



July 15, 2015

Mr. Chad P. Wolf, President
Security Police, Fire Professionals Local 554
[REDACTED]

Case Number: 320-6003475 [REDACTED]
LM Number: 543343

Dear Mr. Wolf:

This office has recently completed an audit of Security Police, Fire Professionals Local 554 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 13, 2015, 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 554's 2014 records revealed the following recordkeeping violation:

Lack of Salary Authorization

Local 554 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.

During the opening interview, you stated that the monthly stipend for the president position was established in 2004 by Local 554's previous president; however, during the audit, former President [REDACTED] stated that he did not recall ever receiving a monthly salary or stipend. [REDACTED] only recalls Local 554 making payments to officers and members for per diem, lodging expenses, mileage, and lost wages when he was president. Furthermore, the audit revealed no documentation authorizing you to be paid a monthly stipend of \$150. During the exit interview, you stated that while you thought that you and [REDACTED] had discussed a monthly stipend, you cannot remember when such a discussion occurred; however, you did recall discussing a monthly stipend with the International Union's executive board in 2004 or 2005 and receiving approval to be paid the stipend. In addition, a review of Local 554's payroll records for the audit period showed that from April 2013 through October 2013, you were paid a monthly stipend of \$150, which was increased to \$250 a month in November 2013. During the audit, no documentation was found in Local 554's records authorizing your monthly stipend to be increased to \$250. During the exit interview, you stated that a large increase in Local 554's membership caused a correspondingly large increase in your duties as president, which is why you increased your monthly stipend. In addition, you stated that you called the International Union's treasurer, Dwight Duley, to get the increase approved and while you did not actually speak to Mr. Duley, his secretary told you that the increase was okay.

Local 554 should update its bylaws to reflect the policies currently followed by the union regarding officer compensation or document those current policies in another record, such as meeting minutes, that show the current salary for each officer that is authorized by the entity or individual with the authority to establish salaries. This can help ensure compliance with the LMRDA and to safeguard union assets. I would appreciate it if you would provide to me any records that document authorization of officer compensation at whatever time the union takes action to document such information.

Based on your assurance that Local 554 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violation.

Other Issues

1. Wage and Expense Policies

You advised at the opening interview that it is the practice of Local 554 to pay officers and members for any wages lost while conducting union business and to reimburse travel expenses, including lodging, per diem, and mileage, to officers and members that travel on union business. However, the audit revealed that the union does not have written policies that document its lost wage reimbursement policies. In addition, the union does not have documentation that clearly identifies its travel expense policies.

To ensure compliance with the LMRDA and to safeguard union assets by promoting transparency and accountability, labor organizations should establish best practices for administering lost time payments and travel expenses. OLMS recommends that unions (1) adopt clear policies and procedures for making lost time or similar payments and (2) use vouchers that require detailed information to support lost time payments and travel expenses. These practices will allow the union to properly report lost time payments and travel expense on the Labor Organization Annual Report, Forms LM-2, LM-3, or LM-4.

OLMS recommends that union policies and procedures for lost wages and expenses be reduced to writing and added to your union's bylaws or discussed at an executive board or membership meeting where they can be supported by entries in the meeting minutes. Once established, it is important that your union consistently follow its procedures for handling payments for lost time and other expenses. You may want to have your union's trustees or auditors compare the steps taken to pay lost time and other expenses with the union's policies to make sure that all required procedures are being followed. I would appreciate it if you would provide to me any records that document authorization of payments for lost time and other expenses at whatever time the union takes action to document such information.

2. Disbursements Authorization

The audit disclosed that Local 554 failed to follow the provisions in Article XXXIII, Section 1 of the Security, Police and Fire Professionals of America (SPFPA) International Union Constitution, which requires all disbursements of union funds must be authorized and approved by Local 554's membership. An examination of the meeting minutes for the audit year revealed that disbursements for union business were not discussed at membership meetings and there were no entries in the minutes authorizing the disbursements of union funds. You stated at the opening interview that you authorized union members' travel expenses, and that you and SPFPA District Director Guy Thomas authorized lost time for members of the union.

It appears that Local 554's procedures for the authorization of disbursements is not consistent with the provisions found in Article XXXIII, Section 1 of the International Constitution. OLMS recommends that unions adopt written guidelines concerning the authorization of disbursements to help ensure effective internal controls and safeguard union assets. I recommend that Local 554 review Article XXXIII, Section 1 and make any necessary changes to its procedures to conform with that Article or, alternatively, create a new internal policy that reflects Local 554's current practice with regards to the authorization and approval of disbursements. I would appreciate it if you would provide to me any records that document authorization of disbursements at whatever time the union takes action to document such information.

I want to extend my personal appreciation to Security Police, Fire Professionals Local 554 for the cooperation and courtesy extended during this compliance audit. I strongly recommend that

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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. Dwight Duley, Treasurer
Ms. Laura Haynes