

U.S. Department of Labor

Office of Labor-Management Standards
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January 24, 2011

Mr. Norm Young, President
National Staff Organization
Professional Staff Organization, Ohio Association
1444 West 10th Street #407
Cleveland, OH 44113

Case Number: #####
LM Number: 510219

Dear Mr. Young:

This office has recently completed an audit of National Staff Organization, Professional Staff Organization, Ohio Association (NSOI OH ASN) 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 Thomas Renaud on December 22, 2010, 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 NSOI OH ASN's 2009 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

NSOI OH ASN did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by union officers and employees totaling at least \$5,500. For example, meals for union committees, retirement dinner expenses, hotel rooms reserved for union meetings, gifts purchased for union retirees, website hosting fees, shipping supplies, postage, and office supplies were lacking documentation to verify the date, amount, vendor, and purpose of the disbursements.

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

NSOI OH ASN did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$850. 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.

NSOI OH ASN 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, on October 14, 2008, a meal receipt for the Tuscan Grill shows a total cost of \$110.23, but there is no purpose for the meal recorded. Similarly, on September 25, 2008, a meal receipt shows a total cost of \$263.28, but there are no names or union purpose recorded on the receipt. 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. Receipt Dates not Recorded

Entries in NSOI OH ASN's general ledger 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 Labor Organization Annual Report, Form 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.

4. Receipts Lacking Documentation

NSOI OH ASN did not retain documentation for union receipts totaling at least \$110. These receipts could not be identified due to the lack of documentation in the union's records.

As noted above, labor organizations must retain at least one record showing the date, amount, purpose, and source of money received. 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 NSOI OH ASN 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 Form LM-3 filed by NSOI OH ASN for the fiscal year ended August 31, 2009, was deficient in the following areas:

1. Disbursements to Officers

NSOI OH ASN did not include some reimbursements to officers totaling at least \$18,000 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48 (Office and Administrative Expenses).

The union must report most direct disbursements to NSOI OH ASN 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. Certificates of Deposit Reported As Investments

NSOI OH ASN improperly included the value of certificates of deposit as investments in Statement A (Assets and Liabilities). For LM reporting purposes, OLMS considers a certificate of deposit to be cash. The purchase or redemption of a certificate of deposit is a

transfer of cash from one account to another and, therefore, the local should not report these transactions as receipts or disbursements.

3. Cash Reconciliation

It appears that the cash figures reported in Item 25 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.

4. Disbursement of Loans Inaccurately Reported

NSOI OH ASN reported disbursements of \$42,222 in Item 53 (Loans Made) of Statement B, when the union only disbursed \$25,000 in loans during the fiscal year ended August 31, 2009. The LM-3 instructions state that the total disbursements for loans made by the labor organization, including direct and indirect loans made to individuals, business enterprises, and other organizations need to be reported in Item 53.

NSOI OH ASN also reported a loan made by the union in Item 56 (Additional Information) as an outstanding loan, when the union had written the loan off as uncollectible in the union's financial records. The union should report the loan in Item 56 as having been written off instead of continuing to report the loan as an active, outstanding loan.

5. Total Disbursements Over Reported

NSOI OH ASN reported at least \$54,000 more in total disbursements than the union actually disbursed during the fiscal year ended August 31, 2009. The union incorrectly reported the dollar amount of Loans Made in Item 53 and the Purchase of Investments and Fixed Assets in Item 52. Instructions for Statement B state that receipts must be recorded when money is actually received by the labor organization and disbursements must be recorded when money is actually paid out by the labor organization.

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. NSOI OH ASN amended its constitution and bylaws in 2009, but did not file a copy with its LM report for that year.

NSOI OH ASN has now filed a copy of its constitution and bylaws.

NSOI OH ASN filed an amended Form LM-3 for the fiscal year ended August 31, 2009 correcting the deficient items discussed above.

I want to extend my personal appreciation to NSOI OH ASN for the cooperation and courtesy

Mr. Norm Young

January 24, 2011

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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,

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Investigator

cc: Mr. Thomas Renaud, Treasurer