



November 18, 2010

Mr. Brian Hauck, Treasurer
Letter Carriers Branch 5847
3860 Charbonier
Florissant, MO 63031

Case Number: [REDACTED]
LM Number: 083534

Dear Mr. Hauck:

This office has recently completed an audit of Letter Carriers Branch 5847 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 President Carol Wroblewski on November 17, 2010, 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 5847's 2009 records revealed the following recordkeeping violations:

1. General Expenses and Credit Card Expenses

Branch 5847 did not retain adequate documentation for general expenses and credit card expenses incurred by the branch and its officers and employees. For example, all bank statements for the branch's checking account, money market account, and certificate of deposit, invoices/receipts to verify disbursements, payroll records, and credit card statements were not retained. Also, a disbursement ledger was not retained by the branch, which is needed to determine the payee, amount, date, and purpose of a disbursement.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The union must also retain all documents needed to verify, clarify, and explain the information that must be reported in Item 24 and Items 45 through 55. 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.

2. Disposition of Property

Branch 5847 did not maintain an inventory of shirts, jackets, and other property it purchased, sold, or gave away. The union must report the value of any union property on hand at the beginning and end of each year in Item 30 (Other Assets) of the LM-3. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 30.

3. Failure to Record Receipts

Branch 5847 did not keep a receipts journal and did not keep records of monies collected for social activities and fund raisers. For example, the branch held social activities during the year, but did not keep records to determine the amount of money collected for each event. Due to this, it was not possible to verify that all monies collected were deposited into the branch's checking account. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

4. Information not Recorded in Meeting Minutes

During the audit, Mr. Hauck and Ms. Wroblewski advised OLMS that membership authorizes a budget at the January meeting each year. Membership meeting minutes do contain reference to some activities, but do not contain any information concerning activity dates or actual monetary amounts. Also, Branch 5847 does not take or retain meeting minutes for executive board meetings. Minutes of all membership and executive board meetings must report any disbursement authorizations made at those meetings.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Branch 5847's LM report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to \$100,000 or imprisonment for not more than one

year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person who caused the violations, not just the individuals who are responsible for filing the union's LM report.

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 Branch 5847 for the fiscal year ended December 31, 2009 was deficient in the following areas:

1. Acquire/Dispose of Property

Item 13 should have been answered, "Yes," because the union gave away shirts, jackets, and engraved watches during the year. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees."

2. The Value of the Certificate of Deposit and Money Market Account Were Improperly Reported

Branch 5847 improperly included the value of a certificate of deposit as Other Assets and the value of the money market account as Fixed Assets in Statement A (Assets and Liabilities). For LM reporting purposes, OLMS considers a certificate of deposit and a money market account to be cash. The purchase or redemption of a certificate of deposit is a transfer of cash from one account to another and, therefore, the Branch should not report these transactions as receipts or disbursements.

3. Cash Reconciliation

The amounts reported on the branch's 2009 LM-3 report for Item 25A Beginning Cash and Item 55 Total Disbursements were incorrect; therefore, the report did not reconcile by \$3,843. If the report does not reconcile, one or more of the amounts reported in Item 25A Beginning Cash, Item 25 B Ending Cash, Item 44 Total Receipts, or Item 55 Total Disbursements is incorrect. A worktable provided on Page 14 of the LM-3 Instructions should be used to determine if there is an error in the report that should be corrected.

4. Failure to File Bylaws

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 5847 amended its constitution and bylaws in 2000, but did not file a copy with its LM report for that year.

Branch 5847 has now filed a copy of its constitution and bylaws.

I am not requiring that Branch 5847 file an amended LM report for 2009 to correct the deficient items, but Branch 5847 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Credit Card Usage Policy

As I discussed during the exit interview with you and President Wroblewski, the audit revealed that Branch 5847 does not have a clear policy regarding the types of expenses that may be charged to union credit cards or a clear authorization process for credit card expenditures. OLMS recommends that unions adopt written guidelines concerning such matters.

2. Duplicate Receipts

Branch 5847 collects cash from members for social activities and fund raisers, but a receipt is not issued to the member making the payment. OLMS recommends that Branch 5847 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.

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: Ms. Carol Wroblewski, President
Mr. Mike Weir, National Business Agent