



July 9, 2018

Mr. Timothy Maris, President
National Letter Carriers Branch 451

Case Number: 140-6012435
LM Number: 081288

Dear Mr. Maris,

This office has recently completed an audit of National Letter Carriers Branch 451 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 Financial Secretary Melissa Ramach on July 6, 2018, 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 451's 2017 records revealed the following recordkeeping violations:

1. Credit Card Expenses

Branch 451 did not retain adequate documentation for credit card expenses incurred by union officers totaling at least \$241. For example, there is a charge for \$163.80 to Walmart on March 7, 2017 with no receipt or supporting documentation. Also, there is no credit card statement for October 2017 or receipts supporting the \$78 that was paid to the credit card company.

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. Meal Expenses

Branch 451 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, in July 2017, \$366.75 in meals were charged to the credit card; however, there is no documentation to identify who incurred the meal expenses. 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.

3. Source of Receipts not Recorded

Entries in Branch 451's ledger did not identify the source of at least \$14,568 in funds that were deposited to the union's general fund account and \$47,000 to the union's savings account. Union receipt records must identify the source of funds, amount received, date received, and purpose of the payment to the union.

4. Failure to Record Receipts

Branch 451 did not maintain a receipts journal for their Golf Tournament account and therefore did not record any receipts. 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.

5. Failure to Record Disbursements

Branch 451 did not maintain a disbursement journal for their Golf Tournament account and therefore did not record any disbursements. Union disbursement records must include an adequate identification of all money the union receives. Disbursement records must include an adequate identification of all monies disbursed. The records should show the date, amount of check and the payee.

6. Disposition of Calendars

Branch 451 failed to maintain a record to establish the disposition of 250 calendars purchased during the audit period. While the union maintained documentation from Richdon Inc. establishing the purchase of the calendars, there is no record to establish who received these calendars. The union must retain a record of property on hand and information to verify, clarify, and explain all disbursements or property or things of value.

Based on your assurance that Branch 451 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 451 for the fiscal year ended December 31, 2017, was deficient in the following areas:

1. 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 the union gave away calendars during the year totaling \$1,000. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) of such property. The union does not have to itemize in the report every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees."

2. Disbursements to Officers

Branch 451 did not include some reimbursements to officers totaling at least \$3,003 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 54, Other Disbursements.

The union must report most direct disbursements to Branch 451 officers and some indirect disbursements made on behalf of its officers 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).

3. Cash Disbursements

During fiscal year ending December 31, 2017, it appears that Branch 451 erroneously reported \$550 awarded to members as a door prize during membership meetings in Item 54, Other Disbursements rather than Item 51, Contributions, Gifts, and Grants, respectively. I provided you with compliance assistance on the completion of the LM-3 report by indicating the type of expenditures that should be recorded in for Items 45-54.

Also, the union disbursed \$2,700 to the Muscular Dystrophy Association from the Golf Tournament account which should have been reported in Item 51, Contributions, Gifts, and Grants of the LM-3 report; however, the union failed to report it on the report.

Other Violations

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.

Branch 451's officers are currently bonded for \$10,000, but they must be bonded for at least \$13,456.22. Branch 451 should obtain adequate bonding coverage for its officers immediately. Please provide proof of bonding coverage to this office as soon as possible, but not later than August 6, 2018.

2. Failure to file an LM-30 (Labor Organization and Officer Employee Report)

The audit revealed that Branch 451 purchases baked goods from your wife's business. However, you failed to file an LM-30 for 2017. As the Overview Sheet for the LM-30 that I provided you explains (and as you can see in the LM-30 instructions), you are required to file an LM-30 if you, your spouse, or minor child held an interest in or received income or other benefits from a business in which any part of the business consists of buying from, selling, or leasing directly or indirectly to, or otherwise dealing with your labor organization or a trust in which your labor organization is interested. Since your wife receives payments from the union for the baked goods, you must file an LM-30. Additionally, your wife's bakery business must complete an LM-10 (Employer Report) disclosing the receipt of the payments from the union. I provided you with a blank LM-30 form and instructions to access the form online. As I explained, the LM-30 must be filed within 90 days of the end of your fiscal year, and the LM-10 must be filed within 90 days of the bakery's fiscal year.

Other Issue

1. Duplicate Receipts

OLMS recommends that Branch 451 use a duplicate receipt system where the union issues original pre-numbered receipts to every individual who make payments directly to the union and retain copies of those receipts. A duplicate receipt system is an effective internal

control because it ensures that a record is created of income which is not otherwise verifiable. If more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned.

2. Expense Policy

As I discussed during the exit interview with you and Melissa Ramach, the audit revealed that Branch 451 does not have a clear policy regarding the types of expenses that may be charged to union credit cards and does not properly establish the authorized users of the credit card cards. OLMS recommends that unions adopt written guidelines concerning such matters.

I want to extend my personal appreciation to National Letter Carriers Branch 451 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: [REDACTED]