



July 9, 2014

Mr. Dana Culpepper, Treasurer  
NALC Branch 3993  
350 Oaks Trail  
Suite 205  
Garland, TX 75043

Case Number: 420-6001210 [REDACTED]  
LM Number: 083557

Dear Mr. Culpepper:

This office has recently completed an audit of NALC Branch 3993 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, President Aaron Holt, Vice President Karl Peterson, Education Officer Mitchell Hanson, Steward Michael Fielder, Steward Francis Spencer, Trustee Stanley Phillips, and members [REDACTED] and [REDACTED] on July 3, 2014, 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 Branch 3993's 2013 records revealed the following recordkeeping violations:

1. Failure to Record Receipts

NALC Branch 3993 did not record in its receipts records some dues checks and other receipts totaling at least \$1,104.17. 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. You agreed to maintain adequate records of all receipts and disbursements.

## 2. Non-Existent Disbursements

The union's general ledger listed seven disbursements totaling \$22,178.24. The disbursements were not physical disbursements and not listed on the bank statements. You listed the transactions in the general ledger in an attempt to balance the book keeping program. The union agreed to maintain adequate records of disbursements.

Based on your assurance that NALC Branch 3993 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

### Reporting Violation

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 LM-3 filed by NALC Branch 3993 for the fiscal year ended December 31, 2013, was deficient in the following area:

#### Disbursements to Officers (LM-3)

NALC Branch 3993 did not include some reimbursements to officers totaling at least \$1,004.10 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48.

The union must report most direct disbursements to NALC Branch 3993 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).

I am not requiring that NALC Branch 3993 file an amended LM report for 2013 to correct the deficient items, but NALC Branch 3993 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Signing Blank Checks

During the audit, you advised Vice President Karl Peterson signs blank checks. Your union's bylaws require that all checks be signed by the president and treasurer. 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. However, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that NALC Branch 3993 review these procedures to improve internal control of union funds.

2. Cash Disbursements to Officers

The union writes large checks to the petty cash fund to pay officer salaries and reimbursements. A warrant is prepared before the cash is disbursed. Although the recipient of the cash signs a receipt voucher for the cash payment, it is difficult to prove the validity of the signature or the transaction. Cash disbursements may also present a problem for future NALC Branch 3993 Treasurers. A new treasurer may not be prepared for the responsibility of handling cash, or may not be able to properly disburse it. A potential violation of safeguarding union funds may occur when handling cash. Check transactions are traceable and the recipient of the check can also be verified through the check cashing process. The union agreed to discontinue the use of cash payments to officers.

I want to extend my personal appreciation to NALC Branch 3993 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. Aaron Holt, President  
Mr. Karl Peterson, Vice President  
Mr. Glenn Spivey, Secretary  
Mr. Gregg Dietz, Editor  
Mr. Mitchell Hanson, Education Officer

Mr. Michael Fielder, Steward  
Mr. Francis Spencer, Steward  
Mr. Stanley Phillips, Trustee