



September 30, 2016

Greg Escobedo, Treasurer
Security, Police, Fire Professionals of America (SPFPA)
Local 3
P.O. Box 14148
Van Nuys, CA 91409

Case Number: 520-6007385
LM Number: 544141

Dear Mr. Escobedo:

This office has recently completed an audit of Security, Police, Fire Professionals of America Local 3 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 29, 2016, 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 disbursement, the goods or services received, and the identity of the recipient(s) of the good 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 3's 2014 and 2015 records revealed the following recordkeeping violations:

General Expenses

Local 3 did not retain adequate documentation for petty cash expenses totaling \$61.12. For example, one petty cash disbursement was made in November of 2014 for \$45.74 that was recorded in the petty cash log, but failed to have supporting documentation in the form of a personal expense voucher.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records.

Failure to Record Receipts and Disbursements

Local 3 did not record in its petty cash log deposits that should have been recorded as a result of four cash withdrawals totaling \$171.00 in August of 2014. Additionally, Local 3's personal expense vouchers marked "paid by cash" did not reconcile with petty cash log entries totaling at least \$126.96. Local 3 had nine instances where personal expense vouchers marked "paid by cash" were included as supporting documentation, but the disbursements failed to be entered into the petty cash log. Personal expense vouchers marked "paid by cash" must be consistently documented in the petty cash log. 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.

Based on your assurance that Local 3 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 violations 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 3 for the fiscal year ended March 31, 2015, was deficient in the following areas:

Disbursements to Officers

Local 3 did not include some reimbursements to officers totaling at least \$845.00 in the amount disclosed in Item 24 (All Officers and Disbursements to Officers). It appears the union failed to report these items.

The union must report most direct disbursements to Local 3 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).

Cash Reconciliation

It appears that the cash figures reported in Item 25A (Cash) are not the figures according to Local 3's books after reconciliation to the bank statements. The instructions for Item 25 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements. Assets such as accounts receivable should be reported in Item 30 (Other Assets).

Local 3 must file amended Form LM-3 for the fiscal years ended 2012, 2013, 2014, and 2015, to correct the deficient items discussed above. I encourage Local 3 to complete, sign, and file its report electronically using the Electronic Forms System (EFS) available at the OLMS website at www.olms.dol.gov. Reporting forms and instructions can be downloaded from the website, if you prefer not to file electronically. The amended Form LM-3 should be filed electronically no later than November 1, 2016, or submitted to this office at the above address by the same date. Before filing, review the report thoroughly to be sure it is complete and accurate. Paper reports must be signed with original signatures.

Other Violations

The audit disclosed the following other violation:

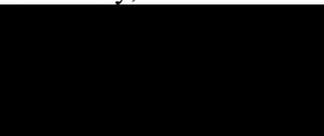
Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds those individuals or their predecessors handled during the preceding fiscal year.

The assets disclosed at the beginning of the audit period required that the union be bonded for at least \$16,048.40. Local 3 should maintain a bond without a deductible for at least 10 percent of the funds reported by the Local.

I want to extend my personal appreciation to Security, Police, Fire Professionals of America Local 3 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: Dennis Blair, President