



April 8, 2011

Mr. Brad Duffy, President  
Letter Carriers, Rural, South Dakota State Association  
1028 E. Park  
Winner, SD 57580

Case Number: [REDACTED]  
LM Number: 090196

Dear Mr. Duffy:

This office has recently completed an audit of Letter Carriers, Rural, South Dakota State Association 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 Secretary-Treasurer Kathy Hegge on April 7, 2011, 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 South Dakota State Association's 2010 records revealed the following recordkeeping violations:

## 1. General Reimbursed and Credit Card Expenses

South Dakota State Association did not retain adequate documentation for reimbursed cell phone and Internet expenses incurred by State Steward Paul Katzer totaling at least \$1,500. Mr. Katzer claimed reimbursement for the expenses on expense vouchers; however, he did not always attach copies of the bills to the vouchers. During the audit, Mr. Katzer obtained bills from his Internet and cell providers and gave them to OLMS.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principal officers), who are required to sign your union's LM report, are responsible for properly maintaining union records.

## 2. Lost Wages

South Dakota State Association did not retain adequate documentation for lost wage reimbursement payments to Mr. Katzer for at least twenty days totaling approximately \$4,300. Records must be maintained in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. The audit found that Mr. Katzer submitted vouchers for lost wages to the association; however, Mr. Katzer did not always provide an adequate description of what he was working on. On at least 20 days, notations on his vouchers stated that he was claiming eight hours of lost wages for "paperwork."

Based on your assurance that South Dakota State Association 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 South Dakota State Association for the fiscal year ended June 30, 2010, was deficient in the following areas:

#### 1. Acquire/Dispose of Property

Item 13 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered, "Yes," because South Dakota State Association gave away clocks and gift cards at the state convention. The type and value of any property received or given away must be identified in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. For reporting purposes, each recipient need not be itemized. Recipients can be described by broad categories, if appropriate, such as "members" or "new retirees."

## 2. Disbursements to Officers

South Dakota State Association did not include some reimbursements to officers totaling at least \$13,800 in the amounts reported Item 24 (All Officers and Disbursements to Officers). The association's check register and vouchers indicate that officers received payments for expenses totaling at least \$25,124. However, the total amounts reported in Column E (Allowances and Other Disbursements) of Item 24 total only \$11,280. During the exit interview Ms. Hegge advised that some of the officer's reimbursements for cell phones and Internet were erroneously reported in Item 48 (Office and Administrative Expenses).

Most direct disbursements to South Dakota State Association officers and some indirect disbursements made on behalf of its officers must be reported 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 Letter Carriers, Rural, South Dakota State Association file an amended LM report for 2010 to correct the deficient items, but the association has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Letter Carriers, Rural, South Dakota State Association 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: Ms. Kathy Hegge, Secretary-Treasurer