



March 6, 2014

Mr. Sylvester Niblett, Director of Finance  
Treasury Employees Union Ch 14  
1222 Spruce Street, Suite 6.200  
St. Louis, MO 63103

Case Number: 510-5511730 [REDACTED]  
LM Number: 501150

Dear Mr. Niblett:

This office has recently completed an audit of Treasury Employees Union Ch 14 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 President Pam Sturm on March 5, 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 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 14's 2012 records revealed the following recordkeeping violations:

## 1. Reimbursed Expenses and Credit Card Expenses

Chapter 14 did not retain adequate documentation for credit card expenses incurred by former President [REDACTED] and Director of Finance Sylvester Niblett totaling at least \$500.00. For example, former President [REDACTED] charged a meal totaling \$310.57 at Flamingo Paradise Buffet in Las Vegas. No backup documentation was retained for this meal, except the credit card statement.

Union officers and employees who received reimbursement for travel expenses were told they were not required to keep backup documentation for expenses that were less than \$75.00.

As 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. Meal Expenses

Chapter 14 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$420. 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.

Chapter 14 records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, NTEU National Convention attendees from Chapter 14 had dinner at The Flamingo Buffet; however, there was no explanation of the union business conducted or the names of the persons who incurred expenses. 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. Lack of Adequate Backup Documentation for Disbursements

Chapter 14 did not retain adequate documentation for disbursements made by the union. For example, check [REDACTED] was written to USPS on June 5, 2012 for \$342.00 and check [REDACTED] was written to USPS on July 6, 2012 for \$342.00. It appears that stamps were purchased and used during the chapter's officer elections; however, no backup documentation was retained by the union.

As 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.

4. Disposition of Property

Chapter 14 did not maintain an inventory of t-shirts, umbrellas, mugs, lunch bags, badge holders, calendars, and other property it purchased, sold, or gave 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 union items.

5. Failure to Record Receipts

Chapter 14 did not record in its receipts records the source of some receipts totaling at least \$5,500. For example, the union collected \$5,079 from members who wished to attend the annual picnic at Six Flags; however, the union did not identify the members from which the money was received. 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.

6. Receipt Dates not Recorded

Entries in Chapter 14's receipts journal reflect the date the union deposited money, but not the date money was received. Union receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-3. The LM-3 instructions for Statement B state that the labor organization 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.

7. Information not Recorded in Meeting Minutes

During the audit, you advised OLMS that Chapter 14 holds two membership meetings per year and executive board meetings as needed. Minutes were not retained for all meetings. Minutes of all membership or executive board meetings must be maintained for at least five years and report any disbursement authorizations made at those meetings.

8. Lack of Salary Authorization

Chapter 14 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 was the authorized amount and therefore was correctly reported. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

Based on your assurance that Chapter 14 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Chapter 14'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 14 for the fiscal year ended September 30, 2012, was deficient in the following areas:

##### 1. Disbursements to Officers

Chapter 14 properly reported officer salaries in Item 24D (All Officers and Disbursements to Officers); however, the chapter did not report any disbursements to officers totaling at least \$19,000 in Item 24E. It appears the union erroneously reported these payments in Items 48, 50, and 54.

The union must report most direct disbursements to Chapter 14 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. Disbursements Improperly Reported on LM-3

Disbursements totaling at least \$19,000 were improperly reported in Item 50 Benefits. It appears that expenses related to labor recognition were included in Item 50. These expenses included decorations for a party, gifts, party refreshments, and conference room reservations. These types of disbursements should not be reported in Item 50. They should be reported in Item 48 Office and Administrative Expense, Item 51 Contributions, Gifts, and Grants, and Item 54 Other Disbursements.

3. Acquire/Dispose of Property

Item 13 [LM-3] (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered, "Yes," because the union gave away lunch bags, mugs, t-shirts, and cash during the year. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

4. 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 14 amended its constitution and bylaws in 2008, but did not file the required copies with its LM report for that year.

Chapter 14 has now filed a copy of its constitution and bylaws.

Chapter 14 must file an amended Form LM-3 for the fiscal year ended September 30, 2012 and September 30, 2013, to correct the deficient items discussed above. I encourage Chapter 14 to complete, sign, and file its report electronically using the Electronic Forms System (EFS) available at the OLMS website at [www.olms.dol.gov](http://www.olms.dol.gov). Reporting forms and instructions can be downloaded from the website, if you prefer not to file electronically. The amended Form LM-3 should be filed electronically no later than March 31, 2014 or submitted to this office at the above address by the same date. Before filing, review the report thoroughly to be sure it is complete and accurate. Paper reports must be signed with original signatures.

Other Issues

1. Expense Policy/Credit Card Policy

As I discussed during the exit interview with you and President Sturm, the audit revealed that Chapter 14 does not have a written expense policy or credit card policy. The union should have a clear policy regarding the types of expenses personnel may claim for reimbursement and the types of expenses that may be charged to union credit cards. OLMS recommends that unions adopt written guidelines concerning such matters.

2. Duplicate Receipts

Members of Chapter 14 give the union cash/checks to purchase union merchandise and participate in union activities. Director of Finance Niblett records the deposit of these payments in the receipts journal, but he does not issue receipts to dues payers. OLMS recommends that Chapter 14 use a duplicate receipt system where the union issues original pre-numbered receipts to all members who make payments directly to the union and retains copies of those receipts. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable. If more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned.

I want to extend my personal appreciation to Treasury Employees Union Chapter 14 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: Ms. Pam Sturm, President