



November 14, 2016

Mr. John R. Macon, President  
Postal Mail Handlers, LIUNA  
Local 329  
1818 Winchester  
Memphis, TN 38116

Case Number: 410-6004003(77)  
LM Number: 512-137

Dear Mr. Macon:

This office has recently completed an audit of Postal Mail Handlers, LIUNA Local 329 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, Treasurer Gregory King, and Attorney [REDACTED] on November 4, 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 329's 2015 records revealed the following recordkeeping violations:

1. General Reimbursed and Debit Card Expenses

Local 329 did not retain adequate documentation for reimbursed expenses and debit card expenses incurred by union officers and employees totaling at least \$7,896.67. For example, one union official was reimbursed expenses totaling at least \$4,350.95 during the audit year, but did not retain any receipts supporting the reimbursements. Another officer did not maintain receipts for debit charges totaling at least \$3,545.72.

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

Local 329 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, the local incurred \$129.89 in meal expenses, but union records did not indicate the union purpose or identify the meal attendees. 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.

3. Petty Cash Fund

Local 329 did not retain adequate documentation for disbursements made from the petty cash fund totaling at least \$3,438.83. Additionally, Local 329 withheld at least \$3,969.65 from its cash deposits to replenish the petty cash fund, but did not maintain documentation to show when and how it replenished the fund. For example, the local did not maintain a log or journal of all deposits into the petty cash fund and some disbursements from the fund. Additionally, the local did not maintain a record of the payees from the fund and the purpose of the disbursements.

OLMS recommends using union checks for all disbursements of union funds. However, some unions maintain a petty cash to pay for incidental expenses. Unions must keep a log or journal of all payments to include date, amount, payee, and reason for the disbursement from its petty cash fund. Attach any invoices, receipts, or cash register tapes. Union records should reflect how and when the fund is replenished.

A union must reconcile its petty cash fund on a weekly or monthly basis. Reconciliation of the petty cash fund involves counting the amount of cash on hand and verifying that the amount coincides with the balance appearing in the log or journal.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 329's LM report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records could result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person who caused the violations, not just the individuals who are responsible for filing the union's LM report.

### 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 Local 329 for the fiscal year ended December 31, 2015, was deficient in the following areas:

#### 1. Disbursements to Officers and Employees

Local 329 did not include some reimbursements to officers and employees / payments to officers and employees totaling at least \$615.25 in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). It appears that the local erroneously reported these payments in Schedules 15 through 19.

Local 329 did not report in Column D (Gross Salary Disbursements) all gross salaries paid to officers and employees totaling at least \$9,473. It appears that the local incorrectly reported these salary payments in Column F (Disbursements for Official Business).

The union must report in Column F of Schedules 11 and 12 (Disbursements for Official Business) direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedules 11 and 12 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union personnel incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business. The union must report in Column G (Other Disbursements) of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

#### 2. Automobile Expenses

Local 329 did not include in the amounts reported in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees) disbursements for the operation and maintenance of union automobiles totaling at least \$1,927.29.

The LM-2 instructions provide two methods for reporting automobile-related expenses. The union must report in Schedules 11 and 12 direct and indirect disbursements for the operation and maintenance of union owned and leased vehicles and the operation and maintenance of vehicles owned by union personnel (including gasoline, repairs, and insurance). The union may divide the expenses and report them in Columns F and G based on miles driven for union business (supported by mileage logs) compared with miles driven for personal use.

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. Local 329 amended its constitution and bylaws in 2011, but did not file a copy with its LM report for that year. Local 329 has now filed a copy of its constitution and bylaws.

Local 329 must file an amended Form LM-2 for the fiscal year ended December 31, 2015, to correct the deficient items discussed above. The report must be filed electronically using the Electronic Forms System (EFS) available at the OLMS website at [www.olms.dol.gov](http://www.olms.dol.gov). The amended Form LM-2 must be filed no later than December 16, 2016. Before filing, review the report thoroughly to be sure it is complete and accurate.

I want to extend my personal appreciation to Postal Mail Handlers, LIUNA Local 329 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: Mr. Gregory King, Treasurer  
, Attorney