

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Dallas District Office
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April 14, 2005

Ken Lee
President
Postal Workers LU1348
2875 E Admiral Place
Tulsa, OK 74110-5437

Re: [redacted]

Dear Mr. Lee:

This office has recently completed an audit of Postal Workers LU1348 under the Compliance Audit Program (CAP) to determine your organization's compliance with the provisions of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). As discussed during the exit interview with you and Marsha Coyle on April 7, 2005, 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.

Title II of the LMRDA establishes certain reporting and record keeping requirements. Section 206 requires, among other things, that adequate records be maintained for at least five years by which each receipt and disbursement of funds, as well as all account balances can be verified, explained, and clarified. As a general rule, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and the identity of the recipients of the goods or services.

The following record keeping violations were revealed during the audit of LU1348's records for fiscal year ending December 31, 2004:

1. Union officers failed to maintain adequate documentation for expenses charged to the union credit card. Specifically, some online purchase receipts were missing. In addition when gifts were bought for retirees, the recipients of the gifts were often not noted.
2. Union officers failed to maintain a complete record of shirt sales and giveaways. The 2005 inventory did not include shirts that an officer had in her car to sell. Receipts account for 38 shirts being sold, but 60 shirts were sold or given away. The exact amount of shirt sale income could not be determined. The date and amount received from the sale of each shirt must be recorded in at least one record.
3. Union officers failed to record in its records details of miscellaneous deposits to the checking account and convention savings account. Union receipts records must include an adequate

identification of each receipt of money. The records should show the exact date that the money was received, the identity of the source of the money, and the individual amount received from each source.

4. Union officers failed to maintain a record of union contracts sold. Union officers also failed to issue receipts to members who bought a contract.
5. Union officers failed to document and receipt all petty cash activity. The petty cash box should have \$100 cash plus receipts at all times.
6. Quickbooks records of LU1348's bank accounts were incomplete. Some interest payments to LU1348's savings accounts were missing from the Quickbooks records. The Quickbooks record for the regular savings and convention savings accounts were intermingled. Some deposits and withdrawals from those accounts were missing. Finally, the monthly AOL charges were missing from the Quickbooks records.

As agreed, provided that LU1348 maintains adequate documentation of its receipts and disbursements in the future, no additional enforcement action will be taken regarding this violation.

The CAP disclosed a violation of LMRDA section 201(b), because the Labor Organization Annual Report (Form LM-3) filed by LU1348 for fiscal year ending December 31, 2004 was deficient in the following areas:

1. The amount reported in Item 29B Cash at End of Reporting Period is incorrect. LU1348 Treasurer Coyle added \$5,598.84 to Item 29B to balance the LM report. Coyle completed the LM report based on the accrual method instead of the cash method.
2. Union officers reported federal, state, and unemployment tax under Item 36 Other Liabilities. Those taxes should be reported under Item 54 Other Disbursements.
3. Item 43 Other Receipts should have included income received from t-shirt sales, convention registration fees, and reimbursements. OLMS defines all money deposited into accounts as income except for money transferred between accounts.
4. Item 41 Interest and Dividends should have included all the interest paid on LU1348's savings accounts.
5. Item 51 Contributions, Gifts, and Grants should have included money paid for members' retirement gifts.

It will be necessary for LU1348 to file an amended LM-3 report for 2004 to correct the deficient items discussed above. The necessary reporting forms and instructions were included in the compliance assistance package given to you during the opening interview. You may also use the new electronic forms software available from OLMS to complete the amended reports. One copy of each amended report should be submitted to this office at the above address as soon as possible, but no later than 05/31/04. Before mailing, review the reports thoroughly to be sure they are complete, accurate, and signed properly with original signatures.

The CAP disclosed a violation of LMRDA section 201(b), because the Labor Organization Annual Report (Form LM-3) filed by LU1348 for fiscal years ending December 31, 2003 was deficient in the following areas:

1. Union officers reported federal, state, and unemployment tax under Item 36 Other Liabilities — instead of Item 54 Other Disbursements.
2. Union officers reported that Item 29 Fixed Assets increased in 2003 when in fact no fixed assets were purchased. Union officers used accountant Bob Burton's figure for Item 29B, and used an unknown calculation for Item 29A.

I am not requiring that LU1348 file an amended LM-3 report for 2003 to correct the deficient items, but as agreed, your union will properly report the deficient items on all future reports filed with this agency.

The CAP revealed other deficiencies as described below:

1. Union officers charged unauthorized personal expenses to the union's credit card.
2. Some disbursement checks had only one signature. A two signature system helps with internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed.
3. LU1348's Constitution and Bylaws states that the petty cash is not to exceed \$100. There was over \$100 in the petty cash box. There should be exactly \$100 cash plus receipts in the petty cash box at all times.
4. The petty cash is not reconciled on a regular basis. Petty cash should be reconciled regularly.
5. Personal money was intermingled with LU1348's money. Union money and personal money should be kept separate at all times.

Overall, LU1348's financial records were maintained in an organized fashion, and the officers make an effort to keep good records. I want to extend my personal appreciation for your cooperation and courtesy during this compliance audit.

I strongly recommend that you make sure that this letter and the compliance assistance materials that were provided to you are passed on to yours and Mrs. Coyle's successors at whatever time you may leave office.

If OLMS can be of any assistance in the future, please do not hesitate to call 972-850-2500.

Sincerely,

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7(C)
Investigator

cc: Marsha Coyle