



June 12, 2019

Mr. Kelly Hagen, President
National Staff Organization, North Dakota United
301 North 4th Street
Bismarck, ND 58501

Case Number: 320-6015003 [REDACTED]
LM Number: 515267

Dear Mr. Hagen:

This office has recently completed an audit of National Staff Organization, North Dakota United (NSO-ND United) 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 Treasurer Shelley Lubien on May 14, 2019, 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 Violation

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 NSO-ND United's 2014 through 2018 records revealed the following recordkeeping violation:

Disbursements to Vendors and General Reimbursed Expenses

NSO-ND United did not retain adequate documentation for disbursements to vendors and payments to officers totaling at least \$11,139. For example, adequate supporting documentation was not retained for a \$5,314.44 disbursement in September 2014 made to North Dakota United

for negotiating expenses. The union failed to maintain any documentation to support this payment, which is not sufficient.

In addition, you were reimbursed \$397 for airfare for CBC training on November 10, 2014. The union also failed to maintain any documentation to support this payment, which is not sufficient.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. Itemized receipts provided by restaurants to officers and employees must be retained. 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. 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. 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.

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

Reporting Violation

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-4 filed by NSO-ND United for the fiscal year ended August 31, 2018, was deficient in the following area:

Failure to Report Receipts and Disbursements

The audit revealed that NSO-ND United failed to report at least \$4,780 in receipts and corresponding disbursements to its parent organization for per-capita tax on its 2018 LM-Report. During 2018, NSO-ND United recorded \$12,519.57 in receipts in its books; however, the NSO-ND United only reported \$7,740 on its LM-Report. Additionally, the union recorded \$7,824 in disbursements in its books; however, only reported \$3,044 on its LM-Report. During the exit interview, Ms. Lubiens stated that the union did not report dues receipts and corresponding disbursements that were collected and later transmitted to its parent organization as per-capita tax.

The LM-4 instructions requires that all receipts, such as dues, fees, fines, assessments, interest, dividends, etc., received by the labor organization during the reporting period must be reported in Item 16 (Receipts). The instructions also state that if the union's annual receipts were \$10,000 or more, the labor organization is not eligible to file Form LM-4 and must report on Form LM-2 or Form LM-3. In the case of NSO-ND United, the union is required to file an LM-3 report, not an LM-4.

NSO-ND United must file an amended annual financial report for fiscal year ended August 31, 2018, to correct the deficient items discussed above. NSO-ND United filed the amended Form LM-3 on June 3, 2019.

I want to extend my personal appreciation to National Staff Organization, North Dakota United 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,

A large black rectangular redaction box covering the signature of the investigator.A smaller black rectangular redaction box covering the name of the investigator.

Investigator

cc: Ms. Shelley Lubiens, Treasurer