

U.S. Department of Labor

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September 5, 2008

Mr. Kevin Holmes, Treasurer
Letter Carriers AFL-CIO
Branch 5050
PO Box 77
Ballwin, MO 63022-0077

LM File Number 080-483
Case Number: [REDACTED]

Dear Mr. Holmes:

This office has recently completed an audit of Letter Carriers Branch 5050 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 on August 8, 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 5050's 2007 records revealed the following recordkeeping violations:

1. General Disbursements and Credit Card Expenses

Branch 5050 did not retain adequate documentation for disbursements and credit card expenses incurred by union officers and employees totaling at least \$20,968.03. For example, no documentation could be found in support of check number [REDACTED] to Missouri State Association; check number 2892 to VFW; check number [REDACTED] to MDA; and the majority of credit card transactions.

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. Fixed Assets List

Branch 5050 did not maintain an inventory of fixed assets. The union must report the value of fixed assets on hand at the beginning and end of each year in Item 29 (Fixed Assets) of the LM-3. The union must retain an inventory or similar record of fixed assets on hand to verify, clarify, and explain the information that must be reported in Item 29.

3. Failure to Record Receipts

Branch 5050 did not record in its receipts records money received from members for union functions totaling at least \$7,416.50. For example, trivia night for MDA; branch night at the ballpark; golf tournament for MDA; and sale of hats, jackets,

and other property. 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.

Based on your assurance that Branch 5050 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 Branch 5050 for fiscal year ending December 31, 2007, was deficient in the following areas:

1. Certificates of Deposit Reported As Investments

Branch 5050 improperly included the value of four certificates of deposit as investments 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 branch should not report these transactions as receipts or disbursements.

2. Netting of Receipts and Disbursements

Branch 5050 did not report some receipts and disbursements on the LM-3 in Statement B (Receipts and Disbursements). The audit revealed that during 2007, Branch 5050 disbursed at least \$9,500.00 for events, and items that it re-sold to members, collecting receipts totaling at least \$9,500.00. Under Statement B all cash flowing in and out of your organization must be reported. "Netting" is the offsetting of receipts against disbursements and reporting only the balance (net) as either a receipt or disbursement. "Netting" is not permitted.

Branch 5050 has now filed an amended Form LM-3 for fiscal year ending December 31, 2007, to correct the deficient items discussed above. Branch 5050 has also agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Single Signature on Checks

The audit disclosed that checks numbered [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], and [REDACTED] bore only one signature. Utilizing two signatures is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, the use of only one signature does not attest to the authenticity of the completed check. OLMS recommends that Branch 5050 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Letter Carriers Branch 5050 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: President Jerry Tate