

U.S. Department of Labor

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May 29, 2008

Mr. Jeff Griffith, President
Security, Police, and Fire Professionals of America
Local 109
1129 Mercer Drive
Maryville, TN 37801

LM File Number 007-169

Case Number: [REDACTED]

Dear Mr. Griffith:

This office has recently completed an audit of SPFFPA Local 109 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, Carl Gregory McBee, and Mike Vican on April 24, 2008, 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.

The CAP disclosed:

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 109's records for fiscal year ending March 31, 2007 revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 109 did not retain adequate documentation for reimbursed expenses incurred by union officers totaling at least \$1,915.72. For example, the local reimbursed per diem and other traveling expenses to several officers during the audit year, but there were no receipts or equivalent records to substantiate the expense. Local 109 also reimbursed officers for gift card purchases, which were given away as door prizes at the union meetings. However, the local did not maintain receipts to support these expenditures.

As previously 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. Lost Wages

Local 109 did not retain adequate documentation for lost wage reimbursement payments to union officers totaling at least \$6,808.64. 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. The OLMS audit found that Local 109 did not utilize a lost wage voucher or any equivalent record for those officers who were compensated for lost wages. Even though the local identified the lost wage amounts on its check stubs, it failed to identify the lost time dates as well as what union business was conducted which resulted in the lost of wages.

During the exit interview, I provided a sample of an expense voucher Local 109 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. Information not Recorded in Meeting Minutes

During the opening interview, you stated that expenditures require membership approval. The local's by-laws, which are dated January 21, 1993, do not specifically outline the approval process for expenditures. However, Article VII, Section 2(a) states that all actions of the Executive Board are subject to membership approval. Furthermore, Section 2(b) states that all decisions of the Executive Board shall be made by a majority of votes of the members present at the meeting. However, there were a few instances in which the minutes did not reflect approval for travel expenditures.

During the audit year, Local 109 conducted two membership meetings which convened at 4:30 p.m. and 7:30 p.m. on the same day. However, separate meeting minutes were not recorded for each meeting. Instead, there was only one recording of minutes for both meetings. Each membership meeting should have its own separate minutes which detail all motions, approvals and other pertinent information discussed at that particular meeting.

Based on your assurance that Local 109 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 Labor Organization Annual Report LM-3 filed by Local 109 for fiscal year ending March 31, 2007 was deficient in the following areas:

1. Disbursements to Officers

Local 109 did not include some reimbursements to officers totaling at least \$4,572.57 in Item 24 (All Officers and Disbursements to Officers). It appears the

union erroneously reported these payments in Item 48. This issue was not address at the exit interview, but was later discussed with you telephonically on May 14, 2008.

The union must report most direct disbursements to Local 109 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).

I am not requiring that Local 109 file an amended LM report for fiscal year ending March 31, 2007 to correct the deficient items, but Local 109 has agreed to properly report the deficient items on all future reports it files with OLMS.

2. Failure to File Bylaws

The audit disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its constitution and bylaws with its LM report when it makes changes to its constitution or bylaws. Local 109 has never filed its bylaws with OLMS. Your latest bylaws were dated January 21, 1993. Mr. Griffith, you and Mr. Vican advised me that the local is in the process of revising its bylaws, and you expect completion of the revised bylaws in the next 30 days. You agreed to submit the local's revised bylaws with the LM-3 report for fiscal year ending March 31, 2008.

Other Issues

Members of Local 109 pay initiation fees directly to the union. The financial secretary records receipt of the initiation fees on the union's check stubs, but he does not issue receipts to the members. Article XXVIII, Section 4 of your local's international constitution and bylaws, requires the financial secretary to issue

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official receipts for dues, initiations fee, re-admission fees, fines and other incomes, as well as dues received via check-off arrangement. OLMS recommends that Local 109 use a duplicate receipt system where the union issues original pre-numbered receipts to all members who make payments directly to the union and retains copies of those receipts. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable. If more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned.

I want to extend my personal appreciation to SPFPA Local 109 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: Mike Vican, Financial Secretary