

Branch audits: A guide for trustees



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Article 6, Section 9, of the *NALC Constitution for the Governance of Subordinate and Federal Branches* states, in part: “The Trustees shall examine and report to the Branch the condition of the books of the officers at least once every six months, compare the vouchers and records and see that they correspond with the collections and disbursements.”

To assist trustees of small local unions, the Department of Labor (DOL) prepared a guide, *Conducting Audits in Small Unions—A Guide for Trustees to a 10-Step Audit*, which is available at dol.gov. The guide also is available on the NALC website under the “Secretary-Treasurer” tab.

I recommend that all trustees, as well as other branch officers, review and consult the DOL’s guide for assistance before, during and after an audit to ensure that the branch’s funds and other assets are safeguarded and expended appropriately for the benefit of the branch and its members.

The planning phase of the audit involves meeting with the other trustees to discuss responsibilities and assign duties. A letter or other communication should be sent to the president and secretary-treasurer to advise them of when the audit will be held and which items (e.g., check-books, canceled checks, vouchers/warrants, journals, minutes, etc.) the trustees will need in order to complete the audit. Trustees should review financial forms such as 990s and LM reports, as well as the *NALC Constitution* and the branch’s bylaws before starting the audit.

The following is an abbreviated checklist of the 10 steps to be performed during the audit:

Step 1: Trace canceled checks to the bank statements and disbursements journal.

Step 2: Scan the disbursements journal and record unusual entries.

Step 3: Trace the branch rosters total dues deposited by NALC Headquarters on behalf of the branch to the receipts journal and bank statements.

Step 4: Confirm that receipts from all other sources (interest, rent, raffles, etc.) have been properly recorded and deposited. Trustees may need to refer to the branch’s minutes to determine if raffle money was deposited.

Step 5: Identify all bank accounts, verify their ending balances, and review withdrawals and transfers. Verify that all withdrawals during the audit period from savings, money market accounts or certificates of deposit were used for le-

gitimate union purposes, as approved by the membership. Trustees may need to refer back to the branch’s minutes to confirm expenditures and transfers.

Step 6: Inventory fixed assets such as computers, photocopier, filing cabinets. If a list does not exist, create one—either indicating their original cost, estimated current value or value as carried in the branch’s books (if list exists); and the asset’s location.

While completing Steps 1-6, trustees may encounter difficulties understanding the branch’s records, or the necessary records may not be immediately available. If this occurs, trustees should talk to the financial officers to resolve concerns. However, trustees may, unfortunately, encounter significant problem areas such as altered checks, falsified records, missing assets or a possible misuse of funds. If this occurs, you should contact my office or the nearest OLMS office for assistance.

Step 7: Confirm that the annual LM report for the latest completed fiscal year was filed on time.

Step 8: Determine whether financial records were properly maintained. (For length of retaining, see Chapter 6 of the *NALC Branch Officers Guide to Finance and Administration*, available from the NALC Supply Department or at nalc.org.)

Step 9: Ensure that all officers and employees who handle funds are adequately bonded. (Fiduciary officers may consult Chapter 5 of the *NALC Branch Officers Guide to Finance and Administration* for more information.)

Step 10: Confirm that no officers or employees were loaned more than \$2,000 by the branch. Loans exceeding \$2,000 are prohibited by the Labor Management Reporting and Disclosure Act of 1959.

After the audit has been completed, the trustees should review their findings, resolve any loose ends, document their work, and report their findings. This will include determining whether any changes are needed to comply with DOL requirements, and making a list of any internal financial-control weaknesses or problem areas. Unless the trustees have found significant discrepancies in the branch’s records and need outside assistance, they should meet with the principal financial officers of the branch and discuss their findings and resolve any concerns. The audit findings should then be reported to the branch.

Please review the entire guide to gain a better understanding of every aspect concerning a branch audit. The guide includes sample letters, checklists, common problems and indicators of possible misuse of funds. A big thanks to all branch trustees who are diligent and thorough in performing their duties.

Per capita tax call going out in June—Due to the influx of Form 1187s, please note any “W” designation. Most likely, these are cases of active members who signed a Form 1187 but where the USPS has not initiated dues withholding. Branch secretaries should investigate the matter and contact the Membership Department.