



July 23, 2018

Ms. Peggy Whitney, President  
Postal Workers, American, AFL-CIO, Local 125  
1234 4th Street NE  
Minneapolis, MN 55413

Case Number: 320-6012953  
LM Number: 507381

Dear Ms. Whitney:

This office has recently completed an audit of American Postal Workers Union (APWU) Local 125 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 on June 5, 2018, 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 125's 2017 records revealed the following recordkeeping violations:

1. Lack of Salary Authorization

Local 125 did not maintain records to verify that the salaries reported in Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees) of the LM-2 were the authorized amounts and, therefore, were correctly reported. Article XVI and Article VII of the local's bylaws discuss compensation for the full-time positions of

president and business agent. The bylaws state that the president's and business agent's salary, effective May 1998, shall be \$55,000 per year and \$48,000 per year, respectively, and that the salaries shall adjust the same as a represented employee at Pay Level 5, Step E, in terms of salary increase, COLA, or lump sum payments. Local 125 was able to produce documentation justifying the COLA increase and 1.3% salary increase that occurred in 2017; however, Local 125 was unable to produce records documenting salary and COLA increases dating back to May 1998. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish these amounts.

2. Credit Card Expenses

Local 125 did not retain adequate documentation for credit card expenses incurred by you and Business Agent Brad Sandberg totaling at least \$948. For example, you charged \$66.46 at Chipheads Computer Repair on May 23, 2017; however, no supporting documentation was maintained for this expense, which is not sufficient.

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.

3. Meal Expenses

Local 125's records of meal expenses totaling at least \$660 did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, you charged a \$52 meal at Mac's Industrial Sports Bar on May 30, 2017. An itemized receipt was maintained for this meal expense, but the receipt did not include the full names and titles of those present. 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.

4. Reimbursed Auto Expenses

Former Executive Vice President Mark Pietsch received reimbursement for business use of his personal vehicle, but did not retain adequate documentation to support payments to him totaling at least \$1,361 during 2017. His mileage reimbursements were claimed on expense vouchers that normally identified the dates of travel and total miles driven; however, the expense vouchers were insufficient because they failed to identify the specific union business purpose for the reimbursements. 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.

Based on your assurance that Local 125 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 Local 125 for the fiscal year ended December 31, 2017, was deficient in the following areas:

#### 1. Disbursements to Officers and Employees

Local 125 did not include some reimbursements to officers totaling at least \$10,076 in Schedule 11 (All Officers and Disbursements to Officers). For example, Local 125's disbursement records indicate that Mr. Pietsch received direct and indirect disbursements for reimbursement of expenses totaling at least \$1,361; however, the total amount reported in Column F (Disbursements for Official Business) of Schedule 11 for him was \$0. It appears that the local erroneously reported several credit card charges and reimbursed mileage expenses in Schedules 15 through 19.

The union must report in Column F of Schedules 11 and 12 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. Acquire/Dispose of Property

Item 15 (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 the union gave away scholarships, bereavement gifts, bonuses, and contributions totaling at least \$7,217.39 during the year. For example, on March 3, 2017, the union made a \$500 contribution to the Minneapolis Police Activities League. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

I am not requiring that Local 125 file an amended LM report for 2017 to correct the deficient items, but Local 125 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to APWU Local 125 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 solid black rectangular box used to redact the signature of the investigator.

Investigator