



November 26, 2012

Case Number: [REDACTED]
LM Number: 544094

Mr. Everett Glover, President
National Association of Independent Labor Local 11
PO Box 4312
2794 Harrison Loop
Fort Eustis, VA 23604

Dear Mr. Glover

This office has recently completed an audit of National Association of Independent Labor (NAIL) Local 11 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 Sonya Davis on November 7, 2012, 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 Local 11's 2011 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Adequate documentation for union expenditures was not retained. For example, Local 11 did not retain a receipt for \$111.28 for an Office Depot expense, a receipt for \$250.00 for five attendees to attend training by the Society of Federal Labor and Employee Relations Professionals, a \$338.75 invoice for a Verizon expense, a receipt for \$96.00 for a post office box, and a reoccurring monthly Netzero invoice for a \$7.94.

As noted above, labor organizations must retain original receipts, invoices, 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. Meal Expenses

Local 11 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$157.00. The union must maintain itemized receipts provided by restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

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.

3. Failure to Record Receipts and Receipt Dates

Local 11 did not maintain adequate receipts records. For example, Local 11 did not document receipts from the international and did not maintain employer dues checkoff records. 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.

Union receipts records must also show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported on the LM-4. The LM-4 instructions state that union officers are responsible for maintaining records which will provide in sufficient detail the information and data necessary to verify the accuracy and completeness of the report. Unions must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

4. Lack of Salary and Allowance Authorization

Local 11 did not maintain records to verify the salaries and allowances reported on Line 18 of the LM-4 were an authorized amount and therefore correctly reported. Local 11 must keep a record, such as meeting minutes, to show the current salary and allowances authorized by the entity or individual in the union with the authority to establish salaries and allowances.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 11'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-4 filed by Local 11 for the fiscal year ended December 31, 2011, was deficient in the following areas:

1. Total Receipts

Total receipts for Local 11 was incorrectly reported on Line 16 of the LM-4. It appears Local 11 added the end of FY2010 balance of \$1692.18 to the local's FY2011 receipts to obtain the reported figure. The correct figure that should have been reported was \$5571.00. Line 16 of the LM-4 should have entered the total amount of all receipts of the labor organization during the reporting period including, for example, dues, fees, fines, assessments, interest, dividends, money from the sale of assets, and loans received by the labor organization.

2. Disbursements to Officers and Employees

Local 11 incorrectly reported total payments to officers and employees. It appears Local 11 used the same figure reported for total fiscal year disbursements. Line 18 of the LM-4 should have entered the total amount of all payments to officers and employees made by the labor organization during the reporting period. The amount should include, for example, gross salaries (before tax withholdings and other payroll

deductions); lost time pay; monthly, weekly, or daily allowances; and disbursements for conducting official business of the labor organization as well as disbursements which were essentially for the personal benefit of the officer or employee.

Other Violations

The audit disclosed the following other violation:

Inadequate Bonding

Pursuant to 29 C.F.R. Section 458.35, officers and employees of any labor organization subject to the CSRA are required to be bonded in accordance with Section 502(a) of the LMRDA. This provision requires that union officers and employees be bonded for no less than 10% of the total funds those individuals or their predecessors handled during the preceding fiscal year.

Local 11 officers are currently not bonded. Local 11 must be bonded for at least \$557.10. Local 11 should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as possible, but not later than December 14, 2012.

Other Issues

1. Expense Policy

As I discussed during the exit interview with you and Ms. Davis, the audit revealed that Local 11 does not have a policy regarding the types of expenses members may claim for reimbursement. OLMS recommends that unions adopt written guidelines concerning such matters.

2. Single Signature Checks

During the audit, you advised that Davis is the only authorized signatory of union checks. OLMS recommends a two signature requirement as an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed.

3. Meeting minutes

The union did not maintain meeting minutes for the audit period. At a minimum, meeting minutes for membership and executive board meetings which discuss the approval or authorization of disbursements, or any other financial matters, must be recorded and maintained for five years.

I want to extend my personal appreciation to NAIL Local 11 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: Sonya Davis, Treasurer