

Branch audits: A guide for trustees



Nicole Rhine

Article 6, Section 9 of the *Constitution for the Government of Subordinate and Federal Branches* states, in part, that: “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 Office of Labor-Management Standards prepared a guide called *Conducting Audits in Small Unions – A Guide for Trustees to a 10-Step Audit*. This guide is available on the Department of Labor’s website at dol.gov and at nalc.org on the Secretary-Treasurer’s page.

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 safe-guarded 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 to assign duties. A letter or other communication should be sent to the president and secretary/treasurer of the branch to advise them of when the audit will be held and which items (e.g. checkbooks, canceled checks, vouchers/warrants, journals, minutes, etc.) the trustees will need to complete the audit. Trustees should review financial forms such as 990s and LM reports as well as the *NALC Constitution*, the branch’s bylaws and the branch’s most recent audit report before starting.

The following is an abbreviated checklist of the 10 steps to be performed during the audit as listed in the DOL’s guide:

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 roster’s 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 legitimate union purposes, as approved by the membership. Trustees may need to refer back to the branch’s minutes to confirm ex-

penditures and transfers.

Step 6: Inventory fixed assets such as computers, photocopiers, filing cabinets, etc. 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 a list exists), and the asset’s location.

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 time for retaining records, see Chapter 6 of the *NALC Branch Officer’s Guide to Finance and Administration* for more information. This guide can also be found on the NALC website on the Secretary-Treasurer’s page under resources.)

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 for conducting audits 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.

Thanks to all branch trustees who are diligent and thorough in performing their duties. I would also like to note that a class on auditing branch records is taught at the Branch Officers Training for all trustees in attendance.

Changes of officers

Many branches have installed officers in the past few months. Branches are asked to notify the Office of the Secretary-Treasurer in writing as soon as possible after a change of officers in a branch. This can be done via a letter or by filling out a “Branch Information Record” card, which is included quarterly with the branch dues roster. New officers will not begin to receive their mail from headquarters until NALC is notified of their names, titles and addresses. NALC’s membership database stores the names of branch and state presidents, secretaries and treasurers, and the information in the database is used for mailings.