

U.S. Department of Labor

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January 11, 2010

Mr. Alan Lee, Interim Executive Director
State and Municipal Employees, Leadership Council 76
9351 Grant Street, Suite 275
Thornton, CO 80229

LM File Number: 519-038
Case Number: [REDACTED]

Dear Mr. Lee:

This office has recently completed an audit of State and Municipal Employees, Leadership Council 76 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 Cheryl Huchison on January 8, 2010, 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 Leadership Council 76's fiscal year 2008 records revealed the following recordkeeping violations:

General Reimbursed and Credit Card Expenses

Leadership Council 76 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by [REDACTED] and [REDACTED] totaling at least \$1,000. For example, [REDACTED] incurred one undocumented expense of \$800.62 on his union credit card. [REDACTED] was paid for three undocumented expense reimbursements. [REDACTED] received \$100 on July 25, 2008, \$66.72 on February 29, 2008 and \$47.23 on April 11, 2008.

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.

The union was also missing several cancelled checks for disbursements to AFSCME District Councils. Based on your assurance that Leadership Council 76 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 Leadership Council 76 for fiscal year ending December 31, 2008 was deficient in the following areas:

1. 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. Leadership Council 76 amended its constitution

and bylaws in 2001, but did not file a copy with its LM report for that year. Leadership Council 76 has now filed a copy of its constitution and bylaws.

2. Officers and Employee Expenses

Leadership Council 76 did not include an accurate total for one employee in Schedule 12 (Disbursements to Employees).

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.

Leadership Council 76 did not include fixed assets on the LM-2 report for fiscal year 2008, despite the fact that the union's LM-2 report for fiscal year 2007 listed \$9,283 in fixed assets at the end of the year. The union must include a fixed assets schedule and entry in the LM-2 report, which shows how the fixed assets were maintained or disposed of.

Leadership Council 76 must file an amended Form LM-2 for fiscal year ending December 31, 2008, to correct the deficient items discussed above. 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 February 11, 2010. Before filing, review the report thoroughly to be sure it is complete and accurate, and properly signed with electronic signatures.

Other Violations

The audit disclosed the following another violation:

Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds those individuals or their predecessors handled during the preceding fiscal year.

Leadership Council 76 officers and employees are currently bonded for \$100,000, but they must be bonded for at least \$100,177. Leadership Council 76 should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as possible, but not later than February 11, 2010.

I want to extend my personal appreciation to State and Municipal Employees, Leadership Council 76 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