

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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August 9, 2007

Mr. Joseph Servideo, Treasurer
Letter Carriers Branch 12
55 Park Avenue
Worcester, MA 01605

LM File Number: 083-283
Case Number: [REDACTED]

Dear Mr. Servideo:

This office has recently completed an audit of Letter Carriers Branch 12 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 James Servideo on May 4, 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.

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-3) filed by Branch 12 for fiscal year ending December 31, 2006, was deficient in the following areas:

1. Disbursements to Officers

Branch 12 did not report the names of some officers and the total amounts of payments to them or on their behalf in Item 24 (All Officers and Disbursements to Officers). The union must report in Item 24 all persons who held office during the year, regardless of whether they received any payments from the union.

Additionally, Branch 12 did not include some reimbursements to reported officers totaling at least \$1,500 in the amounts reported Item 24 (All Officers and

Disbursements to Officers). It appears the union erroneously reported these payments in Items 48 and 54.

The union must report most direct disbursements to Branch 12 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).

2. Other Receipts

Branch 12 failed to report cash receipts totaling at least \$4,620 in Item 43 (Other Receipts). Additionally, the branch misreported at least \$7,429 of miscellaneous receipts under Item 38 (Dues) rather than under Item 43 (Other Receipts). Keep in mind that if your organization receives funds which are not for the union's benefit and are quickly disbursed to a third party, these receipts must still be reported on your organization's Form LM-3.

3. Other Disbursements

Branch 12 failed to report disbursements totaling at least \$2,117 in Item 54 (Other Disbursements). Note that even though your organization spends funds that are not for the union's direct benefit, these disbursements must still be reported on your organization's Form LM-3.

I am not requiring that Branch 12 file an amended LM report for 2006 to correct the deficient items, but Branch 12 has agreed to properly report the deficient items on all future reports it files with OLMS.

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.

The audit revealed that Branch 12's officers had a \$500 deductible on it surety bond. A surety bond may not have a deductible since that is a form of self-insurance and that, in turn, fails to meet the bonding requirements of the LMRDA. However, the union obtained an amended bond with no deductible and provided evidence of this to OLMS during the audit. As a result, OLMS will take no further enforcement action regarding this issue.

Other Issues

1. Signing Blank Checks

During the audit, you advised that the president signs blank checks. Your union requires that all checks be signed by the president and treasurer. The two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Branch 12 review these procedures to improve internal control of union funds.

2. Expense Vouchers

As was discussed during the exit interview with yourself and James Servideo, the audit revealed that Branch 12 has an expense authorization policy in place; however, frequently one of the approving officers signing the expense voucher is the officer whose voucher is being approved. Furthermore, the approving officers are frequently signing the expense voucher after the reimbursement has been disbursed. OLMS recommends that Branch 12 review its voucher procedure to improve control of union funds.

I want to extend my personal appreciation to Letter Carriers Branch 12 for the cooperation and courtesy extended during this compliance audit. I strongly

Letter/Mr. Joseph Servideo

August 9, 2007

Page 4 of 4

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,

Mark Letizi
District Director

cc: Mr. James Servideo, President