



March 13, 2018

Mr. James Matthews, President
Contract Mail Drivers Asn. Ind.
206 N York Street
Suite C
Elmhurst, IL 60126-2785

Case Number: 310-6012431 [REDACTED]
LM Number: 509942

Dear Mr. Matthews:

This office has recently completed an audit of Contract Mail Drivers Asn. Ind. (Contract Mail Drivers Association) 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 Treasurer Steven Nelson and Office Manager Donna Smith on March 2, 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.

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 Contract Mail Drivers Association records for fiscal year ending June 30, 2017, revealed the following recordkeeping violations:

Recordkeeping Violations

1. Contract Mail Drivers Association did not retain adequate documentation for expenses incurred by the Union totaling at least \$83. For example, supporting documentation was not retained for \$23.85 disbursement to Walmart on January 18, 2017, for \$6.45

disbursement to the United States Postal Service on October 26, 2016 and a \$53.11 disbursement to Geeksquad on January 18, 2017.

Base on your assurance that Contract Mail Drivers Association will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

2. Receipt Dates not Recorded

Entries in the Union's Deposits Detail 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-3. The LM-3 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.

Contract Mail Drivers Association Treasurer Steven Nelson has agreed to record Union receipts on the exact date received and not the day deposited into the bank.

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 Contract Mail Drivers Association for the fiscal year ended June 30, 2017, was deficient in the following areas:

1. Salary Payments to Officers

Contract Mail Drivers Association failed to report at least \$19,221 in payments to officers in the amounts reported in Item 24(D) (Gross Salary (before taxes and other deductions)). Contract Mail Drivers Association reported no payments to officers in Item 24(D). The audit revealed that all officers received a monthly salary referred to as an "allowance." The audit also revealed that these payments are intended to compensate the officers for the work that they do and are not intended to be reimbursement to them for any specific expenses.

2. Disbursements to Officers

The Union did not include some reimbursements to officers totaling at least \$3,288 in the amounts reported Item 24 (All Officers and Disbursements to Officers). Contract Mail Drivers Association routinely reimburses expenses to officers in addition to their monthly salary. For example, President James Matthews received \$1,712 in reimbursed expenses, but they do not appear to have been included in Item 24(E). As another example, Vice President Paul Wright received \$1,576 in reimbursed expenses, but they do not appear to have been included in Item 24(E). It appears the union erroneously reported these payments in Item 48 (Office & Administrative Expense) on the report.

The union must report most direct disbursements to Contract Mail Drivers Association 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).

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 constitution and bylaws with OLMS. Contract Mail Drivers Association did not file a copy of its constitution and bylaws with OLMS.

Contract Mail Drivers Association has now filed a copy of its constitution and bylaws.

4. Bonding Amount

Contract Mail Drivers Association failed to correctly report their bond amount in Item 20 (What is the maximum amount recoverable under your union's fidelity bond?). During the audit year, the Union reported it was bonded for \$100,000. However, the audit revealed that the bond was an ERISA/Pension Plan Bond/Inflation Guard Employee Dishonesty Bond and did not meet the bonding requirements of the LMRDA. As noted below, Contract Mail Drivers Association is in the process of obtaining adequate bonding. The Union must report its current bond amount in Item 20.

Contract Mail Drivers Association must file an amended Form LM-3 for the fiscal year ended June 30, 2017, to correct the deficient items discussed above. I have provided you with instructions for the Form LM-3. The reporting forms and instructions are available on the OLMS website (www.olms.dol.gov). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than March 31, 2018. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Violation

1. Inadequate Bonding

The audit revealed a violation of the 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. During the audit the Union obtained adequate bonding coverage and provided evidence of this to OLMS. However, it was determined that Section 4 and Section 5 of the bond are deficient in that each fails to meet the bonding requirements of the LMRDA. Contract Mail Drivers Association should obtain a bond correcting Section 4 of the bond to include persons who handle funds without being compensated by salary, wages or commissions. And, Section 5

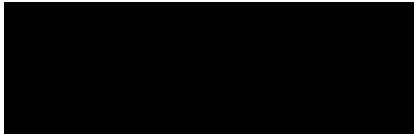
of the bond must provide recovery for loss occasioned by such acts even though no personal gain accrues to the person committing that act and the act is not subject to punishment as a crime or misdemeanor. Please provide proof of adequate bonding to this office as soon as possible, but not later than March 31, 2018.

2. Only One Signature on Union Checks

During the audit, Treasurer Steven Nelson advised that union checks only have one signature. Article IV, Section 1 (3) of your union's bylaws require that all 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. OLMS recommends that Contract Mail Drivers Association review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Contract Mail Drivers Association 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 of the investigator.A black rectangular redaction box covering the name of the investigator.

Investigator

cc: Mr. Steven Nelson, Treasurer