

U.S. Department of Labor

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October 4, 2007

Mr. Bruce Strait, Financial Secretary
Letter Carriers AFL-CIO
Branch 434
P.O. Box 2202
Ann Arbor, MI 48106-2202

LM File Number 080-824

Case Number: [REDACTED]

Dear Mr. Strait:

This office has recently completed an audit of Letter Carriers Branch 434 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 March 1, 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 434's 2005 records revealed the following recordkeeping violations:

1. Reimbursed Auto Expenses

Union officers and employees who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them during 2005. 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. Some of the vouchers on which personal vehicle mileage was claimed did not include the business purposes of the trips.

2. Lost Wages

The branch is inconsistent in the documentation required for claiming lost wages. The union must maintain records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. The OLMS audit found that Branch 434 required that notice of absence forms or timesheets showing the absence from work be submitted with the vouchers for some lost wage claims. However, in other instances, the local required that only a voucher be filed.

3. Disposition of Property

Branch 434 did not properly record in its receipts records individual receipts from food drive t-shirt sales. The branch recorded instead only the total amount collected. The union must enter in at least one record the date and amount received from each sale and the name of the purchaser. Records created by the union to track sales (e.g. order forms, duplicate receipts, etc.), which may be used for this purpose, must be retained. If individuals sell t-shirts in the field, records must be kept that identify the name of each person to whom t-shirts are given for

sale and the date and amount of money each person turns in to the union. Such records must show that persons who sell t-shirts fully account for all of the t-shirts provided to them by returning any unsold t-shirts along with the money raised from sold t-shirts. All unsold t-shirts must be retained.

Based on your assurance that Branch 434 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 Branch 434 for fiscal year ending December 31, 2005, was deficient in the following areas:

1. Beginning Cash and Total Disbursements

Branch 434 improperly reported the beginning cash and total disbursements, as those figures (Items 25A and 55, respectively) on the report did not agree with the corresponding figures in the union's records.

2. Disbursements to Officers

Branch 434 did not include some salary payments and at least three reimbursements to officers in the amounts reported in Item 24 (All Officers and Disbursements to Officers). For example, Bill Dawson was listed on the LM-3 as Branch 434 president, but he served as chief steward as well. While the salary and expenses Dawson received as president were reported in Item 24 next to his name, the salary and expenses Dawson received as chief steward were erroneously reported under Item 46 (To Employees) instead of in Item 24. Additionally, at least one \$175 per diem payment to Dawson was not reported in Item 24.

The union must report most direct disbursements to Branch 434 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).

As Branch 434 has filed an amended Form LM-3 for the fiscal year ending December 31, 2005, to correct the deficient items discussed above, no further action regarding this violation will be taken at this time.

Other Violation

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 434's bond is deficient in the following areas:

1. Inadequate Bond Amount

Branch 434's officers and employees are currently bonded for \$10,000, but they must be bonded for at least \$20,284.76.

2. Bond Deductible

Branch 434's bonding policy provides for a deductible of \$250. To be acceptable under the LMRDA, the policy may not have a deductible.

3. Unbonded Members Handling Union Funds

Branch 434 allowed unbonded members to handle union funds when it allowed volunteers who were not officers or employees to collect receipts from t-shirt sales.

Branch 434 should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as adequate coverage has been obtained, but no later than October 19, 2007.

Other Issues

1. Salaries and Expenses

As I discussed with you during the exit interview, the audit revealed that Branch 434 does not have a clear, written policy regarding the types and amounts of expenses officers and employees may claim for reimbursement, and the documentation required for such claims. OLMS recommends that the union adopt clear written guidelines concerning such matters, and ensure that there is a full understanding of those guidelines either by inclusion in either the union's constitution and bylaws, or the minutes from the meeting at which those guidelines are approved.

2. Single Signature on Checks

The audit revealed that Branch 434 requires only one signature on checks drawn on the union's bank account. OLMS recommends that Branch 434 require that all checks drawn on the union's bank account require a second signature, regardless of the amount or purpose, and ensure that the cosigner fully understands that his/her fiduciary responsibilities require that the checks be signed only after they are completely filled out and the cosigner knows the purpose and legitimacy of each transaction.

3. Regular Audits

The audit revealed that the trustees do not consistently conduct semi-annual audits of Branch 434's financial records as required by the union's bylaws. OLMS recommends that Branch 434 ensure that the audits are conducted semi-annually as required.

4. Lost Wages

OLMS recommends that the branch establish a policy regarding required documentation for lost time claims (e.g. notice of absence forms, timesheets, vouchers, etc.), and record the policy in the meeting minutes and/or bylaws.

I want to extend my personal appreciation to Letter Carriers Branch 434 for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make sure this letter and the compliance assistance materials

Mr. Bruce Strait
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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. Bill Dawson, President