



October 5, 2012

Mr. Matthew Pretzer, President
Postal Workers, American, AFL-CIO Local 897

Case Number: [REDACTED]
LM Number: 092836

Dear Mr. Pretzer:

This office has recently completed an audit of Postal Workers, American, AFL-CIO Local 897 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 Douglas Marker and Director Brian Ebert on September 20, 2012, 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 897's 2011 records revealed the following recordkeeping violations:

1. Receipt Dates Not Recorded

During the audit year, a majority of Local 897's receipts were dues receipts collected from the U.S. Postal Service and remitted to Local 897 through the American Postal Workers

National Union. These receipts were electronically deposited into Local 897's checking account; therefore, the date the money was received by Local 897 was the same date that it was deposited into its checking account. Local 897 recorded its receipts in QuickBooks financial software; however, the receipt dates recorded in QuickBooks were not always consistent with the deposit dates. Mr. Marker indicated that the receipt dates recorded in QuickBooks were sometimes the entry date rather than the date the monies were received. Receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-3. The LM-3 instructions for Statement B state that receipts must be recorded when money is actually received, and disbursements must be recorded when money is actually paid out. Failure to record the date money was received could result in reporting some receipts for a different year than the one in which they were received.

2. Per Diem Payments

Expense vouchers prepared by officers who traveled on union business are not adequate because the vouchers do not identify the locations traveled to and do not identify the total amount of per diem claimed for each date. During 2011, Local 897 disbursed funds totaling more than \$1,960 to officers for per diem for union related travel. Article XI, Section 1 of the local bylaws dated October 2010 provides that officers and employees of Local 879 "shall be reimbursed the full cost of their accommodations per day (receipted), plus be paid per diem for meals and incidentals based on the General Services Administration (GSA) Standard Method for Travel Allowances." GSA per diem rates vary based on the city to which one is travelling. This information is available on the GSA website at: <http://www.gsa.gov/portal/category/21287>. The vouchers show that claims for per diem are calculated in quarterly increments (four quarters per day) and Messrs. Ebert and Marker stated that claims for per diem payments are calculated based upon an individual's departure and return times. Therefore, if an officer is only in travel status for part of a day, he/she only receives a partial per diem payment for that day. However, the expense vouchers identify for each trip only the total number of quarters of per diem claimed for the trip, and not the amount of per diem claimed for each date in travel status.

In the case of travel expenses, records must be retained that identify the dates of travel, the locations traveled to and from, the date and amount of each individual expense claimed, and the union business purpose of travel.

3. Credit Card Expenses

Local 897 did not retain adequate documentation for credit card expenses incurred by union officers totaling at least \$2,600. Although the union routinely maintained the monthly credit card statements, supporting documentation for specific charges such as charges for office supplies or picnic door prizes for the annual picnic was not maintained.

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.

Based on your assurance that Local 897 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 897 for the fiscal year ended December 31, 2011, was deficient in the following areas:

1. Disbursements to Officers

Local 897 did not include some reimbursements to officers totaling at least \$1,700 in the amounts reported Item 24 (All Officers and Disbursements to Officers). Local 897's QuickBooks general ledger indicates that officers were reimbursed over \$2,000 for expenses such as per diem, mileage, and the purchase of office supplies; however, only \$225 was reported in Column E. (Allowances and Other Disbursements) of Item 24. Mr. Marker stated that he reported only mileage payments to officers in Item 24, and the remaining reimbursed expense payments were included in the amounts reported in either Item 48 (Office and Administrative) or Item 54 (Other Disbursements).

Most direct disbursements to Local 897 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).

2. 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 Local 897 gave away gift cards totaling more than \$2,000 to members at the annual picnic and at quarterly drawings during membership meetings. 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."

3. Fixed Assets

During the audit year, Local 897 purchased several fixed assets, including a laptop computer, two printers, and a monitor, totaling more than \$900. However, Local 897 reported \$0 in Item 52 (Purchase of Investments and Fixed Assets). Mr. Marker advised that he erroneously reported these purchases in either Item 48 (Office and Administrative) or Item 54 (Other Disbursements). However, as noted in the LM-3 instructions disbursements for the purchase of fixed assets must be reported in Item 52.

In addition, the purchase of the fixed assets must also be reflected in Statement B (Receipts and Disbursements) of the LM-3 report. Local 897 failed to include the purchases during 2011 in the amounts reported in Item 29 (Fixed Assets). Local 897 reported \$660 in both Item 29(a) (Fixed assets at beginning of reporting period) and 29(b) (Fixed assets at end of reporting period). Page 11 of the LM-3 instructions provides that the book value of all fixed assets, including land, buildings, automobiles, and office furniture and equipment owned by your organization must be reported in Items 29(a) and 29(b) at the beginning and end of the year respectively. The book value of fixed assets is cost less depreciation.

I am not requiring that Local 897 file an amended LM report for 2011 to correct the deficient items, but Local 897 has agreed to properly report the deficient items on all future reports it files with OLMS

Other Issue

Spending Policies/Financial Oversight

Article X, Section 1 of the Local 897 bylaws states that the local is to keep “expenditures within the income derived from the dues of this local. After the budget is adopted, the Executive Board may request to exceed a spending limit...The request will need a majority vote of the members present at a General Membership meeting to pass.” Section 2 further requires that a budget be prepared in even numbered years and submitted by the executive board to the general membership for approval at a General Membership meeting.

The audit found that Local 897 had approved annual budgets, but disbursed funds that exceeded the total budgeted disbursements and exceeded the local’s revenue in 2011 by more than \$12,000. However, there is no evidence in the meeting minutes that the membership approved an increase in spending as required by the bylaws. OLMS recommends that unions routinely review financial records and any internal budgets to ensure compliance with internal authorization policies and to ensure effective internal controls over union receipts and disbursements.

I want to extend my personal appreciation to the Postal Workers Local 897 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: Mr. Douglas Marker, Secretary Treasurer

Mr. Jon Anderson, Director

Mr. Brian Ebert, Director