

U.S. Department of Labor

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October 7,2008

Mr. William Doneski, Treasurer
Letter Carriers, Natl. Asn., AFL-CIO
Branch 419
10820 Kingston Pike
Suite 117
Knoxville, TN 37933

LM File Number 084-101

Case Number: [REDACTED]

Dear Mr. Doneski:

This office has recently completed an audit of Letter Carriers, Branch 419 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 May 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 Branch 419's 2007 records revealed the following recordkeeping violations:

1. Meal Expenses

Branch 419 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$109.02. 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.

Branch 419's records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, on May 20, 2007 and June 5, 2007 the union incurred expenses of \$195.67 and \$109.02 for meals at the Golden Corral and Aubrey's. Neither the receipts nor any accompanying documentation included the reason for the meals and a list of attendees. 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 Record Receipts

Branch 419 did not record in its receipts records some employer dues checkoff checks totaling at least \$198.00. For example, retired member [REDACTED] made approximately seven payments of \$28.22 during the fiscal year. One a couple of occasions a deposit ticket included a notation next to the \$28.22 amount that it was a payment from [REDACTED]s. 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.

3. Fixed Assets

Branch 419 did not maintain a list of their fixed assets. The union must report the value of any union assets at the beginning and end of each year in Item 29 (Fixed Assets) of the LM-3. The union must retain an asset list or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 29.

Based on your assurance that Branch 419 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 419 for fiscal year ending December 31, 2007, was deficient in the following areas:

1. Disbursements to Officers

Branch 419 did not include some reimbursements to officers totaling at least \$855, in the amounts reported in Item 24 (All Officers and Disbursements to Officers). Specifically, the union reported that Recording Secretary Adam Martinez received \$935 in allowances and disbursements however the audit revealed that Martinez received \$1790 in allowances and disbursements. It appears the union erroneously reported these payments in Item 48 (Office and Administrative Expenses).

The union must report most direct disbursements to Branch 419 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).

2. Fixed Assets

Branch 419 did not accurately record in Item 29 (Fixed Assets) the value of their assets. On the LM-3 for fiscal year ending December 31, 2007 Branch 419 reported a beginning and ending fixed asset amount of \$50,000. During the audit Branch 419 created a list of their assets which totaled \$5138. The LM-3 instructions for Item 29 require that the union enter the book value at the start and end of the reporting period of all fixed assets, such as land, buildings, automobiles, and office furniture and equipment owned by your organization. The book value of fixed assets is cost less depreciation.

Branch 419 must file an amended Form LM-3 for fiscal year ending December 31, 2007, to correct the deficient items discussed above. I provided you with a blank form and instructions, and advised you that the reporting forms and instructions are available on the OLMS website (www.olms.dol.gov). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than November 7, 2008. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Violations

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. The bond may not have a deductible as that is a form of self insurance and is not allowed under the LMRDA.

The audit revealed that Branch 419's officers and employees were bonded for the minimum amount required at the time of the audit (\$14,081). However, the bond included a deductible. During the audit the union obtained adequate bonding coverage

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and provided evidence of this to OLMS. As a result, OLMS will take no further enforcement action regarding this issue.

I want to extend my personal appreciation to Letter Carriers, Branch 419 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: Tom Gavin, President