



February 7, 2011

Steve Burwell, President  
NALC Branch 80  
P.O. Box 2535  
Springfield, IL 62708

Case Number: [REDACTED]  
LM Number: 084030

Dear Steve Burwell:

This office has recently completed an audit of NALC Branch 80 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, Treasurer Susie Jackson, and Secretary Glen Mester on December 9, 2010, 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 Form LM-3 filed by Branch 80 for fiscal year ending December 31, 2009, was deficient in the following areas:

##### 1. Disbursements to Officers

Branch 80 did not include some reimbursements to officers totaling at least \$12,000 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48 and Item 54. In addition, the union failed to include and properly subtract deductions associated with its disbursements to officers in line 10 of Item 24.

The union must report most direct disbursements to Branch 80 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).

Per the LM-3 instructions, the union must enter the total amount of withheld taxes, payroll deductions, and other deductions on Line 10 of Item 24. Disbursements for the transmittal of these deductions must be reported in Item 54 (Other Disbursements).

2. Certificates of Deposit Reported As Investments

Branch 80 improperly included the value of certificates of deposit as investments in Statement A (Assets and Liabilities). For LM reporting purposes, certificate of deposits are considered to be cash regardless of the length of their term. The purchase or redemption of a certificate of deposit is a transfer of cash from one account to another and, therefore, the local should not report these transactions as receipts or disbursements.

3. Failure to Report Assets, Receipts, and Disbursements from a Bank Account

Branch 80 failed to include information relating to a bank account maintained by the union for the purpose of raising and donating money for the Muscular Dystrophy Association. The audit did not find any evidence that this account was mishandled other than the union's failure to properly include the activities of this account as part of its annual LM-3 disclosure. By failing to include this account's financial information, it underreported its actual beginning and ending cash amounts in Item 25 as well as its actual receipts and disbursements in Statement B of the LM-3. As stated in the LM-3 instructions the purpose for Statement B is to report the cash flowing in and out of the union's accounts during the reporting period.

4. Incorrectly Reported Fidelity Bond Coverage

Branch 80 incorrectly reported its fidelity bond coverage in Item 20 as being \$30,000 when the actual coverage was for \$20,000.

Conclusion/resolution of reporting problems

During the audit, the President Burwell, Treasurer Jackson, Secretary Mester along with a representative from Cameron, Smith, & Company, P.C., the accounting firm that worked on the LM-3, were alerted to the reporting deficiencies. Branch 80 submitted an amended LM-3 report for 2009 correcting the deficient items listed above and has agreed to properly report these items on all future reports filed with OLMS. As a result, OLMS will take no further enforcement action regarding this issue.

Other Violations

1. Failure to File By Laws

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. Branch 80 amended its Bylaws at least one time since 2003 but did not file a copy with its LM report for that year or any year since. Branch 80 took immediate steps to correct the violation and has now filed a copy of its constitution and bylaws with OLMS.

## 2. Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that the union's officers and employees be bonded for no less than 10% of the total funds handled by those individuals or their predecessors during the preceding fiscal year. Local 80's officers and employees are currently bonded for \$20,000, but they should have been bonded for at least \$22,143 for FYE December 31, 2009.

Normally, the union would be required to immediately obtain adequate coverage; however, the audit revealed that the union maintained less liquid assets by the end of 2009 due to its purchase of the union's new hall at 725 Christmas Seal Drive in Springfield, IL. If the union maintains its current bonding coverage at \$20,000, it is expected to be adequately bonded for its current fiscal year. As a result, the union will not be required to increase its bond coverage; however, OLMS advises the union to properly monitor its bond coverage annually to avoid being inadequately bonded in the future.

### Other Issues – Internal Controls

The audit revealed that the union requires only one signature on checks drawn on the union's bank accounts. Though this is not a violation of the LMRDA, requiring a second signature on checks is an effective internal control. Adequate and effective internal controls require a separation of functions and responsibilities among a number of individuals who are actively involved in the financial process and who provide a system of "checks and balances" over each other's activities. As such, OLMS suggests that the union's executive board consider instituting such a requirement.

I want to extend my personal appreciation to NALC Branch 80 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  
Senior Investigator

cc: Susie Jackson, Treasurer  
Cameron, Smith, & Company, P.C.