



September 2, 2015

Sandra D. Laemmel, President
Letter Carriers, NATL ASN, AFL-CIO
Branch 1
1400 Trumbull Avenue
Detroit, MI 48216-1945

Case Number: 320-6003898()
LM Number: 080809

Dear Ms. Laemmel:

This office has recently completed an audit of Letter Carriers (NALC) Branch 1 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 Michael Slavin on July 23, 2015, 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 1's 2014 records revealed the following recordkeeping violations:

1. Credit Card Expenses

Branch 1 did not retain adequate documentation for reimbursed expenses and credit card expenses you incurred. For example, you made 82 charges with the union's credit card totaling \$8,401.99. The union retained credit card statements, but did not keep original, itemized receipts for these charges. Credit card statements alone are not sufficient to meet the recordkeeping requirements. Credit card charge slips and itemized receipts for each

charge must be maintained and, if the following information is not shown on the charge slips and/or itemized receipts, then a record must be created that shows the date the expense was incurred, the name and address of the entity providing the goods or services, the goods or services received, the amount, and the nature or purpose of the union business that required the expense. Please consult the enclosed OLMS Compliance Tip *Union Credit Card Policy* for further guidance on this matter.

As another example, the union reimbursed you \$2,700 for magazine subscriptions that you purchased and gave away at the December 2014 membership meeting. The only supporting documentation retained was the initial order form. 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

Branch 1 did not require officers to submit itemized receipts for meal expenses or itemized receipts that were retained did not always include written explanations of union business conducted and/or the names and titles of the persons incurring the restaurant charges. There were 53 meals with inadequate documentation totaling at least \$2,484.12. Of those, you purchased 38 meals with the union's credit card, while the union reimbursed the amounts of the remaining 15 meals to you or Branch 1 Vice President Carl Blassingame. In some instances, the only records retained in support of meal expenses were the credit card charge slips or customer copy receipts.

The union must maintain itemized receipts provided by restaurants to officers and the 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 incurred meal expenses. These records are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

3. Disposition of Property

Branch 1 did not retain adequate records for gifts given away to "Friends of Branch 1" and to Branch 1 members under the union's "Christmas Token" program. Branch 1 purchased over \$5,500 of miscellaneous gifts, but neither recorded who received the gifts nor maintained an inventory or similar record(s) of undistributed gifts. Such records are necessary to support the information that must be reported on Form LM-2 in Item 15 (Acquisition or Disposition of Assets) and Schedule 7 (Other Assets).

In addition, Branch 1 did not maintain a current inventory of office equipment. Multiple items were missing from the list provided to OLMS, while other items previously disposed

of were still on the list. An updated or annotated inventory or similar record(s) must be maintained to support the information concerning the union's property that must be reported on Form LM-2 in Item 15 (Acquisition or Disposition of Assets) and Schedule 6 (Fixed Assets).

Based on your assurance that Branch 1 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-2 filed by Branch 1 for the fiscal year ended December 31, 2014, was deficient in the following areas:

1. Subsidiary Organization

Branch 1 did not report the Branch 1 Building Corporation as a subsidiary organization in Item 11(b) (Subsidiary Organizations). The name, address, and purpose of each subsidiary organization must be reported in Item 69 (Additional Information). Branch 1 also failed to report the assets, liabilities, receipts, and disbursements of the Branch 1 Building Corporation using one of the two following acceptable methods outlined in Section X of the Form LM-2 instructions: (1) by consolidating the financial information for the subsidiary organization and the labor organization on a single Form LM-2 or (2) by filing, with the labor organization's Form LM-2, the regular annual report of the financial condition and operations of the subsidiary organization, accompanied by a statement signed by an independent public accountant certifying that the financial report presents fairly the financial condition and operations of the subsidiary organization and was prepared in accordance with generally accepted accounting principles.

2. Disposition of Property

Item 15 (Acquisition or Disposition of Assets) was correctly answered "Yes" with respect to the disposal of obsolete office equipment. However, the union failed to report in Item 69 (Additional Information) the identity of the recipient or donor, if any, and the cost or other basis at which the assets disposed of were carried on the labor organization's books. In addition, the union failed to report in Item 15 the disposition of the above-mentioned "Christmas Token" program gifts. The union must describe the items given away in Item 69 (Additional Information), as well as the manner in which they were disposed of, their value, and the identity of the recipients. 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 in Item 69 the cost or other basis at which the gifts disposed of were carried on the union's books.

3. Deferred Compensation

Branch 1 failed to report unpaid, voluntarily deferred wages to Vice President Blassingame, Financial Secretary Cornell Fears, and Recording Secretary Stephen Burt as liabilities in Schedule 10 (Other Liabilities). OLMS recommends that Branch 1 contact the Internal Revenue Service to discuss its de facto deferred compensation plan.

I am not requiring that Branch 1 file an amended LM-2 report for 2014 to correct the deficient items, but Branch 1 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Reimbursement of Unauthorized Expense

Article X, Section 4 of the Branch 1 Bylaws requires that “(A)ll monies of the General Fund...shall be disbursed by the Treasurer by a two-thirds (2/3rds) vote of approval of the members present and voting at a General Membership Meeting...” During the opening interview, you and Mr. Slavin advised that new and/or large expenses, or any expenses not related to normal union business operations, must be presented to the membership for authorization before such expenses are incurred. The audit revealed that Branch 1 reimbursed you \$961.65 for tickets you purchased for several persons to attend a postmaster’s retirement party. You purchased the tickets before obtaining membership authorization; in fact, the membership rejected a motion to purchase the tickets at a subsequent membership meeting. You acknowledged that the tickets purchase violated the union’s authorization policy. You have since fully repaid the amount reimbursed to you. Based on your repayment and your promise at the exit interview to strictly adhere to the union’s authorization requirements in the future, OLMS does not plan to pursue further enforcement action, including potential criminal prosecution, at this time. The enclosed OLMS Compliance Tip *Authorization and Documentation of Expenditures* provides further guidance on this matter.

2. Overpayment of Per Diem and Other Travel Expenses

The audit revealed that you were overpaid \$654.52 in per diem and other travel expenses for three union-related business trips. Based on your subsequent full repayment of the overage to the union, Mr. Slavin’s acknowledgement that the overage was caused by his calculation error, and your promise at the exit interview to ensure that travel expenses are calculated more carefully in the future, OLMS does not plan to pursue further enforcement action, including potential criminal prosecution, at this time.

In addition, during the opening interview, you and Mr. Slavin advised that persons traveling on union business may claim reimbursement for meals either on an actual cost basis or by accepting per diem, but the union does not have a policy concerning under what circumstances actual meal costs or per diem may be paid. OLMS strongly recommends

that to help maintain effective internal controls and safeguard union assets, Branch 1 adopt clear, written guidelines concerning such matters, including whether there is a limit on actual cost basis meal claims, and ensure that there is a full understanding of those guidelines by inclusion in either the union's constitution and bylaws or the minutes from the meeting at which those guidelines are approved. The enclosed OLMS Compliance Tip *Reimbursed Travel Expense Payments* provides further information.

3. Duplicate Receipts

Some retired members of Branch 1 pay dues directly to the union. These retiree dues payments were record by the union, but no receipts were issued to the dues payers. OLMS recommends that Branch 1 use a duplicate receipt system where the union issues original pre-numbered receipts to all members who make payments directly to the union and retains copies of those receipts. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable. If more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned.

4. Personal Use of Union Vehicle

During the opening interview, you stated that you use the union's leased fleet vehicle to commute to and from your residence on a daily basis, that there is no prohibition against doing so in either the union's bylaws or leased vehicle policy, and that the union has been operating for many years under an unwritten policy that allows officers to use union vehicles for limited personal use. OLMS recommends that Branch 1 adopt written guidelines for the personal use of the union's vehicle to maintain effective control over its operation and ensure that there is a full understanding of those guidelines by inclusion in either the union's constitution and bylaws or the minutes from the meeting at which those guidelines are approved.

I want to extend my personal appreciation to NALC Branch 1 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

Enclosures

cc: Mr. Michael Slavin, Treasurer