COUNCIL 2
WASHINGTON STATE
COUNCIL OF COUNTY AND CITY EMPLOYEES
AFSCME AFL-CIO

Affiliated with:
American Federation of State, County & Municipal Employees
Washington State Labor Council

CHRIS DUGOVICH President/Executive Director

May 21, 2019

Jael Komac President
Shayla Francis, Vice-President
Andrew Wojciechowski, Treasurer
Local 114 Executive Board
AFSCME WA Local 114
PO Box 1784
Bellingham, WA 98229

Re: AFSCME WA Local 114 - Affiliate Review

Jael, Shayla, Andrew and Local 114 Executive Board:

In accordance with Article IX, Section 31 of the International Constitution, AFSCME WA Council 2 has reached its preliminary findings of the affiliate review of AFSCME WA Local 114 based on the documentation you have provided. Council 2 Staff with the assistance of Todd M. Stokes, CPA, Partner of the firm Lindquist LLP, completed the work. We noted the following areas of concern during that process:

The difficulty in receiving the documents is outlined in attachment 1.

***Council 2 found significant wrongdoing in the lack of authorization of expenditures, failure to follow Local 114's own constitution, inconsistent record keeping and conducting union business (financial and otherwise) without a quorum. Therefore, a vast majority of expenditures were not properly approved.***

## Notable expenditures without authorization

1- Council 2 did not receive a copy of the lease that Local 114 has entered into for the office space at the Teamsters building on State street. The documents we received indicated a rent payment of $2,700 per-year (terms of the lease is unknown).
2- On February 20, 2019 an $11,007 payment was made to attorney Nick Powers and an additional $1,000 on 3/15/2019. There aren't any minutes to account for this expense, although there are signing sheets of meetings that took place in February and March, which clearly show a quorum was not met. The local leadership to date is refusing to provide to Council 2 a copy of any retainer agreement or engagement letter that states future payments or costs. This could be a significant ongoing expense.
3- There are many individuals that received reimbursements that were not properly authorized (officers and executive board members).
4- **Money Transfers -** 3 Certificates of Deposit were cashed in February of 2019 and transferred to checking totaling $11,172.62. Savings Account Balance of $4,384.37 was also transferred to checking.

## Article VIII Section 2 – AFSCME Financial Standard Codes

Minutes are a record of the proceedings of the meeting. The minutes should note the date and time of the meeting, who attended the Executive Board meeting or which officers were present at the membership meeting, and identify who presided at the meeting.

The minutes must note what motions were made, including any and all financial authorizations, who made the motions, who seconded the motions and whether the motions passed. It is not necessary to write down everything that was said by the members. The minutes should document whether a quorum was present during the meeting. The minutes should also state whether the minutes of the previous meeting were read and approved and should note the time of adjournment. Sample format for minutes may be found in the back of the International Constitution.

## Local 114 Constitution

## Article VI – Meetings states:

Section 1 – Quorum. A quorum of the local shall consist of 7% of all the membership in good standing. A quorum of any committee shall consist of a majority of the committee members present and voting. A quorum of the executive board shall consist of a majority of the filled positions of said board present and voting.

## Quorum of Members Definition

The minimum number of members who must be present at the meetings of a deliberative assembly for business to be legally transacted is the quorum of an assembly.

The requirement of a quorum is a protection against totally unrepresentative action in the name of the body by an unduly small number of people (Robert Rules of Order 10th edition).

## Article VII:

## Duties of the President

*Prepare an annual budget and submit it to the local executive board no-later than November 30th of each year to be approved by the membership.*

## Duties of the Secretary

*Section 3 – Secretary shall keep record of the proceedings of all membership meetings and of all executive meetings.*

## Duties of the Secretary

*Section 3 – The Treasurer shall:*

*B – Deposit all money so received in the name of the local in a bank or banks selected by the executive board, and money so deposited shall be withdrawn only by check signed by the president and the treasurer, except as otherwise provided herein.*

*C – Prepare and sign checks for such purposes as are required by the constitution or are authorized by the membership or the executive board.*

Also, Section 7 states:

**<u>Duties of Executive Board</u>**

*Approve the local's annual budget prior to the presentation to the membership for their approval.*

**While budgets were discussed in executive board meetings there is no evidence that they were presented to the general membership at a local union meeting for approval. There is also the lack of quorums.**
**This means no expenditures were approved by passing a budget.**
**Please note, even if the budget had been approved properly, the 2018 budget found was for $14,800; however, 2018 expenditures totaled $22,375**

Due to the lack of quorums and/or an approved budget there are a significant number of expenditures that were not authorized. Council 2 needs to meet with the officers to review this list. Unauthorized reimbursements may need to be paid back to the local union by the recipient or officers pursuant to AFSCME Judicial Panel decisions.

While union dues reimbursements for officers are allowed under Local 114's constitution, there seems to be a belief that if they call it mileage payroll taxes do not need to be withheld. **<u>Without proof of mileage backup this is an IRS code violation, withholding taxes would apply along with the proper reporting.</u>**

**<u>Article IX - Expenditure Authorizations states:</u>**

Expenditures shall be authorized for payment by annual budget approval by the membership giving the local treasurer authority to spend up to the budgeted amount per line item. The approved budget shall be accompanied by an explanation of each budgeted item. Non-budgeted items over five hundred dollars ($500.00) may be approved only by the membership. In the absence of an approved budget or for any non-budgeted items, up to five hundred ($500.00) per item may be authorized by the executive board.

***In the absence of a budget (which is the case without quorums) the executive board can only authorized expenditures not to exceed $500.00. There is a list of reimbursements to officers or attendees to conferences, conventions and other items that exceed the $500.00 limit.***

This audit has brought to light significant problems and unauthorized expenditures. Council 2 would like to meet with officers of Local 114 as soon as possible to review expenditures authorizations.

Despite the warning from our General Counsel about missing documents and the supplemental information provided by Local 114, required information is still missing.

**<u>Strong Recommendations</u>**

1- No expenditures by Local 114 of any nature should occur until these issues are resolved.
2- Meetings need to occur between Council 2 and the individuals in regards to the unauthorized reimbursements. These will be individual meetings with Council 2 staff and/or our auditors.

In Solidarity,

Chris Dugovich
President/Executive Director
Washington State Council of
County and City Employees
AFSCME, AFL-CIO

cc: Ron Fredin, Council 2 Vice-President
Kathleen McConnell, Council 2 Secretary-Treasurer
Ed Stemler, Council 2 General Counsel
J. Pat Thompson, Council 2 Deputy Director

**Attachment 1**

- Financial Documents and minutes for the local were requested on April 12th with a deadline of April 17th
- Upon request an extension of delivering the documents was set to April 29th.
- Documents were picked up at the Library in Bellingham on April 29th at 7:15pm by Barbara Corcoran, Council 2 Business Manager from President Jael Komac, Sergeant at Arms Rene Sandoval was also present.
- Upon review of the documents received it was found that key information for the audit review was missing, there weren't any ledgers/check registers and front/back copies of the checks.
- Ed Stemler, General Counsel of Council 2 on May 2 emailed Local 114's leadership informing that they were not in compliance with the audit review request as information was missing in order to perform the audit.
- Financial Ledgers/Registers, copies of the checks, bank statements for Savings and CD's accounts were received via email on May 6th from Local 114 Treasurer Andrew Wojciechowski.
- As of today, May 15th, we have yet to receive any contractual agreements that would outline local 114's commitments and open-ended financial responsibilities. For example, the lease agreement and the agreement to pay legal fees to two attorneys in Friday Harbor, Nick Powers and James Grifo.