

## BRIEFLY...

Highlights of Report Number **09-12-001-04-421**, issued to the Director, Office of Labor-Management Standards.

### WHY READ THE REPORT

The Office of Labor-Management Standards' (OLMS) mission is to administer provisions of the Labor-Management Reporting and Disclosure Act of 1959, as amended (LMRDA), which primarily establishes standards for labor union democracy and financial integrity and requires reporting and public disclosure of union reports. OLMS helps American workers by providing union oversight to:

- help eliminate or prevent improper or corrupt practices by labor unions and their officers and representatives.
- identify serious violations of the LMRDA and related acts covering Federal employee unions which interfere with democratic procedures within labor organizations.
- help unions improve their organizational and administrative effectiveness.

As part of the effort to help ensure union financial integrity, OLMS conducts a compliance audit program (CAP). OLMS designed compliance audits to verify LMRDA or CSRA compliance, investigate potential violations of the law, and provide compliance assistance to help unions meet statutory requirements.

### WHY OIG CONDUCTED THE AUDIT

We conducted this audit to determine if OLMS had: (1) evaluated the effectiveness of its CAP and its impact on safeguarding union assets, (2) selected unions for audit using the most effective strategies, and (3) ensured unions corrected violations of LMRDA.

### READ THE FULL REPORT

To view the report, including the scope, methodology, and full agency response, go to:

<http://www.oig.dol.gov/public/reports/oa/2012/09-12-001-04-421.pdf>

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## OLMS COULD DO MORE TO IMPROVE THE EFFECTIVENESS OF THE COMPLIANCE AUDIT PROGRAM

### WHAT OIG FOUND

OLMS could do more to improve the CAP effectiveness in verifying LMRDA compliance. Specifically, OLMS has not: (1) fully evaluated the effectiveness of the CAP and its impact on safeguarding union fund assets, (2) demonstrated it was using the most effective strategies for selecting unions for audit, and (3) ensured that unions corrected financial control weaknesses that allowed recordkeeping violations.

The OLMS performance measurement process did not evaluate the effectiveness of the CAP. The CAP objective is to verify LMRDA compliance, and provide compliance assistance to help unions meet statutory requirements. However, OLMS' performance measure for the CAP measured the percentage of CAP audits that identified a potential criminal violation. This did not measure CAP outcomes.

In addition, OLMS could not demonstrate it used the most effective strategies to identify unions with the most significant LMRDA violations. OLMS did not have a risk-based mechanism to correlate CAP strategies for selecting unions for audit with CAP outcomes to determine which strategies disclosed the most significant LMRDA violations or were most effective in improving the safeguarding of union assets.

Finally, OLMS did not always ensure correction of financial control weaknesses that allowed union recordkeeping violations. While OLMS required corrective action for violations in other areas, they did not follow up with unions to ensure they corrected control weaknesses related to recordkeeping.

### WHAT OIG RECOMMENDED

The OIG recommended: OLMS develop performance measures that evaluate the effectiveness of the CAP in safeguarding union assets by verifying LMRDA compliance; implement a risk-based process that will define the most significant LMRDA violations and use strategies to direct OLMS CAP resources to unions with the most significant LMRDA violations; and develop a process that documents unions correct financial controls over recordkeeping.

OLMS did not agree that it should develop better performance measures. OLMS also stated that it had developed risk-based processes and were testing them. Finally, OLMS did not believe it would be cost effective to develop a process to document unions correct financial controls over recordkeeping.