

U.S. Department of Labor

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August 6,2008

Ms. Patricia Burt, Treasurer
Licensed Practical Nurses Association of Illinois
State Association
6801 Dunlin Court
Hobart, IN 46342

LM File Number 068-759

Case Number: [REDACTED]

Dear Ms. Burt:

This office has recently completed an audit of Licensed Practical Nurses Association of Illinois (LPNAI) 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 on July 15,2008, 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 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 Licensed Practical Nurses Association of Illinois fiscal year ending December 31, 2005 records revealed the following recordkeeping violations:

1. Supporting Documentation

Adequate supporting documentation was not retained for some union disbursements that were made via union check and cash. LPNAI failed to retain adequate documentation for approximately eight checks that were written from the local's checking account and two cash disbursements that totaled \$6,547.00 and \$105.00 respectively. Of the \$6,652.00 in total disbursements that lacked adequate supporting documentation, approximately \$5,660.00 pertained to union office rental fees.

As previously noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. 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. Failure to Adequately Record Receipts

LPNAI did not adequately record in its receipts records the source of income for approximately \$321.75 that was received from raffles and split the pots that were held at the LPNAI Annual Convention. 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.

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

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 LPNAI for fiscal year ending December 31, 2005, was deficient in the following areas:

1. Cash Reconciliation

It appears that the cash figures reported in Item 25 (Cash) are not the cash figures according to the union'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. In addition, it appears that the total disbursements figure reported in Item 55 (Total Disbursements) does not include \$14,284.00 in per capita tax disbursements that were made during the fiscal year under audit.

2. Liabilities

LPNAI reported outstanding liabilities of \$31,288.00 in Item 36 (Total Liabilities). The audit revealed that LPNAI had no outstanding liabilities during the fiscal year under audit.

3. Miscategorization of Receipts

LPNAI reported approximately \$25,000.00 in per capita tax receipts in Item 38 (Dues) even though such receipts should have been reported in Item 39 (Per Capita Tax). In addition, LPNAI reported \$6,654.00 in Item 40 (Fees, Fines, Assessments & Work Permits) and \$936.00 in Item 41 (Interest & Dividends) when receipts such as convention registration fees should have been reported in Item 43 (Other Receipts).

4. Miscategorization of Disbursements

LPNAI reported approximately \$14,400.00 in Item 49 (Professional Fees) even though disbursements for union hall rental fees and convention related expenses should have been reported in Item 48 (Office & Administrative Expense) and Item 54 (Other Disbursements) respectively. In addition, LPNAI reported approximately \$2,106.00 in Item 46 (To Employees) even though LPNAI had no employees during the audit year and did not pay out any lost time to its members.

It appears that the expenditures included in Item 46 (To Employees) should have reported amongst Item 48 (Office & Administrative Expense), Item 51 (Contributions, Gifts & Grants), Item 52 (Purchase of Investments & Fixed Assets), and Item 54 (Other Disbursements).

5. Additional Information

LPNAI failed to list the name of its political action committee (PAC) and the name of the government agency or state agency with which the PAC has filed a report in Item 56 (Additional Information) as required by the LM-3 instructions.

6. Failure to File Bylaws

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. LPNAI amended its constitution and bylaws in 2006, but did not file a copy with its LM report for that year.

LPNAI has now filed a copy of its constitution and bylaws.

LPNAI must file an amended Form LM-3 for fiscal year ending December 31, 2005 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). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than August 29, 2008. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Violations

The audit disclosed the following other violation:

Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires union officers and employees to be bonded without utilizing any forms of self-insurance, especially deductibles.

The audit revealed that LPNAI had bonding coverage that included a \$500.00 deductible. However, the union obtained adequate bonding coverage and provided evidence of this to OLMS during the audit. As a result, OLMS will take no further enforcement action regarding this issue.

Other Issues

Signing Blank Checks

During the audit, you advised that President Marie Burris 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 LPNAI review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Licensed Practical Nurses Association of Illinois 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: Marie Burris, LPNAI President