



September 30, 2015

Mr. James Dove, President  
National Association of Letter Carriers, AFL-CIO  
Branch 455  
P.O. Box 9184  
Michigan City, IN 46361-9184

Case Number: 310-6002909( )  
LM Number: 083-900

Dear Mr. Dove:

This office has recently completed an audit of NALC Branch 455 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 McKee on September 24, 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 455's 2012 and 2013 records revealed the following recordkeeping violations:

1. Lack of Expense Supporting Documentation

Branch 455 did not retain adequate supporting documentation for at least 15 disbursements by check totaling approximately \$1,132.67. For example, no invoice was retained for a calendar purchase totaling \$258.50 or convention registration fees totaling \$190.00.

As noted above, labor organizations must retain original bills, invoices and receipts 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. Gift Card Giveaway

Branch 455 failed to maintain a record of who received \$50.00 and \$75.00 bank gift cards during the 2012 and 2013 holiday seasons, respectfully. During the audit, you advised that gift cards were given to all active and retired members. The union must maintain a record that lists the names of members or others who received gift cards from the union.

3. Meal Expenses/Union Purpose of Disbursement

A Branch 455 record of a single meal expense for four individuals totaling \$50.69 did not include the names and titles of the persons incurring the restaurant charge. In addition, the supporting documentation maintained for an \$85.07 pastry purchase at a grocery store did not identify the union business requiring the disbursement. Union records of meal expenses must include written explanations of the union business conducted or union purpose and the full names and title of all persons who incurred restaurant charges.

4. Receipt Source

Branch 455 failed to adequately record the source of \$342.00 in income during 2013. During the audit, you advised that this income may have been proceeds from a class action grievance. As noted above, labor organizations must retain at least one union record that shows the date, amount, purpose, and source of all money received.

5. Lack of Allowance Authorization

Branch 455 did not maintain records to verify that the president's \$30.00 per month phone allowance was the authorized amount and was therefore correctly reported. During the audit, you advised that this allowance was already authorized prior to you taking over as union president. The union must keep a record, such as meeting minutes, to show the amount of any current allowance that is paid to union officers.

Based on your assurance that Branch 455 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 conditions and operations. The Labor Organization Annual Reports (Form LM-3) filed by Branch 455 for fiscal years ended December 31, 2012 and December 31, 2013, were 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 the union gave away approximately \$3,400.00 in \$50.00 bank gift cards and \$5,400.00 in \$75.00 bank gift cards during 2012 and 2013, respectively. The union must identify the type and value of any property given away in the additional information section of the LM report along with the identity of the recipients of such property. In the case of giveaways, the union does not have to itemize every recipient by name. The union can describe the recipients by broad categories if appropriate such as "active members" or "retirees."

2. Disbursements to Officers

During 2013, Branch 455 did not include some reimbursements to officers totaling at least \$1,532.00 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 54 (Other disbursements).

During 2012 and 2013, Branch 455 did not report the names of some officers who did not receive any payments from the union in Item 24 (All Officers and Disbursements to Officers). The union must report in Item 24 all persons who held office during the year, regardless of whether they received any payments from the union.

The union must report most direct disbursements to Branch 455 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).

3. Failure to File Bylaws

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 455 amended its bylaws in 2013, but did not file a copy with its LM report for that year.

Branch 455 has now filed a copy of its bylaws.

I am not requiring that Branch 455 file amended LM reports for 2012 and 2013 to correct the deficient items, but Branch 455 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Duplicate Receipts

During the audit, you advised that your labor organization occasionally sells extra calendars to union members for approximately \$5.00 apiece. Although the audit did not reveal any calendars being sold during the audit period, OLMS recommends that Branch 455 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.

I want to extend my personal appreciation to NALC Branch 455 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,

Shamus McGee  
Supervisory Investigator

cc: Mr. Michael McKee, Branch 455 Treasurer