

**U.S. Department of Labor**

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September 23, 2009

Ms. Catherine Dunhoft, Treasurer  
National Treasury Employees Union Chapter 73  
P.O. Box 12389  
Covington, Kentucky 41012-0389

LM File Number: 503-274

Case Number: [REDACTED]

Dear Ms. Dunhoft:

This office has recently completed an audit of NTEU Chapter 73 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 President Jacqueline Huff on September 23, 2009, 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 73's 2008 records revealed the following recordkeeping violations:

1. Disposition of Property

Chapter 73 did not maintain an inventory of coffee mugs, water bottles, and other property it purchased, sold, or gave away during the audit year. 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. Therefore, it 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.

2. Receipt Source not Recorded

The audit disclosed that Chapter 73 received and deposited some income that came from members' purchases of coffee mugs, water bottles, etc. from the union. As noted above, a labor organization must keep at least one record showing the date, amount, purpose, and source of all incoming money. The audit disclosed that, in some instances, Chapter 73 didn't record who (i.e. the source) purchased the items.

As we discussed during the exit interview, Chapter 73 has now implemented 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 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.

Based on your assurance that Chapter 73 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 73 for fiscal year ending September 30, 2008, was deficient in the following areas:

1. Disbursements to Officers

Chapter 73 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 union must report in Item 24 all persons who held office during the year, regardless of whether they received any payments from the union. Specifically, Chapter 73 did not report the names of its five elected directors who serve on the chapter's executive board.

The union must report most direct disbursements to Chapter 73 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. 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. Specifically, the audit disclosed \$1,653.00 in receipts which the chapter deposited and recorded in its books, but did not report on its LM-3 report.

3. 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 73 amended its constitution and bylaws in 2005, but did not file the required copies with its LM report for that year.

Chapter 73 has now filed a copy of its constitution and bylaws. Therefore, no action is required in that regard.

Chapter 73 must file an amended Form LM-3 for fiscal year ending September 30, 2008, to correct the other deficient items discussed above. I provided you with a blank form and instructions, and advised you that the reporting forms and instructions are available on the OLMS website ([www.olms.dol.gov](http://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 October 7, 2009. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

#### Other Issues

The audit disclosed that Chapter 73 does not have an updated inventory list of its fixed assets. OLMS recommends that unions maintain such a list, as an internal control, in order to account for and safeguard all fixed assets.

I want to extend my personal appreciation to NTEU Chapter 73 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

Ms. Catherine Dunhoft  
September 22, 2009  
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cc: Jacqueline Huff, President