

U.S. Department of Labor
Office of Labor-Management Standards
Washington District Office



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September 29, 2016

Ms. Deborah Dowden, Treasurer
National Alliance of Postal and Federal Employees District 2
1628 11th St NW
Washington, DC 20001

Case Number: 450-6007212 [REDACTED]
LM Number: 507-104

Dear Ms. Dowden:

This office has recently completed an audit of National Alliance of Postal and Federal Employees (NAPFE) District 2 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 President Hattie McNeil, Financial Secretary [REDACTED], Recording Secretary [REDACTED], and you on September 27, 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 NAPFE District 2's 2014 records revealed the following recordkeeping violations:

1. Failure to Maintain Receipt Records

NAPFE District 2 failed to maintain some bank deposit slips. All union records must be maintained.

As noted above, labor organizations must retain original documentation for all receipts. 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. Disposition of Property

NAPFE District 2 did not maintain an inventory of t-shirts and other items the union purchased, sold, or gave away. The union must report the value of any union property on hand at the beginning and end of each year in Item 30 (Other Assets) of the LM-3. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 30. The union must record in at least one record the date and the amount received from each sale of the items and the source of those funds. If items are given away, the dates and names of the recipients must be recorded.

3. General Reimbursed Expenses

NAPFE District 2 did not retain adequate documentation for reimbursed expenses incurred by union officers. For example, there were no receipts for disbursements for storage, copies, postage, and lodging.

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.

4. Mileage Expenses

NAPFE District 2 officers received mileage reimbursements for the business use of their personal vehicles. However, District 2 failed to retain adequate documentation to support these payments. The union must maintain records which identify the dates of travel, the locations traveled to and from, and the number of miles driven. The union records must also show the business purpose for each trip.

5. Meal Expenses

NAPFE District 2 did not require officers to submit itemized receipts for meal expenses. The union must maintain itemized receipts provided by restaurants to officers. 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.

In addition, NAPFE District 2 records of meal expenses did not include a written explanation of the union business conducted, or the names and titles of the persons incurring the restaurant charges. 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.

Based on your assurance that NAPFE District 2 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 NAPFE District 2 for the fiscal year ended December 31, 2014, was deficient in the following areas:

1. Beginning Cash Incorrectly Reported

The beginning cash figure reported in Item 25(a) of the LM-3 report for the fiscal year did not match the figures calculated by OLMS. NAPFE District 2 reported a beginning cash balance of \$15,598. The amount of cash that NAPFE District 2 actually had at the beginning of the fiscal year was \$14,376. NAPFE District 2 must accurately report the amount of cash at the beginning of the fiscal year in Item 25(a) of the LM-3 report.

2. Disbursements to Officers

NAPFE District 2 did not include any reimbursements to officers in the amounts reported in Item 24 (All Officers and Disbursements to Officers). Several union officers incurred travel expenses, meals, and other expenses during the audit year, but these expenses were not reported next to their name in Item 24, Column E (Allowances and Other Disbursements).

The union must report most direct disbursements to NAPFE District 2 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. An "indirect disbursement" to an officer is a payment to another party (including check card companies) 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. Total Receipts

The total receipts reported in Item 44 (Total Receipts) of the union's LM-3 report does not match the figure calculated by OLMS. NAPFE District 2 reported \$6,799 in total receipts on the LM-3 report. The total receipts in the fiscal year were actually \$7,789. NAPFE District 2 must accurately report the total receipts on its LM-3 report.

4. Acquire/Dispose of Property

Item 13 on the LM-3 (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 t-shirts and other items 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.

5. Subsidiary Organization

Item 10 on the LM-3 (During the reporting period did your organization have a subsidiary organization as defined in Section X of the instructions) was answered "Yes." However, NAPFE District 2 did not have a subsidiary organization so the question should have been answered "No."

NAPFE District 2 must file an amended LM report for fiscal year ending December 31, 2014, to correct the deficient items discussed above. I encourage NAPFE District 2 to complete, sign, and file its report electronically using Electronic Forms System (EFS) available at the OLMS website (www.olms.dol.gov). The amended LM report should be filed electronically no later than October 18, 2016 or submitted to this office at the above address by the same date. Before filing, review the report thoroughly to be sure it is complete and accurate. If a paper report is filed, the report must be signed with original signatures.

I want to extend my personal appreciation to NAPFE District 2 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,



Auditor

cc: Ms. Hattie McNeil, President