



September 19, 2016

Mr. Jeffrey Brummond, President
Letter Carriers Branch 215
PO Box 825
Wausau, WI 54402

Case Number: 320-6007389 [REDACTED]
LM Number: 083961

Dear Mr. Brummond:

This office has recently completed an audit of Letter Carriers Branch 215 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 Randy Sisco on August 22, 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 215's 2015 records revealed the following recordkeeping violations:

1. Lack of Adequate Documentation for Disbursements

Branch 215 failed to maintain adequate supporting documentation for several disbursements to members and outside vendors totaling more than \$1,200. For example, checks [REDACTED] (\$26), [REDACTED] (\$27), [REDACTED] (\$27), and [REDACTED] (\$29) were all payable to True's Tic Toc during

the audit period for what appears to be refreshments for the monthly membership meetings; however, the branch retained no supporting documentation for these checks.

In addition, the branch did not retain adequate documentation for reimbursed expenses incurred by union officers totaling at least \$700. For example, no documentation was retained for check [REDACTED] to Mr. Sischo in the amount of \$29 for supplies or check [REDACTED] in the amount of \$20 payable to you for per diem.

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. Per Diem Payments

Expense documentation retained by you for per diem payments you received during the year totaling \$360 was not adequate because you failed to identify the specific dates of travel as well as the per diem rate paid per day. During the audit, you provided meeting minutes from October of 2013 at which the membership authorized union representatives of Branch 215 who attend the National Convention or other union functions to receive per diem in the amount of \$80 per day for each full day of travel and \$40 for each half day. The only documentation that was retained by Branch 215 in support of the per diem payments made to you was the carbon copy of the expense check, which identified the purpose of the payment as "per diem;" however, no records were retained by Branch 215 that identified the union business purpose of the per diem, the dates of travel, or the per diem rate that was applicable for each day of travel (full day vs. half day).

In the case of per diem payments to officers and employees for travel on union business, Branch 215 must maintain records which identify the business purpose of each trip, the dates of travel, the destinations travelled to and from, and the per diem rate claimed for each date of travel.

3. Items Given Away

Branch 215 gave away gift cards totaling at least \$400 as door prizes during the annual holiday party, but retained no documentation that identified the recipients of those gift cards. Records must be retained which account for all union property to clarify and support information required to be reported by Local 215 in Statements A and B of the Form LM-3. The type and value of any property received or given away must be identified in the additional information section (Item 56) of the Form LM-3 with the identity of the recipient(s) or donor of such property. In addition, the value of any property on hand at the beginning and end of the year should be reported in Item 30 (Other Assets). Further, 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 regarding items that are disposed of in a manner other than by sale.

4. Fixed Assets

The LM-3 filed by Branch 215 for 2015 reported fixed assets totaling \$600 at the beginning and end of the audit year (Items 29A and 29B); however, Branch 215 failed to retain any records to verify the accuracy of those figures. During the audit, Mr. Sischo advised that although he does not maintain a written inventory of the union's fixed assets and that the \$600 figure reported in Item 29 reflects the purchase price of the branch's major assets, which includes a computer and two filing cabinets.

In the case of fixed assets, the union must maintain a written or electronic inventory or other similar record identifying each fixed asset and the cost and depreciation of each fixed asset. Such records are required to be retained to verify, clarify, and support information required to be reported in Item 29 of the LM-3 Report.

5. Lack of Salary Authorization

Branch 215 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 for you and Vice President Gregg Hoehn were the authorized amounts and therefore properly reported. Article XIII of the branch bylaws establishes compensation for each officer position, including union stewards. During the audit, Mr. Sischo advised that these amounts are paid on a quarterly basis to the officers. The audit found that both you and Mr. Hoehn received compensation for more than one position. In addition to being compensated as president, you also received compensation as the steward for the post offices in Rhinelander, Tomahawk, and Mosinee. Mr. Hoehn received both the vice president's compensation as well as the steward compensation for the post office in Wausau. While the branch's bylaws do not expressly prohibit officers from holding more than one position, there is no written authorization that allows an officer to collect more than one salary for multiple positions within the union. During the exit interview, you and Mr. Sischo both advised that although this has been the branch's practice for many years, the practice of paying multiple salaries to one officer will be addressed with the membership at an upcoming meeting and properly authorized.

The union must keep a record, such as meeting minutes, to show the current salary (including provisions for receiving salaries for multiple positions) authorized by the entity or individual in the union with the authority to establish salaries.

Based on your assurance Branch 215 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(a), which requires that a union adopt a constitution and bylaws and file a copy with the Secretary of Labor. Branch 215 was chartered in 1970 and has been filing reports with OLMS since at least 2000 but has never submitted a copy of its constitution or bylaws. Branch 215 most recently updated their bylaws in **2002** but

did not file a copy with its LM report for that year. Branch 215 has now filed a copy of its constitution and bylaws.

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

1. Disbursements to Officers

Branch 215 did not include any reimbursements to officers totaling at least \$2,000 in the amounts reported Item 24 (All Officers and Disbursements to Officers). The audit revealed that Branch 215 reimbursed officers for travel expenses and supplies, but did not report any of these reimbursements in Column E (Allowances and Other Disbursements) of Item 24. It appears these payments were erroneously reported in Item 54 (Other Disbursements).

Most direct disbursements to Branch 215 officers and some indirect disbursements made on behalf of its officers must be reported 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 for room rent only) 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. 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 Branch 215 gave away gift cards totaling at least \$400 to members as door prizes at the branch's annual holiday party. The type and value of any property received or given away must be identified in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. For reporting purposes, each recipient need not be itemized. Recipients can be described by broad categories, if appropriate, such as "members" or "new retirees."

3. Signatures

The audit revealed that for the past two fiscal years, Mr. Sischo has electronically signed the union's LM report as both the president and treasurer (Items 57 and 58); however, he advised that he only performs the functions of the treasurer. The completed LM report that is filed with OLMS must be signed by both the president and the treasurer, or corresponding principal officers, of the labor organization. As the president, you are

responsible for signing the union's LM report. During the exit interview, we discussed the process by which you can register as a user on the OLMS EFS website which will allow you to electronically sign future reports with our agency. Branch 215 has agreed to file all future reports with the appropriate signatures affixed.

I am not requiring that Branch 215 file an amended LM report for 2015 to correct the deficient items, but Branch 215 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Violation

Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds handled during the preceding fiscal year through a bond from a surety company that hold a grant of authority from the Secretary of the Treasury under the Act of July 30, 1947. The audit found that Branch 215's surety bond was through the American States Insurance Company, which is not on the Department of Treasury's list of approved surety companies. Branch 215 has since obtained a new bond through Auto Owners Insurance Company, which holds a grant of authority with the Secretary of the Treasury.

Other Issue

Lost Wage Policy

The audit revealed that Branch 215 compensates officers and members for wages when they are required to be absent from their job at the United States Postal Service (USPS) to attend to union business. Mr. Sischo advised that officers can take either leave without pay (LWOP) or paid Annual Leave (AL) when they are required to be off work for union business. The branch will reimburse their wages under either circumstance to compensate the officer for the wages that were lost or the annual leave that was lost. However, Branch 215 does not have any written policy for this practice, other than Section XIV of the bylaws which generally states "Branch officers attending union functions shall be reimbursed at their current pay rate."

To ensure compliance with the LMRDA and to safeguard union assets by promoting transparency and accountability, labor organizations should establish best practices for administering lost time payments. OLMS recommends that unions (1) adopt clear policies and procedures for making lost time or similar payments and (2) use vouchers that require detailed information to support lost time payments. These practices will allow the union to properly report lost time payments on the Labor Organization Annual Report Form LM-3.

OLMS recommends that union policies and procedures for lost wages be reduced to writing and added to your union's bylaws or discussed at an executive board or membership meeting where they can be supported by entries in the meeting minutes. Once established, it is important that

your union consistently follow its procedures for handling payments for lost time and other expenses.

I want to extend my personal appreciation to Letter Carriers Branch 215 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,

A large black rectangular redaction box covering the signature area.A smaller black rectangular redaction box covering the name of the investigator.

Investigator

cc: Mr. Kregg Hoehn, Vice President
Mr. Randy Sischo, Treasurer