



July 27, 2016

Mr. Horace M. Parker, Treasurer  
National League of Justice and Security Professionals  
PO Box 129  
Dover, PA 17315

Case Number: 450-6006455  
LM Number: 544-786

Dear Mr. Parker:

This office has recently completed an audit of National League of Justice and Security Professionals (NLJSP) 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 July 19, 2016, 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 NLJSP 2015 records revealed the following recordkeeping violations:

1. Information Not Recorded in Meeting Minutes

During the audit, Mr. Parker advised OLMS that the membership authorized union expenditures and officers' salaries at their membership meetings. However, the minutes of the meetings do not contain some financial details of expenditures made and

authorizations for those expenditures. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

## 2. Lack of Salary Authorization

NLJSP 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.

## 3. Failure to Maintain Salary Records

The audit revealed that the NLJSP did not always pay the salaries due to the officers on time as the union did not always have sufficient funds to do so. The union did not maintain sufficient records of the salary owed to these officers. The union must keep a record to show the outstanding amount owed to each other. The amount of salaries outstanding should also be reported in Item 35 (Other Liabilities) on the LM-3.

## 4. Failure to Maintain Receipt Records

NLJSP failed to maintain some employer dues check-off lists and deposit slips. Union receipts records must include an adequate identification of each receipt of money. The records should show the exact date that the money was received, the identity of the source of the money, and the individual amount received from each source.

## 5. General Reimbursed and Check Card Expenses

NLJSP did not retain adequate documentation for reimbursed expenses and check card charges incurred by union officers. For example, there were some missing receipts for disbursements to wireless services, webhosting services, gas stations, and some other vendors.

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.

## 6. Meal Expenses

NLJSP did not require officers to submit itemized receipts for meal expenses. The union must maintain itemized receipts provided by restaurants to officers. 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.

In addition, NLJSP records of meal expenses charged to the union check card did not always include a written explanation of the union business conducted or the names and titles of the persons incurring the restaurant charges. For example, in the sample audit period, approximately \$206 was charged at IHOP, Villa Pizza, Fish Market, Silver Diner, and other restaurants with no receipts. Union 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.

## 7. Disposition of Property

NLJSP did not maintain an inventory of shirts the union purchased, sold, or gave away. The union must report the value of any union property on hand at the beginning and end of each year in Item 30 (Other Assets) of the LM-3. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 30. The union must record in at least one record the date and the amount received from each sale of the union hats, shirts, and other items and the source of those funds.

Based on your assurance that NLJSP 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 NLJSP for the fiscal year ended June 30, 2015, was deficient in the following areas:

#### 1. Officer Salaries

NLJSP failed to properly record the officers' gross salaries in Item 24, Column D (Gross Salary) totaling at least \$13,562.

The union must report the gross salary of each officer before tax withholdings and other payroll deductions in Item 24 (All Officers and Disbursements to Officers). Include disbursements for "lost time" or time devoted to union activities.

#### 2. Disbursements to Officers

NLJSP did not include all the reimbursements to officers in the amounts reported in Item 24 (All Officers and Disbursements to Officers). Several union officers incurred travel expenses, meals, parking, and expenses for union cell phones and other expenses during the audit year, but these expenses were not reported next to their name in Item 24, Column E (Allowances and Other Disbursements). Such payments appear to have been erroneously reported in Item 48 (Office and Administration Expenses).

The union must report most direct disbursements to NLJSP 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. An "indirect disbursement" to an officer is a payment to another party (including check card companies) 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).

3. Cash Reconciliation

The cash figures reported in Item 25 (Cash) are not the cash figures according to the union's books after reconciliation to the bank statements. 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.

4. Total Receipts and Disbursements

The total receipts and disbursements reported in Item 44 (Total Receipts) and Item 55 (Total Disbursements) do not match the total figures calculated during the audit. The local must accurately report total receipts and total disbursements on its LM-3 report. NLJSP reported on the 2015 LM-3 \$46,450 in total receipts. OLMS calculated \$50,572, a difference of \$4,122 more in receipts. NLJSP reported \$56,425 in total disbursements on their LM-3 and OLMS calculated \$50,460, a difference of \$5,965.

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 union and disbursements must be recorded when money is actually paid out by the union. 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.

5. Acquire/Dispose of Property

Item 13 on the LM-3 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered, "Yes," because the union gave away t-shirts during the year. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

6. Loans Payable

NLJSP failed to properly report loans it received from President Ronald Mikell totaling \$4,000 during the audit period. The loans should be reported in Item 33 (Loans Payable) and in Item 43 (Other Receipts) on the LM-3.

7. Failure to File Bylaws

The audit disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its constitution and bylaws with its LM report. NLJSP did not file a copy of its bylaws; however NLJSP has now filed a copy of its constitution and bylaws.

NLJSP must file an amended Form LM-3 for fiscal year ending June 30, 2015, to correct the deficient items discussed above. I encourage NLJSP to complete, sign, and file its report

electronically using Electronic Forms System (EFS) available at the OLMS website (www.olms.dol.gov). The amended Form LM-3 should be filed electronically no later than August 19, 2016 or submitted to this office at the above address by the same date. Before filing, review the report thoroughly to be sure it is complete and accurate. If a paper report is filed, the report must be signed with original signatures.

#### Other Issues

##### Expense Policy

As I discussed during the exit interview, the audit revealed that NLJSP does not have a clear policy regarding the types of expenses officers may claim for reimbursement, such as cell phones. OLMS recommends that unions adopt written guidelines concerning such matters.

I want to extend my personal appreciation to National League of Justice and Security Professionals 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. Ronald A. Mikell, President