

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Milwaukee District Office
310 West Wisconsin Avenue, Suite 1160
Milwaukee, WI 53203
(414)297-1501 Fax: (414)297-1685



June 12, 2008

Mr. Frank Fabio, President
Letter Carriers Branch 436
3442 Daisy Lane
Racine, WI 53405

LM File Number: 083-971
Case Number: [REDACTED]

Dear Mr. Fabio:

This office has recently completed an audit of Letter Carriers Branch 436 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 Steven Geyer and Vice President Dan Derosier on June 11, 2008 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 436's 2007 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Branch 436 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by union officers and employees totaling at least \$1,710.22. For example, you and former President Jeff Egresi attended a convention in Minneapolis, MN. The lodging expense in the amount of \$708.12 was charged to the union's credit card; however, hotel folios were not retained in Branch 436's records. As another example, Vice President Dan Derosier received a check in the amount \$400 for "Christmas party gifts;" however, no supporting documentation could be found.

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. Reimbursed Auto Expenses

Branch 436 officers who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$509.97 during 2007. 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.

During the exit interview, I provided a sample of an expense voucher Branch 436 may use to satisfy this requirement. The sample identifies the type of information and documentation that the branch must maintain for mileage and/or other expenses.

3. Receipt Dates and Sources not Recorded

Entries in Branch 436's check register reflect amounts deposited and do not identify the date money was received, the sources, or the individual amounts. Receipts records must show the date, amount, and source of all receipts. 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 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 Branch 436 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 436 for fiscal year ending December 31, 2007 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 Branch 436 gave away gift cards totaling least \$300 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." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

2. Disbursements to Officers

Branch 436 did not include reimbursements to officers totaling at least \$4,273.41, in Item 24 (All Officers and Disbursements to Officers). For example, you received at

least \$1,915.11 in reimbursed expenses. However, nothing was reported in Column E (Allowances and Other Disbursements). It appears that Branch 436 erroneously reported these payments in Item 48 (Office and Administrative Expense) and/or Item 54 (Other Disbursements).

Branch 436 must report most direct disbursements to officers and some indirect disbursements made on behalf of its officers in Column E of Item 24 (Allowances and Other Disbursements). 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. Other Receipts

Branch 436 failed to properly report an insurance rebate in Statement B (Receipts & Disbursements) of the LM-3. During the audit year, Branch 436 received a rebate of \$1,885 but nothing was reported in Item 43 (Other Receipts). It appears Branch 436 erroneously reported this receipt in Item 38 (Dues). The LM-3 instruction state that all receipts other than those reported in Items 38 (Dues), 39 (Per Capita), 40 (Fees, Fines, Assessments and Work Permits), 41 (Interest and Dividends), and 42 (Sale of Investments and Fixed Assets) should be reported in Item 43.

Branch 436 must file an amended Form LM-3 for fiscal year ending December 31, 2007, to correct the deficient items discussed above. I provided you with a blank form and instructions, and advised you that the reporting forms and instructions are available on the OLMS website (www.olms.dol.gov). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than July 9, 2008. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

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 ten percent of the total funds those individuals or their predecessors handled during the preceding fiscal year. While Branch 436's coverage was sufficient in regard to the amount of coverage, the audit disclosed the bond had a deductible, which is a form of self-insurance and is prohibited under the LMRDA.

In addition, most officers handled funds during the preceding year, but Secretary Treasurer Geyer was the only officer covered by the bond. All officers and employees who handle union funds must be bonded. An individual is considered to be handling funds or other property of a union if the union could suffer a loss if the individual performed his or her duties fraudulently or dishonestly. Handling funds is not limited to physical contact with money but is based on various factors such as custody, access, actual authority, responsibilities, supervision, fiscal controls, and the nature of the funds or other property. Branch 346 must correct these deficiencies in its bond. Proof of bonding that satisfies the requirements of LMRDA Section 502 must be provided to this office as soon as possible, but not later than July 9, 2008.

Other Issue

Two Signatures on Checks

During the audit, Secretary Treasurer Steven Geyer stated that only one signature is required on checks issued from Branch 436's checking account. OLMS recommends that all checks be signed by two officers. 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. OLMS recommends that Branch 436 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Letter Carriers Branch 436 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,

████████████████████

Mr. Frank Fabio
June 12, 2008
Page 6 of 6

Investigator

cc: Mr. Steven Geyer, Secretary Treasurer
Mr. Dan Derosier, Vice President