



September 27, 2017

Mr. Jeffrey Kerch, President
Security, Police and Fire Professionals of America
Local 294

Case Number: 450-6007476 [REDACTED]
LM Number: 543-664

[REDACTED]
[REDACTED]

Dear Mr. Kerch:

This office has recently completed an audit of Security, Police and Fire Professionals of America (SPFPA) Local 294 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 September 18, 2017, 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 SPFP Local 294's 2015 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 294 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by union officers. For example, the union did not retain receipts for airfare, hotel, and parking for union officers.

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 294 did not require officers to submit itemized receipts for meals expenses. The union must maintain itemized receipts provided by restaurants to officers. 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.

Local 294 records of meal expenses did not include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. Union records for 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 Wages

Local 294 did not retain adequate documentation for lost wage reimbursement payments to union officers. 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.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, which contained a sample of an expense voucher Local 294 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

4. General Expenses

Local 294 did not retain adequate documentation for some disbursements made by the union. For example, the union did not retain receipts for disbursements to Amazon, Custom Patches, or Staples.

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.

5. Disposition of Property

Local 294 did not maintain an inventory of property purchased, sold, or given away. Local 294 purchased t-shirts and gave them away. However, there was nothing in the union records to indicate who received the t-shirts. The union must report the value of any union property on hand at the beginning and end of each year in Item 30 (Other Assets) of the LM-3. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 30. The union must also retain records that identify the date the items were given away and the recipients of those items.

6. Failure to Retain Receipt Records

Local 294 did not retain employer dues checkoff records. All union records must be retained.

7. Information not Recorded in Meeting Minutes

During the audit, you advised that Local 294 didn't retain the membership and executive board meeting minutes, but these meetings contained authorization of financial matters. Minutes of all membership or executive board meetings must be maintained and report any disbursement authorizations made at those meetings.

8. Insufficient Descriptions

There were some disbursements in which the union business purpose was not sufficiently descriptive. For example, there were several checks written to members or officers in which the only purpose in the records was "administration." This purpose is not sufficient. All disbursement records, including checks and check card receipts, must contain an adequate description of the nature of the union business requiring the disbursement.

Based on your assurance that Local 294 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 union was deficient in the following areas:

Delinquent LM Reports

The Labor Organization Annual Report, Form LM-3, is required to be filed within 90 days of the end of a labor organization's fiscal year. Local 294 failed to file its LM-3 reports for fiscal years 2015, 2016, and 2017 by the date of the closing interview. The president and secretary-treasurer are personally responsible for timely filing the union's LM-3 reports. The LM-3 reports have now been filed. However, Local 294's failure to timely file the LM-3 reports in the future could result in the initiation of enforcement proceedings.

Other Issues

The audit disclosed the following other issue:

1. Use of Signature Stamp

During the audit, you advised that Local 294 has a signature stamp with your signature. The 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. However, the use of a signature stamp for the second signer does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 294 review these procedures to improve the internal control of union funds.

2. One Signature on Checks

The audit revealed that there was only one signature on all of the Local 294 checks. Your union's bylaws require that all checks be signed by the president and treasurer. The two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document. OLMS recommends that Local 294 review these procedures to improve the internal control of union funds.

I want to extend my personal appreciation to Security, Police and Fire Professionals of America Local 294 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,

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Auditor

cc: ██████████, SPFPA Local 294