



March 24, 2017

Mr. Richard Krafty, Financial Secretary  
Security, Police and Fire Professionals of America  
(SPFPA)  
Local Union 131  
616 Summerfield Place  
Huron, Ohio 44839

Case Number: 350-6009500 [REDACTED]  
LM Number: 512864

Dear Mr. Krafty:

This office has recently completed an audit of 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 February 17, 2017, 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 131's 2016 records revealed the following recordkeeping violations:

1. Fixed Assets

Local 131 did not maintain an inventory of all assets. In addition, no inventory was maintained of newly purchased assets. The union failed to properly report assets on the LM-3 report. 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 also 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.

2. Lack of Salary Authorization

Local 131 did not maintain records to verify that your salary was authorized amount. 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. There was no documentation on file approving the allowance. You must receive approval from the membership for this monthly allowance at the earliest opportunity. This approval must be recorded in the local's minutes. You agreed to raise the issue at the next membership meeting and also agreed to send a copy of the minutes to OLMS.

Based on your assurance that Local 131 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 Local 131 for the fiscal year ended March 31, 2016, was deficient in the following areas:

1. Disbursements to Officers

Local 131 did not report the names of some officers, i.e., financial secretary and trustee, and the total amounts of payments to them or on their behalf in Item 24 (All Officers and Disbursements to Officers). 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 131 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. Cash Reconciliation

The reported cash figures on your completed LM-3 report failed to reconcile by approximately \$250. This cash reconciliation error is likely a result of the report also failing to disclose all payments to officers, as discussed above.

## 3. 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. Local 131 amended its constitution and bylaws in 2015, but did not file a copy with its LM report for that year.

Local 131 have now filed a copy of its constitution and bylaws.

I am not requiring that Local 131 file an amended LM report for 2016 to correct the deficient items, but Local 131 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, it was noted there were four instances where checks were electronic fund transfers at Walmart for supplies. Three of the checks had two signatures and one check had only one signature. It appeared that checks were being signed prior to the purchases because two officers were not present during the purchase of the supplies. 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 131 review these procedures to improve internal control of union.

#### 2. Checks Written to Cash

Local 131 wrote three checks to cash during the fiscal year ending March 31, 2016. These checks were endorsed by [REDACTED], who is also a signatory on the union's sole checking account. Queen distributed the cash to the members as indicated on the memo of the checks but the member did not sign for the cash. The union has agreed to not disburse

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cash to members and officers. Local 131 will instead issue gift cards to members. The union was instructed to maintain supporting documentation for the purchase of the gift card and obtain a signature of the recipient.

I want to extend my personal appreciation to 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 solid black rectangular box redacting the signature of the investigator.

Investigator

cc: James Lochotzki, President