

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Kansas City Resident Investigative Office
1100 Main Street
Room 950
Kansas City, MO 64105-5143
(816)502-0290 Fax: (816)502-0288



August 16, 2007

Mr. Ronald Porter, Secretary-Treasurer
National Association of Letter Carriers, AFL-CIO
Branch 5521
4550 West 90th Terrace
Prairie Village, KS 66207

LM File Number 091-566

Case Number: [REDACTED]

Dear Mr. Porter:

This office has recently completed an audit of Letter Carriers Branch 5521 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 yourself and Carl Rader on August 8, 2007, 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 5521's 2006 records revealed the following recordkeeping violation:

Credit Card Expenses

Branch 5521 did not retain adequate documentation for credit card expenses incurred by union officers for travel and other expenses totaling at least \$6,987. For example, charges made to the credit card totaling the above amount were charged to Southwest Airlines in July of 2006. When we discussed this, you informed me this was for travel of union officers to your national convention and I was able to verify through other records these were authorized disbursements. Although as you indicated these charges were made over the internet, a receipt or invoice must be printed at the time of purchase and kept to verify such transactions in the future.

As previously noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and secretary-treasurer of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records. You agreed these receipts will be maintained in the future by the branch.

Based on your assurance that Branch 5521 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violation.

Reporting Violations

The audit disclosed two violations 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 5521 for fiscal year ending January 31, 2007, was deficient in the following areas:

1. Delinquent Filing

Form LM-3 for Branch 5521 was due on April 30, 2007. As of the start of the audit on July 30, 2007 the report had yet to be received by the Department of Labor. As you explained in the opening interview, there may have been an issue in the mailing of the report. You turned in the report directly to me during the audit and is no longer an issue. You agreed to turn the report in on time in the future and may even be looking into acquiring a digital signature for yourself and the president to expedite the process.

2. Disbursements to Officers

Branch 5521 did not report the total amounts of payments to President Carl Rader or on his behalf in Item 24 (All Officers and Disbursements to Officers). The union must report most direct disbursements to Branch 5521 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).

In this case, payments were made to Sprint on behalf of President Rader for the cell phone bill the union has elected to pay for the president of the branch. This was incorrectly reported on the LM-3 report under Office and Administrative Expense when it should be identified as an allowance paid in Item 24 for Rader. We discussed this during the exit interview, and you understood the reason why this is necessary to be correctly reported in the future and have agreed to do so.

I am not requiring that Branch 5521 file an amended LM report for 2006 to correct the deficient items, but Branch 5521 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Violations

The audit disclosed the following other violation:

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 5521's officers and employees are currently bonded for \$50,000, but they must be bonded for at least \$52,076. Branch 5521 should obtain adequate bonding coverage for its officers and employees immediately. We discussed this during your exit interview and your insurance company has agreed to fax me a copy of the new bond as soon as it is modified to the correct amount of coverage.

I want to extend my personal appreciation to Letter Carriers Branch 5521 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: Carl Rader, President