

**U.S. Department of Labor**

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April 21, 2008

Mr. Bill Evans, President  
National Treasury Employees Union  
Chapter 280  
Ben Franklin Station  
PO Box 7672  
Washington, DC 20044-7672

LM File Number: 515-335

Case Number: [REDACTED]

Dear Mr. Evans:

This office has recently completed an audit of NTEU Chapter 280 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 Bernard Schneider and you on April 21, 2008, 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 of the LMRDA and Title 29 of the Code of Federal Regulations (C.F.R.) Section 403.7 require, among other things, that labor organizations maintain adequate records for at least five years after reports are filed by which the information on the reports can be verified, explained and clarified. Pursuant to 29 C.F.R. Section 458.3, this recordkeeping provision of the LMRDA applies to labor organizations subject to the requirements of the Civil Service Reform Act of 1978 (CSRA) as well. Therefore, as a

general rule, labor organization must retain 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 Chapter 280's 2007 records revealed the following recordkeeping violations:

1. Meal Expenses

Chapter 280 records for a meal expense did not include a written explanation of the union business conducted or the names and titles of the persons incurring the restaurant charge. Vice President Bill Hirzy received a reimbursement of \$126.43 for a meal with the speakers of a seminar hosted by Chapter 280. Nothing in the union records specified which of the speakers were present. 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.

2. Information not Recorded in Meeting Minutes

During the audit, Mr. Schneider advised OLMS that the Executive Board authorized all expenses over \$50 at its weekly Executive Board meeting. However, the minutes of the meeting do not contain any reference to those issues. In addition, the union did not maintain minutes of one meeting. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

### 3. Receipt Records

During the audit, the Chapter officers advised OLMS that Chapter 280 received notification of deposits from NTEU. There were nine notifications that were not included in the union's records. Labor organizations must retain original records for all money it receives. 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.

### 4. Union Disbursements

There was not sufficient supporting documentation for some disbursements by the union. For example, the union paid some expenses for a member to attend a conference. However, there was nothing in the union's records to indicate the name of the conference or the date of the conference. As previously noted, union records must show 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.

Based on your assurance that Chapter 280 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

### Reporting Violations

Pursuant to 29 C.F.R., Section 458.3, the reporting requirement under 29 C.F.R. Section 403.2 (see Section 201(b) of the Labor-Management Reporting and Disclosure Act (LMRDA)) is made applicable to labor organizations subject to the requirements of the CSRA. This provision requires labor organizations to file annual financial reports that accurately disclose their financial condition and operations. The audit disclosed a violation of this requirement. The Labor Organization Annual Report Form LM-3 filed by Chapter 280 for fiscal year ending June 30, 2007, was deficient in the following areas:

#### 1. Disbursements to Officers

Chapter 280 did not include any reimbursements to officers in Item 24 (All Officers and Disbursements to Officers). The union must report most direct disbursements to Chapter 280 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).

2. Failure to File Bylaws

Pursuant to 29 C.F.R. Section 458.3, the requirement under 29 C.F.R. Section 402.4 implementing LMRDA Section 201(a) is made applicable to labor organizations subject to the requirements of the CSRA. This provision requires labor organizations to file copies of any revised constitution and bylaws when it files its annual financial report. The audit disclosed a violation of this requirement. Chapter 280 amended its constitution and bylaws in 1998, but did not file the required copies with its LM report for that year. Chapter 280 has now filed a copy of its constitution and bylaws.

Chapter 280 must file an amended Form LM-3 for fiscal year ending June 30, 2007, to correct the deficient items discussed above. I provided you with a blank form and instructions, and advised you that the reporting forms and instructions are available on the OLMS website ([www.olms.dol.gov](http://www.olms.dol.gov)). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than May 12, 2008. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Issues

1. Two Signatures on Checks

The audit revealed that the Chapter 280 treasurer is the only person that signs union checks. OLMS recommends that Chapter 280 adopt a two signature requirement on all union checks. 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. OLMS recommends that Chapter 280 review this procedure to improve internal control of union funds.

2. Entry Errors in the Disbursements Journal

The audit revealed entry errors in the disbursements journal that did not accurately describe the disbursement. For example, the disbursements journal indicated that check number [REDACTED] dated February 7, 2007 was payable to [REDACTED] for \$125 for printer cartridges. Per the cancelled check, check number [REDACTED] was dated January 30, 2007 to "NTEU Legislative Department, Legislative Conference" for \$125. The entries in the disbursements journal should reflect the actual date, amount, payee and reason for the check and should match the cancelled check. This would improve the internal control of union funds for Chapter 280.

I want to extend my personal appreciation to NTEU Chapter 280 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,

[REDACTED]

Investigator

cc: Bernard Schneider, Treasurer