



September 26, 2018

Mr. Scott Dulas, President
Letter Carriers, NATL ASN, AFL-CIO, Branch 114
P.O. Box 16583
Duluth, MN 55816

Case Number: 320-6014230 [REDACTED]
LM Number: 081997

Dear Mr. Dulas:

This office has recently completed an audit of Letter Carriers, NATL ASN, (NALC) Branch 114 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 on September 14, 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 114's 2017 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Branch 114 did not retain adequate documentation for reimbursed expenses incurred by officers totaling at least \$326. For example, Treasurer Mike Sylvester was reimbursed

\$166.40 on November 5, 2017 for the purchase of an airline ticket to attend training; however, no supporting documentation was maintained by Branch 114 for this reimbursement, which is not sufficient.

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 114 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$175 in 2017. Branch 114's records of meal expenses also did not always include the names and titles of the persons incurring or receiving the benefit of the restaurant charges or an adequate description of the business purpose of the meal expense. For example, an itemized receipt was not retained for a \$116.09 meal you purchased at Pizza Hut on October 24, 2017, and the credit card signature receipt retained for this meal expense failed to identify the nature of the union business conducted, which is not sufficient.

The union 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. 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.

3. Reimbursed Auto Expenses

Union officers who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$391 during 2017. Mileage reimbursements were claimed on expense vouchers that normally identified the date of travel, number of miles driven, and rate of reimbursement; however, the expense vouchers were insufficient because they failed to identify the locations traveled to and from. For example, Mr. Sylvester received a mileage reimbursement of \$171.20 on November 5, 2017 for attending a training seminar. In support of this claim, the union maintained a voucher, but the voucher was not sufficient because it failed to identify the locations traveled to and from. 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.

4. Food Bank Contributions

Branch 114 did not retain adequate documentation for contributions made to local food banks totaling at least \$5,686. For example, on June 5, 2017, the union made a \$1,075.78 donation to Second Harvest Food Bank. The May 2017 union meeting minutes indicate that this disbursement was discussed during the meeting; however, the amount of the contribution was not documented in any union records. Further, meeting minutes indicate that the union received a thank you letter from Second Harvest Food Bank for the donation, but the union failed to maintain this letter. During the exit interview, you stated that the letter should have been maintained in the union records, and you are not sure why it was not retained. The union must maintain all correspondence received from food banks for donations that it makes, including “thank you” letters. These letters are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

5. Cash Payments for Retiree Banquet

Branch 114 did not retain adequate supporting documentation for cash disbursements made to attendees of the union’s annual retiree banquet. During the audit, Mr. Sylvester stated that the union requires attendees of the retiree banquet to make an advanced payment to the union; however, when the attendees arrive at the banquet they are reimbursed for their advanced payment in cash. Mr. Sylvester further stated that the union maintains a list of banquet attendees who received cash reimbursement; however, the union was unable to produce this list. The union must maintain records that identify the recipients of cash payments from the union to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

6. Failure to Record Receipts and Receipt Dates not Recorded

Branch 114 did not record in its receipts records payments received from retirees for the annual retiree banquet and donations from grocery stores and individuals to the union’s food bank totaling at least \$9,971. 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.

Entries in Branch 114’s QuickBooks file reflect the date the union deposited money, but not the date money was received. 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.

Based on your assurance that Branch 114 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violation

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 Branch 114 for the fiscal year ended December 31, 2017, was deficient in the following area:

Per Capita Tax Payments

During the audit year, Branch 114 made per capita tax payments to the Northeast Area Labor Council totaling at least \$1,657; however, the union reported \$0 in Item 47 (Per Capita Tax). It appears that these per capita tax payments were erroneously reported in Item 54 (Other Disbursements). The LM-3 Instructions provide that all disbursements made for per capita tax (amounts paid as a condition or requirement of affiliation with another organization (i.e. payments to the Northeast Area Labor Council)) must be reported in Item 47.

I am not requiring that Branch 114 file an amended LM report for 2017 to correct the deficient item, but Branch 114 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Travel Reimbursement Policy

As I discussed during the exit interview with you, the audit revealed that Branch 114 does not have a written policy regarding the reimbursement of travel expenses incurred by union personnel. The audit found that in some instances the union will pay officers a flat rate to cover all travel expenses, and union officers are not required to repay any unused travel funds. In other instances, union officers are reimbursed by the union for actual travel expenses incurred. During the audit, you stated that Branch 114 generally pays a flat rate for travel to the NALC State Convention, but reimburses actual expenses for travel to the NALC State Training. You also confirmed that this policy is not in writing. The audit found that Mr. Sylvester, Vice President Dave Mayou, Trustee Joel Tracey, MBA and Health Representative Heide Zelasco, and Trustee Richard Ellwood each received \$680 to attend the Minnesota NALC State Convention on October 3, 2017. Supporting documentation maintained by the union for this trip indicates that the per-person cost of lodging and meals was \$310.75. On October 4, 2017, Mr. Mayou repaid the union \$369.25, the difference between the \$680 he received and the \$310.75 it cost him to attend the convention; however, none of the other officers made a repayment to the union. During the exit interview, you stated that the union pays a flat rate to officers who attend the state convention and that repayment from Mr. Mayou should not have been accepted by the union.

To ensure proper internal financial controls over union disbursements, OLMS recommends that each union: (1) adopt a clear policy on travel expenses and under what circumstances travel expenses may be claimed for reimbursement; (2) establish what documentation is needed for an

official to be reimbursed; and (3) establish a procedure that provides for the authorization and approval of travel expenses. Careful review of expense vouchers can help ensure adequate internal controls and safeguard union assets.

I want to extend my personal appreciation to NALC Branch 114 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. Mike Sylvester, Treasurer