



September 19, 2013

Mr. David Arias, Former Financial Secretary
Letter Carriers, National Association, AFL-CIO, Branch 33
100 Cummings Center
Suite 343 D
Beverly, MA 01915

Case Number: 110-17653 [REDACTED]
LM Number: 083223

Dear Mr. Arias:

This office has recently completed an audit of Letter Carriers, National Association, AFL-CIO, Branch 33 (Branch 33) 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 Mr. Nutter on September 19, 2013, 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 33's 2012 and 2013 records revealed the following recordkeeping violations:

1. Failure to Record Disbursements

Branch 33 failed to record some transactions in its disbursement records. For example, a DBT purchase at Prinzi's Pizza in the amount of \$52.75 which took place on 10/04/12, was not recorded in the union's ledger. Union records must include documentation for all of the money a union disburses. The records should show the date and amount disbursed as well as the purpose of the expense.

2. General Reimbursed and Debit Card Expenses

Branch 33 did not retain adequate documentation for reimbursed expenses and debit card expenses incurred by you, Sergeant at Arms Bruce Johnson, and President Robert Hardenbrook, totaling at least \$3,717.06.

For example, Johnson was issued check # [REDACTED] dated 11/12/12 in the amount of \$200 for funds to purchase candy for the Gloucester Holiday Parade held on 11/25/12, but no receipt or invoice for the purchase of candy was included in the union's records. Additionally, your union debit card was used to purchase \$3,376.80 in airline tickets for union officers to travel to the NALC National Convention held in Minneapolis, Minnesota from 07/22/12 to 07/28/12, but no invoice or receipt for this travel expense was provided other than a record of the expense on the union's Bank Statement.

Another instance revealed that Hardenbrook used his debit card to purchase flowers at Russell's Florist for a grieving union member. No supporting receipt or invoice was contained in union records for this purchase of \$106.25 on 04/19/12.

As 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.

3. Lack of Salary Authorization (Lost Time)

Branch 33 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 was the authorized amount and therefore was correctly reported. During the opening interview, you informed OLMS that per the Branch 33 Bylaws, Branch 33 pays union officers or employees lost time wages equivalent to the Local Business Agent pay rate and that this wage was \$30.21 per hour. No supporting documentation regarding the pay rate for the Local Business Agent was provided at that time.

During the audit, OLMS secured information from NALC Secretary-Treasurer Jane E. Broendel that states that the pay rate for Local Business Agents under the CSRS Federal Retirement Plan is \$27.74 per hour and under the FERS Federal Retirement Plan is \$29.13 per hour. As such, it appears that Branch 33 was overpaying its officers and employees for lost wages.

Due to the fact that Branch 33 has merged and is no longer in existence, 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 LM-3 filed by Branch 33 for the fiscal year ended December 31, 2012, was deficient in the following area:

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 33 amended its constitution and bylaws in 2009, but did not file a copy with its LM report for that year.

Branch 33 has now filed a copy of its Bylaws.

Other Violations

A review of union records disclosed that President Robert Hardenbrook was issued union check [REDACTED] dated 03/26/12 in the amount of \$284 for 4 days of *per diem* (\$71/day) while on travel to Chicago over the period 04/14/12 through 04/17/12 for the Committee of President's meeting. Further review of union records disclosed that Hardenbrook changed his travel plans and flew home from Chicago on 04/16/12. No reimbursement of the \$71 in *per diem* that Hardenbrook was paid in advance but not entitled to, for 04/17/12 was found in the union's records.

Under normal circumstances, OLMS would require Hardenbrook to reimburse Branch 33 for *per diem* payments in excess of properly authorized amounts, but because Branch 33 has merged and is no longer an independent financial entity, OLMS will not require a reimbursement payment.

Other Issues

1. One Signature on Checks

Your union's bylaws require that all checks be signed by the president and treasurer. 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, Branch 33 failed to adhere to the two signature requirement on union checks on several occasions. OLMS recommends that union officers adhere to internal controls set forth within union governing documents.

2. Duplicate Receipts

Members of Branch 33 purchased tickets to a charitable event held by the union at Prinzi's Pizza on August 8, 2012 to benefit the Muscular Dystrophy Association. You recorded income generated from this event in the union's receipts journal, but Branch 33 did not issue receipts to individuals that purchased tickets and/or maintain duplicate receipts in union records. OLMS recommends that unions 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 want to extend my personal appreciation to Letter Carriers, National Association, AFL-CIO, Branch 33 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

cc: Mr. James Nutter, Treasurer, Letter Carriers, National Association, AFL-CIO,
Massachusetts Northeast Merged Branch 25