



July 14, 2005

Charmaine Ruegg, President
AFSCME Local 2418
524 S Main St
Jefferson, WI 53549-1736

Re: *2*

Dear Ms. Ruegg:

This office **has** recently completed an audit of AFSCME Local 2418 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 Ms. Klemann on July 14, 2005, 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 record keeping requirements. Section 206 requires, among other things, that adequate records be maintained 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, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and the identity of the recipients of the goods or services.

The following record keeping deficiencies were revealed during the audit of Local 2418's 2004 records:

- 1) Union officers and employees failed to retain adequate documentation for reimbursed expenses and for lodging expenses which were direct-paid by the union. The date, amount, and business purpose of every expense must be recorded on at least one union record. In addition, the names of individuals present for meal expenses paid for by the union and the locations (names of restaurants) where meal expenses were incurred must also be recorded.

No supporting documentation was retained for lodging expenses incurred by yourself and Ms. Dempsey at the Radisson Paper Valley during the spring conference held in Appleton, WI, nor the lodging expenses incurred by Ms. Klemann at the Hotel Mead during the fall conference that was held in Wisconsin Rapids, WI.

Local 2418 failed to retain documentation to support meal expenses that were incurred by officers while attending these conferences. During the organizational interview with Ms. Klemann on June 14, 2005, she stated that it was the practice of the local to reimburse officers \$10 for each meal that would not be provided at the union function they were attending. She further stated that it was not necessary to retain the receipt in order to get reimbursed nor submit a voucher of any kind. Article VIII, Section 3 of the Local 2418 by-laws states that members who attend union sponsored conferences "shall receive, upon receipt, reimbursement for meals not to exceed \$10 per meal". The language of the by-laws provides that meal receipts must be retained for an officer to receive compensation for that meal.

- 2) Union officers and employees who receive reimbursed mileage expense payments failed to maintain mileage logs documenting the business use of their personal vehicles. Records must be maintained which identify the locations traveled to and from, the date, number of miles driven, and business purpose of each use of a personal vehicle. The logs must be maintained to verify and support mileage expenses reported in Item 24, column E of the LM-3.

Labor organizations must maintain records which support figures reported on the LM report. The total compensation reported to officers in Item 24 (Officer and Disbursements to Officers), Column F of the LM-3 report for 2004 appears to be correct, however Local 2418 failed to maintain records that identify the purpose of the payments that comprise those totals.

- 3) Union officers failed to retain any records that identify the date and/or purpose of lost wage claims. Records that identify the date, number of hours lost, rate of pay, and business purpose (reason) for all lost wages must be retained. During the exit interview, I provided a sample expense voucher that Local 2418 may use to identify the type of information and documentation which must be retained for lost wages and other officer expenses.
- 4) Local 2418 failed to retain meeting minutes for years 2000-2002. Treasurer Klemann stated that the Recording Secretary Cynthia Dempsey believed the recordkeeping requirement for the retention of meeting minutes was one year.

Local 2418 has chosen to keep meeting minutes and therefore has created a record that must be retained for at least five years.

- 5) Adequate documentation was not retained for some purchases of office supplies and administrative expenses, including ✓ to the Postmaster for the local's P.O. Box, as well as other disbursements to Ms. Klemann for postage and the safe deposit box.
- 6) Local 2418 failed to accurately record in its records some employer dues check-off checks and some checks received from members for the purpose of initiation fees. In months where the local collects initiation fees, the records do not reflect these individual sources of income nor the

individual receipt amounts, rather they are totaled with the check-off checks for that month and recorded as one entry in the ledger.

Union receipts records must include an adequate identification of each receipt of money. The records should show the exact date that the money was received, the identity of the source of the money, and the individual amount received from each source.

7) Some checks which were voided and not issued were not retained

As agreed, provided that Local 2418 maintains adequate documentation for its disbursements in the future, no additional enforcement action will be taken regarding this violation.

Reporting Violations

The CAP disclosed a violation of LMRDA section 201(b), because the Labor Organization Annual Report Form LM-3 filed by Local 2418 for fiscal year ending December 31, 2004 was deficient in the following area:

Item 25A (Cash at Start of Reporting Period) does not equal Item 25B (Cash at End of Reporting Period) from the LM-3 Report for fiscal year ending December 31, 2003. The cash reported as of December 31, 2003 was \$752 and the cash reported as of January 1, 2004 was \$536. The difference in these numbers must be explained in Item 56 (Additional Information).

I am not requiring that Local 2418 file an amended LM-3 report for 2003 to correct the deficient item, but as agreed, your union will properly report the deficient items on all future reports filed with this agency.

Other Issues

The CAP disclosed a violation of LMRDA section 201(a) which requires that unions submit a copy of their current constitution and bylaws with its LM report when bylaw changes are made. Local 2418 amended its constitution and bylaws in 2002, but a copy of the constitution and bylaws was not filed with Local 2418's LM-3 report for that year.

Two copies of Local 2418's constitution and bylaws have now been filed.

Recordkeeping Suggestions

During the audit, Treasurer Klemann advised that you occasionally sign blank checks in advance. Your union's bylaws require that all checks be signed by the president and treasurer. The countersignature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, countersigning a blank check in advance does not attest to the authenticity of a completed check, and completely circumvents and undermines the whole purpose of the countersignature requirement. You may want to revise your check disbursement method.

Charmaine Ruegg
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I want to extend my personal appreciation for your cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please do not hesitate to call.

Sincerely, 



Investigator

cc: Jill Klemann, Treasurer
Cynthia Dempsey, Secretary

LM 068-829