

**U.S. Department of Labor**

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January 26, 2009

Mr. David Sersch, President  
Letter Carriers Branch 507  
14 Jaarsma Court  
Madison, WI 53716

LM File Number: 083-527  
Case Number: [REDACTED]

Dear Mr. Sersch:

This office has recently completed an audit of Letter Carriers Branch 507 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, Vice President Mike Strebel, Secretary Thomas Haynor, and Treasurer John Smith on January 13, 2009, 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 507's 2007 records revealed the following recordkeeping violations:

1. Receipt Sources Not Recorded

The source of over \$700 in income was not identified in Branch 507 records. The general ledger generally identifies the income as "back dues," "retiree dues 3 X \$18," "advertising," and "retirement dinner."

Receipts records, such as the general ledger or duplicate receipts, 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.

2. Receipt Dates not Recorded

Entries in Branch 507's general ledger reflect the date the union deposited money, but not the date money was received. During the audit, Mr. Smith verified that he does not enter a receipt in the ledger on the date that he receives the money, rather he enters the receipt in the general ledger using the date of deposit, which is often a week or two after the date of receipt.

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 receipts must be recorded when money is actually received and disbursements must be recorded when money is actually paid out. Failure to record the date money was received could result in reporting some receipts for a different year than the one in which they were received.

3. Reimbursed Auto Expenses

During 2007, several officers including you, Vice President Mike Strelbel, and Editor of the 507 Express Keith Steffen (and trustee), claimed mileage expenses for the use of your personal vehicles while performing union business. All mileage claims were documented on expense vouchers. The documentation on the vouchers included

the number of miles, the mileage rate, and the business purpose; however, for over \$1,800 in mileage claims, the starting and ending destinations were not identified.

Branch 507 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. Reimbursed Expenses to Officers

Branch 507 did not retain adequate documentation for reimbursed expenses incurred by several officers totaling at least \$2,400. For example, former President Phillip Leer received over \$800 in payments from the branch for reimbursement of his personal cell phone bill. However, the only documentation retained for these expenses are copies of the summary pages of each monthly bill.

If Branch 507 pays for any business calls made from an individual's personal cell phone, or pays the entire cell phone bill, either as a direct payment to the cellular phone company or as a reimbursement to the individual, Branch 507 must retain the original phone bill in its entirety.

As another example, documentation was not retained to support checks # [REDACTED] and # [REDACTED], which included payments to Mr. Leer and Mr. Haynor for meal expenses totaling over \$100. Itemized receipts provided by restaurants to officers and employees must be maintained. 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.

In addition, 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.

#### 5. Lost Wages

Branch 507 did not retain adequate documentation for lost wage reimbursement payments to Mr. Haynor, Mr. Smith, Mr. Leer, and Mr. Steffen totaling at least \$25,000.

Branch 507 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 audit found that Branch 507 officers and employees document lost wage claims on lost wage and expense vouchers. Branch 507 officers recorded on the vouchers an all encompassing description of the duties that were performed each month, but failed to identify the specific business that was conducted on each date. It is necessary for each officer to document the number of hours lost on each date as well as describe, in detail (e.g., "office work" is not sufficiently descriptive), the nature of the union business that required lost wages be incurred. This information is necessary to determine if such payments for wages are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

Based on your assurance that Branch 507 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 LM-3 filed by Branch 507 for fiscal year ending December 31, 2007, was deficient in the following areas:

1. Item 38 (Dues)

Item 38 (Dues) erroneously included two receipts for dues that were received by Branch 507 in December of 2006 (\$11,159.26). Although received in December 2006, the checks were not recorded in the branch's receipt records until January 2007 and therefore were included as income on the 2007 LM-3 report. Likewise, dues receipts received in December of 2007 (\$11,490.26) were recorded in the general ledger in January of 2008 and therefore were not included in Item 38 on the LM-3 report filed for fiscal year 2007.

As mentioned above, failure to record money when it is actually received can (and in this case did) result in the union reporting receipts in a different year than when it actually received them.

2. Item 24 (All Officers and Disbursements to Officers)

Branch 507 did not include some reimbursements to officers totaling at least \$7,800 in the amounts reported Item 24 (All Officers and Disbursements to Officers). During the audit, Treasurer Smith verified that some reimbursed expenses paid to officers for office supplies were not reported in Item 24, rather he reported those payments in Item 48 (Office and Administrative Expense) and Item 52 (Other Disbursements).

Most direct disbursements to Branch 507 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).

3. The audit disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its revised constitution and bylaws with its LM report when it makes changes to its constitution or bylaws. Branch 507 amended its constitution and bylaws in 2004, but did not file a copy with its LM report for that year.

Branch 507 has now filed a copy of its constitution and bylaws.

Other Violations

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. A quick formula for computing the amount of bonding coverage is:  $(\text{Liquid Assets} + \text{Total Receipts}) \times 10\% = \text{Amount of Coverage Required}$ .

Although Branch 507 is bonded through the Capitol Indemnity Corporation for \$25,000 (adequate coverage amount based on formula described above), the bond policy contains a provision for a deductible of \$250 for each officer. Self insurance by the

union, in whole or in part, fails to meet the bonding requirements of the LMRDA. In addition, a labor organization may not deposit its own funds with a surety company to pay for losses sustained under a bond. A bond may not have a deductible since that is a form of self insurance.

Branch 507 obtained adequate bonding coverage and provided evidence of this to OLMS during the audit. As a result, OLMS will take no further enforcement action regarding this issue.

I want to extend my personal appreciation to Letter Carriers Branch 507 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: Mike Strelbel, Vice President  
Thomas Haynor, Secretary  
John Smith, Treasurer