



Canceled check issues and the Department of Labor

In July's column, the top six record-keeping and reporting violations discovered by the Department of Labor (DOL) while conducting compliance audits on NALC branches were identified. The top violation, missing or inadequate documentation for reimbursed expenses to officers and employees, was discussed. As noted in that column, the second most frequently occurring violation by NALC's branches is missing or inadequate bonding, which I wrote about in my March column.

As noted in July, I plan to identify not only common record-keeping and reporting violations, but also practices branches can put in place to avoid problems with the DOL and Internal Revenue Service, while at the same time ensuring the branch's finances are kept in good order.

Recently, a number of branches and a few state associations have called my office with questions about how to obtain copies of canceled checks when the branch's bank does not provide hard copies with the monthly statement. These questions generally arise when the DOL is performing an audit and has requested copies of canceled checks. Some investigators are requesting four to five years' worth of canceled checks, particularly if the investigator has reason to believe there are improprieties.

Therefore, some helpful information follows:

- The LMRDA requires the union to retain records used to compile the annual LM-2, -3 or -4 for five years after the year in which the report was filed. (Please refer to the OLMS' website at dol.gov/olms/regs/compliance/RecordkeepingFactSheet.pdf). Of course, this means branches will need to keep canceled checks for six years, since the reports are for the year preceding.
- Canceled checks are records the DOL *requires* you to keep. If you receive hard copies or originals of the canceled checks, you should continue to file and maintain these for the required period.
- On the other hand, if your bank does not provide hard copies or originals of canceled checks, you may want to consider finding a bank that does. One advantage of hard copies is your ability to check the endorsement on the back side and compare it with the payee.
- If you receive some kind of electronic version of the canceled check, be aware that some banks may charge

you for a hard copy or original. If you are audited and have to provide multiple back years of canceled checks, you may get charged. Some branch officers I spoke with were facing bank charges of \$3,000 to \$6,000 to obtain copies of all the checks written on the branch's account(s) for four to five years.

- Your bank may provide you with an opportunity to download and electronically store or print out canceled checks for no charge, or for a certain time period. If this is the case, you should periodically download and/or print out your canceled checks, and ensure that these are filed and maintained for the required five- to six-year period. *Be sure you are receiving and printing out both the front and the back of the canceled check, as it is important to be able to define who endorsed the check vs. who the payee was.*
- Whatever you do, if you don't receive hard copies or originals of your canceled checks, this may be a good time to check with your bank and review their policy regarding availability and costs associated with canceled checks, as costs vary greatly.

On a separate matter, the DOL does not have a policy on how many checking accounts a local union can have. Branches should weigh the time and expense associated with maintaining multiple checking accounts with any potential benefit. Besides the extra costs multiple accounts may incur, multiple accounts may create extra work, as there will be more reconciliations and records to keep.

What benefits accrue to multiple accounts, particularly if there is very little activity in the account, such as a holiday party fund, where all the checks get written in one or two months of a year, may not be worth the extra time and effort. One checking account could be maintained and a special account number created for any special fund (PACs excluded), which accomplishes the purpose of reporting and accountability without all the extra work and possible additional cost.

Important reminder: Registration continues for two secretary-treasurer seminars. The first seminar will be held in San Diego January 17-19. The second seminar will be in Orlando February 27-March 1. A registration coupon was made available in a September *Bulletin*. ☒