U.S. Department of Labor

Office of Labor-Management Standards
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June 30, 2015

Rebecca Kuhn, Secretary-Treasurer
National Rural Letter Carriers' Association
State Association 27
17613 Soper Street
Poolesville, MD 20837

Case Number: 450-6003899 (█)
LM Number: 089-069

Dear Ms. Kuhn:

This office has recently completed an audit of National Rural Letter Carriers' Association
(NRLCA) State Association (SA) 27 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 SA 27
President LuAnne Moreland on June 26, 2015, 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.

<u>Recordkeeping Violations</u>

Title II of the LMRDA establishes certain reporting and recordkeeping requirements. Section
206 requires, among other things, that labor organizations maintain adequate records 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, labor organizations must maintain 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 SA 27's fiscal year ending June 30, 2014 records revealed the following
recordkeeping violations:

General Reimbursed Expenses

SA 27 did not retain adequate documentation for some reimbursed expenses incurred by its officers. For example, SA 27 did not retain receipts for a hotel stay, a train ticket, and tolls.

As 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.

Based on your assurance that SA 27 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violation.

Reporting Violations

The audit disclosed a violation of LMRDA Section 201(b), which requires labor organizations to file annual financial reports accurately disclosing their financial condition and operations. The Labor Organization Annual Report (Form LM-3) filed by SA 27 for the fiscal year ending June 30, 2014, was deficient in that:

Disbursements to Officers

SA 27 did not include some officer payments in Item 24 (All Officers and Disbursements to Officers), Column E (Allowances and Other Disbursements). It appears the union erroneously reported these payments in Items 48 and 54.

The union must report most direct disbursements to SA 27 officers and some indirect disbursements made on behalf of its officers in Item 24. A "direct disbursement" to an officer is a payment made to an officer in the form of cash, property, goods, services, or other things of value. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An "indirect disbursement" to an officer is a payment to another party (including a credit card company) 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 Expense).

SA 27 must file an amended Form LM-3 for the fiscal year ending June 30, 2014, to correct the deficient items discussed above. I encourage SA 27 to complete, sign, and file its report electronically using the Electronic Forms System (EFS) available at the OLMS website at www.olms.dol.gov. If you prefer not to file electronically, reporting forms and instructions can be downloaded from the website. The amended Form LM-3 should be filed electronically no later than July 24, 2015 or submitted to this office at the above address by the same date. Before filing, review the report thoroughly to be sure it is complete and accurate. Paper reports must be signed with original signatures.

<div align="center">Other Issues</div>

1.   Two Signatures on Checks

        During the audit, it was noted that SA 27 only requires one signature on union checks. The two signature requirement is an effective internal control of union funds. OLMS recommends that SA 27 review this procedure to improve internal control of union funds.

2.   Expense Vouchers

        SA 27 employs an effective expense voucher system. However, the audit revealed that there were instances when the voucher system was either not utilized or there was only one authorizing signature. OLMS recommends that SA 27 utilize their existing expense voucher system for all disbursements and that both authorizing union officials sign the document.

I want to extend my personal appreciation to NRLCA SA 27 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: LuAnne Moreland, NRLCA SA 27 President