



October 1, 2015

Mr. Neal Stephens, Jr., President
Michigan Association of Police (MAP)

Case Number: 320-6004209()
LM Number: 540646

Dear Mr. Stephens:

This office has recently completed an audit of the Henry Ford Health System Police Officers Association (HFHSPOA) 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 and HFHSPOA Treasurer Fred Lewis on September 28, 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 HFHSPOA's 2014 records revealed the following recordkeeping violations:

1. Failure to Record Receipts

HFHSPOA failed to record in at least one record any information concerning the \$6,064.28 that was deposited into its bank checking account during the fiscal year ended December 31, 2014. As previously noted, union receipts records must include an adequate identification of all money the union receives. The records must show the date and amount received, the source of the money, and the purpose. The date of receipt is

required to verify, explain, or clarify the amount required to be reported in Item 16 (Receipts) of Form LM-4. Failure to record all such information could cause the union to omit some receipts on its LM-4 report or include them on an LM-4 report for the wrong year.

I recommend that HFHSPOA maintain a separate receipts journal that lists in chronological order all income transactions during each month. A twelve-month summary ledger should also be maintained to accumulate the monthly cash receipts totals. The receipts summary ledger would facilitate the preparation of the union's LM-4 report. Enclosed is a sample of a receipts journal.

2. Check Disbursements

HFHSPOA failed to maintain adequate supporting documentation for disbursements made by check totaling \$1,240.47. The union issued a \$1,240.47 check to Marvelous Promotions for T-shirts, but did not retain an invoice. As previously noted, union disbursement records must include original bills, invoices, receipts, vouchers, applicable resolutions, and 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.

3. Meal Expenses

HFHSPOA failed to maintain adequate supporting documentation for meal expenses totaling \$2,991.60 incurred at Z's Villa Restaurant and the Firewater Bar & Grill that were paid with the union's bank debit card. Itemized receipts for two meals were not maintained. The union must maintain itemized receipts provided by restaurants to officers and employees. Even more problematical was that none of the itemized receipts that were kept, and no other HFHSPOA records, included written explanations of the 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. 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.

4. Cash Withdrawals

The HFHSPOA failed to maintain adequate records supporting the disposition of the proceeds of two cash withdrawals from its checking account totaling \$503. For example, a \$203 cash withdrawal was made on December 15, 2014, but neither a withdrawal slip nor other records showing the disposition of the proceeds were retained. As previously noted above, labor organizations must retain bank records, including withdrawal slips, for all accounts, original bills, invoices, etc., and other documentation showing the nature of

the union business requiring the disbursement of cash, the goods or services received, and the identity of the recipient(s) of the cash.

5. Debit Cards

HFHSPOA failed to maintain adequate supporting documentation for disbursements made by bank debit card totaling at least \$757.70. For example, the union's debit card was used for a \$184.80 purchase at The Sticker Shoppe, but the union did not retain an invoice. Again, union disbursement records must include original bills, invoices, receipts, vouchers, applicable resolutions, and 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.

6. Information Not Recorded in Meeting Minutes

During the audit, you and Mr. Lewis advised OLMS that membership and/or executive board approval is needed for all disbursements exceeding \$200. Article XIV, Section 2 of the HFHSPOA Constitution and Bylaws requires any amount over \$200 to be approved by the executive board and reported at the next general membership meeting for approval. The aforementioned cash withdrawals and disbursements to Z's Villa Restaurant, Marvelous Promotions, and the James H. Cole Home for Funerals, as well as a \$317.18 debit transaction at Meijer for gift cards, exceeded \$200. However, the minutes provided during the audit do not show clear authorization for any of those disbursements. Minutes of all membership or executive board meetings must clearly and accurately report any disbursements authorizations made at those meetings. The minutes must include both the motion and the notation that the motion passed, carried, or was tabled.

7. Items Given Away

As mentioned above, the HFHSPOA failed to maintain adequate records supporting purchases of t-shirts, gift cards, and other items that were given away to members during the audit period. In addition, the union did not keep a record of who received the items. Records must be retained that account for the disposition of all union property. The union can satisfy the recordkeeping requirement by maintaining an inventory of the property that was purchased and given away that lists the names of individuals who receive the items and the dates of receipt. Such inventory would also serve as a record to support any amount required to be reported in Item 14 (Assets) of Form LM-4 for items still on hand at the end of the union's fiscal year.

8. Bank Records

HFHSPOA failed to maintain all checking account statements returned by its bank. As stated above, labor organizations must retain all records used or received in the course of union business, including bank records for all accounts. Please consult the OLMS Fact Sheet *LMRDA Recordkeeping Requirements for Unions* that I provided during the exit interview for further guidance on this matter.

Based on your assurance that the HFHSPOA will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations. However, please be aware that Section 209 and 210 of the LMRDA provide for criminal and civil penalties for failure to maintain records.

Reporting Violations

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. HFHSPOA amended its constitution and bylaws in 2014, but did not file a copy with its LM report for that year. HFHSPOA has now filed a copy of its revised constitution and bylaws with OLMS.

The audit also 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-4) filed by HFHSPOA for the fiscal year ended December 31, 2014, was deficient in the following areas:

1. Receipts

The total receipts reported in Item 16 (Receipts) do not match the total figures in the union's records. The amount reported must include, for example, dues, fees, fines, assessments, interest, dividends, rent, money from the sale of assets, and loans received by the labor organization.

2. Disbursements

The total disbursements reported in Item 17 (Disbursements) do not match the total figures in the union's records. The amount reported must include, for example, net payments to officers and employees, per capita tax and any other fees or assessments which the labor organization paid to any other organization, payments for administrative expenses, loans made by the labor organization, and taxes paid.

The HFHSPOA has agreed to properly report the deficient items on all future reports it files with OLMS. Therefore, I am not requiring that the HFHSPOA file an amended LM report for 2014 to correct the deficient items.

Other Issues

1. Disbursements Journal

The audit disclosed that the HFHSPOA does not record disbursements in a disbursements journal, check register, or other equivalent record. I recommend that the HFHSPOA maintain a separate disbursements journal that lists in chronological order all disbursements during each month. A twelve-month summary ledger should also be maintained to accumulate the monthly disbursements totals. The disbursements summary ledger would facilitate the preparation of the union's LM-4 report. Enclosed is a sample of a disbursements journal.

2. Two Signatures on Checks

The audit disclosed that Mr. Lewis is the only person who signs union checks. Article XIV Section 2 of the HFHSPOA Constitution and Bylaws states: "No monies from this Association may be distributed without the knowledge and okay of the Treasurer and with the counter-approval of either the President or Vice-President." A 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. OLMS recommends that the HFHSPOA review its disbursements procedures to improve internal control of union funds.

3. Debit Card Policy

The audit revealed that the HFHSPOA disbursed \$4,315.13 using the union's bank debit card. However, the HFHSPOA has no written policy regarding use of the debit card. To ensure compliance with the LMRDA and to safeguard union assets, OLMS recommends that the union establish a clear written policy on debit card use. The policy should include as much detail as possible, including the identification of authorized users, authorized and prohibited uses of the debit card, limitations on expenditure amounts, and documentation requirements. Please refer to the OLMS Compliance Tip *Union Credit Card Policy* that I provided to you during the exit interview for additional information.

4. Cash Withdrawal Policy

As noted previously, the HFHSPOA made two expenditures by cash withdrawals from the union's checking account. This is not a recommended financial practice and OLMS advocates that it be discontinued. If, however, the union chooses to continue to make cash withdrawals, then OLMS would encourage the union to adopt a policy requiring at least two signatures on each withdrawal slip. Each signer should fully understand that his/her fiduciary responsibilities demand that he/she know the purpose and legitimacy of each withdrawal before signing a withdrawal slip.

Mr. Neal Stephens, Jr.

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I want to extend my personal appreciation to the HFHSPOA 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. Fred Lewis, Treasurer