



August 18, 2017

██████████, President  
American Postal Workers Union Local 162

Case Number: 520-6010282 ██████████  
LM Number: 092-901

Dear ██████████:

This office has recently completed an audit of American Postal Workers Union Local 162 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 ██████████ Vice President ██████████, Recording Secretary ██████████, Treasurer ██████████, Trustee ██████████, Trustee ██████████, Maintenance Craft Director ██████████, Trustee ██████████, on June 9, 2017, 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 162's 2016 records revealed the following recordkeeping violations:

1. Information Not Recorded in Meeting Minutes

President ██████████ advised that Recording Secretary ██████████ did not provide meeting

minutes for the Executive Board meetings held in January and June through December of 2016. The minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings. For example, the proposed budget for 2016 was reviewed and approved in October of 2015 and it should have been attached to the October 2015 meeting minutes. Records, including meeting minutes, that clarify, verify, and support information required to be reported on Form LM-3 must be retained. The meeting minutes should be available for the membership to review because they are an important source of documentation for a union's financial affairs

*Note: Executive Board meeting minutes for January, and June through November of 2016 were not made available for review.*

## 2. Travel Expense Vouchers

Trustee [REDACTED] was reimbursed \$4,378.64 for four hotel rooms paid with her credit card. The authorization failed to identify who the rooms were for during the National Convention in Orlando, Florida, August 18 to 26, 2016. The cost of a hotel room should be attributed and allocated to each union member who used the hotel room rather than one lump sum payment for four rooms. For example, a hotel room receipt should include the names of the union members who occupied that specific hotel room. Union records should include written explanations of the union business conducted and the full names and titles of all persons who incurred the expenses.

Also, advised that any reimbursement made to a union officer such as a personal credit card charges should be reported next to officer's name in Item 24, Column E, as allowances and other disbursements on the LM-3 report. Since [REDACTED] paid \$4,378.64 for four hotel rooms with her credit card, this amount should have been reported in Column E next to her name.

## 3. Expense Vouchers

Expense vouchers were not properly completed because they failed to include a signature of a union officer to authorize the expense. Expense vouchers including should include union purpose and specified times/dates for the expense. If the expenses incurred were for training or convention, the agenda should be attached to the voucher.

## 4. Lost-Time Claims

Vouchers to support lost-time claims should include the following information: the date of each claim, the total hours claimed, the hourly rate of pay, and the specific union business conducted. "Union business," "meeting," and grievance work" are not sufficiently specific. It is recommended that the voucher also include the beginning and ending times of the hours lost each day so that the union can compare the claim to employer payroll records to verify the number of hours lost.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 162'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 can 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.

Based on your assurance that Local 162 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 Local 162 for the fiscal year ended December 31, 2016 was deficient in the following areas:

#### 1. Dues Receipts

The Local did not properly report dues received in Item 38 of Statement B. This includes all dues received, including "rebates" from National which are actually local dues to be reported on Item 38. The rebates were erroneously reported in Item 39 as per capita taxes received.

#### 2. Per Capita Taxes Paid

Total per capita taxes paid to intermediate and national bodies should be reported in Item 47 of Statement B. Per December 2016 Treasurer's Report, Local 162 paid per capita taxes of \$5,010.25 to Hawaii State APWU and \$1,478.80 to Hawaii State AFL-CIO.

#### 3. Disbursements to Officers (LM-3)

Local 162 did not include some reimbursements to officers and employees in Item 24 (All Officers and Disbursements to Officers) and Item 45 (Disbursements to Officers). For example, officers who traveled to the National Convention incurred travel expenses/allowances and these amounts should have been reported in Item 24 (E) Allowances and Other Disbursements. Also, Executive Board meeting refreshments should be allocated among officers in attendance and reported in Item 24; only General Membership meeting refreshments can be reported under Other Disbursements.

The union must report most direct disbursements to Local 162 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).

I am not requiring that Local 162 file an amended LM report for 2016 to correct the deficient items, but Local 162 has agreed to properly report the deficient items on all future reports it files with OLMS.

#### Other Issues

LMRDA Section 501 outlines general fiduciary responsibility for officers and employees of labor organizations. Union officials occupy positions of trust and, therefore, must ensure that the union's funds and assets are used solely for the benefit of the union and its members. In that regard, the following recommendations were made to improve internal financial controls to safeguard union funds:

1. Local 162 did not maintain an income journal to record cash receipts totaling \$150,517. Union records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source and purpose of the money receipt.
2. The audit disclosed no receipts were issued to direct dues payers for the union. The union should issue receipts to members for all amounts collected from them and maintain records showing the dues payment status of each member.
3. Expense vouchers submitted by an officer should be authorized or approved by another officer. For example, if the authorization was for the President or Treasurer, then the Vice President should review authorizations/vouchers.
4. Union officials should make regular electronic backups of its computer records such as dues check off reports as well as meeting minutes. For example, Executive Board and General Membership meeting minutes were to be maintained at the union office but the audit disclosed that seven months of meeting minutes were missing.
5. Union officials should make regular, frequent bank deposits and identify each deposit with a specific set or time period of receipts in the union's income journal to make the relationship between receipts and bank deposits clear and easily verifiable.

I want to extend my personal appreciation to American Postal Workers Union Local 162 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