



February 5, 2005

Wade Wrightsman, Treasurer
Letter Carriers, Nat'l Assn, AFL-CIO
Branch 1427
89 Pioneer Way
Mountain View, CA 94041

Re:

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Dear Mr. Wrightsman:

This Office has recently completed an audit of Letter Carriers, Branch 1427 under the Compliance Audit Program (CAP) to determine compliance with provisions of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). As discussed during the exit interview with President Robert Madrid, Bookkeeper Sandy Cowden, and you on February 1, 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.

The following record keeping deficiencies were revealed during the audit of Branch 1427's 2003 records:

1. Officer and Employee Expenses

Union officers and employees failed to retain adequate documentation for reimbursed expenses, for expenses charged to union credit cards, and for lodging expenses which were direct-paid by the union. 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 (including those in payment of credit card charges), 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.

2. Automobile Expenses

Union officers and employees who were assigned union owned and leased automobiles failed to maintain mileage logs documenting the business use of union vehicles. In the case of union owned and leased vehicles, logs are required to be maintained for each union vehicle documenting the date, number of miles driven, and business purpose of each use. In the case of reimbursed mileage expenses for personal vehicles used for business travel, records must be maintained which identify the date of travel, locations traveled to and from, number or miles driven, and the business purpose of each use.

The LM-2 and LM-3 instructions contain special rules for the reporting of automobile expenses. Operating and maintenance costs for each union owned or leased vehicle must be reported in Schedules 9 and 10 of the LM-2 and Item 24 of the LM-3, allocated to the officer or employee that is assigned each vehicle.

3. Receipts

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.

The accounting for some receipts was nearly non-existent. For example, picnic tickets were sold to various members but there was no list of members who bought tickets and the amount purchased by each individual. Similarly,

there was no list of members who purchased t-shirts and the amount purchased by each individual.

Many items were deposited into the bank account but not included in the union records as receipts. All receipts should be recorded. If expenses are paid from receipts, those expenses should be recorded as such. Receipts should not be "netted".

Reporting Violations

The CAP disclosed a violation of LMRDA section 201(b), because the Labor Organization Annual Report (Form LM-2) filed by Branch 1427 for fiscal year ending December 31, 2003 was deficient in the following areas:.

1. Acquire/Dispose of Property

Item 13 (Acquire any goods or property in any manner other than by purchase or dispose of any goods or property in any manner other than by sale) should have been answered "Yes" instead of "No," because the union gave away hats, jackets, tee shirts, and calendars to members during the year. The type and value of any property received or given away must be identified in the additional information section of the LM report with the identity of the recipient(s) or donor of such property. In addition, for assets that were traded in, the cost, book value, and trade-in allowance must also be reported. The union must retain records which adequately account for all property that is purchased, sold, and given away.

2. LM-2 Schedules 9 and 10 (All Officers and Disbursements to Officers / Disbursements to employees)

Local Branch 1427 failed to include some reimbursements to officers and employees in the amounts reported in Schedule 9 (All Officers and Disbursements to Officers) and Schedule 10 (Disbursements to Employees). Such payments appear to have been erroneously reported in Schedules 13 (Office and Administrative Expenses) and Schedule 15 (Other Expenses).

Direct disbursements to officers and employees for reimbursement of expenses incurred while conducting union business must be reported in Column F of Schedules 9 and 10 (Disbursements for Official Business). In addition, indirect disbursements made to another party (such as a credit card company) for business expenses incurred by union personnel must also be reported in Column F of Schedules 9 and 10. However, indirect disbursements for business expenses incurred for transportation by a public carrier (such as an airline) and for temporary lodging expenses incurred while traveling on union business must be reported in Schedule 13 (Office and Administrative Expenses). Any direct or indirect disbursements to union

personnel for expenses not necessary for conducting union business must be reported in Column G of Schedules 9 and 10 (Other Disbursements).

3. Automobile Expenses

Disbursements for the operation and maintenance of union automobiles were not properly reported. The LM-2 instructions provide two methods for reporting automobile related expenses. Direct and indirect disbursements for the operation and maintenance of union owned and leased vehicles and the operation and maintenance of vehicles owned by union personnel (including gasoline, repairs, and insurance) must be reported in Schedules 9 and 10. The expenses may be divided and reported in columns F and G based on mileage (supported by mileage logs) driven on union business compared with mileage in personal use. Alternatively, rather than allocating the expenses between columns F and G, if 50% or more of an officer's or employee's use of a vehicle was for official business, the union may report all of the expenses relative to the vehicle assigned to the officer or employee in column F of schedule 9 or 10 with an explanation in item 75 (Additional Information) that the vehicle was used part of the time for personal business. Similarly, if a vehicle assigned to an officer or employee was used less than 50% of the time for business, all of the expenses relative to that vehicle may be reported in Column G with an explanation in item 75 that the vehicle was used partly for official business.

4. Per Capita Payments

The LM-2 reported no per capita payments despite the fact that payments were made. The union reported receipt of union dues received from the national excluding deductions for certain costs, including per capita payments. The union should have reported all union dues paid by the members of the union and all per capita taxes paid on those dues.

Other Issues

1. Failure to File Bylaws

The CAP disclosed a violation of LMRDA section 201(a) which requires that unions submit a copy of their current constitution and bylaws with its LM report when bylaw changes are made. Branch 1427 amended its constitution and bylaws in 2003, but a copy of the constitution and bylaws was not filed with Branch 1427's LM-2 report for that year.

As agreed, Branch 1427 will file two copies of its current bylaws with this agency as soon as possible

2. Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that the union's officers and employees be bonded for no less than 10% of the total funds handled by those individuals or their predecessors during the preceding fiscal year. Branch 1427's officers and employees were insured for \$50,000, with a \$500 deductible. Since advised of the deficiency, the union obtained a new bond without a deductible, but the coverage needs to be raised according to funds handled in 2004. Based on 2003 funds handled, the union is under bonded at \$40,000. The union should obtain adequate bonding coverage for its officers and employees immediately, without any deductible. Please provide proof of bonding coverage to this office as soon as adequate coverage has been obtained.

It will be necessary for Branch 1427 to file amended LM-2 report for 2003 to correct the deficient items discussed above. Please file the amended LM-3 for 2003 no later than April 5, 2005. The necessary reporting forms and instructions are enclosed for your use. 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. Before mailing, review the reports thoroughly to be sure they are complete, accurate, and signed properly with original signatures.

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. Madrid's successors at whatever time you may leave office.

I want to thank you for your cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please do not hesitate to contact me or any other representative of our office.

Sincerely,

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Investigator