U.S. Department of Labor

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May 11, 2007

Ms. Patrice Johnson-West, Financial Secretary-Treasurer
American Postal Workers Union AFL-CIO
Local 7011
P.O. Box 66031
Airmail Center O'Hare, IL 60666

LM File Number 071-506
Case Number: [redacted]

Dear Ms. Johnson-West:

This office has recently completed an audit of APWU Local 7011 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 Virgil Fleming on March 8, 2007, 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 Local 7011's fiscal year ending June 30, 2002 records revealed the following recordkeeping violations:

1. Lost Wages

   Local 7011 did not retain adequate documentation for lost wage reimbursement payments to union officers on at least eleven occasions. 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, applicable rate of pay, and a description of the union business conducted. The OLMS audit found that officers did not identify the number of hours lost on each date or the applicable rate of pay.

   During the exit interview, you provided an example of how lost wage claims are documented by Local 7011 since you took over as financial secretary-treasurer. Based on the example provided, it appears that Local 7011 is now maintaining adequate supporting documentation for lost wage claims.

2. Disposition of Property

   Local 7011 gave away 970 Jewel-Osco gift certificates that were valued at $50.00 each during the fiscal year under audit. However, Local 7011 failed to retain a listing of members who received Jewel-Osco gift certificates. Records must be maintained that account for all union property. In the case of gift certificates, a listing should be maintained that identifies every member who received a gift certificate. If practical, every member should print and sign their name on a document that acknowledges their receipt of the gift certificate.

3. Dues Check-off Reports

   Local 7011 failed to retain dues check-off reports that were received from the International Union. Such reports substantiated the direct deposits into the local's general fund by the International Union. A total of four dues check-off reports totaling $14,986.30 were not retained.

4. Failure to Record Receipts

   Local 7011 failed to record two deposits totaling $1,110.78 on their union books. 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.

5. Expense Supporting Documentation

   Adequate documentation was not retained for at least 82 disbursements that totaled $46,702.93. Specifically, Local 7011 did not always retain supporting documents for the following expenditures: state and federal taxes, airfare, hotels, per capita payments, picnic expenses, and other various expenses. In addition, Local 7011 did not always maintain conference invitations and registration forms even though such documents are considered supporting documents that show the nature of the union business requiring the disbursement.

6. Bank Account Balances per the Union's Books

   Local 7011 did not maintain its own set of records in regards to bank account activity for the Bank One certificate of deposit and the Source One Credit Union savings account. Unions are required to maintain their own book record of bank account activity since the "book balances" have to be reconciled with the bank statements prior to being utilized for the preparation of the Form LM-3. In addition, a book balance was not maintained for the General Fund checking account.

Based on your assurance that Local 7011 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(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 Local 7011 for fiscal year ending June 30, 2002, was deficient in the following areas:

1. Acquire/Dispose of Property

Item 13 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale) should have been answered, "Yes," because the union gave away jackets and gift certificates totaling more than $48,500 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. Disbursements to Officers

Local 7011 erroneously reported stewards and non-executive board members in item 24 (all officers and disbursements to officers). Salaries and disbursements to stewards and non-executive board members should be reported in item 46 (cash disbursements to employees).

In addition, Local 7011 did not include some reimbursements to officers totaling at least $3,405.00 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48 (Office and Administrative Expense).

The union must report most direct disbursements to Local 7011 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 public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48 (Office and Administrative Expense).

3. Statement B – Cash Disbursements

   Local 7011 erroneously reported $111,801.00 in Item 55 (total disbursements) even though Local 7011's actual disbursements amounted to $148,850.35. As a result, it appears total disbursements were under reported on the Form LM-3 by $37,049.

4. Certificate of Deposit Reported as Investments

   Local 7011 improperly included the value of a certificate of deposit as an investment in Statement A (Assets and Liabilities). For LM reporting purposes, OLMS considers a certificate of deposit 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 local should not report these transactions as receipts or disbursements.

OLMS is not requiring that Local 7011 file an amended LM report for fiscal year ending June 30, 2002 to correct the deficient items, but Local 7011 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Lost Wages Supporting Documentation

   The audit revealed that Local 7011 did not always obtain a copy of the U.S. Postal Service time off request forms from officers who received lost time compensation for conducting union business during regular work hours. OLMS recommends that time off request forms are obtained because such forms list the date and number of hours that a member is not at work. In addition, the form offers proof that the member actually missed work and was not being paid by their employer while conducting union business.

2. Continuing Resolution

   As discussed during the exit interview with you and President Virgil Fleming, the audit revealed that Local 7011's Constitution and Bylaws does not contain a provision regarding the composition of the Executive Board. OLMS recommends that a continuing resolution is passed in the meeting minutes regarding which officer positions comprise the Executive Board.

3. Jacket Giveaways

The audit revealed that Local 7011 required members to sign their names on a membership roster when receiving a free jacket. However, most of the members' signatures were undecipherable. OLMS recommends that members print and sign their names on a membership roster when receiving a free jacket from the union.

I want to extend my personal appreciation to APWU Local 7011 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,

[redacted]
Investigator

cc: Virgil Fleming, Local 7011 President