



February 20, 2018

Mr. Lawrence Smith, Treasurer
Court Security Officers Association
[REDACTED]

Case Number: 110-6011867 [REDACTED]
LM Number: 542-323

Dear Mr. Smith:

This office has recently completed an audit of Court Security Officers Association under the Compliance Audit Program (CAP) to determine your organization's compliance with the provisions of the Civil Service Reform Act of 1978 (CSRA), 5 U.S.C. 7120, and the Department's regulations, 29 CFR 458. As discussed during the exit interview on January 26, 2018, 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 of the LMRDA and Title 29 of the Code of Federal Regulations (C.F.R.) Section 403.7 require, among other things, that labor organizations maintain adequate records for at least five years after reports are filed by which the information on the reports can be verified, explained and clarified. Pursuant to 29 C.F.R. Section 458.3, this recordkeeping provision of the LMRDA applies to labor organizations subject to the requirements of the Civil Service Reform Act of 1978 (CSRA) as well. Therefore, as a general rule, labor organization must retain 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 Court Security officers Association's 2016 records revealed the following record keeping violations:

1. Lost Wages

CSOA did not retain adequate documentation for lost wage reimbursement payments to union officers and employees totaling at least \$2,796.00. 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 CSOA retained the amount on the checks, check numbers, and the payee in the union books. However, CSOA did not retain lost wage vouchers or lost time reports that contained any memos identifying the purpose of union business conducted on behalf of the employee.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments* that contained a sample of an expense voucher CSOA may use to satisfy this requirement. The sample identifies the type of information and documentation that CSOA must maintain for lost wages and other officer expenses.

2. Failure to Record Receipts

CSOA did not record in its receipts records some employer dues checkoff checks and some checks received from membership dues direct pay, totaling at least \$10,160.00. For example, between September 2016 and December 2016, Walden Security employer dues checkoff checks were not recorded in the unions books. CSOA union books were also missing seven checks received for membership dues paid directly between June 2016 and August 2016.

CSOA also did not properly record the collection of checks and cash donated by members for a memorial scholarship in the amount \$1,400.00.

Union receipt records must include an adequate identification of all money the union receives. The records should show the date and the amount received, and the source of the money.

3. Failure to Record Disbursements

With respect to the \$1,400.00 memorial scholarship, CSOA did not accurately record the disbursement amount, payable to Tom Diozzi on check number 365. Members of CSOA collected a combination of checks and cash which were provided to current Treasurer, Lawrence Smith. Prior to issuing check number [REDACTED] to Diozzi, the officers of CSOA contributed an additional \$245.00 to the memorial scholarship, increasing the donation's amount to \$1,400.00. The union books revealed that check number [REDACTED] was inaccurately recorded as a \$245.00 disbursement instead of a \$1,400.00 disbursement.

Failure to properly record the amount received in donations and failure to record the exact amount disbursed for check number [REDACTED] has created an offset of receipts against disbursements, also known as "netting".

CSOA must record all cash flowing in and out of the labor organization, "netting" is not permitted. "Netting" is the offsetting of receipts against disbursements and recording only the balance (net) as either a receipt or disbursement. Union disbursement records must also include the accurate amount and adequate identification of all money paid out by the labor organization.

Based on your assurance that CSOA will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violations

Pursuant to 29 C.F.R., Section 458.3, the reporting requirement under 29 C.F.R. Section 403.2 (see Section 201(b) of the Labor-Management Reporting and Disclosure Act (LMRDA)) is made applicable to labor organizations subject to the requirements of the CSRA. This provision requires labor organizations to file annual financial reports that accurately disclose their financial condition and operations. The audit disclosed a violation of this requirement. The Labor Organization Annual Report LM-3 filed by CSOA for the fiscal year ended December 31, 2016, was deficient in the following areas:

1. Disbursements to Officers

CSOA did not report the names of some officers and the total amounts of payments to them or on their behalf in Item 24 (All Officers and Disbursements to Officers). For example, former President, [REDACTED] and former Treasurer, [REDACTED] held office at some point during audit period 2016. Between January 1, 2016 and July 19, 2016, [REDACTED] was paid \$992.90 and [REDACTED] was paid \$750.00. The disbursements to both officers, which totaled \$1,742.90, were not reported.

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 CSOA 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. Disbursements to Employees

CSOA did not enter the total amounts of all employee salaries and allowances for conducting union business during the reporting period on Item 46 of the LM-3 (Cash Disbursements to Employees). For example, the disbursement of a \$300.00 check to union steward, [REDACTED] not reported on the annual LM-3. [REDACTED] and [REDACTED] each received a \$50.00 check for cleaning; both disbursements were also not reported.

The labor organization should include the total amounts of salaries and allowances to individuals other than officers who receive lost time payments even if the organization does not consider them to be employees or does not make any other direct or indirect disbursements.

3. Cash Reconciliation

CSOA erroneously received a \$10,000 deposit from current Treasurer Lawrence Smith. The \$10,000 transfer from his personal account was not recorded in the union books as a receipt but reported as a liability on item 35 (Other Liabilities) of the LM-3. As a result, the \$10,000 cash receipt was not properly reported on the LM-3, whereas it should have been filed under item 43 (Other Receipts). Failure to properly report this as a receipt has created a cash reconciliation error of approximately \$10,000.00.

CSOA must file an amended Form LM-3 for fiscal year ending December, 31 2016, to correct the deficient items discussed above. I advised you that the reporting forms and instructions are available on the OLMS website (www.olms.dol.gov). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but no later than March, 14 2018. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Issues

1. Duplicate Receipts

Members of CSOA pay dues directly to the union and by employee check-off. Lawrence Smith, current treasurer of CSOA records union dues payments in the union's receipts journal, but he does not issue receipts to dues payers.

OLMS recommends that CSOA 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.

Mr. Lawrence Smith

February 20, 2018

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I want to extend my personal appreciation to Court Security Officers Association 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 used to redact the signature of the investigator.

Investigator