



October 8, 2010

Mr. James Firos, President
American Postal Workers Union Local 488-489
P.O. Box 21154
Lansing, MI 48909

Case Number: [REDACTED]
LM Number: 092924

Dear Mr. Firos:

This office has recently completed an audit of American Postal Workers Union Local 488-489 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, Vice President Chris Robinson, and Trustee Barbara Barnum on April 20, 2010, 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 488-489's 2009 records revealed the following recordkeeping violations:

1. Bank Deposit and Withdrawal Slips

Local 488-489 failed to maintain deposit slips for deposits made into the local's scholarship fund totaling \$249.19 and for deposits made into the local's savings account totaling \$2,524.32. Local 488-489 also failed to maintain withdrawal slips for cash withdrawals made from the local's scholarship fund totaling \$1,755.19. As previously noted above, labor organizations must retain bank records, including returned deposit and withdrawal slips, for all accounts.

2. Failure to Record Receipts

Local 488-489 did not record in its receipts journal any information concerning two deposits totaling \$333.75 that are listed on the local's checking account bank statements in May and July 2009. As previously noted above, union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, the source of the money, and the purpose. The union's failure to record all such income information in its receipts journal could cause the union to omit such income on its LM report, include it on an LM report for the wrong year, or misclassify it.

3. Failure to Record Disbursements

Local 488-489 did not record in its disbursements journal two checks totaling \$1,081.79. For example, check number [REDACTED], issued to [REDACTED] for \$444.34 and dated December 29, 2009, was not recorded in the disbursements journal. Moreover, Local 488-489 failed to record 12 checks totaling \$16,271.54 relating to payments made for payroll taxes. Although the amount of the payroll tax disbursements were included in the gross paycheck amounts that were recorded in the disbursements journal, no supporting documentation was maintained to verify, explain, and clarify the unrecorded checks made for payroll taxes. The failure to record checks in the disbursements journal could result in the union reporting some disbursements for a different year than that in which they were actually made, not reporting them at all, or misclassifying them.

4. General Expenditures

Local 488-489 did not retain adequate documentation for checks written to outside parties totaling at least \$1,352.90. For example, check [REDACTED] was issued to National Pen Company for \$852.90, but no receipts or billing statements were retained that supported those payments or provided sufficient details regarding the purchase. As previously noted, labor organizations must retain original receipts, bills, and vouchers for all disbursements.

5. Reimbursed Auto Expenses

Local 488-489 officers and employees who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$2,199.60 during the audit period. The union must maintain records that identify the dates of travel, locations traveled to and from, and number of miles

driven. The record must also show the business purpose of each use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses. Enclosed is a copy of OLMS Compliance Tip *Reimbursed Travel Expense Payments* for further guidance on this matter.

6. Credit Card Expenses

Local 488-489 did not retain adequate documentation for credit card expenses incurred by union officers and employees. Specifically, a review of the local's documentation for credit card purchases revealed that there was at least \$2,721.46 in charges where a receipt was not maintained and there was no indication of the identity of the purchaser. For example, the union purchased tickets totaling \$1,603 to a Lansing Lugnuts baseball game, but did not maintain any invoices or receipts for the charges or specify either the purpose of the charges or the identity of the person who incurred them in any of its disbursements records. Also, there was at least an additional \$2,751.28 in charges where a receipt was provided, but the identity of the purchaser was not shown.

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. Enclosed is a copy of OLMS Compliance Tip *Union Credit Card Policy* for further guidance on this matter.

Based on your assurance that Local 488-489 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(a), which requires that a union submit a copy of its revised constitution and bylaws with its LM report when it makes changes to its constitution or bylaws. Local 488-489 amended its bylaws in September 2007, but did not file a copy with its LM report for that year. Local 488-489 has now filed a copy of its bylaws.

The audit also disclosed a violation of LMRDA Section 201(b), which requires the president and treasurer, or corresponding principal officers, of each labor organization to file an annual financial report accurately disclosing the union's financial condition and operations. The report must be filed within 90 days after the end of the labor organization's fiscal year. The law does not authorize OLMS to grant an extension of time for filing reports. As Local 488-489's fiscal year ends on December 31, it must file its annual financial report by March 31 of each year (or by March 30 in leap years). On June 1, 2010, Local 488-489 filed its Form LM-3 for the fiscal year ended December 31, 2009. At the exit interview, you agreed that Local 488-489 will file all future reports with OLMS in a timely manner.

Other Issues

The audit disclosed the following other issues:

1. Duplicate Receipts

During the opening interview, you indicated that members of Local 488-489 repay any unused monies previously paid to the member as an advance for union travel. The treasurer records the payments in the union's receipts journal, but he does not issue receipts to the payer. Although no instance took place in 2009 in which a member had unused travel advance monies, OLMS recommends that Local 488-489 use a duplicate receipt system where the union issues original pre-numbered receipts to all members who make payments directly to the union and retains copies of those receipts. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable. If more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned. Furthermore, Local 488-489 officers should consider performing a cash count when money is turned over to another officer and sign a receipt that documents the parties involved and the date and amount of funds handed over.

2. Savings Account Signatories

The LMRDA outlines general fiduciary responsibilities for officers and employees of labor organizations. Union officials occupy positions of trust and, therefore, must ensure that the union's funds and other assets are used solely for the benefit of the union and its members. To prevent, or at least inhibit, the misuse of their funds, most organizations install internal controls over the handling of their finances. During the opening interview, you indicated that you are the only signatory on the local's scholarship fund savings account. This is not a recommended financial practice and Local 488-489 is encouraged to adopt a policy requiring at least two signatures on each savings account withdrawal or transfer. Each signer should fully understand that his/her fiduciary responsibilities demand that he/she know the purpose and legitimacy of each transaction before signing a withdrawal slip.

3. Fund Transfers

The audit disclosed that the union records fund transfers as disbursements and receipts to and from each participating account. Transfers between separate bank accounts or between special funds of the labor organization do not represent the flow of cash in and out of the labor organization. Therefore, Local 488-489 must ensure that these transfers are not included as receipts and disbursements of the labor organization on the LM report.

4. Electronic Backups of Computer Records

During the opening interview, you indicated that the union does maintain electronic backups of computer records; however, they are made infrequently. Local 488-489 is encouraged to make electronic backups on a regular basis in order to make certain that the union has copies of its most up-to-date electronic records in their entirety.

I want to extend my personal appreciation to American Postal Workers Union Local 488-489 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

Enclosures

cc: Mr. Chris Robinson, Vice President (w/o enclosures)