How to avoid common record-keeping and reporting violations

At least since the 1980s, the U.S. Department of Labor's Office of Labor-Management Standards (OLMS) has been conducting compliance audits (CAP) of local unions. After the audit is completed, a closing letter is sent to the president of the affiliate being audited. Since 2006, these closing letters have been posted on the OLMS website at dol.gov. The letters are organized by the year the audit was completed and, within each year, alphabetically by union.

During 2008-2009, 68 NALC affiliates received a CAP closing letter. The OLMS of the Department of Labor (DOL) completed an analysis of these 68 closing letters and reported to my office the six most frequently occurring record-keeping and reporting violations. In the following analysis, OLMS provides several detailed examples from NALC branches and then provides a set of basic but effective recommendations to prevent these problems in the future. I urge you to give the following your most serious consideration.

Methodology and results: Each closing letter was reviewed and any violation of record-keeping or reporting requirements was categorized and tabulated. The figure below summarizes the top six record-keeping or reporting violations by type, with the most frequent first.

Missing or inadequate documentation for reimbursed expenses to officers and/or employees is the most frequent violation, and fortunately, it is relatively easy to fix, as long as you are willing to strictly enforce a basic policy. Here are examples from letters involving NALC branches:

- "Local ____ did not retain adequate documentation for reimbursed expenses incurred by union officers totaling at least $347.24. For example, officers were reimbursed for fruit baskets purchased for union members with no supporting documentation found in union records."
- "Local ____ did not retain adequate documentation for reimbursed expenses totaling at least $200. For example, some officers submitted their credit card bill rather than providing an original, itemized receipt for the reimbursed hotel or on-line purchase."

The key to understanding this type of violation is that it involves requests for reimbursement from union officers or employees. That means that someone (branch president and treasurer) is being asked to approve payment for union-related expenses by these officers. Here, we do not include meal reimbursement, but rather reimbursement for travel, lodging and related expenses. Obviously, before the officers in question can get reimbursed, they have to submit some documentation to prove that the expenditure actually occurred.

The two officers who must sign the check have the power to demand documentation because they have to sign the reimbursement check. That means they can say "no" if the documentation is lacking or isn't sufficient. If you are prepared to exercise this power, then you need to adopt a very basic rule: No documentation, no reimbursement, no exception.

When you ask for the documentation to prove the expenditures were made, it needs to identify the name and address of the vendor, the date and the amount of the purchase. Hotel bills should be itemized so you can determine any additional charges (that may not be authorized) besides room and tax.

You are also strongly urged to adopt a standard expense reimbursement policy that provides guidance on what expenses may be claimed, the process for authorizing expenditures in advance, any limitations or conditions on reimbursement, as well as required documentation and a standard expense reimbursement voucher form. Local trustees should make a point of carefully examining expense claims to ensure proper documentation.

Tabulation of the top six record-keeping and reporting violations by 68 NALC affiliates, 2008-2009

Record-keeping or reporting violation	# of occurrences
Missing or inadequate documentation for reimbursed expenses to officers and employees	33
Inadequate bonding	32
LM-3 Item 24: Payments to officers is incomplete	29
Inadequate receipts	21
Lost wages	19
Failure to file bylaws	19

The second most common violation, inadequate bonding, was discussed in my March column. In future columns, we will explore the other violations listed in the table at left, as well as practices branches and state associations should adopt in order to ensure their fiduciary practices are sound. ✉