



June 16, 2014

Mr. Brian Baumann, Secretary-Treasurer
SPFPA Local 110
8365 Navilleton Road
Floyds Knobs, IN 47119

Case Number: 350-3502405 [REDACTED]
LM Number: 002034

Dear Mr. Baumann:

This office has recently completed an audit of SPFPA Local 110 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 on March 10, 2014, 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 110's 2013 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 110 did not retain adequate documentation for reimbursed expenses incurred by the secretary treasurer and president totaling at least \$213.89. For example, check [REDACTED] on 4/1/13 and check [REDACTED] on 8/13/13.

As 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.

2. Reimbursed Auto Expenses

Gary Meredith, who received reimbursement for business use of his personal vehicle, did not retain adequate documentation to support payments to him totaling at least \$306.00 during 2012. The union must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The record must also show the business purpose of each use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses.

3. Lost Wages

Local 110 did not retain adequate documentation for lost wage reimbursement payments to Gary Meredith, Dale Embry, Phil Chodynieski, William Staten, Brian Baumann, and Jason Rader on at least 10 occasions totaling \$4,944.39. 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 110 did not provide any lost time vouchers. Only the dates the lost wages were incurred were annotated on the memo of the checks.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, that contained a sample of an expense voucher Local 110 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.

4. Lack of Salary Authorization

Local 110 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 was the authorized amount and therefore was correctly reported. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries. During the exit interview, I provided a compliance tip sheet, *Authorization of Salary and Paid Leave for Union Officials*, which can provide you with more information.

5. Information not Recorded in Meeting Minutes

Local 110 did not maintain minutes of all membership and executive board meetings. Disbursements were made with check [REDACTED] for reimbursement of refreshments provided at an executive board meeting on 5/17/12, and check [REDACTED] for reimbursement of dinner

provided at an executive board meeting on 10/15/12. Meeting minutes were not provided for either of these dates.

During the audit, Mr. Baumann advised that large and unusual disbursements must be authorized by the membership. Disbursements were made to AT&T on 5/11/12 for \$507.72, as well as disbursements to Office Depot on 11/19/12 for \$428.35 and 1/22/13 for \$115.52 but there was no mention of these disbursements in the meeting minutes provided by Local 110. Furthermore, it was noted in the meeting minutes that the secretary-treasurer's financial report was forgone entirely in each meeting. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

6. Failure to Record Receipts

Local 110 did not maintain some employer dues checkoff records. For example, dues checkoff records from the employer Securitas were not provided for the months of April, May, June and August 2012, as well as the checkoff records for July 2012 from the employer Paragon. Members of Local 110 sometimes pay membership fees directly to the union. The local did not retain receipt records for new members' initiation fees paid directly to the union during the audit period. Deposit records show three cash deposits of \$100.00, \$40.00 and \$40.00, and three personal check deposits of \$127.56, \$40.48, and \$40.00. None of these deposits had supporting documentation. 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.

OLMS recommends that Local 110 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.

Based on your assurance that Local 110 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 violations 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 110 for the fiscal year ended March 31, 2013, was deficient in the following areas:

1. Disbursements to Officers

Local 110 did not include some indirect disbursements to officers totaling at least \$2,906 for cell phone payments in the amounts reported in Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48.

The union must report most direct disbursements to Local 110 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 cell phone 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).

Local 110 also failed to properly separate disbursements to officers into Item 24, Column D (Gross Salary) and Item 24, Column E (Allowances and Other Disbursements). It appears the union erroneously combined all direct disbursements to officers in Item 24, Column D.

2. Professional Fees

Local 110 did not include disbursements to outside accounting services totaling at least \$880 in Item 49 (Professional Fees). It appears the union erroneously reported these payments in Item 48 (Office and Administrative Expense).

The union must report Local 110's total disbursements for "outside" legal and other professional services (auditing, accounting, economic research, computer consulting, arbitration, etc.). This should include any disbursements made for the expenses of individuals or firms providing professional services to your organization. This does not include direct and indirect disbursements to officers and employees which must be reported in Items 45 (Cash Disbursements to Officers) and 46 (Cash Disbursements to Employees).

I am not requiring that Local 110 file an amended LM report for 2013 to correct the deficient items, but Local 110 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Signing Blank Checks

During the audit, you advised that the secretary-treasurer signs blank checks. Your union's bylaws require that all checks be signed by the president and treasurer. The two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 110 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to SPFPA Local 110 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: Mr. Gary Meredith, President