U.S. Department of Labor

Office of Labor-Management Standards
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August 16, 2019

Mr. Dan Czeski, Secretary-Treasurer
Renaissance Police Officers Association
[redacted]

Case Number: 320-6015594[redacted]
LM Number: 517564

Dear Mr. Czeski:

This office has recently completed an audit of Renaissance Police Officers Association (RPOA) 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 acting President Dom Nieto on July 31, 2019, 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 the RPOA's 2018 records revealed the following recordkeeping violations:

1. Disbursements to Vendors and Cash Withdrawals for Reimbursed Expenses

   The RPOA did not retain adequate documentation for at least 28 disbursements to vendors and cash withdrawals for reimbursed officer expenses and salary payments totaling at least $9,350 during the audit year. For example, adequate supporting documentation was not retained for $4,500.52 in electronic funds transfers issued to AXA Equitable Life Insurance Company for member life insurance benefits throughout the audit year. In support of these payments, the RPOA only retained the bank statements, which are not sufficient. During the audit, you advised that the life insurance contributions were only paid for members for a portion of the audit year before the new contract was negotiated, but you could not provide an explanation for why the supporting documentation was not maintained.

As another example, the RPOA did not retain adequate supporting documentation for cash withdrawals totaling at least $4,093. The RPOA retained withdrawal slips and/or vouchers for $800.03 in cash withdrawals, but did not retain supporting receipts or invoices to verify the union business purpose for the cash withdrawals. Further, the RPOA did not retain any supporting documentation for the remaining cash withdrawn totaling $2,969.97. For example, adequate supporting documentation was not retained for a $1,255 cash withdrawal made from the RPOA checking account on July 7, 2017. During the exit interview, you stated that you assumed the withdrawal was for lost time claimed by former President Dorian Hightower. However, the only documents retained in support of these expenses were the bank statements, which is not sufficient.

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

2. Lost Wages

The RPOA did not retain adequate supporting documentation for lost wage reimbursements to you and former President Dorian Hightower totaling at least $6,975.01. 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 being conducted. The audit found that the RPOA retained vouchers and check stubs for some lost claims, but the vouchers did not always identify the date the lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, or a description of union business conducted. For example, on February 8, 2018, Mr. Hightower withdrew $873.60 from the RPOA's checking account for lost wages, but did not retain a voucher or other union record that identified the union business purpose for the expense.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments* that contained a sample of an expense voucher RPOA 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.

3. Failure to Record Receipts and Receipt Dates not Recorded

   The RPOA did not maintain a receipts journal or other similar record that identified the date the union received money. The RPOA retained some deposit slips and bank statements for the $28,978.37 received during the fiscal year, but the deposit slips and bank records were not sufficient because they did not include the source of the deposit. Furthermore, the RPOA failed to retain supporting documentation for $3,993.42 that was deposited into the RPOA bank checking account. For example, in August 2017, three separate deposits totaling $955 were made into the union's checking account, but the RPOA did not retain any supporting documentation for the deposits nor recorded the deposits in any union record.

   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. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B of the LM-3. The LM-3 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

4. Lack of Salary Authorization

   The RPOA did not maintain records to verify that the salaries reported in Item 24 (All Officers and Disbursements to Officers) of the LM-3 were the authorized amounts and therefore were correctly reported. During the opening interview, you indicated that it is the past practice of the RPOA to reimburse the officers the amount of their dues, either monthly or quarterly, as salary payments. You could not recall when this salary arrangement was approved by the RPOA. The RPOA did not maintain meeting minutes or any other record verifying the authorization of the arrangement. The union must keep a record, such as meeting minutes, to show the current salaries authorized by the entity or individual in the union with the authority to establish salaries.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file the RPOA's LM report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to $100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can result in a fine of up to $100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person who caused the violations, not just the individuals who are responsible for filing the union's LM report. RPOA's records will be reviewed again within the next two years to ensure that the above recordkeeping violations have been corrected.

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 Form LM-3 filed by the RPOA for the fiscal year ended June 30, 2018, was deficient in the following areas:

1. Statement A (Cash Balances)

   The cash figure reported in Item 25 (B) (Cash, End of Reporting Period) of Statement A does not match the amount determined during the audit. The RPOA bank statements could not be reconciled with the RPOA's books because the RPOA did not keep any union record that recorded the receipts and disbursements of union funds; however, per the bank statements, the cash balance as of June 30, 2018 was $14,684.27; however, the cash balance reported in Item 25 (B) was $26,186. During the exit interview, you stated that you calculated the figures reported in Item 25 (A) and (B) using the RPOA's vouchers and that the figure reported in Item 25(B) was likely an error. 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.

2. Cash Reconciliation

   The RPOA's reported cash figures for the reporting period do not balance (reconcile). Specifically, cash at the start of the reporting period (Item 25(A)) plus total receipts (Item 44) minus total disbursements (Item 55) does not equal cash at the end of the reporting period (Item 25(B)). In addition, the explanation regarding the imbalance in Item 56 (Additional Information) did not adequately explain why the report does not reconcile. Either one or more of the reported figures in these items is inaccurate or the cash shortage must be explained in Item 56.

The RPOA must file an amended Form LM-3 for the fiscal year ended June 30, 2018, to correct the deficient items discussed above. The report must be filed electronically using the Electronic Forms System (EFS) available at the OLMS website at www.olms.dol.gov. The amended Form LM-3 must be filed no later than August 30, 2019. Before filing, review the report thoroughly to be sure it is complete and accurate.

Other Issues

1. Expense Policy and Authorization of Disbursements

   As I discussed during the exit interview with you and Mr. Nieto, the audit revealed that the RPOA does not have a clear policy regarding the types of expenses personnel may claim for reimbursement, including meal and alcohol purchases, nor circumstances under which they may be paid. Additionally, during the audit you indicated that the union does not have an official process for the authorization and/or approval of disbursements. The RPOA failed to maintain adequate records to confirm that several checks and cash withdrawals issued by the RPOA for non-routine disbursements were properly authorized. For example, a $700 cash withdrawal was made from the RPOA checking account for a "Tiger's Event," which appears to have been attended by RPOA officers and family members. Because the RPOA did not retain any meeting minutes nor adheres to any disbursement policy, OLMS was not able to determine if the disbursement was properly authorized and approved.

To ensure proper internal financial control over union disbursements, OLMS recommends that each union: (1) adopt a clear policy for meals, alcohol, and other reimbursed expenses; (2) establish what documentation is to be submitted for reimbursed and expenses; and (3) establish a procedure that provides for approval of expense claims. Such policies and procedures can help ensure effective internal controls and safeguard union assets.

OLMS recommends that union policies and procedures for 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 follows its procedures for handling payments for expenses.

2. Lost Time Policy and Overpayment of Lost Wages

During the opening interview, you stated that officers and members are entitled to claim lost time from their employer to conduct union business. You advised that the RPOA pays lost wages at the straight time rate unless the officer or employee would have been working overtime (i.e. worked more than the 40-hour work week), for which they are entitled to receive lost wages at the overtime rate. However, the RPOA's bylaws are silent regarding the authorization of lost time disbursements and the RPOA does not have any written policies that document its lost time reimbursement practices. The audit revealed that Mr. Hightower appears to have been overpaid lost wages totaling $408.44 for wages claimed at the overtime rate for which he would not have been working overtime. For example, Mr. Hightower claimed he incurred 16 hours of lost wages at the overtime rate on December 5, 2017 and December 6, 2017; however, Renaissance Center Management Company records indicate that Mr. Hightower only worked 40 hours total during that week, including the hours spent on "union time." During the exit interview, you indicated that you were not aware of the overpayment made to Mr. Hightower. You indicated that you occasionally verify overtime lost wage claims against employer records, but that the RPOA mainly uses the "honor system" for lost time claims and payments.

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. 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. These practices will allow the union to properly report lost time payments on the Labor Organization Annual Report, Form LM-3.

As noted above, OLMS recommends that union policies and procedures for lost wages, including the payment of lost overtime, be reduced to writing and added to your union's bylaws. This can be satisfied by drafting and authorizing a written lost time policy and/or discussing the current lost time practice at an executive board or membership meeting, or discussed where they can be supported by entries in meeting minutes and having the membership approve the specifics of the lost time policy, especially in regards to the payment of lost overtime. Once established, it is important that your union consistently follow its procedures for handling payments for lost time and other expenses.

I want to extend my personal appreciation to Renaissance Police Officers Association 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]
Investigator

cc: Mr. Dom Nieto, acting President
[redacted] Esquire