



March 14, 2011

Mr. Richard Ade, President
Government Security Officers Local 241
2576 Deerfield Dr.
Avon, OH 44011

Case Number: [REDACTED]
LM Number: 543-580

Dear Mr. Ade:

This office has recently completed an audit of Government Security Officers Local 241 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 Treasurer Michael Brogan on February 7, 2011, 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 Local 241's 2009 records revealed the following recordkeeping violations:

1. Receipts for Disbursements

Local 241 did not retain adequate documentation for reimbursed expenses incurred by union officers totaling at least \$899.55. For example, no original receipt documentation was available for reimbursements for soft drink purchases, charged airport baggage fees, parking expenses, a certified letter, monthly cell phone and internet fees.

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. Meal Expenses

Local 241 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$153.25. The union must maintain itemized receipts provided by restaurants to officers and employees. 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 241 records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, disbursements to Rascal House and Bob Evans Restaurant did not include any names of officers or employees and the union purpose. Union records of 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 241 did not retain adequate documentation for lost wage reimbursement payments to union officers totaling at least \$2,599.50. The OLMS audit found that Local 241 lost time vouchers did not include the dates the lost time incurred and did not identify the union business conducted. 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.

4. Dues and Initiation Fees Records

Local 241 did not retain adequate documentation for income received and deposited during the audit period. For example, membership dues check-off lists and receipts of new members' initiation fees collected were not supported by any documentation. The union did not have membership lists for January through April, August and December 2009. Although all receipts appeared to be recorded in the union's check register and deposited into the union's bank account, a record of the source of the income was not retained. 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.

5. Failure to Maintain Detailed Meeting Minutes

Local 241 failed to maintain detailed membership meeting minutes for the audit period January 2009 through December 2009. Article XI, Section 4 of the bylaws requires prior approval from the membership must be made for expenditures over \$150.00. The minutes that were recorded are extremely vague, but stated that the treasurer's report was reviewed. However, no treasurer's report was available for review. Minutes of all membership and executive board meetings must report any disbursement authorizations made at those meetings.

6. Failure to Maintain Disbursement Consistency

The OLMS audit revealed that check # [REDACTED] was paid to President Richard Ade for the reimbursement of airline tickets; however, the payee recorded in the union's computerized check register was to "Continental Airlines." The union must maintain consistency when issuing checks to disburse funds from their account. By maintaining the consistency of recording the correct payee on a check and in the electronic record, it will help with determining what category the disbursement falls into when reporting on the LM report.

Based on your assurance that Local 241 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 Form LM-3 filed by Local 241 for fiscal year ending December 31, 2009, was deficient in the following areas:

1. Purchase of Union Assets and Maintaining Asset Listing

Local 241 failed to report correctly the purchase of a cell phone for \$181.00, which is used by Vice President Larry Longstreth in Item 52 (Purchase of Investments and Fixed Assets) during the audit year 2009.

In addition, Local 241 failed to report the purchase of a computer monitor and a printer/fax machine for \$593.00 on the previous year 2008 LM-3 report. Therefore, Item 29 (Fixed Assets) Column A on the 2009 LM-3 report should have had a beginning balance of \$593.00.

Unions must maintain an inventory listing of all assets purchased by the union and record the value of the assets in Item 29 (Fixed Assets). Maintaining an inventory listing of all assets is an effective tool of internal controls and ensures the safeguard of the union's funds and assets.

2. Disbursements to Officers

Local 241 did not include some reimbursements to officers totaling at least \$4,858.00 in the amounts reported Item 24 (All Officers and Disbursements to Officers). The reimbursable

expenses included lost time payments, office supplies, mileage, and other travel expenses. It appears the union erroneously reported these payments in Item 48 (Office and Administrative Expense) and Item 54 (Other Disbursements).

The union must report most direct disbursements to Local 241 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).

3. Cash Reconciliation

It appears that the starting and ending cash figures reported in Item 25 (Cash) are not the cash figures according to the union's books after reconciliation to the bank statements. The instructions for Item 25 (Cash) state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements.

Additionally, the OLMS audit revealed that the total cash receipts and total cash disbursements reported on Statement B of the December 31, 2009 Form LM-3 report are not the total receipts and total disbursement figures for the year 2009 according to the union's books after reconciliation to the bank statements. Total receipts calculated in Item 44 were over reported by \$4,643.00 and total disbursements calculated in Item 55 were over reported by \$4,451.

Under Statement B of the instructions, receipts must be recorded when money is actually received by the labor organization and disbursements must be recorded when money is actually paid out by the organization.

4. Per Capita Tax

Local 241 failed to report any per capita tax disbursements to the parent body in Item 47 (Per Capita Tax) on the 2009 Form LM-3 report. The OLMS audit revealed that \$7,402.00 in disbursements to the parent body was erroneously reported in Item 54 (Other Disbursements). For reporting purposes, OLMS considers dues monies sent to an intermediate body or parent body as per capita tax payments.

Following our meeting of February 7, 2011, an amended Form LM-3 for fiscal year December 31, 2009 was received on March 8, 2011 to correct the deficient items discussed above; however, the report still has errors that need to be corrected. I will mail you a separate letter explaining the errors on the amended report with instructions for corrections.

Mr. Richard Ade

March 14, 2011

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I want to extend my personal appreciation to Government Security Officers Local 241 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: Mr. Michael Brogan, Treasurer