



August 17, 2016

Frances Mansfield, Treasurer
NALC BR 897

Case Number: 350-6007494 [REDACTED]
LM Number: 083608

Dear Frances Mansfield:

This office has recently completed an audit of NALC BR 897 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 28, 2016, 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 897's 2018 records revealed the following recordkeeping violations:

1. Expense Support Documentation

In a few instances, receipts or other support documentation could not be found in the union record. Most notably, a debit card charge of \$2,666.79 for the union's Christmas party did not have accompanying documentation that detailed this charge.

2. Meal Receipts

Branch 897 did not require officers and employees to submit itemized receipts for meal expenses. 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.

Branch 897 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. 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. These charges must be reflected under the respective officer's name in the LM-3 Report.

3. Maintaining Cancelled and Voided Checks

Voided checks and copies of cancelled checks were not maintained in the union record. Voided check must be maintained in the union record in order to safeguard union funds. Copies of cancelled checks must be maintained to verify the recipients of union funds.

Based on your assurance that Branch 897 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 Branch 897 for the fiscal year ended December 31, 2015, was deficient in the following areas:

1. 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. Branch 897 amended its constitution and bylaws in 2015, but did not file a copy with its LM report for that year.

Branch 897 has now filed a copy of its constitution and bylaws.

2. Payments to Officers

Total salary payments to officers were reported under Item 24 F, but lost time and expense reimbursements were not reported under Item 24 D and E of the 2015 LM-3 report. Salary and lost time payments need to be reported under Item 24 D and reimbursed expenses, such as mileage and meal reimbursements, need to be reported under Item 24 E. This reporting requirement would include ATM cash withdrawals for officer salary or expenses.

3. Cash Balances

There was no beginning or ending cash balances reported under Item 25 of the 2015 LM-3 Report. All union cash assets such as funds in checking, savings, and certificates of deposit accounts need to be reported under Item 25 of the LM-3 Report.

4. Reported Disbursements

Officer salary payments were the only disbursements reported in the 2015 LM-3 Report. All disbursements for the fiscal year need to be reported under the Cash Disbursements section of the LM-3 Report.

I am not requiring that Branch 897 file an amended LM report for 2015 to correct the deficient items, but Branch 897 has agreed to properly report the deficient items on all future reports it files with OLMS.

Recommendations

1. Financial Disclosure

The cash balances of the union's cash assets were reported to the membership at the monthly membership meeting, but disbursements were not reported. A more detailed treasurer's report should be given that includes the reporting and approval of disbursements to include debit card charges.

2. Trustee Audits

Regular trustee audits of union finances and the reporting of audit results to the membership greatly enhance financial safeguards.

3. Single Signature Checks

OLMS recommends that you institute a two signature requirement for all disbursements. 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. Similarly, the use of a union debit card does not provide the financial controls of a two signature check, as evidenced in fiscal year 2015 by an accidental personal charge on the union debit card, which was promptly paid back to the union.

I want to extend my personal appreciation to NALC BR 897 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: Amy Adkins, President