



May 26, 2016

Mr. Timothy Mulvenna, Treasurer
National Association of Letter Carriers (NALC)
Branch 157
9607 James Street
Philadelphia, PA 19114

Case Number: 140-6007077 [REDACTED]
LM Number: 081-043

Dear Mr. Mulvenna:

This office has recently completed an audit of National Association of Letter Carriers (NALC) Branch 157 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, President Randy Zebin and Vice President Joseph Rodgers on May 23, 2016, 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 Branch 157's 2014 records revealed the following recordkeeping violations:

1. Meal Expenses

A labor organization must maintain itemized receipts provided by 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.

While Branch 157 did maintain itemized receipts, the 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, the receipt from Leonardo's Italian Bakery dated July 30, 2014 did not note the purpose for the expense.

2. Disposition of Property

A labor organization must report the value of any union property on hand at the beginning and end of each year in Item 28 of the LM-2 (Other Assets). The labor organization must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 28. The CAP disclosed that Branch 157 does not maintain such a record.

3. Failure to Record Receipts

Branch 157 did not record in its payroll account receipts associated with ADP Payroll fees totaling \$4,898.11 between October 1 and December 24, 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.

Based on your assurance that Branch 157 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 Branch 157 for the fiscal year ended December 31, 2014 was deficient in the following areas:

1. Disbursements to Officers

Branch 157 did not include some payments to Vice President Joseph Rodgers totaling at least \$2,500 in Schedule 11 (All Officers and Disbursements to Officers). According to the ADP Payroll Services records, Vice President Rodgers' gross salary was \$74,760 while the Form LM-2 reflected \$72,260. As you explained during the exit interview, this difference was explained by Mr. Rodgers' flexible spending account. However, as we discussed, the LM-2 report should reflect *gross* salaries before deductions.

2. Cash Reconciliation

It appears that the cash figures reported in Item 22 (Cash) are not the figures according to Branch 157's books after reconciliation to the bank statements. The instructions for Item 22 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements.

The LM-2 reflected a total of \$716,517 in receipts during fiscal year 2014, while the bank statements reflected \$752,395 and the branch's books reflected \$747,497. The LM-2 report also reflected a total of \$762,484 in disbursements, while the bank statements reflected \$753,900 and the branch's books reflected \$745,692.

I am not requiring that Branch 157 file an amended LM report for 2014 to correct the deficient items, but Branch 157 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Expense Policy

As we discussed during the exit interview, the audit revealed that during fiscal year 2014 Branch 157 was not in compliance with the NALC National Constitution and Branch 157 Bylaws with regard to its procedure for obtaining membership approval of expenses. However, Branch 157 rectified this issue in January 2015, and you reported that it has maintained compliance since that time. Therefore, OLMS will take no further enforcement action at this time.

2. Check Signatures

The audit revealed that of the 768 checks issued from the general checking account and endorsed during fiscal year 2014, there were 3 which were signed by only one officer, Treasurer [REDACTED]; check [REDACTED] dated April 8, 2014 to Joseph Delmont in the amount of \$151.69; check [REDACTED] dated April 8, 2014 to [REDACTED] in the amount of \$151.69; and check [REDACTED] dated April 15, 2014 to the Pennsylvania State Association of Letter Carriers in the amount of \$872.30 for the 2014 Congressional breakfast.

According to Article 12, Section 2 of the NALC National Constitution section pertaining to constitutions for the government of subordinate and Federal branches, "No money shall be paid out by the Treasurer except on a warrant ordered by the Branch and signed by the President and Secretary." OLMS recommends that Branch 157 review these procedures to improve internal control of union funds.

Based on your assurance that Branch 157 will comply with this procedure in the future, OLMS will take no further enforcement action at this time regarding this violation.

I want to extend my personal appreciation to NALC Branch 157 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. Randy Zebin, President
Mr. Joseph Rodgers, Vice President