

**U.S. Department of Labor**

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June 5, 2007

Mr. R. Scott Harger, Financial Secretary-Treasurer  
Security, Police, Fire Prof, Ind, Local 5  
1109 South Bailey  
Seattle, WA 98108

LM File Number: 019-236

Case Number: [REDACTED]

Dear Mr. Harger:

This office has recently completed an audit of Security, Police, and Fire Professionals of America Local 5 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 May 4, 2007, 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.

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-2 filed by Local 5 for fiscal year ending December 31, 2005 was deficient in the following areas:

1. Failure to Itemize Disbursement or Receipt

Local 5 did not properly report a "major" disbursement in Schedule 19. A "major" transaction includes any individual transaction of \$5,000 or more or total transactions to or from any single entity or individual that aggregate to \$5,000 or more during the reporting period and which the local cannot properly report elsewhere in Statement B. The audit found that schedule 19 should have included an entry for "Jones and Associates" to whom the union made disbursements in excess of \$5,000.

We are not requiring that Local 5 file an amended report for 2005 to correct the deficient item, but Local 5 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 revised constitution and bylaws with its LM report when it makes changes to its constitution or bylaws. Local 5 amended its constitution and bylaws in 2005, but did not file a copy with its LM report for that year. Local 5 has now filed a copy of its constitution and bylaws.

### Other Issues

The audit disclosed the following other issues:

#### 1. Signing Blank Checks

During the audit, you advised that President Richard R. Smith signs blank 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 already signed. However, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 5 review these procedures to improve internal control of union funds.

#### 2. Tracking Vacation and Sick Leave Usage

As discussed during the exit interview, there is not an established method of tracking vacation and sick leave balance and usage. There is also no clear policy regarding the payout of excess vacation and sick leave. We recommend that you track leave balances throughout the year and establish a policy regarding payout of leave.

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OLMS wants to extend our appreciation to Security, Police, and Fire Professionals of America Local 5 for the cooperation and courtesy extended during this compliance audit. OLMS recommends that 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,

A thick black horizontal bar redacting the signature of the investigator.

Investigator

cc: Mr. Richard R. Smith, President