

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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December 7, 2009

Mr. Earl Hibbs, Recording Secretary
National Association of Letter Carriers
Branch 132
8451 Endicott Lane
Dallas, Texas 75227

LM File Number: 089-969
Case Number: [REDACTED]

Dear Mr. Hibbs:

This office has recently completed an audit of NALC Branch 132 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 and Sid Simmons on July 27, 2009, 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 132's 2008 records revealed the following recordkeeping violations:

1. Lost Time

Union officers failed to record the date and/or purpose of most lost time claims. Records must be maintained that identify the date, number of hours lost, rate of pay, and the specific union purpose for all lost time. During the exit interview, you stated that the union has created a new voucher which identifies the type of information and documentation that must be maintained for lost time payments.

Union officers were also being paid lost time for time worked for the union that was not actually lost. Lost time is to be paid for time not compensated by the employer. The following officers were paid lost time for union duties performed while being paid by the employer: Brad Heflin, Larry Pipkin, William Leland, and James Waldrep. You agreed to review officers' pay stubs to verify that time was lost before making lost time payments.

Officers who are retired are being paid lost time. Retired members who perform work for the union are not losing time off of work and are not entitled to lost time payments. During the audit period, the union paid a total of 1398 combined hours of lost time pay to [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], and [REDACTED]. These officers are retired from the employer. You agreed to update your bylaws to reflect this pay as a separate pay entitlement for retired officers.

2. Officer Expenses

Union officers failed to maintain adequate documentation for reimbursed expenses and for lodging expenses. The date, amount, and business purpose of every expense must be recorded on at least one union record. All payments for reimbursed expenses were reviewed during this audit. Multiple payments to

officers failed to have supporting documents. You stated that the union has created a new voucher which identifies the type of information and documentation that must be maintained to support officer payments.

3. Disposition of Property

Branch 132 did not maintain an inventory of t-shirts and other property it purchased, sold, or gave away. The union must report the value of any union property on hand at the beginning and end of each year in Item 28 of the LM-2. 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 Item 28. The union must record in at least one record the date and amount received from each sale of union t-shirts and other items.

4. Failure to Record Receipts

Branch 132 did not record in its receipts records some retiree dues checks and some receipts from the sale of t-shirts for the food drive. 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.

5. Office Depot / Credit Card

Branch 132 did not retain adequate documentation for credit card expenses incurred by union officers for all purchases charged to the Office Depot credit card. Although the union retained credit card statements, original credit card transaction receipts must also be retained.

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

6. Missing Vouchers

Vouchers for some payments to vendors were missing and/or not maintained. Union records must include at least one supporting document for disbursements. A supporting document can be a voucher, invoice, bill, or receipt.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Branch 132's LM report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can also result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person, not just the individuals who are responsible for filing the union's LM report.

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-2) filed by Branch 132 for fiscal year ending December 31, 2008, was deficient in that the Branch only needs to report income received directly from the National office as receipts on the LM-2 report. Per Capita tax withheld by the National does not need to be reported as income unless it was actually paid to the branch. You agreed that you have spoken to your CPA regarding this policy. You also acknowledged that you understand that receipts on future LM-2 reports will be significantly lower than amounts reported on previous LM-2 reports due to this change.

I am not requiring that Branch 132 file an amended LM report for 2008 to correct the deficient item, but Branch 132 has agreed to properly report the deficient item on all future reports it files with OLMS.

The audit disclosed the following other issues:

Other Issues

1. Officer Monthly Allowance

Your branch bylaws state that the president, vice president, and recording secretary are to receive an officer allowance in addition to an officer salary. Officers receive a salary, officer allowance, and reimbursements for mileage. Although this allowance was listed as a car allowance on two forms of union records (CPA report and voucher), you stated that this was not a car allowance

but was a monthly allowance paid to officers for no specific purpose. You were explained that officers can not receive an officer allowance and an officer salary. You were also explained that officers can not receive mileage reimbursements if receiving a car or officer allowance. You were recommended to discontinue this practice or update your bylaws to specify what the monthly allowance is for or to include the allowance amount in your salary.

2. Cellular Phone Policy

As discussed during the exit interview, the audit revealed that Branch 132 does not have a clear policy regarding cellular phone reimbursements. The positions of president, vice president, and recording secretary are authorized reimbursements of their personal cellular phones. All three officers are being reimbursed utilizing three different methods. Authorization of expenses is an important matter that should be standard between all officers. It is recommended that the branch adopt written guidelines for cellular phone reimbursements. Please forward a copy of the approved written guidelines to me.

3. Social Security Insurance

It is a policy of Branch 132 to reimburse its officers the employee share of Social Security Insurance. During the exit interview, you stated that this is a long time practice of the union which was created when union officers were not required to pay into Social Security. It is recommended that you speak with the Internal Revenue Service to determine if this practice should continue to take place.

I want to extend my personal appreciation to NALC Branch 132 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: President Sid Simmons

Mr. Earl Hibbs
December 7, 2009
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