

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Milwaukee District Office
517 E. Wisconsin Avenue, Suite 737
Milwaukee, Wisconsin 53202-4504
(414) 297-1501 / FAX: (414) 297-1685



December 22, 2005

Gregory Hughes, President
Letter Carriers, National Assn, AFL-CIO
Branch 397
P.O. Box 1165
Waukesha, WI 53186-1165

File Number: 083-962

Dear Mr. Hughes:

This office has recently completed an audit of Letter Carriers Branch 397 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 Treasurer Donald Hember on December 22, 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.

Record Keeping Violations

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.

1. Receipts

Branch 397 failed to record the source of its receipts and some interest income. Branch 397 only listed the check number of the receipt in the general ledger and check register. In addition, interest income earned in Branch 397's checking account was recorded on an inconsistent basis. 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.

2. Lost Time

Union officers failed to record the date of some lost wage claims on records submitted for such expenses. For example, Treasurer Hember's claim for the food drive (8 hours) and yours and Vice President Verheins' claims for route adjusting (8 hours each) list the purpose, wage rate, and total wages received, but fail to provide the dates. Records that identify the date, number of hours lost, rate of pay, and business purpose (reason) for all lost wages must be retained.

3. Officer Expenses

Some union officers and employees failed to retain adequate documentation for reimbursed expenses. Either no receipt was maintained or it was not sufficient. For example, a voucher was submitted by Recording Secretary Larry Juszczak for two retiree watches, but no receipt was provided. The date, amount, and business purpose of every expense must be recorded on at least one union record. In addition, the names of individuals present for meal expenses paid for by the union and the locations (names of restaurants) where meal expenses were incurred must also be recorded.

With respect to documentation retained in support of specific disbursements, the record retention requirement includes not only the retention of original bills, invoices, receipts, and vouchers, but also additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and all the recipients of the goods or services.

In most instances, this documentation requirement can be most easily satisfied with a sufficiently descriptive receipt. If a receipt is not sufficiently descriptive, a note can be written on it providing the additional information. An exception may be made only in those cases where 1) other equally descriptive documentation has been maintained, and 2) there is evidence of actual oversight and control over disbursements.

As agreed, provided that Branch 397 maintains adequate documentation for its receipts and assets in the future, no additional enforcement action will be taken regarding this violation.

Reporting Violations

The CAP disclosed a violation of LMRDA section 201(b), because the Labor Organization Annual Report (Form LM-3) filed by Branch 397 for fiscal year ending July 31, 2005 was deficient in the following areas:

1. Payments to Officers

Branch 397 failed to include most reimbursements to officers in the amounts reported in Item 24 (All Officers and Disbursements to Officers). For example, Vice President Rick Verhein received \$573.26 in reimbursed expenses. However, Branch 397 reported in Column E (Allowances and

Other Disbursements) of Item 24 that Mr. Verhein received only \$349. Reimbursements to Mr. Verhein, as well as other officers, appear to have been erroneously included in the amounts reported in Item 48 (Office and Administrative Expenses) and/or Item 54 (Other Disbursements).

All direct disbursements to your union's officers and some indirect disbursements made by your organization on behalf of its officers must be included in the amounts reported in Item 24. A "direct disbursement" to an officer is a payment made by your organization to an officer in the form of cash, property, goods, services, or other things of value. An "indirect disbursement" to an officer is a payment made by your organization to another party (including credit card companies) for cash, property, goods, services, or other things of value received by or on behalf of an officer.

However, indirect disbursements for temporary lodging (such as a union check issued to a hotel) or for transportation by a public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48 (Office and Administrative Expenses).

2. Dues Income and Per Capita Tax Disbursements

The amount of dues collected by Branch 397 that is reported in Item 38 and disbursements for per capita taxes reported in Item 47 (Per Capita Tax) are incorrect. In the case of Branch 397 dues are withheld from members' wages and remitted to the National Association of Letter Carriers (NALC) International Union (IU) by employers. The NALC IU retains certain amounts for per capita taxes and remits the remaining funds to Branch 397. The amount reported by Branch 397 in Item 38 appears to include the full amount remitted to the NALC IU rather than the amount actually received by Branch 397 from the NALC IU. The amount reported by Branch 397 in Item 47 appears to erroneously include amounts retained by the NALC IU for per capita taxes. The LM-3 instructions require that you report in Item 38 only those funds actually received by your organization and that you report in Item 47 only those monies actually disbursed by your organization for per capita taxes.

I am not requiring that Branch 397 file an amended LM-3 report for 2005 to correct the deficient items, but as agreed, your union will properly report the deficient items on all future reports filed with this agency.

Other Issues

During the audit, you and Treasurer Hember advised that the Branch 397 only requires one signature on checks. The countersignature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, not countersigning checks completely circumvents and undermines the whole purpose of the countersignature requirement. You may want to revise your check disbursement method.

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 Mr. Hember's successors at whatever time you may leave office.

I want to extend my personal appreciation to you and Mr. Hember for your cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please do not hesitate to call.

Sincerely,



Investigator

cc: Donald Hember, Treasurer

LM: 083-962