



August 1, 2014

Mr. Derrick Harpe, Secretary Treasurer
Letter Carriers, Rural, Ind
North Carolina
781 Baltimore Rd.
Advance, NC 27006-7817

Case Number: 410-4310118 [REDACTED]
LM Number: 088699

Dear Mr. Harpe:

This office has recently completed an audit of Letter Carriers, Rural, Ind 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 Former Secretary Treasurer [REDACTED] on July 30, 2014, 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 Rural Letter Carriers of North Carolina (RLCA – NC) 2013 records revealed the following recordkeeping violation:

Itemized Receipts

RLCA - NC did not require officers and employees to submit itemized receipts for disbursements and meal expenses totaling at least \$1,375. The union must maintain itemized receipts provided by vendors and 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.

RLCA - NC 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, a receipt for \$486.26 at Templeton Terrace on August 17, 2012 did not list the attendees or explanation of union business. 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.

Based on your assurance that RLCA - NC 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-2 filed by RLCA - NC for the fiscal year ended June 30, 2013, was deficient in that:

Disbursements to Officers and Employees (LM-2)

RLCA - NC did not include some disbursements to officers totaling at least \$11,300 in Schedule 11 (All Officers and Disbursements to Officers). It appears that the local erroneously reported these payments in Schedules 15 through 19.

The union must report in Column F of Schedules 11 and 12 (Disbursements for Official Business) direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedules 11 and 12 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union personnel incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business. The union must report in Column G (Other Disbursements) of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

I am not requiring that RLCA - NC file an amended LM report for 2013 to correct the deficient items, RLCA - NC has agreed to properly report the deficient items on all future reports it files with OLMS.

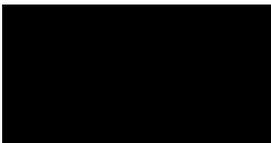
Other Issues

Expense Policy

As I discussed during the exit interview with you and President Sain, the audit revealed that RLCA - NC does not have a clear policy regarding the authorization required for RLCA – NC disbursements. During the opening interview officers were unclear on minimum dollar amounts that would require executive board or membership authorization. Additionally, the Constitution does not appear to address these amounts as previously identified by officers. The RLCA – NC has also not been maintaining meeting minutes to show authorization for disbursements. OLMS recommends that unions adopt written guidelines concerning such matters.

I want to extend my personal appreciation to Letter Carriers, Rural, Ind of North Carolina 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,



Senior Investigator

cc: Mr. Dale Sain, President