

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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March 6, 2008

Betty Holsonback
Letter Carriers, Rural, IND, State Association
Alabama Rural Letter Carriers Association
Guntersville, AL 35976

LM File Number 088-189

Case Number: [REDACTED]

Dear Ms Holsonback:

This office has recently completed an audit of the Alabama Rural Letter Carriers' Association, 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, Larry Franks, and Lance Rankin on February 14, 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. The CAP disclosed the following:

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 Alabama Rural Letter Carriers' Association 2007 records revealed the following recordkeeping violations:

1. Fixed Assets

No fixed asset list or inventory could be located for the audit year or any previous year. The union had fixed assets, including, but not limited to: computers, printers, fax machine, office furniture, and a Passport Personal Sound System. The union valued their fixed assets at \$16,121.00 as of 6-30-2007. The proper maintenance of union records is the personal responsibility of the individuals who are required to file Alabama Rural Letter Carriers' Association LM report.

2. Failure to Maintain Supporting Documentation for Disbursements

Check Number [REDACTED], dated 6-11-07, payable to [REDACTED] in the amount of \$600.00 had no supporting documentation. The purpose was described as "entertainment-state convention". No invoice, bill, or receipt could be located. No receipt, invoice, bill of sale, or supporting documentation could be located for the purchase of a Konica Model 7020 office copier. The union advised the copier had been purchased in 2005 for \$1,795.00. As a general rule, labor organizations must maintain all records used or received in the course of union business for a period of not less than five years from the date of the information contained on the record.

3. Failure to Maintain Supporting Documentation for Lost Time

Alabama Rural Letter Carriers' Association did not retain adequate documentation for lost wage reimbursement payments to [REDACTED] totaling at least \$16,384.80. The union must maintain records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. The OLMS audit found that Alabama Rural Letter Carriers' Association did not have any supporting documentation

for the lost time/wages paid to [REDACTED]. [REDACTED] claimed \$230.18 per day in Lost Time wages, however there was no Lost Time Voucher or document present in the Union Files to document the expenditure. Check Numbers [REDACTED], [REDACTED], [REDACTED], [REDACTED], and [REDACTED] issued during the November 2006 through January 2007 period to [REDACTED] (State Steward) were all for Lost Time and totaled \$16,384.80. According to the By Laws the payment was authorized and the legitimacy of the payment is not questioned, only the lack of supporting documentation.

During the exit interview, I showed a sample of an expense voucher to the Alabama Rural Letter Carrier's Association that they may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

Based on your assurance that Alabama Rural Letter Carriers' Association 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) and 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 Alabama Rural Letter Carriers' Association for fiscal year ending 6-30-2007, was deficient in the following areas:

1. Failure to File By Laws

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. Alabama Rural Letter Carriers' Association amended its constitution and bylaws in 2007, but did not file a copy with its LM report for that year. As agreed, Alabama Rural Letter Carriers' Association will file a copy of its current constitution and bylaws with OLMS as soon as possible but not later than 3-31-2008.

2. Fixed Assets

The audit disclosed a violation of LMRDA Section 201(b) which requires that a union file accurate annual LM reports containing such detail as maybe necessary to

accurately disclose its financial condition and operations for its preceding fiscal year. Alabama Rural Letter Carriers' Association, annotated \$0.00 on line 27A and 27B on the LM-2 Report when in fact the union had fixed assets and placed the value of such fixed assets at \$16,121.00 on June 30, 2007.

Alabama Rural Letter Carriers' Association must file an amended Form LM-2 for fiscal year ending 6-30-2007, to correct the deficient items discussed above. I explained to you the filing procedures and the availability of filing software on the OLMS website (www.olms.dol.gov). The amended Form LM-2 must be electronically filed as soon as possible, but not later than 3-31-2008. Before filing, review the report thoroughly to be sure it is complete and accurate, and properly signed with electronic signatures.

Other Violations

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.

The audit revealed that Alabama Rural Letter Carriers' Association officers and employees were not bonded for the minimum amount required at the time of the audit. Letter Carriers, Rural, IND, State Association handled \$857,851.11 for the year ending 6-30-2007. The bond amount for the union was only \$55,000.00. The minimum bond required is \$85,785.11. The union obtained adequate bonding coverage and provided evidence of this to OLMS during the audit. As a result, OLMS will take no further enforcement action regarding this issue.

Other Issues

During the audit, you advised that only one signature is required on blank checks. The two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. OLMS recommends that Alabama Rural Letter Carriers' Association review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Alabama Rural Letter Carriers' Association 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.

Ms Betty Holsonback
March 6, 2008
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Sincerely,

[REDACTED]

Investigator

cc: Larry Franks, President