

descriptive expense receipt or invoice. If an expense receipt is not sufficiently descriptive, a note can be written on it providing the additional information. An exception may be made only in those cases where 1) other equally descriptive documentation has been maintained, and 2) there is evidence of actual oversight and control over disbursements.

In the case of receipts, the date, amount, purpose, and source of all money received by the union must be recorded in at least one union record. Bank records must also be retained for all accounts.

The audit revealed the following recordkeeping violations:

Receipts

The RPOA failed to record, or inadequately recorded, dues reimbursement checks received from the Michigan Association of Police (MAP). The amounts of all checks were not recorded on check stubs in the union's checkbook. For example, the union's check stubs show no amounts for the months of October 2003, January and February 2004, and April through June 2004, although MAP records indicate that dues were reimbursed for those months, and bank records show corresponding deposits. In addition, the exact dates the monies were received from MAP were not recorded. Because the RPOA failed to retain the dues reimbursement check stubs sent by MAP with the checks – another recordkeeping violation in and of itself – the union's failure to record the identity of each source of money on the check stubs also constitutes a recordkeeping violation.

On August 26, 2004 there was a deposit of \$1160.20 into the union's savings account. Union records indicate that it appears to be a dues reimbursement check from MAP. On December 2, 2003, there was a \$4,929.76 deposit into the union's checking account. [REDACTED] stated that it appeared to be a deposit of some cash withdrawn by [REDACTED] on December 1, 2003. No supporting documentation was retained to explain the purpose or composition of either deposit.

The RPOA also failed to keep all bank records generated in the normal course of doing business. All bank deposit receipts for the union's checking and savings accounts were not retained. [REDACTED] advised me that she "did not even know" the union had a savings account.

I recommend that the RPOA maintain a cash receipts journal which lists in chronological order all income transactions during each month. A twelve-month summary ledger should also be maintained to accumulate the monthly cash receipts totals. This would facilitate the preparation of the union's annual financial report that it is required to file with OLMS.

I also recommend that the RPOA consider requiring its financial officer to make regular, frequent deposits of dues and other union funds to the union's bank account and identify each deposit with a specific set or time period of receipts in the union's receipts journal to make the relationship between receipts and bank deposits perfectly clear and easily verifiable.

Officer Wages

Checks were written to officers for union meetings, but insufficient records were kept to determine if these were lost time payments or merely compensation for attendance. There is no provision for either in the union's bylaws. Such payments may have been authorized or approved at membership or executive board meetings, but the union's failure to keep meeting minutes or any other type of meeting documentation prevented verification of the legitimacy of such payments.

Records must be maintained that identify the date and payee of each wage disbursement, including those for lost time or for attending meetings; the specific union purpose must also be identified. In addition, the dates and times lost wages were incurred, the number of hours lost on each date, and the applicable rate of pay must be included on all vouchers submitted for lost time. During the exit interview, I provided a sample expense voucher that the RPOA may use that identifies the type of information and documentation that must be maintained for wage payments.

Officer Expenses

Union officers failed to maintain adequate documentation for reimbursed expenses. For example, most of the checks written to reimburse ██████████ for various items and a check to Chief Steward Thomas for "snacks for the fireworks" had no supporting documentation.

The date, amount, and business purpose of every expense must be recorded on at least one union record. Where meal expenses are incurred, the names of individuals present and the locations (names of restaurants) must be recorded.

Other

The investigation revealed that of the most of the checks issued by the RPOA during the audit period are not supported by receipts or other adequate documentation. Some examples follow:

- A check for \$300.00 was written to the American Serbian Hall. No supporting documents were found which would provide an explanation for this. Also, there was no writing on the check other than "American Serbian Hall" and "\$300.00" in the amount box. The dollar amount was not written out. The check cleared the bank for \$300.00.
- Three \$100.00 checks were written for a "Golf Outing." Two were to MAP and one was to [REDACTED]. None of these disbursements have any form of supporting documentation. No one that I spoke to knew who golfed or what goods and services the union may have received.
- One check was written to "Gligic" for \$100.00. There was no description of what this check was for and no supporting documentation. No one that I interviewed knew the identity of the payee.
- Although no checks were written to cash, each member was said to have received \$50.00 cash in December 2004 from [REDACTED] in lieu of a Christmas party. [REDACTED] supposedly had "a list" of members' names that he marked when he gave them the money, but that list was not retained by the union. No one knows how much [REDACTED] distributed or to whom.
- No union records contained any information pertaining to the business purposes of the \$13,000.00 in cash withdrawals by [REDACTED]. The first withdrawal, which was \$10,000.00, was allegedly used to distribute \$50.00 to each member as stated above.
- No documentation was maintained to support a \$120.00 check to the Police Officers Defense Fund.

- As previously mentioned, neither executive board nor membership meeting minutes were kept. These minutes might have provided information that would have helped to explain or clarify the above and other financial transactions.
- The union did not obtain or maintain records supporting transactions with DAS Professional Services. This prevented the RPOA from knowing that, although the union paid DAS to perform an audit, DAS actually only compiled the figures used to complete the union's Form LM-3.

The recordkeeping requirement for disbursements such as these can be most easily satisfied with a sufficiently descriptive bill, invoice, receipt, etc., that identifies the vendor's name and address, the date and amount of the transaction, and the goods or services provided. If a receipt is not sufficiently descriptive, then the union should note the missing information on the receipt. If the business purpose of the disbursement or the identity of the recipient(s) of the goods or services is not self-evident, then the union must note such information on the receipt or some other record. If a receipt is not provided by a vendor, then the union must create a record containing the above information with a notation that original documentation was not provided. The only exception to this policy is for expenses generated by the union (e.g. salary, lost time, etc.) which, nonetheless, must be supported by some other type of documentation (e.g. payroll records, lost time vouchers, executive board and membership authorizations, etc.).

I recommend the union keep a cash disbursements journal which lists in chronological order all expense transactions during each month. A twelve-month summary ledger should also be maintained to accumulate the monthly cash disbursements totals. These records will also facilitate the preparation of the union's annual financial report that it is required to file with OLMS.

Conclusion/Recordkeeping Violations

Adequate records were not maintained for financial transactions involving the RPOA, in violation of Section 206 of the LMRDA. Contemporaneous, accurate, and complete records necessary to permit verification of the information required on your union's annual financial report must be preserved and kept available for examination for not less than five years after the report is filed.

The proper maintenance of union records is the personal responsibility of a union's president and treasurer. 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 also 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, not just the individuals who are responsible for filing the union's annual financial report.

As agreed, provided that the RPOA maintains adequate documentation as discussed above in the future, no additional enforcement action will be taken regarding these violations.

Reporting Violations

The CAP disclosed reporting violations of LMRDA Section 201(b), which requires labor organizations to file annual financial reports accurately disclosing their financial condition and operations within 90 days after the end of the union's fiscal year. The union failed to file its Labor Organization Annual Report (Form LM-3) for the fiscal year ending June 30, 2004, within this time frame. There is no provision for the extension of the filing period. Assuming that your union's fiscal year does not change, the LM report must be filed by September 28th of each year.

In addition, the Form LM-3 filed by the RPOA for the fiscal year ending June 30, 2004, was deficient in the following areas:

LM-3 Item 24 (All Officers and Disbursements to Officers)

The RPOA failed to report all direct disbursements to [REDACTED]. DAS Professional Services, the company that prepared the report, provided work papers indicating that some direct disbursements to [REDACTED] were misclassified in Statement B as Office & Administrative Expense (Item 48), Professional Fees (Item 49), or Other Disbursements (Item 54). In addition, the report does not include a \$10,000 cash withdrawal made by [REDACTED] on December 1, 2003.

Direct and indirect disbursements to officers must be reported 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. An "indirect disbursement" to an officer is a payment to another party (including credit card companies) 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 for room rent charges only) or for transportation by a public carrier (such as an airline) for an officer traveling on official union business may be reported in Office and Administrative Expense (Item 48).

Other

- The RPOA reports in Item 4 (Affiliation or Organization Name) that it is affiliated with the Police Associations, Intl., AFL-CIO. "Affiliates," within the meaning of the Form LM-3 instructions, are labor organizations chartered by the same parent body, governed by the same constitution and bylaws, or having the relationship of parent and subordinate. Although the RPOA has a business relationship with the MAP, it is not affiliated with it. Therefore, your union should report the RPOA's name in this item, not in Item 7 (Unit Name).
- All dues that MAP reimbursed the RPOA during the audit period were not reported in Item 38 (Dues).
- Items 25(A) - 31(A) (asset items - start of reporting period) must be the same as the entries in Items 25(B) through 31(B) (asset items - end of reporting period) on your union's prior year Form LM-3 or an adequate explanation must be provided in Item 56 (Additional Information). DAS Professional Services used the figures from the RPOA's original Form LM-3 for the fiscal year ending June 30, 2003, rather than the figures from the amended report for that year. Those figures should also be called into question as the serious recordkeeping deficiencies described above occurred during that reporting period as well and make it difficult to verify the accuracy and completeness of the report.

Conclusion/Reporting Violations

Like the proper maintenance of union records, the timely filing of a union's accurate and complete annual financial report is the personal responsibility of a union's president and treasurer or corresponding principal officers. 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 file reports 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(b) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, the knowing falsification of a union's annual financial report, or the omission of material facts

therefrom, can also 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(b) and Section 3571 of Title 18 apply to any person, not just the individuals who are responsible for filing the union's annual financial report.

I am not requiring that the RPOA file an amended report for the fiscal year ending June 30, 2004, to correct the deficient items, but as agreed, the RPOA will properly report the deficient items on all future reports filed with this agency.

Internal Financial Controls

Adequate internal financial controls are essential in order for a union to fulfill its obligations under Title II and Title V of the LMRDA. Besides those previously discussed, during our meeting I encouraged the RPOA to implement the following internal financial controls:

- Require all officers to provide documentation for reimbursement of expenses, meeting attendance, etc. before disbursing the funds.
- Retain the union's checkbook in an area that can be accessed only by the officers who have signatory authority.
- Record the minutes of all executive board and membership meetings, whether held formally or informally. The RPOA's bylaws state that the reading of the previous meeting's minutes is part of the "order of business" at all regular or special meetings held by the union.
- Give a full report of the union's finances at each executive board meeting and membership meeting. A financial report is also supposed to be a part of the order of business at all regular or special meetings.
- In the absence of regular meetings, the minutes and financial report should be posted or distributed.
- Establish an internal audit committee or trustees and ensure that they conduct regular, periodic examinations of the union's books and records.

Summary

This is not the first time that this agency has looked at your organization's financial operations. Similar violations were found in 1997. The continuing violation of the reporting and recordkeeping provisions of the LMRDA is a serious matter warranting the conduct of a follow-up investigation at a later date to ensure your organization's compliance. Since ~~_____~~ is deceased, the violations were not committed by current officers, and because you agreed to immediately take corrective actions, no further enforcement action is contemplated at this time. However, continued failure to comply with the reporting, recordkeeping, and other provisions of the LMRDA could, at a future date, lead to potential criminal prosecution or civil enforcement.

I want to extend my personal appreciation to you, the other RPOA officers, and the staff of Renaissance Center Security 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,

Ian Burg, District Director

By:

~~_____~~ Investigator
Detroit District Office - OLMS

Cc: Treasurer