

**U.S. Department of Labor**

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March 5, 2010

Mr. Alan Carlson, President  
Postal Workers, AFL-CIO Local 718  
P.O. Box 85718  
Sioux Falls, SD 57118

LM File Number: 072-138  
Case Number: [REDACTED]

Dear Mr. Carlson:

This office has recently completed an audit of Postal Workers Sioux Falls Area Local 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 Treasurer Tina Ermis on February 11, 2010, 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 Violation

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 718's 2007 and 2008 records revealed the following recordkeeping violation:

#### General Expenses

Local 718 did not retain adequate documentation for some reimbursed expenses incurred by various members totaling approximately \$2,118. For example, Steward Christie Heitman was reimbursed \$293 to purchase supplies for the 2007 summer picnic. The audit revealed that no supporting documentation was retained for supplies purchased for the summer picnic. As another example, adequate documentation was not maintained for supplies purchased from Staples in the amount of \$779.15 which was charged to the union's debit card on May 31, 2007. The audit revealed there was no supporting documentation to identify what was purchased.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principal officers), who are required to sign your union's LM report, are responsible for properly maintaining union records.

Based on your assurance that Local 718 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 718 for fiscal year ending December 31, 2008, was deficient in the following areas:

1. Acquire/Dispose of Property (Additional Information)

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 away gift cards and various prizes totaling

more than \$1,000 during the year. The type and value of any property received or given away must be identified in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. For reporting purposes, each recipient need not be itemized. Recipients can be described by broad categories, if appropriate, such as "members" or "new retirees."

## 2. Cash

The cash figures reported in Item 25 (Cash) are not the cash figures according to the union's books after reconciliation to the bank statements. For example, Item 25A (Start of the Reporting Period Cash) states that cash was \$16,046. However, the bank statements for the checking account and savings accounts show that Local 718 had a total cash balance of \$27,821.03 at the beginning of the year. Further, the audit revealed that Local 718's check book shows a book balance of \$16,568.79 as of January 1, 2008. Additionally, it appears that because the cash figures were not reported correctly, the cash does not reconcile.

The instructions for Item 25 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements. Additionally, cash reported at the beginning of the reporting period in Item 25A should equal Item 25B (End of the Reporting Period Cash) from the LM-3 report for the previous fiscal year.

## 3. Disbursements to Officers and Employees

Local 718 did not include reimbursements to officers totaling at least \$1,053 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). For example, you were reimbursed \$890 for expenses to attend an organizing seminar. However, only \$172 was reported next to your name in Column E (Allowances and Other Disbursements) of Item 24. It appears this payment was included in the amount reported Item 48 (Office and Administrative Expense) or Item 54 (Other Disbursements).

Additionally, Local 718 failed to report most of its disbursements to employees in Item 46 (Disbursements to Employees). The audit revealed that Local 718 disbursed at least \$15,127 to various stewards and members. For example, Steward Ray Hoverson received a \$407 steward rebate and was reimbursed \$1,587

to attend the APWU National Convention in Las Vegas, NV. However, only \$622 was reported in Item 46.

Most direct disbursements and some indirect disbursements made on behalf of its officers and employees must be reported in Item 24 and Item 46. A "direct disbursement" to an officer or employee 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 718 must file an amended Form LM-3 for fiscal year ending December 31, 2008, to correct the deficient items discussed above. I provided you with a blank form and instructions, and discussed with you the availability of the reporting forms and instructions on the OLMS website ([www.olms.dol.gov](http://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 March 12, 2010. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

I want to extend my personal appreciation to Postal Workers Sioux Falls Area Local 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: Tina Ermis, Treasurer

Mr. Alan Carlson  
March 9, 2010  
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