



December 12, 2016

Mr. Eugene Bledsoe, President
American Postal Workers Union, Local 1224
P.O. Box 1224
Evanston, IL 60204

Case Number: 310-6009436 [REDACTED]
LM Number: 506318

Dear Mr. Bledsoe:

This office has recently completed an audit of American Postal Workers Union, Local 1224 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 [REDACTED] on November 28, 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 Local 1224's 2015 records revealed the following recordkeeping violations:

1. Meal Expenses

Local 224 records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, receipts for meals purchased at Popeye's were not documented as to the union business conducted or the names and titles of persons who incurred 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. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

2. Gift Cards

The local did not keep a record of who received gift cards, totaling at least \$5,512. On two occasions, you were reimbursed for the purchase of gift cards in the amounts of \$2,756 each. Local 1224 retained Target receipts, but failed to maintain a record of who received the gift cards. In addition, there was no record kept of the gift cards inventory, if any, at the end of the fiscal year.

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 1224 for the fiscal year ended December 31, 2015, was deficient in the following areas:

1. Reimbursements to Officers

Local 1224 did not include some reimbursements to officers totaling at least \$7,684 in the amounts reported Item 24 (All Officers and Disbursements to Officers). For example you received \$1,283 in gross salary, however only \$50 was reported in Item 24 column D. In addition, you received \$6,725 in reimbursements, but only \$25 was reported in Item E. It appears the union erroneously reported these payments in Item 51 (Contributions, Gifts and Grants) and/or elsewhere on the report.

The union must report most direct disbursements to Local 1224 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).

1. Salary Payments to Officers

Local 1224 did not include some gross salary payments to officers totaling at least \$1,440 in the amounts reported Item 24 (All Officers and Disbursements to Officers) Column D (Gross Salary). In addition, you were paid \$655.29 in lost wages while attending the 2015 Illinois Postal Workers Union Human Relations and Off Year Seminar held May 21-23, 2015, that were not reported in Item 24, Column D.

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. Local 1224 amended its constitution and bylaws in 2007, but did not file a copy with its LM report for that year.

Local 1224 has now filed a copy of its constitution and bylaws.

Local 1224 must file an amended Form LM-3 for the fiscal year ended December 31, 2014 and December 31, 2015, to correct the deficient items discussed above. I encourage Local 1224 to complete, sign, and file its report electronically using the Electronic Forms System (EFS) available at the OLMS website at www.olms.dol.gov. Reporting forms and instructions can be downloaded from the website, if you prefer not to file electronically. The amended Form LM-3 should be filed electronically no later than January 5, 2017, 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. Paper reports must be signed with original signatures.

Other Violation

Inadequate Bonding

The audit revealed that Local 1224 was not bonded. LMRDA Section 502 (Bonding), requires that union officers and employees be bonded for no less than 10 percent of the total funds those individuals or their predecessors handled during the preceding fiscal year. Local 1224's officers and employees must be bonded for at least \$2,323. Local 1224 should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as possible, but not later than December 30, 2016.

Other Issue

Expense Policy

As I discussed during the exit interview with you and [REDACTED], the audit revealed that Local 1224 does not have a clear policy regarding the types of expenses personnel may claim for reimbursement. For example, you and member [REDACTED] were reimbursed for per-diem while attending the 2015 Illinois Postal Workers Union Human Relations and Off Year Seminar held May 21-23, 2015, when dinner on Thursday May 21, 2015, was provided as part of the registration fees. In addition, you were reimbursed for mileage (210 miles x .60), when the round trip from Evanston, IL to Lisle, IL is approximately 80 miles. OLMS recommends that unions adopt written guidelines concerning such matters.

I want to extend my personal appreciation to American Postal Workers Union, Local 1224 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,

[REDACTED]
Investigator

cc: [REDACTED], Treasurer