigator
International Compliance Audit Program

cc: Mark Cannizzaro, Secretary Treasurer