



December 18, 2015

██████████, Financial Secretary
National Association of Letter Carriers, Branch 706
600 E. Lincoln Highway
DeKalb, IL 60115

Case Number: 310-6006258 ██████████
LM Number: 090863

Dear Mr. Schultz:

This office has recently completed an audit of National Association of Letter Carriers, Branch 706 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 Branch 706 President ██████████ on December 10, 2015, 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 NALC Branch 706 2013 and 2014 records revealed the following recordkeeping violations:

- 1) General Reimbursed and Credit Card Expenses

Branch 706 did not retain adequate documentation for reimbursed expenses paid Branch President [REDACTED] in the amount of \$969.72 by check # [REDACTED] dated September 29, 2014, which appears to have been for lodging for other officers who attended the state convention.

The union failed to retain adequate documentation regarding the disbursement of \$1,000 paid to the Muscular Dystrophy Association with check # [REDACTED] dated December 18, 2013.

As 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.

2) Failure to Record Receipts

Branch 706 did not record in its receipts records deposits of least \$297.17. For example, \$57.17 deposited on January 17, 2013; \$40 deposited on June 6, 2013; and \$200 deposited on November 4, 2014.

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.

3) Receipt Dates not Recorded

Union 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 the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

4) Information not Recorded in Meeting Minutes

During the audit, you advised OLMS that the union passed motions on September 11, 1990 for the Secretary to use a discretionary fund up to \$150, but that funds over \$150 needs to be agreed approved by the membership.

The Bylaws, Article 12 Section 3 notes: "All funds shall be devoted to such uses as the Branch may determine; provided that no appropriation shall be made except when ordered by a majority vote of the members present and voting at the regular meeting; provided further, that Branches may make provision in their by-laws allowing officers to spend a certain sum of money between branch meetings in cases of emergency."

The membership meetings noted approval to pay rebates to the members for fiscal years 2012 and 2014; however, the membership minutes did not record the approval of a \$150 rebate paid to each member in November 2013. The union minutes failed to record approval of donation of \$1,000 paid to the Muscular Dystrophy Association with check # [REDACTED] dated December 18, 2013. Minutes of all membership meetings, or equivalent record, must report any disbursement authorizations.

Based on your assurance that Branch 706 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 LM-3 filed by Branch 706 for the fiscal year ended December 31, 2014 was deficient in that or deficient in the following areas:

1. Reporting Union Officers Disbursements to Officers (LM-3)

You advised that the union's officers included the president, financial secretary who also serves as the recording secretary, the vice president, and sergeant of arms. Branch 706 did not report all officers in Item 24 of the union's LM-3 report for fiscal year 2014. Per the LM-3 Instructions, Item 24, "All Officers and Disbursements to Officers, the union must report all the labor organization's officers and report all salaries and other direct and indirect disbursements to officers during the reporting period. However, direct and indirect disbursements not involving the payment of some form of cash (cash, checks, money orders, etc.) should not be reported in Item 24 but must be explained in Item 56 (Additional Information). Any direct or indirect cash disbursement required to be included in Item 24 should not be reported in other disbursement items.

2. Reporting Disbursements to Officers Disbursements to Officers (LM-3)

Branch 706 did not include some reimbursements to officers totaling at least \$3,234.87 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48 "Office and Administrative Expense."

Per the LM-3 Instructions, Item 24, Column (E) requires Branch 706 to enter the total of all other direct and indirect disbursements to each officer other than salary, including allowances, disbursements which were necessary for conducting official business of your organization, and disbursements essentially for the personal benefit of the officer and not necessary or conducting official business of your organization. Examples of disbursements to be reported in Column (E) include: allowances made by direct and indirect disbursements to each officer on a daily, weekly, monthly, or other periodic basis; allowances paid on the basis of mileage or meals; all expenses that were reimbursed directly to an officer; expenses

for officers' meals and entertainment; and various goods and services furnished to officers but charged to your organization.

3. Reporting Membership Rebates

The union disbursed \$4,090 in membership rebates in 2014, but it appears these disbursements were reported erroneously in Item 46 "To Employees." Per the LM-3 Instructions, Item 46 "To Employees" is to report the total of all salaries, allowances, travel advances which are not considered loans as explained in the instructions for Item 18 (Loans), and other direct and indirect disbursements (less deductions for FICA, withheld taxes, etc.) to employees of your organization during the reporting period. Include disbursements to individuals other than officers who receive lost time payments even if your organization does not consider them to be employees or does not make any other direct or indirect disbursements to them.

The union may report membership rebates in either Item 50 "Benefits" or Item 51 "Contributions, Gifts, and Grants." Per the LM-3 Instructions, Item 50 "Benefits", the union must enter the total of all direct and indirect benefit disbursements made by your organization. Direct benefit disbursements are those made to officers, employees, members, and their beneficiaries from your organization's funds.

Per the LM-3 Instructions, Item 51, "Contributions, Gifts, and Grants", the union must enter the total of all disbursements for contributions, gifts, and grants made by your organization.

4. Failure to File Bylaws

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. Branch 706 has made a series of amendments to its bylaws, but did not file a copy of the amended bylaws with its LM report for each corresponding year the amendments were made. The union must file an amended LM report that reflects the current approved practices for that year.

As agreed, Branch 706 will file a copy of its current constitution and bylaws with OLMS as soon as possible but not later than with its 2015 LM-3 report.

Other Violations

The audit disclosed the following other violation(s):

1. 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. The union's receipts plus assets handling in fiscal year 2014 totaled \$15,984, which indicates the union should be bonded for at least \$1,598.40. Please provide proof of bonding coverage to this office as soon as possible, but not later than January 30, 2016.

I want to extend my personal appreciation to National Association of Letter Carriers, Branch 706 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,

[REDACTED]
Investigator

CC: Branch President [REDACTED]