



June 28, 2017

Mr. Kenneth Rus, Treasurer
Letter Carriers, Natl Asn, AFL-CIO BR 825
600 Enterprise Drive
Suite 102
Oak Brook, IL 60523

Case Number: 310-6010397 [REDACTED]
LM Number: 084378

Dear Mr. Rus:

This office has recently completed an audit of Letter Carriers, Natl Asn, AFL-CIO BR 825 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 Recording Secretary Mark Dowdle on June 2, 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 Branch's 2016 records revealed the following recordkeeping violations:

1. Receipt Dates not Recorded

Entries in Branch 825's receipts Quicken Register Report reflect the date the union deposited money, but not the date money was received. Union receipts records must

show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-2. The LM-2 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

2. Payee on Check and Payee Recorded in Quicken are not Always the Same

Entries in Branch 825's Quicken Register Report sometimes reflect payments to President Jay Ricke, when they are being paid to others. During the audit, Branch 825 informed OLMS that the payments in question are "payroll deductions" from Ricke's salary (after taxes) to pay his personal debts. In addition, similar entries in Branch 825's Quicken Register Report reflect payments to three individuals, when they were paid to Corporate America Family Credit Union. During the audit, Branch 825 informed OLMS that the payments in question are "payroll deductions" from the officer's salaries (after taxes) which are deposited into their respective savings accounts at the credit union. An accurate record is required to verify, explain, or clarify amounts required to be reported in Schedule 11 (All Officers and Disbursements to Officers) of the LM-2. Union records must show the payee as recorded on the checks as issued, or an entry must be included in the union records indicating the actual payee.

During the exit interview Branch 825 agreed to, in the future, make a separate entry into the Quicken Register Report indicating who the actual payee is regarding payroll deductions.

Based on your assurance that Branch 825 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-2) filed by Branch 825 for the fiscal year ended December 31, 2016, was deficient in the following areas:

1. Disbursements to Officers

Branch 825 did not include some reimbursements to officers and employees / payments to officers and employees totaling at least \$11,166 in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). For example, President Jay Ricke received \$5,827 in disbursements while only \$3,375 was reported in Schedule 11, Column F (Disbursements for official Union Business). It appears that the local erroneously reported in Column F only amounts the officers received for mileage reimbursement.

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. Reporting of Fixed Assets

Branch 825 did not report any fixed assets in Schedule 6 (Fixed Assets). For example, the audit revealed that the union has office furniture and equipment (telephone system, cell phones, copier/fax machine, printers, standalone computers, laptop computers, refrigerator and microwave, etc.) that should have been reported as fixed assets.

The union must report in Schedule 6 details of all fixed assets, such as land, buildings, and automobiles and other vehicles, and office furniture and equipment owned by the labor organization at the end of the reporting period. Land and buildings must be itemized, whereas automobiles and other vehicles, and office furniture and equipment should be aggregated. Include fixed assets that were expensed (that is, the cost of the asset was charged to current expenses, rather than entered on the books and periodically depreciated), fully depreciated, or carried on the labor organization's books at scrap value or other nominal value.

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. Branch 825 amended its constitution and bylaws in 2007, but did not file a copy with its LM report for that year.

Branch 825 has now filed a copy of its constitution and bylaws.

I am not requiring that Branch 825 file an amended LM report for 2016 to correct the deficient items, but Branch 825 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

Use of Signature Stamp

During the audit, you advised that it is Branch 825's practice for you to sign all union checks and to stamp the signature of President Ricke on union checks. You indicated that no one but you and Ricke review the checks before they are issued. Article VI,

Section 5 of Branch 825's bylaws requires that checks be signed by the president and treasurer. The two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, the use of a signature stamp for the second signer does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. OLMS recommends that Branch 825 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Letter Carriers, Natl Asn, AFL-CIO BR 825 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. Jay Ricke, President