

U.S. Department of Labor

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September 17, 2008

Mr. Robert Tremblay, President
National Treasury Employees Union (NTEU)
Chapter 23
P.O. Box 9024
Boston, MA 02114-0040

LM File Number: 503-258
Case Number: [REDACTED]

Dear Mr. Tremblay:

This office has recently completed an audit of NTEU Chapter 23 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 and Treasurer Marie Brown on September 16, 2008, 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 23's records for the fiscal year ending September 30, 2007, revealed the following recordkeeping violations:

1. Identification of Receipts

Chapter 23's receipts records reflect the date the union deposited money, but not the date money initially was received or the specific source of the funds for at least \$2,269.50. Union receipts records must show the date of receipt and also include an adequate identification of all money the union receives. For example, on November 17, 2006, the chapter made a deposit of \$412.50, but failed to sufficiently identify the source of the deposit. The records should show not only the date and amount received, but also the source of the money. 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 explain 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.

2. Information not Recorded in Meeting Minutes

During the audit, you and Treasurer Brown advised OLMS that the chapter's executive board must authorize union expenditures of more than \$400.00 that have not been previously approved as part of the union budget. However, Chapter 23 did not maintain minutes of executive board meetings, containing any reference to authorization or disbursement of funds or the approval of the union's budget. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

Based on your assurance that Chapter 23 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

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 23 for fiscal year ending September 30, 2007, was deficient in the following areas:

1. Incorrect Information Items Reported

The chapter incorrectly reported its bond amount in Item 20. Although the union reported a bond amount of \$35,000, the audit disclosed that Chapter 23 actually is covered for a loss of \$50,000. The chapter must report the maximum amount recoverable for a loss caused by any officer, employee, or agent of your organization who handled your organization's funds.

Additionally, the union reported an inaccurate rate of dues and fees in Item 23(a). The reported rate of \$1.30 bi-weekly is only the portion of membership dues received by the chapter. The actual dues rate varies between approximately \$8.00 and \$20.00 per pay period, depending on a member's salary. Form LM-3 instructions indicate that a union must report the regular dues, fees, and other periodic payments that a member must pay to be in good standing in your organization. If more than one rate applies, enter the minimum and maximum rates. Enter "0" where appropriate.

2. Disbursements to Officers (LM-3)

Chapter 23 did not report the names of some officers and the total amounts of payments to them or on their behalf in Item 24 (All Officers and Disbursements to Officers). The chapter failed to report the names of all elected stewards, who are members of the chapter's executive board, on Form LM-3 for the fiscal year ending

September 30, 2007. The union must report in Item 24 all persons who held office during the year, regardless of whether or not they received any payments from the union.

The union must report most direct disbursements to Chapter 23 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).

3. Cash Receipts

It appears that the amount reported in Item 44 (Total Receipts) is not an accurate record of the money received by the union during the reporting period. The chapter reported the receipt of \$27,388.00; however, union records do not substantiate this figure. Instructions for Form LM-3 explain 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. The purpose of Statement B is to report the flow of cash in and out of your organization during the reporting period only.

4. 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.

Chapter 23 must file an amended Form LM-3 for fiscal year ending September 30, 2007, to correct the deficient items discussed above. You were provided with a blank form and instructions, and advised that the reporting forms and instructions are also available on the OLMS website (www.olms.dol.gov). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than

September 30, 2008. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Violation

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. Currently, the president and treasurer of Chapter 23 are bonded for \$50,000.

Union officials advised that no other individuals are covered by the bond; however, the audit revealed that in past practice, union officers in the Stoneham, Massachusetts, office have handled the receipt of union funds from member ticket sales. Therefore, not all officers and employees of Chapter 23 who handle funds were bonded for the minimum amount required at the time of the audit. However, the union advised OLMS that these individuals will no longer be handling any union funds in the future. As a result, OLMS will take no further enforcement action regarding this issue.

Other Issue

Duplicate Receipts

Members of Chapter 23 buy social event tickets and entertainment books directly from the union. Union officials record the payments in the union's receipts journal, but they do not issue receipts to these members. OLMS recommends that Chapter 23 use a duplicate receipt system wherein 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 used, 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.

Mr. Robert Tremblay
September 17, 2008
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I want to extend my personal appreciation to NTEU Chapter 23 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 our office at (617) 624-6690.

Sincerely,

Mark Letizi
District Director

cc: Marie Brown, Treasurer