



November 6, 2012

Ms. Elizabeth Patterson, Secretary-Treasurer
SPFPA Local 256

Case Number: [REDACTED]
LM Number: 021849

Dear Ms. Patterson:

This office has recently completed an audit of SPFPA Local 256 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, President Kevin Kirkpatrick, and Accountant Jay P. Hewitt on November 2, 2012, 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 256's fiscal year 2012 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 256 did not retain adequate documentation for debit and credit card expenses incurred by officers totaling at least \$647.75. For example, Former Secretary-Treasurer

██████████ failed to maintain receipts for three pizza purchases made in December of 2011 totaling about \$52. Another example is Vice-President Marty Johnson failed to maintain receipts of flower purchases made in May and October of 2011 totaling about \$153.

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. Meal Expenses

Local 256 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$42. The union must maintain itemized receipts provided by restaurants to officers and employees. 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.

Also, Local 256's records of meal expenses did not include written explanations of union business conducted and the names and titles of the persons incurring the restaurant charges. For example, none of the receipts from El Chico had a written explanation of union business conducted or the names and titles of the persons incurring the restaurant charges. 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.

3. Lost Wage Vouchers

Local 256 did not retain adequate documentation for lost wage reimbursement payments to union officers totaling at least \$5,000. 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 256 maintained lost wage vouchers, but that the officers did not identify the union business conducted on those vouchers.

4. Failure to Fully Record Receipts

Local 256 did not record the sources of initiation fees totaling \$100 in its receipts records. 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.

5. Other Missing Records

Local 256 failed to maintain the dues checkoff report for February of 2012. Local 256 failed to maintain the credit card bill for transactions made in November 2011. Local 256 must maintain all records in support of the information they report on their annual LM report.

Based on your assurance that Local 256 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 LM-3 filed by Local 256 for the fiscal year ended March 31, 2012, was deficient in the following areas:

1. Disbursements to Officers

Local 256 did not include some reimbursements to officers totaling at least \$1,767 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48 Office and Administrative Expenses.

The union must report most direct disbursements to Local 256 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. 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 256 amended its constitution and bylaws in 2011, but did not file a copy with its LM report for that year.

Local 256 has now filed a copy of its constitution and bylaws.

I am not requiring that Local 256 file an amended LM report for 2012 to correct the deficient items, but Local 256 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Budget

The audit revealed that Local 256's disbursements (expenditures) were greater than their receipts (income) for the past three years. OLMS recommends creating a budget to prevent that.

I want to extend my personal appreciation to SPFPA Local 256 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,

[REDACTED]

Senior Investigator

cc: Mr. Kevin Kirkpatrick, President
Mr. Marty Johnson, Vice-President
Mr. [REDACTED] Former Secretary-Treasurer