



July 21, 2011

Mr. Richard Foster, President
NATCA Local DEN
P.O. Box 49384
Denver, CO 80249

Case Number: [REDACTED]
LM Number: 528326

Dear Mr. Foster:

This office has recently completed an audit of NATCA Local DEN under the Compliance Audit Program (CAP) to determine your organization's compliance with the provisions of the Civil Service Reform Act of 1978 (CSRA), 5 U.S.C. 7120, and the Department's regulations, 29 CFR 458. As discussed during the exit interview with you and Treasurer H. Schuck on July 20, 2011, the following problems were disclosed during the CAP. The matters listed below are not an exhaustive list of all possible problem areas since the audit conducted was limited in scope.

Recordkeeping Violations

Title II of the LMRDA establishes certain reporting and recordkeeping requirements. Section 206 of the LMRDA and Title 29 of the Code of Federal Regulations (C.F.R.) Section 403.7 require, among other things, that labor organizations maintain adequate records for at least five years after reports are filed by which the information on the reports can be verified, explained and clarified. Pursuant to 29 C.F.R. Section 458.3, this recordkeeping provision of the LMRDA applies to labor organizations subject to the requirements of the Civil Service Reform Act of 1978 (CSRA) as well. Therefore, as a general rule, labor organization must retain all records used or received in the course of union business.

For disbursements, this includes not only original bills, invoices, receipts, vouchers, and applicable resolutions, but also documentation showing the nature of the union business requiring the disbursement, the goods or services received, and the identity of the recipient(s) of the goods or services. In most instances, this documentation requirement can be satisfied with a sufficiently descriptive expense receipt or invoice. If an expense receipt is not sufficiently descriptive, a union officer or employee should write a note on it providing the additional information. For money it receives, the labor organization must keep at least one record showing the date, amount, purpose, and source of that money. The labor organization must also retain bank records for all accounts.

The audit of NATCA Local DEN's 2010 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

The local did not retain adequate documentation for all reimbursed expenses incurred by union officers and members. For example, on September 8, 2010, President Foster used

the local's ATM card but failed to keep a receipt.

As previously noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principal officers) of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records.

2. Meal Expenses

The local did not require officers and employees to submit itemized receipts for meal expenses totaling approximately \$550. The union must maintain itemized receipts provided by restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

Based on your assurance that the local will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violations

Pursuant to 29 C.F.R., Section 458.3, the reporting requirement under 29 C.F.R. Section 403.2 (see Section 201(b) of the Labor-Management Reporting and Disclosure Act (LMRDA)) is made applicable to labor organizations subject to the requirements of the CSRA. This provision requires labor organizations to file annual financial reports that accurately disclose their financial condition and operations. The audit disclosed a violation of this requirement. The Labor Organization Annual Report (Form LM-2 / LM-3) filed by the local for fiscal year ending December 31, 2010, was deficient in the following areas:

1. Cash Reconciliation

NATCA's 2010 LM-3 report filed on April 4, 2011 was deficient in that the cash reconciliation was off by \$5,664.

2. Failure to File Bylaws

Pursuant to 29 C.F.R. Section 458.3, the requirement under 29 C.F.R. Section 402.4 implementing LMRDA Section 201(a) is made applicable to labor organizations subject to the requirements of the CSRA. This provision requires labor organizations to file copies of any revised constitution and bylaws when it files its annual financial report. The audit disclosed a violation of this requirement. The local amended its constitution and bylaws in 2002, but did not file the required copies with its LM report for that year.

The local has now filed an amended LM-3 report for fiscal year ended December 31, 2011 and a copy of its constitution.

Other Issues

1. Financial Safeguards

As I discussed during the exit interview with you and Treasurer Schuck, the audit revealed that the local does not have proper financial safeguards in place because the same person that is in charge of keeping the local's accounting records also prepares checks, signs checks, approves vouchers, and reconciles the bank accounts. OLMS recommends that unions practice segregation of duties as a way of preventing financial fraud.

2. Failure to follow NATCA Constitution

NATCA Local DEN 2002 Constitution, Article VI, Section 4 states that the treasurer shall be the officer in charge of all financial transactions, all monetary matters, filing the LM reports, and keeping adequate records. Currently, the president and not the treasurer are performing these duties. OLMS recommends that NATCA follow its constitution.

I want to extend my personal appreciation to NATCA Local DEN for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make sure this letter and the compliance assistance materials provided to you are passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,



Investigator

cc: Mr. H. Schuck, Treasurer