



March 24, 2020

Mr. George Bates, President
Postal Workers Local 109 Bi-State Area
P.O. Box 3131
Rock Island, IL 61204

Case Number: 310-6015211 [REDACTED]
LM Number: 506498

Dear Mr. Bates:

This office has recently completed an audit of Postal Workers (APWU) Local 109 Bi-State Area 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 Secretary Treasurer Renee Hugaert on March 24, 2020, 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 Local 109's 2017 and 2018 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 109 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred union officers totaling at least \$17,000. You charged airfare, office supplies, internet, and storage fees to the union credit, but supporting documentation was not always retained. For example, in 2017 and 2018, at least \$5,000 of airfare was charged

to the union credit card; however only credit card statement and/or boarding pass was retained. As another example, Local 109 incurred at least \$1,400 in internet charges for the union office located at the post office; however, no supporting documentation was retained. Credit card statements alone are not sufficient to fulfill the recordkeeping requirement.

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

Local 109 did not require officers and employees to submit itemized receipts for meal expenses. 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.

Local 109 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 November 2017 you incurred a charge for at least ten individuals at Wise Guy Pizza totaling \$223.75, but only the credit card statement and itemized receipt was retained. 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. 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 \$1,190 during 2017 and 2018. Officers submitted vouchers that were not adequate because the location traveled to and from were not always properly identified. 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. Receipt Dates and Sources not Recorded

In some instances, entries in Local 109's general ledger reflect the date money was deposited and do not identify the date money was received or sources of the payments. The date, source, and amount of receipt is required to be recorded in union records 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 reporting some receipts on the LM-3 for a different year than the year it actually received them.

Based on your assurance that Local 109 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-3) filed by Local 109 for the fiscal year ended December 31, 2018, 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 t-shirts, a grill, and a television totaling at least \$1,400 during the year. 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) or donor(s) of such property. The union does not have to itemize 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

Local 109 failed to correctly report disbursements to officers in the amounts reported in Item 24 (All Officers and Disbursements to Officers) totaling at least \$10,000. For example, the union's general ledger, vouchers, and credit card statements show you received direct and indirect expense reimbursements totaling at least \$9,700; however, only \$877 was reported in Column E (Allowances and Other Disbursements). In addition, Vice President Sheryl Stagg received direct reimbursement for expenses totaling at least \$1,969. However, only \$721 was listed in Column E. It appears these payments were erroneously reported elsewhere on the report.

Most direct disbursements to Local 109's officers and some indirect disbursements made on behalf of its officers must be reported 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).

Local 109 must file an amended Form LM-3 for the fiscal year ended December 31, 2018 to correct the deficient items discussed above. The report must be filed electronically using the Electronic Forms System (EFS) available at the OLMS website at www.olms.dol.gov. The amended Form LM-3 must be filed no later than April 23, 2020. Before filing, review the report thoroughly to be sure it is complete and accurate.

Other Issue

Personal use of Credit Cards

The audit revealed that Local 109 permitted officers and employees to use union credit cards to pay for personal expenses. The audit revealed that you, Ms. Hugaert, and Member [REDACTED] [REDACTED] charged personal expenses such as movies and parking to the union credit card, or to their hotel rooms which was paid by the union credit card totaling at least \$200. Ms. Hugaert promptly repaid Local 109, but no payments were received from you or [REDACTED]. OLMS does not recommend policies that allow personnel to make personal purchases with union credit cards because this may lead to misuse of union funds.

I want to extend my personal appreciation to APWU Local 109 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]

[REDACTED]

Senior Investigator

cc: Ms. Renee Hugaert, Secretary Treasurer (via USPS mail and email)