



November 22, 2023

Jevonne Stevens, President
Letter Carriers, NATL ASN, AFL-CIO
Branch 560
525 Riverview Drive
Benton Harbor, MI 49022

Case Number: 320-6026265()
LM Number: 080827

Dear President Stevens:

This office has recently completed an audit of Letter Carriers (NALC), AFL-CIO Branch 560 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 October 4, 2023, 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 560's 2022 records revealed the following recordkeeping violations:

1. General Disbursements

Branch 560 did not retain adequate documentation for \$250 Christmas bonuses it made to ten members, five payments totaling \$1,883.25 it made to Babe's Riverside Grill, and a \$1,069.52 payment it made to Best Buy. In support of these payments, Branch 560 only retained bank statements, which is not sufficient.

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.

2. Failure to Adequately Record Receipts

The audit revealed that Branch 560 did not record in its receipt records the sources of electronic loan repayments totaling \$1,900 that it received from members during the audit period. The amounts and dates of the repayments were recorded on the union's bank statements; however, Branch 560 failed to maintain records identifying who made the repayments. 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 560 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 560 for the fiscal year ended December 31, 2022, was deficient in the following areas:

1. Signatures

The audit revealed that you signed the report in Items 57 and 58 (Signatures); however, Branch 560 had at least one other active officer at the time the report was filed.

The LM-3 instructions require the report be signed by both the president and treasurer, or corresponding principal officers, of the labor organization. If the report is signed by an officer other than the president or treasurer, the union must enter the correct title next to the signature and explain in Item 56 (Additional Information) why the president and treasurer did not sign the report.

2. Officers and Disbursements to Officers

The audit revealed that Branch 560 did not report former Secretary-Treasurer Krystal Cotton as a union officer in Item 24 (All Officers and Disbursements to Officers). The union must report in Item 24 all persons who held office during the year, regardless of whether they received any payments from the union.

Additionally, Branch 560 did not include any of the gross salary payments it made to you, Vice President Word, former Secretary-Treasurer Cotton, and Secretary Cynthia Shannon in the amounts reported in Item 24, Column D (Gross Salary). Branch 560's disbursements records indicate that you, Vice President Word, former Secretary-Treasurer Cotton, and Secretary Shannon received gross salary totaling at least \$3,600; however, the total amount reported in Column D of Item 24 for you and these other officers was \$0. It appears Branch 560 erroneously reported the gross salary payments it made to its officers in Column E (Allowances and Other Disbursements) of Item 24.

The union must report most direct disbursements to Branch 560 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 traveling on union business should be reported in Item 48 (Office and Administrative Expense).

3. Statement A (Cash Balance and Loans Receivable) and Statement B (Total Receipts and Total Disbursements)

The cash figures reported in Item 25 (A) (Cash, Start of the Reporting Period) and Item 25 (B) (Cash, End of Reporting Period) of Statement A are not the figures according to Branch 560's bank statements. The cash balances as of January 1 and December 31, 2022, as reported on the bank statements, were \$6,338 and \$6,157, respectively; however, the union reported a cash balance of \$7,676 in both Items 25 (A) and 25 (B). The instructions for Item 25 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements.

In addition, Branch 560 had loans receivable totaling \$4,500 on January 1, 2022 and \$8,100 on December 31, 2022. However, Branch 560 reported total loans receivable of \$0 in both Item 26 (A) (Loans Receivable, Start of the Reporting Period) and Item 26 (B) (Loans Receivable, End of the Reporting Period). The instructions for Item 26 state that the union must enter the total of all direct and indirect loans owed to it at the start and end of the reporting period.

Further, Branch 560 had total receipts of \$13,686 recorded in its receipt records during the audit year. However, Branch 560 reported total receipts of \$0 in Item 44 (Total Receipts) of Statement B. The union must report the total amount of all receipts it received during the reporting period in Item 44. The amount in Item 44 is calculated by adding Items 38 (Dues) through 43 (Other Receipts) and should include all dues, fees, fines, assessments, interest, dividends, rent, money from the sale of assets, loans and loan repayments received by the union, and all other receipts received by the union.

Lastly, Branch 560 had total disbursements of \$13,868 recorded in its disbursement records during the audit year. However, Branch 560 reported total disbursements of \$9,300 in Item 55 (Total Disbursements) of Statement B. The union must report the total amount of all disbursements it made during the reporting period in Item 55. The amount in Item 55 is calculated by adding Items 45 (Disbursements to Officers) through 54 (Other Disbursements) and should include, for example, net payments to officers and employees; per capita tax and any other fees or assessments which the union paid to any other labor organization; payments for office administrative expenses; loans made by the union; taxes paid by the union; contributions, gifts and grants made by the union; and purchases of investments and fixed assets.

4. Loans

Item 18 (During the reporting period did your organization have any loans totaling more than \$250 to any officer, employee, or member, or make any loans to a business enterprise?) should have been answered, “Yes,” because Branch 560 had several outstanding loans to officers and members that were greater than \$250 during the year.

Item 18 must be answered, “Yes,” if any officer, employee, or member owed Branch 560 more than \$250 at any time during the reporting period; or if Branch 560 made any loan, regardless of amount, to any business enterprise during the reporting period. Include any direct or indirect loans whether or not evidenced by a promissory note or secured by a mortgage. The union must report the name of each individual and business enterprise, the amount each individual owed at the end of the reporting period, and the amount loaned to each business enterprise in the additional information section of the LM report. In addition, the union must report the purpose, terms for repayment, and any security for each such loan.

5. 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 560 amended its constitution and bylaws in 2022 but did not file a copy with its LM report for that year. Branch 560 has now filed a copy of its constitution and bylaws.

Branch 560 must file an amended Form LM-3 for the fiscal year ended (FYE) December 31, 2022 to correct the deficient items discussed above. The report must be filed electronically using the Electronic Forms System (EFS) available at the OLMS website at www.olms.dol.gov. The amended Form LM-3 must be filed no later than November 30, 2023. Before filing, review the report thoroughly to be sure it is complete and accurate.

Other Violation

The audit disclosed the following other violation:

Failure to File

The audit also disclosed a violation of the LMRDA, which requires the president and treasurer, or corresponding principal officers, of each labor organization to file an annual financial report accurately disclosing the union's financial conditions and operations. Branch 560 failed to file its annual financial report for FYE December 31, 2022 with OLMS by the due date required by Section 201(b) of the LMRDA. Section 201(b) requires that annual financial reports be filed within 90 days after the end of the labor organization's fiscal year. Branch 560's fiscal year ends on December 31, and it must file its annual financial report by March 31 of each year (or by March 30 in a leap year).

Branch 560 filed its Labor Organization Annual Report, Form LM-3, for FYE December 31, 2022 on July 26, 2023.

Other Issue

Loan Policy

During the audit period, Branch 560 made loans to you, former Secretary-Treasurer Cotton, and member Padrionna Patterson totaling at least \$3,600; however, the union does not have a clear policy that documents its loan process, or the supporting documentation required to be retained for loan disbursements. The policy put in place during the October 26, 2021 membership meeting authorizing Branch 560's president, vice president, and treasurer to decide who will receive loans lacks strong internal financial controls.

To ensure compliance with the LMRDA and safeguard union assets by promoting transparency and accountability, labor organizations should establish best practices for administering loans made by the union. OLMS recommends that unions (1) adopt clear policies and procedures for making loans, (2) maintain detailed documentation to support each loan made and subsequent loan repayments received by the union, and (3) regularly monitor compliance with the established loan policies and procedures.

I want to extend my personal appreciation to Letter Carriers Branch 560 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,



Senior Investigator

cc: Kevin Word, Vice President