



Internal controls

Union officers should not steal from their brothers and sisters—or from anyone else for that matter. Seems harsh, but stealing is what it's called when an officer takes union funds or uses union assets for his or her personal gain. Aside from the possibility of a fine, imprisonment and loss of your job, you also lose respect and trust, as well as expose your family to public humiliation.

In the past few months, a number of NALC branch officers have been caught taking union funds. This does not only reflect poorly on the thief—it reflects poorly on the National Association of Letter Carriers and unions in general. I have listened to a number of attempts to explain why particular individuals stole from their brothers and sisters—family problems resulting in financial difficulties topping the list. But stealing can *never* be explained away. *Never*.

This is not merely a matter of ethics or one's obligations to other union members. It is a matter of law, both criminal law and labor law. Section 501 of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA), as amended, outlines the general fiduciary responsibilities of officers and employees of labor organizations. Union officials occupy positions of trust and must ensure that the union's funds and other assets are used solely for the benefit of the union and its members. Unfortunately, if a union does not have an adequate system of internal financial controls, some individuals may use organizational funds for their own purposes.

To prevent, or at least inhibit, the misuse or embezzlement of funds, NALC branches should install internal controls for the handling of their finances. Adequate and effective internal controls require *a separation of functions and responsibilities* among a number of individuals who are actively involved in the financial process and who can provide a system of "checks and balances" over one another's activities. An entirely adequate system of internal controls is not always possible in small local unions. Nonetheless, some effective internal controls can and must be established even in one- or two-person operations. NALC branches should take the following actions to safeguard union funds:

- Require that union financial officers maintain receipts and disbursement journals (or similar records) to record all monies received and spent by the union.
- Require that the branch's financial officer deposit branch reimbursement checks immediately in the union's bank account and make regular, frequent deposits of other union funds to the union's bank account. Each deposit should be identified within a specific set or time period

of receipts in the union's receipts journal to make the relationship between receipts and bank deposits perfectly clear and easily verifiable. *In addition, cash should never be taken from the reimbursement check.*

- Ensure that there is a full understanding, in the form of membership or executive board authorizations, recorded in meeting minutes or the branch bylaws, about the level of salary and expenses (if any) to which the union's officers are allowed.
- Require that the financial officer ensures that all checks drawn on the union's bank account have a second signature and that the co-signer fully understands that his/her fiduciary responsibilities require that the checks be signed only *after* they are completely filled out and the co-signer knows the purpose and legitimacy of each transaction.
- Require that the financial officer give a full report of the union's finances at each membership or executive board meeting and that prior authorization be obtained for large or unusual transactions, as provided for in Article 12 of the *NALC Constitution*.
- Ensure that the trustees conduct regular, periodic examinations of the union's books and records, including:
 - ✓ reconciling the union's record of bank account balances with bank statements and conducting a spot-check reconciliation of receipts with deposits.
 - ✓ ensuring that adequate backup documentation (bills, sales invoices, etc.) is maintained for all union expenditures.
 - ✓ verifying the purpose and legitimacy of check transactions by referring to check stubs and journal entries, back-up documentation, and the membership or executive board authorizations recorded in meeting minutes.
- Review established internal controls periodically and change operating procedures as necessary.

Although establishing internal financial controls will not by itself prevent misuse or embezzlement of union funds, procedures such as those listed above will reduce the possibility. Union officers and trustees who have further questions about internal financial controls should seek the advice of NALC Headquarters or the nearest Office of Labor and Management Standards (OLMS) Department of Labor field office. Additional information is available on the OLMS web site at www.olms.dol.gov, by calling the DOL Help Line at 866-487-2365, or by contacting an OLMS district office. ☒