Bonding requirements

The Department of Labor has advised me that one of the most frequently cited violations of the Labor-Management and Disclosure Act when finishing an audit of an NALC branch is the lack of adequate bonding. Branch officers are advised that bonding is not just a nice thing to have if you think you can afford it. It is a requirement under the LMRDA and the *NALC Constitution* and you can't afford *not* to have it.

Unfortunately, I have spoken with branch officers across the country who have experienced losses from the union's treasury through various methods of theft, and in a few cases, there was no labor bond to assist in recovering the loss. A labor bond is necessary in order to protect union funds and assets from losses caused by improper uses. Section 502(a) of the LMRDA requires union officers and employees to be bonded to ensure that unions at all levels will be protected against losses caused by an act of fraud or dishonesty by a union officer or employee.

All NALC locals and state associations are subject to these bonding requirements except those with property and annual receipts less than $5,000. NALC affiliates should purchase a bond only from an approved surety company.

The minimum bonding amount for each covered officer or employee is 10 percent of the funds handled by the official and his or her predecessor, if any, during the preceding fiscal year. The maximum bond required for any one person in any one union is $500,000. A quick formula for computing the approximate amount of required bonding coverage is:

Liquid Assets + Total Receipts x 10%
= Amount of Coverage Required

A more detailed bonding worksheet is available at the OLMS website at dol.gov. Search "bonding" to find the worksheet as well as other information.

Where does your branch stand? We can divide the 1,154 NALC 2008 filers (not all NALC locals and state associations have filed their 2009 LM reports at this writing) into four distinct categories: (a) those who are not required to be bonded because their net assets and receipts are under $5,000; (b) those who must be bonded but did not indicate any maximum bonding amount in their LM report; (c) those who appear to be under-bonded; and (d) those who appear to be adequately bonded.

- **a.** Of the 2008 NALC filers, 272 were not required to be bonded because their net assets and receipts were under $5,000. (They can, however, still choose to be bonded and there is nothing wrong with doing so.)
- **b.** There are 114, however, that are are required to be bonded but either entered a "zero" or left blank the item on their LM form, which is supposed to list the maximum recoverable amount under their bond. This may be a simple oversight or it may indicate a failure to bond, which is not only a violation of the LMRDA but puts the union's treasury at risk. LM-4 filers list their maximum bond amount in item 12; LM-3 filers list it in item 20; and LM-2 filers, in item 14.
- **c.** Of the 2008 NALC filers, 146 appear to be under-bonded and should carefully evaluate their bonding coverage as they prepare to file their 2009 LM reports.
- **d.** Only slightly more than half (53.9 percent, or 622) of the 2008 NALC filers appear to be adequately bonded.

What needs to be done about this situation? Regardless of which category your branch or state association falls into, every NALC affiliate should calculate its minimum bonding requirement and compare it with the maximum coverage of its bond. The best time to do this is when you are reviewing your completed Form LM, right before you sign it. Most filers will find that most of the information needed to calculate the minimum bonding requirement is on the Form LM.

A dues increase, a growth spurt in membership (particularly those branches merging with other branches), or sale of a fixed asset can affect your bonding requirements, which is why you should recalculate bonding each year. You can use the simplified formula above or use the OLMS online bonding worksheet. Regardless of the method you use, bonding requirements should be computed annually. It is also vitally important that you obtain a copy of the bonding certificate and physically verify the maximum level of bonding coverage each year.

If your local has more than $5,000 in net assets and receipts and does not have a bond, you should immediately obtain one. My office is here for assistance; however, it is your responsibility to ensure adequate coverage is obtained and maintained. Check it out!