



September 22, 2017

Mr. Daniel Wagner, President
Letter Carriers Branch 397
W238N6245 Park Court
Sussex, WI 53089

Case Number: 320-6010757(77)
LM Number: 083962

Dear Mr. Wagner:

This office has recently completed an audit of Letter Carriers Branch 397 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 Dan Cournoyer on September 18, 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 397's 2016 records revealed the following recordkeeping violations:

1. Disbursements to Vendors

Branch 397 did not retain adequate documentation for payments to outside individuals and/or businesses that provided goods and/or services to the union totaling at least \$1,200. For example, check # [REDACTED] was issued to the Radisson Hotel for \$94.20. Although Branch 397

maintained a voucher for this expense, it failed to identify the business purpose of the expense on the voucher and failed to retain the hotel invoice.

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

Branch 397 officers generally documented claims for per diem on an expense voucher form. However, the vouchers prepared and maintained for per diem payments totaling more than \$1,200 are not adequate because the vouchers failed to identify the dates of travel and the locations of travel.

In the case of per diem payments to officers and employees for travel on union business, Branch 397 must maintain records which identify the business purpose of each trip, the dates of travel, the location of the travel, and the per diem rate claimed for each date of travel.

3. Reimbursed Automobile Payments

Union officers and employees who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$1,400 during the audit year. Although mileage claims were generally documented on an expense voucher form, the information provided on the form failed to identify the specific dates of travel and the locations travelled to and from.

The union must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The record must also show the business purpose of each use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses.

4. Lost Wages

Branch 397 did not retain adequate documentation for lost wage reimbursement payments to officers and employees totaling more than \$5,000 during the audit year. The union must maintain records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. The OLMS audit found that the documentation retained by Branch 397 for lost wage payments included an expense voucher form that documented only the total number of hours lost and the union business purpose for the wages.

During the exit interview, I provided a sample of an expense voucher that Branch 397 may use to satisfy this requirement. The sample identifies the type of information and

documentation that the union must maintain for lost wages and other officer expenses, such as per diem and mileage.

Based on your assurance that Branch 397 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violation

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 397 for the fiscal year ended July 31, 2016, was deficient in the following area:

Payments to Officers

Branch 397 did not include some reimbursements to officers totaling at least \$1,500 in the amounts reported Item 24 (All Officers and Disbursements to Officers). Branch 397's records indicate that Mr. Cournoyer received reimbursement payments from Branch 397 totaling \$1,507 and Steward David Olsen received \$643 for the reimbursement of his expenses. However, the total amounts reported in Column E (Allowances and Other Disbursements) for Mr. Cournoyer and Mr. Olsen were only \$373 and \$179 respectively. Mr. Cournoyer advised that the accountant erroneously reported these payments in Item 48 (Office and Administrative) or Item 54 (Other Disbursements).

The union must report most direct disbursements to Branch 397 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 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).

I am not requiring that Branch 397 file an amended LM report for 2016 to correct the deficient items, but Branch 397 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Violation

The audit disclosed the following 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 those individuals or their predecessors handled during the preceding fiscal year. The amount of Branch 397's bond is sufficient; however, the bond included a deductible, which is a form of self-insurance that fails to meet the bonding requirements of the LMRDA. Branch 397 obtained bonding coverage without a deductible and provided evidence of this to OLMS during the audit. As a result, OLMS will take no further enforcement action regarding this issue.

I want to extend my personal appreciation to Letter Carriers Branch 397 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. Dan Cournoyer, Treasurer
Mr. Jeffrey Byrne, Recording Secretary