



April 25, 2022

Mr. Steven Quick, President  
State County and Municipal Employees Local 725

Case Number: 350-6023092( )  
LM Number: 543098

SENT VIA ELECTRONIC MAIL TO [REDACTED], [REDACTED], and [REDACTED]

Dear Mr. Quick:

This office has recently completed an audit of State County and Municipal Employees Local 725 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, Treasurer Stephen May, and Recording Secretary Shonna Quick-Crowell on April 20, 2022, 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 725's 2021 records revealed the following recordkeeping violations:

1. General Expenses

Local 725 did not retain adequate documentation for all expenses. For example, on April 20, 2021, the union made a disbursement of \$500.00 to the Marion County Democratic Party and there was no corresponding documentation.

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

Local 725 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$1,127.82. 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.

Local 725 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, itemized receipts were not retained for a \$210.00 meal expense incurred by Treasurer Stephen May at the McCormick & Schmick's in Indianapolis, Indiana on January 14, 2021 and a \$76.42 meal expense incurred by President Steven Quick at the Firebirds Carmel in Indianapolis, Indiana on March 30, 2021. 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. Lost Wages

Local 725 did not retain adequate documentation for lost wage reimbursement payments to Mr. Quick, First Vice-President Keith Fey, and Second Vice-President Gary Murphy totaling at least \$1,132.96. The union must maintain records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. The OLMS audit found that Local 725 did not identify on the lost wage vouchers the union business conducted.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, that contained a sample of an expense voucher Local 725 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

4. Disposition of Property

Local 725 did not maintain an inventory of cell phones, gift cards, and retirement gifts purchased. The union must report the value of any union property on hand at the beginning and end of each year in Item 30 (Other Assets) of the LM-3. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 30. In the case of items given away to members, the union must retain records that identify the date the items were given away and the recipients of those items.

5. Failure to Record Receipts

Local 725 did not maintain receipts records of dues payments and a cell phone reimbursement from Mr. Quick, totaling at least \$52,648.65. The only source of receipt records maintained by Local 725 were bank statements. For example, Mr. Quick reimbursed the union \$240.00 for his personal cell phone plan, through Local 725's account with Sprint. 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.

6. Receipt & Disbursement Dates not Recorded

Local 725 did not maintain receipt records reflecting the date the union deposited money and the date money was received. Local 725 did not maintain any disbursement records to indicate when it paid money. Union receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-3. The LM-3 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

7. Information not Recorded in Meeting Minutes

During the audit, Mr. May advised OLMS that Local 725's executive board authorized Mr. Quick, approximately seven to eight years ago, to add his personal cell phone line to the union's account with Sprint for \$20.00 a month, or \$240.00 a year. Local 725 maintained no minutes of that meeting. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

Based on your assurance that Local 725 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-3) filed by Local 725 for the fiscal year ended December 31, 2020, was deficient in the following areas:

#### 1. Disbursements to Officers

Mr. May confirmed the union did not include reimbursements to officers for meal expenses in the amounts reported on Item 24 (All Officers and Disbursements to Officers) of the 2020 LM-3 report. It appears the union erroneously reported these payments in Item 48 (Office and Administrative Expenses).

The audit revealed that Local 725 permits officers to use union funds for meal expenses and get reimbursed. Mr. May did not know when Local 725's executive board authorized officers to receive meal reimbursements. In 2021, Mr. Quick received eighty-eight meal reimbursement payments totaling \$7,995.42; Mr. May received twenty-one meal reimbursement payments totaling \$3,507.04; and Recording-Secretary Shonna Quick-Crowell received nineteen meal reimbursement payments totaling \$1,853.45. During the audit period there were a total of one hundred and fifty-one meal reimbursement payments totaling \$15,889.67.

The union must report most direct disbursements to Local 725 officers and some indirect disbursements made on behalf of its officers in Item 24. A "direct disbursement" to an officer is a payment made to an officer in the form of cash, property, goods, services, or other things of value. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An "indirect disbursement" to an officer is a payment to another party (including a credit card company) for cash, property, goods, services, or other things of value received by or on behalf of an officer. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel) or for transportation by a public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48 (Office and Administrative Expense).

#### 2. Failure to File Bylaws

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. Local 725 amended its constitution in 2014, but did not file a copy with its LM report for that year.

As agreed, Local 725 will file a copy of its current constitution and bylaws with OLMS as soon as possible but not later than May 20, 2022.

3. Officers Signatures (Items 57 and 58) on LM-3 Reports

The audit disclosed Local 725's LM-3 reports filed with OLMS, from 2017 to 2020, were signed by Mr. May. The completed Form LM-3 must be signed by both the president and treasurer, or corresponding principal officers, of the labor organization. If the duties of the principal executive or principal financial officer are performed by an officer other than the president or treasurer, the report may be signed by the other officer. If the report is signed by an officer other than the president or treasurer, enter the correct title in the title field next to the signature and explain in Item 56 (Additional Information) why the president or treasurer did not sign the report.

4. Failure to File

Local 725 did not file its required annual LM-3 Report for 2021 and it remains delinquent. All Labor Organization Annual Reports are required to be submitted to OLMS within 90 days after the fiscal year end.

Local 725 has agreed to file a copy of its 2021 report with OLMS as soon as possible, but not later than May 20, 2022. I am not requiring that Local 725 file amended LM reports for 2017 to 2020 to correct the deficient items, but Local 725 has agreed to properly report the deficient items on the 2021 report it will file with OLMS.

Other Issues

1. Meal Reimbursement Expense Policy

As I discussed during the exit interview with you, the audit revealed that Local 725 does not have a clear policy regarding the types of expenses personnel may claim for meal reimbursements. OLMS recommends that unions adopt written guidelines concerning meals and other expenses to help ensure effective internal controls and safeguard union assets.

2. Signing Checks

During the audit, you advised that Local 725 President Steven Quick, Treasurer Stephen May, First Vice-President Keith Fey, and Second Vice-President Gary Murphy signed checks. Your union's bylaws require that all checks be co-signed by the president, treasurer, or first vice-president. The two-signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, OLMS found multiple checks with only one officer's signature. For example, [REDACTED] failed to have the signature of two officers. OLMS recommends that Local 725 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to State County and Municipal Employees Local 725

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]

Investigator

cc: Mr. Stephen May, Treasurer

cc: [REDACTED], General Counsel, AFSCME