

U.S. Department of Labor

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Office of Labor-Management Standards
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June 25, 2008

Mr. Bruce Getz, Treasurer
Letter Carriers, AFL-CIO
Local 274
850 N. 5th Street, Suite B
Allentown, PA 18102-1731

LM File Number 080-113

Case Number: [REDACTED]

Dear Mr. Getz:

This office has recently completed an audit of Letter Carriers Local 274 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 Michael Granitz and you on June 23, 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 Local 274's 2008 records revealed the following recordkeeping violations:

1. Meal Expenses

Local 274 did not require officers and employees to submit itemized receipts for meal expenses. The union must maintain itemized receipts provided by restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

Local 274 records of meal expenses did not include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, during the course of the fiscal year, the union charged an approximate total of \$1,249.93 to various restaurants located in Allentown, Coopersburg, Whitehall, Wind Gap, and Bethelhem. The restaurant charges were documented in your records as "meeting expenses." Union records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

2. Failure to Maintain Supporting Backup Documentation

Local 274 did not retain adequate documentation for general expenses and credit card expenses incurred totaling at least \$2,394.85. Although Local 274 maintained the majority of receipts for general and credit card expenses, the local failed to maintain various receipts for restaurant charges, as well as hotel charges incurred on union business.

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.

Based on your assurance that Local 274 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violation

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 274 for fiscal year ending December 31, 2007, was deficient in that:

Disbursements to Officers

Local 274 did not include some reimbursements to officers in the amounts reported Item 24 (All Officers and Disbursements to Officers, Column E) totaling at least \$1,305.64. It appears the union may have erroneously reported these payments in Item 48 (Office & Administrative Expense).

The union must report most direct disbursements to Local 274 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).

I am not requiring that Local 274 file an amended LM report for 2007 to correct the deficient items, but Local 274 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Violation

The audit disclosed the following other violation:

Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds those individuals or their predecessors handled during the preceding fiscal year.

Local 274's bond currently has a \$500 deductible. A bond may not have a deductible since that is a form of self-insurance. Self-insurance by the union, in whole or in part, fails to meet the bonding requirements of the LMRDA.

Local 274's must provide proof of a bond without a deductible to this office as soon as possible, but not later than July 23, 2008.

Other Issue

Use of One Signatory

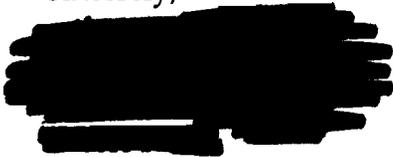
The audit revealed that is Local 274's practice to only require one signatory on each of the checks issued from the union's checking account. Local 274 should consider that all checks drawn on the union's bank account have a second signature and ensure that the cosigner fully understands that his/her fiduciary responsibilities require that the checks be signed only after they are completely filled out and the cosigner knows the purpose and legitimacy of each transaction.

Adequate and effective internal controls require a separation of functions and responsibilities among a number of individuals who are actively involved in the financial process and who provide a system of "checks and balances" over each other's activities.

Mr. Bruce Getz
June 25, 2008
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I want to extend my personal appreciation to Letter Carriers Local 274 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,

A large black rectangular redaction box covers the signature of the investigator.

Investigator

cc: William Sherman, President