



January 27, 2017

[REDACTED], President  
AFSCME Local 621  
[REDACTED]

Case Number: 320-6009540 [REDACTED]  
LM Number: 529368

Dear Ms. Avanzato:

This office has recently completed an audit of AFSCME Local 621 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 and Treasurer [REDACTED] on January 23, 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 621's 2015 records revealed the following recordkeeping violations:

1. Receipt Dates Not Recorded

Entries in Local 621's handwritten check register reflect the date the union deposited money, but not the date money was received. 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.

2. Failure to Retain Adequate Supporting Documentation for Disbursements

Local 621 did not retain adequate supporting documentation for disbursements totaling more than \$5,000 during 2015. For example, Local 621 retained no supporting documentation for six checks issued to AFSCME and District Council 40 totaling \$5,339.05 for what is likely per capita tax payments. As another example, no supporting documentation was retained for a \$25.35 check issued to the United States Post Office.

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

Based on your assurance that Local 621 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 621 for the fiscal year ended December 31, 2015 was deficient in the following areas:

1. Dues Receipts

The audit revealed that Local 621 received dues income totaling \$9,503.80 during 2015; however, Local 621 erroneously reported dues receipts totaling \$11,314 in Item 38 (Dues) and per capita tax totaling \$3,508 in Item 39 (Per Capita Tax). During the exit interview, you advised that neither you nor [REDACTED] prepared the LM-3 Report for 2015 and therefore did not know where the union obtained the dues and per capita tax figures that were reported. As Local 621 is a local labor organization, no amount should be reported in Item 39 because the union does not receive per capita tax payments from any subordinate bodies.

All dues receipts received by Local 621 during the audit year (\$9,503) must be reported in Item 38.

## 2. Per Capita Tax

The audit revealed that Local 621 disbursed per capita tax payments to AFSCME and AFSCME District Council 40 totaling \$15,740.65 during the audit year. However, Local 621 reported only \$3,508 in Item 47 (Per Capita Tax). Local 621 did not report the additional per capita tax payments of \$12,232.65 on the LM report. During the exit interview, you and [REDACTED] advised that you did not know why the union underreported the per capita tax disbursements in Item 47.

The LM-3 Instructions provide that all disbursements for per capita tax (amounts paid as a condition or requirement of affiliation with your parent national or international union (i.e. payments to AFSCME), state and local central bodies (i.e. payments to Council 40), a conference, joint or system board, joint council, federation or other labor organization) be reported in Item 47.

Local 621 must file an amended Form LM-3 for the fiscal year ended December 31, 2015 to correct the deficient items discussed above. I encourage Local 621 to complete, sign, and file its report electronically using the Electronic Forms System (EFS) available at the OLMS website at [www.olms.dol.gov](http://www.olms.dol.gov). Reporting forms and instructions have been included with this letter if you prefer not to file electronically. The amended Form LM-3 should be filed electronically no later than **February 17, 2017** or submitted to this office at the above address by the same date. Before filing, review the report thoroughly to be sure it is complete and accurate. Paper reports must be signed with original signatures.

### Other Issue

#### Lack of Governing Documents and Written Policies

The audit revealed that Local 621 is not currently governed by its own constitution or bylaws nor have they completed the template version of the AFSCME Local Union Constitution found in Appendix C of the AFSCME Constitution. Article IX, Section 16 of the AFSCME Constitution states that "...any local union, which at the time of the adoption of this provision, is not governed by a local union constitution which has been approved in writing by the International President, and any union chartered after the adoption of this provision, shall be governed by the provisions of the Constitution for Local Unions contained in Appendix C of this Constitution." During the exit interview, I provided you with a copy of the template local union constitution from the AFSCME Constitution. OLMS highly recommends that Local 621 complete the AFSCME local union template constitution as soon as possible.

In addition, OLMS recommends that Local 621 should consider adopting additional written policies dealing with financial matters not specifically covered in the local union constitution; specifically, policies concerning the authorization and approval of disbursements to help ensure proper internal financial controls over union funds and safeguard union assets.

I want to extend my personal appreciation to AFSCME 621 for the cooperation and courtesy

[REDACTED]  
March 28, 2017

Page 4 of 4

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: [REDACTED], Treasurer  
[REDACTED] District Council 32 Representative  
[REDACTED] District Council 32 Executive Director