

**U.S. Department of Labor**

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Office of Labor-Management Standards  
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October 30, 2008

Mr. Ronald A. Mele, President  
Letter Carriers, Natl Asn, AFL-CIO  
Branch 4374  
28349 Gratiot Ave.  
Roseville, Michigan 48066

Re: Case Number: [REDACTED]

LM File Number: 081-982

Dear Mr. Mele:

This office has recently completed an audit of NALC Branch 4374 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 NALC Branch 4374 Treasurer Steven Futach on September 29, 2008, 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.

Recordkeeping Violations

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 Branch 4374's 2007 records revealed the following recordkeeping violations:

1. Officer Wages

Branch 4374 did not retain complete documentation for all wages paid to union officers. Some of the vouchers submitted by officers did not describe the union business conducted. For example, former President [REDACTED] was paid on August 22, 2007, for 40 hours of wages, but no explanation of the work performed was given. The union must maintain records in support of wage claims that identify each date wages were incurred, the number of hours worked on each date, the applicable rate of pay, and a description of the union business conducted.

2. Reimbursed Expenses and Credit Card Expenses

Branch 4374 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by union officers and employees. For example, Branch 4374 failed to keep the MasterCard monthly statement for December 2007 that would have identified charges totaling \$1,831.46. In addition, Branch 4374 did not maintain any receipts whatsoever for travel expenses charged by union officers totaling at least \$8,252.53. For example, [REDACTED] used the union's American Express credit card to charge \$883.58 for lodging at the Hilton Ponce Golf & Casino Resort in Puerto Rico while attending a meeting of the NALC Committee of Presidents, but did not submit the hotel bill. [REDACTED] was also reimbursed \$586.80 for her airfare to the event, but she did not present an airline ticket receipt.

As previously 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.

3. Travel Authorizations

Branch 4374 failed to retain evidence of executive board or membership authorizations for official travel not automatically sanctioned under the union's bylaws. For example, the union was unable to find authorizations for [REDACTED] Puerto Rico trip and Secretary Rebekah Serwach's travel to Washington D.C. to attend training. The union must keep a record, such as meeting minutes, to document properly authorized travel.

#### 4. Raffles

Branch 4374 did not record in its receipts records monies collected from the sale of 50/50 raffle tickets during monthly membership meetings. With respect to the sale of 50/50 raffle tickets at membership meetings, records must be maintained, at a minimum, that explain the number of tickets sold, the price of each ticket, and the amount of money collected. If individuals sell tickets between membership meetings, then records must be kept that identify the name of each person who sells tickets and the date and amount of money that each person turns in to Branch 4374. Such records must show that the persons who sell tickets fully account for all of the tickets provided to them by returning any unsold tickets along with the money raised from sold tickets. All unsold tickets, and ticket stubs (if any), must be retained.

In addition, Branch 4374 did not document which members received merchandise totaling at least \$536.39 that was raffled off at the annual retirement party in October 2007. With respect to the distribution of raffle prizes, Branch 4374 can most easily satisfy the recordkeeping requirement by preparing a list of the names of individuals who receive them.

#### 5. Petty Cash

Branch 4374 failed to keep any records for its petty cash fund. The union must record the dates, amounts, and sources of bottle refunds that are used to replenish the fund. In addition, the union must record the details of each payment from the fund, including the date, payee, amount, and reason, and must maintain all invoices and receipts, including cash register receipts.

#### 6. Meeting Refreshments

Branch 4374 did not retain any supporting documentation for payments totaling \$500 to American Legion Hall Manager [REDACTED] for meeting refreshments. As previously noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. Again, 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.

#### 7. Meeting Minutes

The audit revealed that Branch 4374 maintained no minutes of the executive board meetings conducted in April, May, July, October, and December 2007. Executive board and membership meeting discussions pertaining to matters that must be reported on the union's LM report, including authorizations or approvals of disbursements, must be noted in meeting minutes that must be retained.

#### 8. Scholarships

Branch 4374 failed to maintain supporting documentation for a \$1,000 scholarship payment to [REDACTED]. Applications and all other scholarship records must be retained by the union.

#### 9. Bank Records

Branch 4374 failed to maintain all bank statements for its checking and savings accounts. As stated above, labor organizations must retain all records used or received in the course of union business, including bank records for all accounts.

Based on your assurance that Branch 4374 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

### Reporting Violations

The audit disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its revised constitution and bylaws with its LM report when it makes changes to its constitution or bylaws. Branch 4374 amended its bylaws in 2006, but did not file a copy with its LM report for that year. Branch 4374 has now filed a copy of its bylaws with OLMS.

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-2) filed by Branch 4374 for fiscal year ending December 31, 2007, was deficient in the following areas:

1. Disbursements to Officers and Employees

Branch 4374 inaccurately reported payments to some officers totaling at least \$2,348.90 in Schedule 11 (All Officers and Disbursements to Officers). It appears that the union erroneously reported some Thrift Savings Plan (TSP) payments twice, once in Column (D) and, again, in Column (E). Column (D) is used to report the gross salary of each officer (before tax withholdings and other payroll deductions) and includes disbursements for "lost time" or time devoted to union activities. Column (E) is used to report the total allowances made by direct and indirect disbursements to each officer on a daily, weekly, monthly, or other periodic basis. TSP payments must be reported in Schedule 20 (Benefits), which is used to report a labor organization's direct and indirect disbursements to all entities and individuals during the reporting period associated with direct and indirect benefits for officers, employees, members, and their beneficiaries.

The union must report in Column (F) of Schedule 11 direct disbursements to officers for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column (F) direct and indirect disbursements made to another party (such as a credit card company) for business expenses officers incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses officers incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business. The union must report in Column (G) of Schedule 11 any direct or indirect disbursements to officers for expenses not necessary for conducting union business.

2. Raffles

Branch 4374 failed to report any of the 50/50 raffle ticket money collected during monthly membership meetings and the money disbursed as prizes to members and as donations to the Muscular Dystrophy Association. The totals of such amounts must be reported on Form LM-2 in Item 47 (From Members For Disbursement On Their Behalf), Schedule 17 (Contributions, Gifts, and Grants), and Item 64 (On Behalf Of Individual Members), respectively.

3. Retirement Party Gifts

As noted above, Branch 4374 gave away merchandise at the annual retirement party in October 2007. Consequently, Item 15 (Acquisition or Disposition of Assets) should have been answered "Yes." The union must describe the

merchandise in Item 69 (Additional Information), as well as the manner in which it was disposed of, its value, and the identity of the recipients. The union does not have to itemize every recipient of such giveaways by name; it can describe the recipients by broad categories, if appropriate, such as "members" or "retirees." Also report in Item 69 the cost or other basis at which the merchandise disposed of was carried on the union's books.

#### 4. Petty Cash Funds

Branch 4374 failed to report the receipt, disbursement, and balance of petty cash funds. Monies received from bottle returns must be reported in Item 48 (Other Receipts). Petty cash expenditures must be reported in the appropriate disbursements categories in Statement B (Receipts and Disbursements). Petty cash must be included in the amounts reported in Item 22 (Cash).

I am not requiring that Branch 4374 file an amended LM report for 2007 to correct the deficient items, but Branch 4374 has agreed to properly report the deficient items on all future reports it files with OLMS.

#### Other Violation

The audit disclosed the following other violation:

##### Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds those individuals or their predecessors handled during the preceding fiscal year. Branch 4374 is not properly bonded because its policy contains a \$500 deductible. To be acceptable under the LMRDA, the policy may not have a deductible provision. Please provide proof of bonding coverage to this office as soon as possible, but not later than November 14, 2008.

#### Other Issues

The audit disclosed the following other issues:

1. Duplicate Receipts

Members of Branch 4374 pay "back" dues directly to the union. Mr. Futach records dues payments in the union's receipts journal, but he does not issue receipts to dues payers. OLMS recommends that Branch 4374 use a duplicate receipt system where the union issues original pre-numbered receipts to all members who make payments directly to the union and retains copies of those receipts. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable. If more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned. Furthermore, Branch 4374 officers should consider performing a cash count when money is turned over to another officer and sign a receipt that documents the parties involved and the date and amount of funds handed over.

2. Vouchers

Branch 4374 currently utilizes a financial safeguard that requires the preparation of a payment voucher prior to issuing a union check. The audit revealed that several expense payment vouchers for [REDACTED] lacked the approving signature of the vice president. It is recommended that Branch 4374 require that all vouchers be properly completed, approved, and supported by documentation before the disbursement of funds. In addition, it is suggested that a date be included on the vouchers.

I want to extend my personal appreciation to NALC Branch 4374 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,

Ian Burg  
District Director

cc: Steven Futach, Treasurer