

**U.S. Department of Labor**

Office of Labor-Management Standards  
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February 11, 2010

Curtis Crumbley, President  
State County & Muni. Empl., AFL-CIO  
Local 3695  
600 W. Lafayette Blvd., Suite L-105  
Detroit, MI 48226

LM File Number: 529-039  
Case Number ||| |||

Dear Mr. Crumbley:

This office has recently completed an audit of State County & Municipal Employees (AFSCME) Local 3695 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 Secretary Treasurer Alfreda Baldrige on October 7, 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 3695's 2008/2009 records revealed the following recordkeeping violations:

1. Lack of Salary Authorization

Local 3695 did not maintain records to verify that the salaries reported in Item 24 (All Officers and Disbursements to Officers) on Form LM-3, for you, the vice president, secretary treasurer, recording secretary, chief steward, and bargaining member-at-large, were the authorized amounts and, therefore, were correctly reported. The AFSCME National Constitution and Local 3695 Bylaws, which you stated govern the practices and procedures of Local 3695, do not contain provisions for officer salaries. During the audit, the union was unable to provide documentation to support the salaries paid to officers. The union must keep a record, such as meeting minutes, to show the current officer salaries authorized by the entity or individual in the union with the authority to establish salaries.

2. Food Allowances

The audit revealed that food allowances were paid to you and Chief Steward Evelyn Ervin during the audit period. As previously noted, you stated that the AFSCME National Constitution and Local 3695 Bylaws govern the practices and procedures of Local 3695; however, neither the Constitution nor Bylaws contain provisions for food allowances. In addition, Local 3695 failed to keep adequate records identifying the date, time, and purpose of the union business for which officers received food allowances. Consequently, the accuracy of the amounts that must be reported in Item 24 of Local 3695's LM-3 report cannot be verified. Therefore, Local 3695 must maintain a clear written policy regarding food allowance payments and complete and contemporaneous records to support all food allowance payments.

3. Lost Wages

Local 3695 did not retain adequate documentation for lost wage reimbursement payments to union officers totaling \$493. 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 3695 failed to maintain any records which describe any of the above information relating to the lost time payments. In fact, a comparison of canceled checks for lost time and employer payroll records for you and Chief Steward Evelyn Ervin was undertaken and gave rise to the appearance that you and Ms. Ervin may have received duplicate pay. While it is possible that the discrepancy was not intentionally caused, the lack of required documentation to support lost wage payments could possibly lead to a different conclusion. During the exit interview, I provided a sample of an expense voucher Local 3695 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.

During the opening interview, you and Secretary Treasurer Baldrige indicated that officers can be compensated for lost time when conducting union business, but only when wages are lost. However, the audit disclosed that the union does not have a clear policy that identifies the specific circumstances under which lost time may be authorized to be incurred. The lack of a detailed lost time policy and the union's failure to keep sufficient records to support the lost time payments prevented OLMS from verifying that the payments that must be included in Item 24 of Local 3695's Form LM-3 are the authorized amounts and, therefore, were correctly reported. The union must keep a record, such as meeting minutes, to show the current lost time policy authorized by the entity or individual in the union with the authority to establish a lost time policy.

#### 4. Failure to Record Receipts

Local 3695 did not record in its receipts records \$800 and \$1,000 payments received that were included on bank statements for the months of March 2008 and April 2008, respectively. 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.

#### 5. Incomplete Receipts Information

Entries in Local 3695's receipts journal reflect only the date the union deposited money, but not the dates money was received, the sources of the money, or the amounts of money received. In order to accurately report receipts on the LM

report, the union must maintain at least one record documenting the date, source, and amount of receipts. 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 the monies. For example, the January 2009 dues check totaling \$1,357.60, received on an unknown and unrecorded date, was recorded in the union's receipts journal for February 2009, and was not deposited into the union's bank account until March 11, 2009.

6. Inaccurate Check Dates and Check Numbers

Local 3695 recorded in its ledger inaccurate dates or check numbers for checks totaling \$2,303.83. For example, the ledger indicates that the first check written in February 2009 was check number |||| (\$184.70), but the union's canceled checks show that check number |||| (\$40) was the first February check written. The ledger indicates that the last check written in February 2009 was check number |||| (\$40), but the union's canceled checks show that check number |||| (\$10.56) was the last February check written. The union's records must accurately reflect the proper check dates and check numbers. If Local 3695 uses the ledger to prepare its LM report, then the failure to record the proper dates of checks could result in the union reporting some disbursements for a different year than that in which they were actually made.

7. Officer Reimbursed Expenses

Local 3695 did not retain adequate documentation for reimbursed expenses incurred by union officers totaling at least \$93.32. For example, the union failed to maintain any receipts whatsoever for the following reimbursed expense disbursements:

| Check No. | Check Date | Amount  | Payee             |
|-----------|------------|---------|-------------------|
|           | 6/11/2008  | \$30.00 | Alfreda Baldridge |
|           | 9/10/2008  | \$5.35  | Curtis Crumbley   |
|           | 10/29/2008 | \$10.00 |                   |
|           | 11/12/2008 | \$7.41  | Curtis Crumbley   |
|           | 1/13/2009  | \$30.00 | Alfreda Baldridge |
|           | 2/11/2009  | \$10.56 |                   |

As previously 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.

8. Disbursements to Outside Parties

Local 3695 did not obtain or retain adequate documentation for checks written to outside parties totaling at least \$3,245. For example, check number ||| was issued to ||| in the amount of \$500, but no receipts or billing statements were retained in support of those payments. Local 3695 must maintain records to verify, clarify, or explain 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. Furthermore, labor organizations must maintain 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.

9. Information Not Recorded in Meeting Minutes

During the audit, you and Ms. Baldrige advised OLMS that all disbursements except for lost time payments, officer stipends, and dues reimbursements to stewards, must be authorized by the membership at a membership meeting prior to the disbursements being made. If there is no quorum at the membership meeting, then the executive board can authorize the disbursement at their next meeting. You and Ms. Baldrige also advised that membership meeting minutes were not maintained because a quorum was not met for any membership meeting during the audit year. A review of the executive board meeting minutes disclosed a failure to provide accounts of all disbursements authorizations. For example, authorizations for disbursements totaling \$3,200 made to the union's accountant, William Gamage, were not included in meeting minutes. Minutes of all membership and executive board meetings must clearly and accurately report any disbursements authorizations made at those meetings.

10. Surety Bond

Local 3695 was initially unable to provide any evidence of its surety bond because it did not maintain a copy of the bond. As a result, the union was not aware that it had a bond until notified by AFSCME Council 25. The local subsequently provided OLMS with a copy of the bond, which they obtained from AFSCME Council 25. As noted above, labor organizations must maintain all records used or

received in the course of union business, including labor organization surety bond certificates.

Based on your assurance that Local 3695 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 3695 for the fiscal year ending February 28, 2009, was deficient in the following areas:

#### 1. Disbursements to Officers

Local 3695 did not report the names of some officers and the total amount of payments to them or on their behalf in Item 24 (All Officers and Disbursements to Officers). The union must report in Item 24 all persons who held office during the year, regardless of whether they received any payments from the union.

In addition, the local failed to report in Item 24 food allowances and dues reimbursements totaling \$1,505 that were paid to you and Chief Steward Evelyn Ervin. The union also failed to report salaries totaling \$80 and dues reimbursements totaling \$480 to Executive Board Member-at-Large Claudine Jemison in Item 24. The union must report in Column (D) the gross salary paid to officers (before tax withholdings and other payroll deductions), including disbursements for "lost time" or time devoted to union activities. The union must report in Column (E) the total of all other direct and indirect disbursements to each officer other than salary, including allowances, disbursements which were necessary for conducting official business of your organization, and disbursements essentially for the personal benefit of the officer and not necessary for conducting official business of your organization.

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 for room rent charges only) or for transportation by a public carrier (such as an airline) for an officer traveling on union business may be reported in Item 48 (Office and Administrative Expense).

2. Disbursements to Employees

Local 3695 failed to report disbursements totaling \$3,360 to seven stewards in Item 46 (To Employees). Employees include individuals other than officers, including those who receive lost time payments, who perform services for, and under the control of, the union, even if the labor organization does not otherwise consider them to be employees or does not make any other direct or indirect disbursements to them.

3. Receipts and Disbursements

The total receipts reported in Statement B, Item 44 (Total Receipts), and the total disbursements reported in Statement B, Item 55 (Total Disbursements), do not match the total figures in the union's records. The local must accurately report total receipts and total disbursements on its LM-3 report.

The instructions for Statement B (Receipts and Disbursements) of Form LM-3 state that receipts must be recorded when money is actually received by the labor organization and disbursements must be recorded when money is actually paid out by the labor organization. Transfers between separate bank accounts or between special funds of your organization, such as vacation or strike funds, do not represent the flow of cash in and out of your organization. Therefore, these transfers should not be reported as receipts and disbursements of your organization.

I am not requiring that Local 3695 file an amended LM-3 report for fiscal year ending February 28, 2009, to correct the deficient items. Local 3695 has agreed to properly report the deficient items on all future reports it files with OLMS.

### Other Issues

#### 1. Expense and Dues Reimbursement Policies

As I discussed with you during the exit interview, the audit revealed that Local 3695 does not have clear, written policies regarding dues reimbursements, the types and amounts of expenses officers and employees may claim for reimbursement, and the documentation required for such claims. OLMS recommends that the union adopt clear written guidelines concerning such matters, and ensure that there is a full understanding of those guidelines either by inclusion in either the union's constitution and bylaws or the minutes from the meeting(s) at which those guidelines are approved.

#### 2. Vouchers

Another financial safeguard that Local 3695 should consider is to require the preparation of a payment voucher prior to issuing a union check. Payment vouchers normally contain an explanation of the disbursement being made. Invoices, bills, receipts, etc., that are being paid are normally attached to the payment voucher. Even where supporting records are not attached, the explanation included on the voucher may be useful in providing documentation concerning a particular disbursement represented by a canceled check.

#### 3. Separate Receipts and Disbursements Journals

The audit disclosed that Local 3695 keeps a combined receipts and disbursements journal. I recommend that Local 3695 maintain a separate receipts journal which lists in chronological order all income transactions during each month. A twelve-month summary ledger should also be maintained to accumulate the monthly cash receipts totals. I also recommend that Local 3695 maintain a separate disbursements journal which lists in chronological order all disbursements during each month. A twelve-month summary ledger should also be maintained to accumulate the monthly disbursements totals. Both the receipts and disbursements summary ledgers would facilitate the preparation of the union's annual financial report that it is required to file with OLMS.



4. Account Signatories

The audit disclosed that Chief Steward Evelyn Ervin is listed as a signatory on Local 3695's checking account. If Ms. Ervin, who used to be the president of the union, is not supposed to have access to the union's bank accounts, then Local 3695 should take immediate steps to remove Ms. Ervin as a signatory on the accounts, and ensure that only the current, appropriate officers are listed as signatories in the future.

5. Frequency of Deposits

The audit revealed that Secretary Treasurer Baldrige holds all money received by the union for an indefinite amount of time, sometimes lasting over one month, until she makes the bank deposit. OLMS recommends that Local 3695 consider requiring its secretary treasurer to make regular, frequent deposits of dues and other union funds to the union's bank account. The secretary treasurer should identify each deposit with a specific set or time period of receipts in the union's receipts journal to make the relationship between receipts and bank deposits perfectly clear and easily verifiable.

I want to extend my personal appreciation to AFSCME Local 3695 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

cc: Alfreda Baldrige, Secretary Treasurer