

**U.S. Department of Labor**

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October 14, 2008

Ms. Martha Ellington, Secretary - Treasurer  
American Postal Workers, AFL-CIO  
Local 2070  
PO Box 9241  
Columbus, MS 39705-0017

LM File Number 506-079  
Case Number: [REDACTED]

Dear Ms. Ellington:

This office has recently completed an audit of APWU Local 2070 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 14, 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 2070's 2007 records revealed the following recordkeeping violations:

1. Disposition of Property

Local 2070 did not maintain an inventory list of other property it purchased, a portable building and a laptop computer. The union must report the value of any union property on hand at the beginning and end of each year in Item 29 (Fixed Assets) and Item 30 (Other Assets) of the LM-3. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Items 29 and 30.

2. Failure to Record Receipts and Disbursements

Local 2070 did not record in its receipts records interest received on certificates of deposit nor dividends received on mutual funds/stocks totaling at least \$834. Local 2070 did not record in its disbursement records dividends reinvested to purchase additional stock. For example, Local 2070 began 2007 with 618.478 shares of stock with an investment firm. During 2007 the local received \$754.58 which was used to purchase an additional 22.954 shares of stock. Local 2070 had limited records of their investments, three CDs with one bank, two CDs with another bank, and stock in a mutual fund an investment firm. 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 receipts. Union disbursement records must include 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.

Based on your assurance that Local 2070 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 Local 2070 for fiscal year ending December 31, 2007, was deficient in the following areas:

1. Certificates of Deposit Not Included as Cash, Item 25

Local 2070 did not include the value of five certificates of deposit as cash in Statement A (Assets and Liabilities). For LM reporting purposes, OLMS considers a certificate of deposit to be cash. The purchase of a certificate of deposit is a transfer of cash from one account to another and, therefore, the local should not include these transactions as receipts or disbursements. However, the interest earned would be reported as a receipt.

2. Investments Not Reported at Book Value

LM-3 instructions for Statement A, Item 28 (Investments) require that the local enter in Columns A and B, respectively, the total value at the start and end of the reporting period of all investments other than U.S. Treasury Securities. The book value of these investments is the lower of cost or market value. Local 2070 has continued to report their investment as \$10,000 for several years. However, each year dividends have been received and reinvested to purchase additional stock. Dividends received in 2007 alone increased the book value \$754.54.

3. Receipts of Interest and Dividends Not Reported

LM-3 instructions for Statement B, Item 41 (Interest and Dividends) require that the local enter the total amount of interest and dividends received by your organization from savings accounts, bonds, mortgages, loans, investments, and all other sources. Local 2070 did not report \$754.54 dividends received in 2007. Local 2070 also did not report \$80.32 interest received on a certificate of deposit which

matured on January 30, 2007.

#### 4. Purchase of Investments Not Reported

LM-3 instructions for Statement B, Item 52 (Purchase of Investments & Fixed Assets) require that the local enter the total disbursements for all investments and fixed assets purchased by your organization. Receipts and disbursements by an agent on behalf of your organization are considered receipts and disbursements of your organization and must be reported in the same detail as other receipts and disbursements. Local 2070 did not report the \$754.54 received as dividends and disbursed through your mutual fund on your behalf to purchase additional stock.

The purpose of Statement B is to report the flow of cash in and out of your organization during the reporting year. Stocks should be reported in Item 28 and are not included in cash in Item 25 as certificates of deposit are. Dividends received on investments reported in Item 28 should be reported in Item 41 (Interest & Dividends). When dividends received on investments reported in Item 28 are reinvested/rolled back into the fund, those funds should be reported as a receipt in Item 41, a disbursement in Item 52 (Purchase of Investments & Fixed Assets), and should also be added to the book value of the investments reported in Item 28 (Investments).

Local 2070 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.dol.gov/esa/olms](http://www.dol.gov/esa/olms)). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than November 14, 2008. Before filing, review the report thoroughly to be sure it is complete, accurate and signed properly with two original signatures.

#### 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 2070's officers and employees are currently bonded for \$2,500, but they must be bonded for at least \$6,156. Local 2070 should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as possible, but not later than November 14, 2008.

I want to extend my personal appreciation to APWU Local 2070 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: Joe Miller, President