

**U.S. Department of Labor**

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June 2, 2008

Mr. Steve Taylor, President  
National Association of Letter Carriers AFL-CIO  
Branch 481  
PO Box 481  
Parkersburg, WV 26102

LM File Number 080-828

Case Number: [REDACTED]

Dear Mr. Taylor:

This office has recently completed an audit of Branch 481 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, Treasurer Alan Yoak, and Vice President Tom Houghton on May 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 481's 2007 records revealed the following recordkeeping violations:

1. General Disbursements

Branch 481 did not retain adequate documentation for a number of its disbursements.

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.

2. Time Spent (Paid Union Business)

Branch 481 did not retain adequate documentation for time spent payments to its officers and employees. The union must maintain records in support of time spent claims that identify each date union business occurred, the number of hours worked on each date, the applicable rate of pay, and a description of the union business conducted. In many instances, it was unclear the union business that was being conducted on the dates that time spent was claimed.

During the exit interview, I provided a sample of an expense voucher Branch 481 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for time spent and other officer expenses.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Branch 481'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 481 for fiscal year ending January 11, 2008, was deficient in the following areas:

1. Loss of Property

Item 15 (During the reporting period did your organization discover a loss or shortage of funds or other property?) should have been answered, "Yes," because Branch 481 reported to the insurance company that their air conditioner unit was stolen on April 7, 2007. The union was subsequently reimbursed \$1,713.00 for their loss. In Item 56 (Additional Information) the union must provide a description of the property that was lost, how it was lost, and any recovery that was made.

2. Disbursements to Officers

Branch 481 did not include some reimbursements to officers totaling at least \$1,595.00 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48 (Office & Administrative Expense).

The union must report most direct disbursements to Branch 481 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 a public carrier (such as an airline) for an officer

Mr. Steve Taylor  
June 2, 2008  
Page 4 of 4

traveling on union business should be reported in Item 48 (Office and Administrative Expense).

I am not requiring that Branch 481 file an amended LM report for fiscal year ending January 11, 2008 to correct the deficient items, but Branch 481 has agreed to properly report the deficient items on all future reports it files with OLMS.

#### Other Issues

##### Signing Blank Checks

During the audit, Treasurer Yoak advised that he signs 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. However, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Branch 481 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Branch 481 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,



Investigator