

**U.S. Department of Labor**

Employment Standards Administration  
Office of Labor-Management Standards  
St. Louis District Office  
1222 Spruce Street, Room 9.109E  
St. Louis, MO 63103  
(314) 539-2667 Fax: (314) 539-2626



August 27, 2009

Ms. Vickie Howie, Treasurer  
AFSCME Local 1175  
7783 Blinds Hollow Road  
Sparta, IL 62286

LM File Number 542-745  
Case Number: [REDACTED]

Dear Ms. Howie:

This office has recently completed an audit of AFSCME Local 1175 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 President Anthony Ferranto on August 17, 2009, 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 1175's 2008 records revealed the following recordkeeping violations:

1. Inadequate Backup Documentation for Disbursements

Local 1175 did not retain adequate documentation for disbursements totaling at least \$2,710. For example, Check Number [REDACTED] was written on June 20, 2008 in the amount of \$2,500 to purchase t-shirts; however, a receipt for this purchase was not retained by the local.

As previously noted, 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. Lost Wages

Local 1175 did not retain adequate documentation for lost wage reimbursement payments to union officers and employees. 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 1175 maintained expense vouchers for all lost time payments; however, in many instances all required information was not included on the voucher.

3. Disposition of Property

Local 1175 did not maintain an inventory of t-shirts it purchased, sold, or gave away. 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. The union must record in at least one record the date and amount received from each sale of union t-shirts and other items.

4. Lack of Meeting Minutes

Local 1175 did not maintain membership meeting minutes for the month of February 2008 and executive board meeting minutes for the month of July 2008 to verify approval of disbursements for those months. Minutes of all membership and executive board meetings must be maintained and report any disbursement authorizations made at those meetings.

Based on your assurance that Local 1175 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 1175 for fiscal year ending December 31, 2008, was deficient in the following areas:

1. Disbursements to Officers

Local 1175 did not include any reimbursements to officers in Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48 (Office and Administrative Expense).

The union must report most direct disbursements to Local 1175 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. Cash Reconciliation

It appears that the cash figures reported in Item 25 are not the cash figures according to the union's books after reconciliation to the bank statements. The instructions for Item 25 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements. Also, the figures reported for Item 44 (Total Receipts) and Item 55 (Total Disbursements) were incorrect.

Local 1175 has filed an amended Form LM-3 for fiscal year ending December 31, 2008, to correct the deficient items discussed above.

### Other Issue

#### Duplicate Receipts

Currently, receipts are not issued to members who purchase t-shirts from Local 1175. OLMS recommends that Local 1175 use a duplicate receipt system where the union issues original pre-numbered receipts to all members who make payments directly to the union and retains copies of those receipts. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable. If more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned.

I want to extend my personal appreciation to you 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,



Investigator

Ms. Vickie Howie  
August 27, 2009  
Page 5 of 5

cc: Anthony Ferranto, President