



January 12, 2023

Mr. Brad Darjean, President
National Staff Organization NHQ
225 John H McConnell Blvd
Columbus, OH 43215

Case Number: 041-6023113 [REDACTED]
LM Number: 000340

Dear Mr. Darjean:

This office has recently completed an audit of National Staff Organization (NSO) NHQ under the International Compliance Audit Program (I-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 Treasurer Eric Watson-Urban on January 11, 2023, the following problems were disclosed during the I-CAP. The matters listed below are not an exhaustive list of all possible problem areas since the audit conducted was limited in scope. Based on your assurance that NSO will remedy the areas of non-compliance with the LMRDA, OLMS will take no further action regarding the audit findings at this time.

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 (unless electronically maintained) 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 NSO's September 2020-August 2021 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

NSO did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by union officers and employees totaling at least \$3,700. For example, on April 21, 2021, Vice President John Avouris charged a meal at *The Angus Barn* in the amount of \$190.48. No supporting documentation was maintained for this charge. Credit card statements alone are not sufficient to fulfill the recordkeeping requirements.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements, unless true copies are maintained electronically. 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

NSO 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, totaling at least \$3,600. NSO retained the expense vouchers, credit card statements, credit card receipts, and/or and credit card signature receipts, but in some instances failed to include the names and titles of those incurring the meal expenses or the union business conducted. For example, on April 30, 2021, Treasurer Eric Watson-Urban charged \$1,700 at *Morton's Atlanta* with a purpose of "Investment Committee Dinner." The names of those present for the meal were not recorded. As another example, on April 30, 2021, Vice President Catherine Alexander was reimbursed for an expense incurred at the *Hyatt Regency Atlanta*, in the amount of \$964.43. Records retained in support of this expense did not sufficiently identify the union business 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. Lack of Salary Authorization

NSO did not maintain records to verify that the salaries reported in Schedules 11 (All Officers and Disbursements to Officers) of the LM-2 were the authorized amounts and therefore was correctly reported. The lump sum of payments to all officers is included in the annual budget, but no documentation exists authorizing the individual salaries to officers. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries. You and Mr. Watson-Urban advised that salary authorizations have now been documented.

Based on your assurance that NSO will retain adequate documentation in the future to comply with the requirements outlined above, OLMS will take no further enforcement action at this time regarding these issues.

Reporting Violations

Section 201(b) of LMRDA requires labor organizations to file annual financial reports accurately disclosing their financial condition and operations. The Labor Organization Annual Report (Form LM-2) filed by NSO for the fiscal year ended August 31, 2021, was deficient in the following areas:

1. Investments

NSO did not properly complete Schedules 3 (Sale of Investments and Fixed Assets) and 4 (Purchase of Investments and Fixed Assets). Review of the investment brokerage statement shows that NSO sold and purchased investments within their brokerage accounts during the audit year. However, in most instances proceeds from the sale of the investments were promptly used to purchase new investments which ultimately remained in the investment fund accounts. NSO significantly underreported "less reinvestments" on Schedules 3 and 4. Therefore, Item 43 (Sale of Investments and Fixed Assets) and Line 60 (Purchase of Investments and Fixed Assets) of Statement B (Receipts and Disbursements) were overreported, inflating both receipts and disbursements.

The Form LM-2 instructions for Schedule 3 state the total amount from the sale or redemption of U.S. Treasury securities, marketable securities, or other investments that are promptly reinvested (i.e., "rolled over") in U.S. Treasury securities, marketable securities, or other investments during the reporting period should be reported on the "Less Reinvestments" line. In addition, the instructions for Schedule 4 state the amount from the sale or redemption that are promptly reinvested should be reported on the "Less Reinvestments" line. The total on the Less Reinvestments line on Schedule 3 must agree with the amount reported on the Less Reinvestments line on Schedule 4.

2. Per Capita Tax Receipts

NSO did not include per capita tax receipts in Item 37 (Per Capita Tax). NSO is the parent body of 78 affiliated labor organizations. These affiliates directly pay NSO "general membership dues" and contributions to a crisis fund. The rate per member is determined annually by the NSO Representational Assembly, and payments are paid as a condition or requirement of affiliation with the parent body. Although NSO identifies these receipts as "dues," these payments from affiliates are per capita tax receipts and must be reported in Item 37. It appears these receipts were erroneously reported in Item 36 (Dues).

3. Signatures

The president and treasurer, or corresponding principal officers, of each labor organization are required to file an annual financial report accurately disclosing the union's financial condition and operations. NSO filed Form LM-2 using the OLMS Electronic Forms System (EFS), as required. Upon registering in EFS, signatories and preparers must enter the email addresses that they use to conduct union business. The audit revealed that while

your and Mr. Watson-Urban names were affixed to the LM report, the email address and phone numbers associated with the EFS user account related to an outside accountant, Michelle Strzynski, Accounting Resolutions. You and Mr. Watson-Urban advised that while Ms. Strzynski's email address is associated with your EFS user accounts, you both signed the LM report for the audit year.

NSO must file an amended Form LM-2 for the fiscal years ended August 31, 2021, and August 31, 2022, 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-2 must be filed no later than February 28, 2023. Before filing, review the report thoroughly to be sure it is complete and accurate and signed by the required officers.

Affiliate Violations

Section 201(b) requires labor organizations to file annual financial reports accurately disclosing their financial condition and operations. The audit found significant areas of non-compliance with the LMRDA. While LMRDA compliance is the affiliates' responsibility, OLMS identified significant issues and recommends NSO provide guidance to subordinate unions surrounding these areas:

1. Affiliate Annual Financial Report Signatures

The audit revealed that the email address of outside accountant Michelle Strzynski was used to register and sign reports for 33 local union officers. The LM instructions require the reports be signed by both the president and treasurer, or corresponding principal officers, of the labor organization. Although the international representatives, accountants, and other preparers may assist local officers in the preparation of reports, there is no exception permitting international representatives, accountants, or other preparers to sign reports in place of local unions or officers.

2. Affiliate LM Report Phone Numbers

The audit revealed that the phone numbers provided in Items 70-71 (Signatures) of the LM-2, Items 57-58 (Signatures) of the LM-3, and Items 20-21 (Signatures) of the LM-4 filed by 16 of the 78 NSO affiliates was the phone number of the outside accountant, not the phone numbers of the local union officers. The LM instructions require the labor organization to enter the number at which the signatories conduct official business when he or she signs the report.

NSO advised it will discuss the filing requirements with its affiliates.

I want to extend my personal appreciation to NSO 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,

A solid black rectangular box redacting the signature of Lauren K. Stojak.

Lauren K. Stojak, Lead Investigator
International Compliance Audit Program

cc: Mr. Eric Watson-Urban, Treasurer (via email)