



September 5, 2017

Ms. Teresa Green, Finance Director
AFSCME DC 57
80 Swan Ave
Oakland, CA 94080

Case Number: 530-6010469 [REDACTED]
LM Number: 517192

Dear Ms. Green:

This office has recently completed an audit of AFSCME DC 57 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 on August 30, 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 DC 57's 2017 records revealed the following recordkeeping violations:

1. Meal Expenses

DC 57 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$200. 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.

Based on your assurance that DC 57 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 DC 57 for the fiscal year ended January 31, 2017, was deficient in the following areas:

1. Disbursements to Officers and Employees

DC 57 did not include some reimbursements to officers and employees / payments to officers and employees exceeding \$500 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.

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.

2. Failure to Itemize Disbursement or Receipt

DC 57 did not properly report some “major” transactions in Schedule(s) 15-19. 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 local cannot properly report elsewhere in Statement B. For example, the audit found that there was no itemized disbursement for over \$20,000 in rent paid United Steel Workers Local 5.

3. 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. DC 57 amended its constitution and bylaws in 2008, but did not file a copy with its LM report for that year. The last amendment on file was dated 1999. As agreed, DC 57 will file a copy of its current constitution and bylaws with OLMS with the next LM report filed.

4. Personal use of Credit Cards

The audit revealed that officers and employees used the union credit cards to pay for personal expenses, even though its policies prohibit such charges. Although most officers and employees promptly repaid DC 57 for the personal expenses charged, the former organizing director owed DC 57 over \$17,000 as of January 31, 2017. This indirect and illegal loan should have been reported on Schedule 2 of the LM-2. OLMS does not recommend policies that allow personnel to make personal purchases with union credit cards because this may lead to misuse of union funds.

Other Issues

1. Use of Signature Stamp Machine

During the audit, Finance Director Green advised that it is DC 57's practice to use a check signing machine to sign all union checks. Green reviews the checks before they are issued. Article VII of DC 57's bylaws requires that checks be signed by the president and treasurer. 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, the use of a signature stamp for both signers does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. OLMS recommends that DC 57 review these procedures to improve internal control of union funds.

DC 57 must file an amended Form LM-2 for the fiscal year ended January 31, 2017, to correct the deficient items. I explained to you the filing procedures and the availability of filing software on the OLMS website (www.olms.dol.gov). The amended Form LM-2 must be electronically filed as soon as possible, but not later than September 30, 2017. Before filing, review the report thoroughly to be sure it is complete and accurate, and properly signed with electronic signatures.

I want to extend my personal appreciation to AFSCME DC 57 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,


Senior Investigator