U.S. Department of Labor

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February 19, 2016

Mr. Mike Mize, President
Postal Workers, American, AFL-CIO
Local 271
2345 Lapeer Drive
Flint, MI 48503

Case Number: 320-6005385[redacted]
LM Number: 086336

Dear Mr. Mize:

This office has recently completed an audit of American Postal Workers (APWU) Local 271 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 Secretary-Treasurer James Joyce on December 8, 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 Local 271's 2014 records revealed the following recordkeeping violations:

1. Reimbursed Auto Expenses

    You received reimbursement for business use of your personal vehicle, but did not retain adequate documentation to support payments to you totaling at least $160 during 2014. Your mileage reimbursement was claimed on an expense voucher that identified the union business conducted; however, the expense voucher was not sufficient because it failed to identify the locations traveled to and from, the dates of travel, and the number of miles driven each day. The union must maintain records which 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.

2. Fixed Assets

    Local 271 failed to maintain accurate records of its fixed assets. The LM-3 filed by Local 271 for 2014 reported fixed assets of $89,000 at the end of the year; however, a review of the union's inventory of fixed assets revealed that not all of the union's fixed assets were included on the inventory, such as the union's building and various kitchen appliances, and the union's inventory did not contain the depreciation of each asset.

    In the case of fixed assets, the local must maintain an inventory or other similar record(s) identifying each fixed asset and the cost and depreciation of each fixed asset. Such records are required to be retained to verify, clarify, and support information required to be reported in Item 29 (Fixed Assets) of the LM-3.

3. Information Not Recorded in Meeting Minutes

    During the audit, you and Mr. Joyce advised that it is the union's practice to have the membership authorize the union's annual budget at the membership meeting held in January. You also stated that Local 271 requires the membership to authorize any expenditures not included in the union's annual budget during membership meetings. A review of the meeting minutes retained by Local 271 revealed that other types of disbursements are typically authorized and documented in the meeting minutes. However, Local 271's meeting minutes do not contain a reference to the approval of the annual budget for 2014. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

Based on your assurance that Local 271 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 271 amended its bylaws in December 2014, but did not file a copy with its LM report for that year. Local 271 has now filed a copy of its bylaws.

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 Local 271 for the fiscal year ended December 31, 2014 was deficient in the following areas:

1. Fixed Assets

   Local 271 failed to include the book value of some of its fixed assets in the amount reported in Item 29 (Fixed Assets). As noted above, Local 271 failed to keep adequate records identifying some of the union's fixed assets, and the amounts reported in Item 29 would appear to be understated. Local 271 must report the book value of all its fixed assets, including land, buildings, automobiles, and office furniture and equipment owned by the union in Item 29. The book value of fixed assets is cost less depreciation.

2. Disbursements to Officers

   The audit revealed that Local 271 reported duplicate payments to officers totaling at least $3,000 in Item 24 (All Officers and Disbursements to Officers). Local 271's disbursements journal included a few erroneous bank transfers that were recorded in the union's payroll account as payments to the union's officers. Mr. Joyce stated that the error was a result of changes made to the payroll accounting system at the beginning of the 2014 fiscal year, which caused an accounting error in the union's payroll records.

   Most direct disbursements to Local 271 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 for room rent only) 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).

Mr. Joyce stated that he would file an amended Form LM-3 correcting the above errors. He and you have agreed to properly report the deficient items on all future reports your local union files with OLMS.

Other Issues

1. Two Signatures on Checks

During the opening interview, Mr. Joyce indicated that although you are also a signatory on Local 271's checking account, Mr. Joyce issues all of the checks from Local 271's checking account with only his signature. Requiring two signatures on all checks issued by Local 271 is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. OLMS recommends that Local 271 review its disbursements procedures to improve internal control of union funds. 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 check or withdrawal slip.

2. Disbursement Authorization Policy

Local 271's bylaws do not contain any provisions regarding your union's policies or procedures for authorization of disbursements. You advised at the opening interview that it is the practice of Local 271 to have the membership vote on the annual budget and to vote on additional expenditures by the union as they arise. You also stated this is an unwritten practice that the local has been operating under for many years.

OLMS recommends that unions adopt written guidelines concerning the authorization and approval of disbursements to help ensure effective internal controls and safeguard union assets. I recommend that Local 271 commits this practice to writing by adding it to your union's bylaws, or approving it at an executive board or membership meeting and documenting such approval in the meeting minutes or in a policy manual or other document maintained by the union.

I want to extend my personal appreciation to APWU Local 271 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: Mr. James Joyce, Secretary-Treasurer