



June 20, 2018

Mr. Edward Walker, President
National Treasury Employees Union (NTEU)
Chapter 247
1821 Directors Boulevard, Room 137
Stop 1702 AUSC
Austin, TX 78744

Case Number: 420-6003744
LM Number: 538101

Dear Mr. Walker:

This office has recently completed an audit of National Treasury Employees Union (NTEU) Chapter 247 under the Compliance Audit Program (CAP) to determine your organization's compliance with the provisions of the Civil Service Reform Act of 1978 (CSRA), 5 U.S.C. 7120, and the Department's regulations, 29 CFR 458. As discussed during the exit interview with you and Treasurer Ramona Wright on June 20, 2018, 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 247's 2014 records revealed the following recordkeeping violations:

1. Disposition of Property

Chapter 247 did not maintain an inventory of candy purchased, sold, or given away. The union must report the value of any union property on hand at the beginning and end of each year in Item 30 (Other Assets) of the LM-3. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 30. The union must record in at least one record the date and amount received from each sale of candy.

In addition, in the case of items given away to members, the union must retain records that identify the date the items were given away and the recipients of those items.

2. Failure to Record Receipts

Chapter 247 failed to maintain union receipt records for all sources of income. For example, the union did not record in its receipt records the employer dues checkoff checks, sales from other sources (candy, stamps, balloons, etc.), and some checks received from banks for interest earned on money market accounts. Union receipt 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.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Chapter 247's LM report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person who caused the violations, not just the individuals who are responsible for filing the union's LM report.

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 247 for the fiscal year ended December 31, 2014, was deficient in the following areas:

1. Disbursements to Officers

Chapter 247 did not include any reimbursements to officers, totaling at least \$1,581.59, in the amounts reported in Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 54 (Other Disbursements).

The union must report most direct disbursements to Chapter 247 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. Cash Reconciliation

It appears that the cash figures reported in Item 25 (Cash) are not the figures according to Chapter 247's books after reconciliation to the bank statements. The instructions for Item 25 state that the union should obtain account balances from its books, as reconciled to the balances shown on bank statements. Chapter 247's failure to maintain receipts and disbursements journals made it difficult to arrive at the union's correct account balances. Chapter 247 should maintain receipts and disbursements journals for all bank accounts and reconcile to these accounts in order to arrive at the correct cash figures to report in Item 25 (Cash) of the LM-3 report.

I am not requiring that Chapter 247 file an amended LM report for 2014 to correct the deficient items, but Chapter 247 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Violations

The audit disclosed the following other violation(s):

Official loan agreements were not prepared to document the \$440 loan to member [REDACTED] and \$200 loan to [REDACTED] by Chapter 247. The loan agreements should include the date and amount of the loan and the terms for repayment.

I want to extend my personal appreciation to National Treasury Employees Union (NTEU) 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: Mrs. Ramona Wright, Treasurer