



July 23, 2015

Ms. Wendy Nelson, President  
State, County, and Municipal Employees AFL-CIO Local  
412  
901 Post Road  
Madison, WI 53713-3260

Case Number: 320-6003542  
LM Number: 512623

Dear Ms. Nelson:

This office has recently completed an audit of State, County, and Municipal Employees AFL-CIO Local 412 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 Treasurer Kari Peterson on July 21, 2015, 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 412's 2012, 2013, and 2014 records revealed the following recordkeeping violations:

1. Disbursements to Vendors, General Reimbursed Expenses, and Officer Allowances

Local 412 did not retain adequate documentation for disbursements to vendors and payments to you, Ms. Peterson, other officers, and members totaling at least \$3,393 in

2012, \$2,936 in 2013, and \$907 in 2014. For example, no supporting documentation was retained for a \$305.36 check issued to OfficeMax on February 14, 2012 for supplies. An undated entry in Local 412's general ledger indicated that the check was for a \$54.93 payment to "Sarah" for "supplies." In addition, no supporting documentation was retained for reimbursements totaling \$1,960 made to Ms. Peterson, Secretary Rhiannon Wiegel, and members [REDACTED] and [REDACTED] for the 2013 AFSCME Wisconsin Council 40 Conference Entries in Local 412's general ledger indicated that the reimbursements were for a \$1,000 payment to Ms. Peterson for "4 hotel rms for conf.," and \$240 payments to all four individuals for "conf. money."

As another example, Local 412 did not retain itemized meal receipts for meal expenses totaling at least \$401. In addition, Local 412's records of meal expenses did not always include written explanation of union business conducted or the names and titles of the persons incurring or receiving the benefit of the restaurant charges. For example, a receipt retained for a \$35.30 meal expense incurred by Ms. Peterson at Little Caesar's in Madison, WI on October 15, 2014 did not include the nature of the union business conducted and the full names and titles of those present on the receipt.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. Itemized receipts provided by restaurants to officers and employees must be retained. 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. Records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses. 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. Failure to Record Receipts and Receipt Dates not Recorded

Local 412 did not record in its receipts records some dues checkoff payments received from AFSCME Wisconsin Council 40 and a payment from an unknown source totaling at least \$1,172. At the opening interview, Ms. Peterson produced twelve dues checkoff checks Local 412 received from AFSCME Wisconsin Council 40 in 2013 and 2014 totaling \$922.44 that had not been deposited or recorded in Local 412's general ledger. In addition, no receipt records were retained for a \$250.43 deposit made on January 3, 2012. 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.

The audit revealed that Local 412 failed to record the date of receipt in its general ledger for some union receipts totaling \$1,172.83. In other instances, entries in Local 412's general ledger for dues checkoff checks and miscellaneous receipts reflect the date money was deposited and do not identify the date the money was received. Union receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify

amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-3. The LM-3 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. 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 them.

3. Lack of Dues Allowance Authorization

Local 412 did not maintain records to verify that the officer dues allowances reported in Item 24 (All Officers and Disbursements to Officers) of the LM-3 was the authorized amount and therefore was correctly reported. During the opening interview, Ms. Peterson stated that she did not know where the authorization for the officer dues allowance came from, but that it was in place before she took over as Local 412's treasurer in 2011. The audit did not reveal any documentation in Local 412's records authorizing the officers to be paid an officer dues allowance. The union must keep a record, such as meeting minutes, to show the current salaries and/or allowances for officers and employees as authorized by the entity or individual with the authority to establish salaries and/or allowances.

4. Failure to Retain Voided and Unused Checks

The audit revealed that Local 412 failed to retain three voided checks during 2012, one voided check during 2013, and fifteen blank checks during 2014. During the exit interview, Ms. Peterson stated that she ripped up the checks that were voided in 2012 and 2013 but does not know what happened to the missing blank checks. As a general rule, all types of records created or used in the normal course of doing union business must be maintained by the union for five years.

Based on your assurance that Local 412 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 Reports (Form LM-3) filed by Local 412 for the fiscal years ended (FYE) December 31, 2012 and December 31, 2013 were deficient in the following areas:

1. Disbursements to Officers

Local 412 did not include some dues allowances and reimbursed expenses to Ms. Peterson and Ms. Wiegel totaling at least \$1,519 in 2012 and to you, Ms. Peterson, Ms. Wiegel, and Vice President John Foster totaling at least \$1,741 in 2013 in the amounts reported in Item 24 (All Officers and Disbursements to Officers), Column E (Allowances and Other Disbursements). Local 412's disbursements records for 2012 indicate that Ms. Peterson and Ms. Wiegel received reimbursed expenses and allowances totaling \$2,351; however,

the total amount reported in Column E of Item 24 for Ms. Peterson and Ms. Wiegel was \$832. Local 412's disbursements records for 2013 indicate that you, Ms. Peterson, Ms. Wiegel, and Mr. Foster received reimbursed expenses and allowances totaling \$3,040; however, the total amount reported in Column E of Item 24 for you, Ms. Peterson, Ms. Wiegel, and Mr. Foster was \$1,299. It appears the union did not report many of these payments and erroneously reported some of the payments in Items 48 (Office and Administrative Expense) and/or Item 54 (Other Disbursements).

In addition, Local 412 did not report Mr. Foster and the total amount of payments to him or on his behalf in Item 24 (All Officers and Disbursements to Officers) for 2013. 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.

The union must report most direct disbursements to Local 412 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. Statement A (Cash Balance)

It appears that the cash figures reported in Item 25 (A) (Cash, Start of the Reporting Period) and Item 25 (B) (Cash, End of Reporting Period) are not the figures according to Local 412 books after reconciliation to the bank statements for 2013. The cash balance as of January 1, 2013, as reconciled to the bank statements, was \$5,905.69; however, the cash reported in Item 22 (A) was \$4,629. The cash balance as of December 31, 2013, as reconciled to the bank statements, was \$5,757.15; however, the cash balance reflected in the union's general ledger and reported in Item 22 (B) was \$5,267. The audit revealed that the cash discrepancy at the start of the reporting period was due to un-deposited checks totaling \$1,276.37 from 2012 that were not included in Item 25 (A). The discrepancy at the end of the reporting period was due to un-deposited checks totaling \$489.61 from 2013 that were not included in Item 25 (B). 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.

Local 412 has filed an amended Form LM-3 for FYE December 31, 2013 that corrected the deficient items discussed above. I am not requiring that Local 412 file an amended LM report for 2012 to correct the deficient items, but Local 412 has agreed to properly report the deficient items on all future reports it files with OLMS.

### Other Violations

The audit disclosed the following other violation(s):

1. 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.

Local 412's officers and employees are currently not bonded, but they must be bonded for at least \$570. Local 412 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 August 4, 2015.

2. Failure to File

The audit also disclosed a violation of the LMRDA, which requires the president and treasurer, or corresponding principal officers, of each labor organization to file an annual financial report accurately disclosing the union's financial conditions and operations. Local 412 failed to file its annual financial report for FYE December 31, 2014 with OLMS by the due date required by Section 201(b) of the LMRDA. Section 201(b) requires that annual financial reports be filed within 90 days after the end of the labor organization's fiscal year. Local 412's fiscal year ends on December 31, and it must file its annual financial report by March 31 of each year (or by March 30 in a leap year).

Local 412 has now filed its annual financial report for FYE December 31, 2014.

### Other Issues

1. Overpayment of Reimbursed Expenses

The audit revealed that on April 18, 2012, Local 412 overpaid Ms. Peterson for hotel charges she and three other members of Local 412 incurred while attending the 2012 AFSCME Wisconsin Council 40 Conference at Lake Delton, WI. A review of Local 412's records revealed that Ms. Peterson was reimbursed a total of \$1,182.17 for "hotel reimbursement;" however, invoices obtained from the Wilderness Resort showed that the total room charges were \$1,180.30, not \$1,182.17. During the exit interview, Ms. Peterson stated that she did not know why she was overpaid and agreed to reimburse the \$1.87 overpayment.

The audit also revealed that on February 21, 2013, Local 412 overpaid Ms. Peterson for hotel charges she and three other members of Local 412 incurred while attending the 2013

AFSCME Wisconsin Council 40 Conference at Wisconsin Dells, WI. A review of Local 412's records revealed that Ms. Peterson was reimbursed \$1,000 for four rooms at the conference; however, invoices obtained from the Chula Vista Resort showed that the total room charges were \$847.44, not \$1,000. During the exit interview, Ms. Peterson stated that when she reserved the rooms she was told by a hotel employee that the total cost of the rooms would be \$1,000, so this is what she paid herself on February 21, 2013. Ms. Peterson also stated that she did not know why the total room charges were only \$847.44 and agreed to reimburse the \$152.56 overpayment.

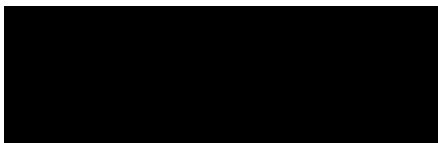
OLMS recommends that unions: (1) adopt a clear policy on reimbursed expenses; (2) establish what documentation is needed for an official to be reimbursed; and (3) establish a procedure that provides for review and approval of expense claims. Careful review of expense vouchers can help ensure adequate internal controls and safeguard union assets.

## 2. Missing Dues Checkoff Payments

The audit revealed that Local 412 has not deposited and has not recorded five dues checkoff checks totaling \$605.61 that were sent to Local 412 by AFSCME Wisconsin Council 40 in 2012 and 2014. During the audit, AFSCME Wisconsin Council 40 confirmed that none of these checks have cleared its bank. At the exit interview, Ms. Peterson stated that you and she have not been able to locate these checks and that you will contact AFSCME Wisconsin Council 40 to have them stop payment on the missing checks and issue new ones.

I want to extend my personal appreciation to AFSCME Local 412 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,

A large black rectangular redaction box covering the signature of the investigator.

Investigator

cc: Mrs. Kari Peterson, Treasurer