



June 23, 2016

Mr. Ron Raye, President
Letter Carriers National Association, Branch 4364
P.O. Box 423
Mundelein, IL 60060

Case Number: 310-6007163 [REDACTED]
LM Number: 508906

Dear Mr. Raye:

This office has recently completed an audit of Letter Carriers, National Association (NALC), Branch 4364 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 Bernice Szostak on June 14, 2016, 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 4363's 2014 - 2015 records revealed the following recordkeeping violations:

1. Meal Expenses

Branch 4363 did not always require officers and employees to submit receipts for meal expenses totaling at least \$8,095.46. For example, there was a payment, by check, payable to [REDACTED] dated October 24, 2014, in the amount of \$1,600.00; however, a receipt was not maintained as part of the union records. As another example, there were 18 checks

payable to Mauris Famous Café totaling at least \$3,382.57 where there was no supporting documentation retained. The union must maintain itemized receipts provided by restaurants to officers and employees. 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.

Branch 4363's records of meal expenses never included written explanations of union business conducted or the full names and titles of the persons incurring meal expenses totaling at least \$9,800.00. For example, two receipts for Crossroads totaling \$2,640, dated May 3, 2014 and August 21, 2014, respectively, were not documented as to the union business conducted or the names and titles of persons who incurred the restaurant charges. As another example, former Treasurer [REDACTED] was reimbursed for a meal expenses totaling \$1,066.14, but the corresponding receipt from Hitz Pizza failed to document the union business conducted or the names and titles of persons who incurred the restaurant charges. You advised this reimbursed meal expense was for [REDACTED] retirement party. 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.

2. General Reimbursed Expenses

Branch 4363 did not retain adequate documentation for reimbursed expenses incurred by union officers and employees totaling at least \$4,500.00. For example, union records reveal that from July 20 – 25, 2014, you and Recording Secretary Kimberly Carpenter traveled to Philadelphia, PA for a NALC conference; however the only receipts maintained for this trip are hotel invoices in the amount of \$1,721.00 for two hotel rooms and a receipt for air fare in the amount of \$797.94. There are no receipts or supporting documentation to account for the remaining funds issued to you and Ms. Carpenter in the amounts of \$870.00 and \$818.00, respectively. 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.

3. Other Expenses

Adequate documentation was not retained from some disbursements related to the purchase of calendars, for 2014, and 2015. For example, the union Checkbook Transaction Register revealed payments to vendor, Richdon, dated August 14, 2014 and July 27, 2015, totaling at least \$900.00 for "calendars;" however, receipts/invoices were not maintained as part of the union records. The only records retained for these disbursements are the Check Book Transaction Registers. As noted above, labor organizations must retain original receipts, bills, and voucher for all disbursements.

Based on your assurance that Branch 4363 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 4363 for the fiscal year ended December 31, 2014, was deficient in the following areas:

1. Disbursements to Officers

Branch 4363 did not include reimbursements to officers totaling at least \$8,580.68 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). For example, the union's Checkbook Transaction Register shows that you received \$4,475.94 in total disbursements during 2014; however, only \$1,470.00 was reported in Item 24(F). [REDACTED]. [REDACTED] received \$2,566.14 in total disbursements during 2014; however, only \$600.00 was reported in Item 24(F). And Ms. Carpenter received \$1,538.60 in total disbursements; however, only \$818.00 was reported in Item 24(F). It appears these payments were erroneously reported elsewhere on the report.

The union must report most direct disbursements to Branch 4363 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).

2. 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 4363 amended its constitution and bylaws in 2008, but did not file a copy with its LM report for that year. Branch 4363 has now filed a copy of its constitution and bylaws.

Branch 4363 must file an amended Form LM-3 for the fiscal years ending December 31, 2014, to correct the deficient items discussed above. I have provided you with instructions for the Form LM-3. 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 31, 2016. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Issue

Officer Salary/Allowance as Taxable Income

The audit revealed that Branch 4363 may be improperly following state or federal requirements for withholding of various taxes from payments to officers. While Branch 4363 itself may be exempt from income taxes, payments made by Branch 4363 to officers and employees are not exempt, except in certain circumstances. While this office has no authority to interpret the state or federal tax code, it is my understanding that all salary and supplemental payments are subject to the withholding of income, Social Security, and Medicare taxes and that Branch 4363 as an “employer” must also pay its share of Social Security and Medicare taxes. Branch 4363 may be liable for the Federal Unemployment Tax (FUTA) as well.

I recommend that you contact the Illinois Department of Revenue in Springfield at (800) 732-8866 or (217) 782-3336 (ask for Publication 130, February 2016 “Who is Required to Withhold Illinois Income Tax”), and the Internal Revenue Service (877) 829-5500 (ask for “Publication 15-B, Employers Guide to Taxable Fringe Benefits,” “Circular E, Employer’s Tax Guide,” and Form 990, which Branch 4363 may be required to file). I also suggest that you determine Branch 4363’s requirements, if any, under the Illinois Worker’s Compensation Act by contacting the Illinois Workers’ Compensation Commission (IWCC WC) at its Worker’s Compensation Division in Chicago at 100 W Randolph St Suite 8-200, Chicago, IL 60601, Phone (312) 814-6611.

I want to extend my personal appreciation to NALC Branch 4364 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: Ms. Bernice Szostak, Treasurer