



February 4, 2019

Mr. William Enochs, President  
Postal Workers Local 604-605  
9525 W. 79th Ave, Suite 5  
Hickory Hills, IL 60457

Case Number: 310-6014535  
LM Number: 513126

Dear Mr. Enochs:

This office has recently completed an audit of Postal Workers Local 604-605 (aka Postal Workers Local 6266) 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 Vice President Charles "Ed" Maurer on February 4, 2019, 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 604-605's 2017 records revealed the following recordkeeping violations:

#### 1. General Reimbursed and Credit Card Expenses

Local 604-605 did not retain adequate documentation for some reimbursed expenses via union check and credit card expenses incurred by union officers, totaling at least \$4,900. For example, you and other union officers payed for movers, and other expenses in cash,

and were reimbursed by Local 604-605. However, no supporting documentation was retained. In addition, you and other union officers charged meeting refreshments, postage, parking and lodging to the union credit cards, but no supporting documentation was retained. Credit card statements and union expense vouchers alone are not sufficient to fulfill the recordkeeping requirement.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principal officers), who are required to sign your union's LM report, are responsible for properly maintaining union records.

## 2. Meal Expenses

Local 604-605 did not always require officers and employees to submit itemized receipts for meal expenses totaling at least \$400. The union only maintained credit card statements and/or hotel folios, which are not sufficient to fulfill the recordkeeping requirements. The union must maintain itemized receipts provided by restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

In addition, Local 604-605's records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges, totaling at least \$1,600. Local 604-605 retained the credit card statement and some credit card receipts for meals. However, in most instances, Local 604-605 officers failed to provide a description of the union business conducted. 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.

## 3. Union Owned Vehicle

The union did not maintain records necessary to verify the accuracy of the information reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3. Local 604-605 incurred expenses totaling at least \$3,000 for its automobile during 2017. However, Local 604-605 did not maintain records documenting business versus personal use of the union vehicles. In addition, Local 604-605 did not retain supporting documentation for gas, repairs, and other car related charges for the union owned vehicle totaling, at least \$2,500.

The LM-3 instructions include specific rules for the reporting of automobile expenses. The union must report operating and maintenance costs for each of its owned or leased vehicles in Item 24 of the LM-3 allocated to the officer or employee to whom each vehicle is assigned. For each trip they take using a union owned or leased vehicle, officers and employees must maintain mileage logs that show the date, number of miles driven, whether

the trip was business or personal, and, if business, the purpose of the trip. In addition, as noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements.

4. Personal Auto Expenses

Vice President Charles “Ed” Maurer was reimbursed for using his personal vehicle to conduct union business when he charged at least \$400 at gas stations on a union-issued credit card. You and the other officers advised that instead of paying mileage, Local 604-605 pays for an occasional “tank of gas” to officers who are not assigned a union owned automobile. During the audit year, Mr. Maurer did not retain any gas station receipts nor did he report the business purpose for incurring the gas station expenses. As noted above, credit card statements alone are not sufficient to fulfill the recordkeeping requirement of LMRDA Section 206. In addition, a 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 actual gas expenses.

5. Hourly Wage Payments to Officers and Employees

Local 604-605 did not maintain records to verify that the salary reported in Item 24 (All Officers and Disbursements to Officers) and Item 46 (To Employees) of the LM-3 was the authorized amount, and therefore correctly reported. Local 604-605 advised that you and Treasurer Cathy Buchler, who are both retired members, are paid an hourly rate for hours worked. In addition, Local 604-605 has an office secretary, who is a part-time employee of the union. Neither you, Ms. Buchler, nor the office secretary have a set schedule, and work on an “as needed basis.” During the audit period, Local 604-605 disbursed wages to you, Ms. Buchler, and the office secretary, totaling at least \$63,000, but did not retain adequate documentation for at least \$60,000. In the case of these salary payments, records must be maintained that identify each date wages were incurred, the number of hours worked on each date, and the applicable rate of pay.

6. Direct Disbursements to Vendors

Local 604-605 did not retain adequate documentation for expenses paid directly to union vendors totaling at least \$10,000. For example, at least \$7,200 was disbursed to VIP Remodeling for painting, trim work, and flooring at the union’s newly leased office, but no original supporting documentation was retained. As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principal officers), who are required to sign your union’s LM report, are responsible for properly maintaining union records.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 604-605'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.

### 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 604-605 for the fiscal year ended December 31, 2017, was deficient in the following areas:

1. Acquire/Dispose of Property

Item 13 (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 gift cards totaling more than \$1,100 during the year. 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."

2. Automobile Expenses

Local 604-605 did not include in the amount reported to you in Item 24 (All Officers and Disbursements to Officers) disbursements for the operation and maintenance of union automobiles totaling at least \$3,000. The LM-3 instructions for Item 24 require that the local report in Column E of Item 24 (Allowances and Other Disbursements) the total maintenance and operating costs of any automobile it owned or leased and assigned to an officer, whether the use was for official business or for the personal benefit of the officer.

3. Disbursements to Officers

Local 604-605 did not include some reimbursements, in addition to the above mentioned automobile expenses, to officers totaling at least \$4,800 in the amounts reported Item 24 (All Officers and Disbursements to Officers). For example, Vice President Maurer received at least \$2,800 in direct and indirect (meals and gas expenses on the union credit card) disbursements. However, only \$85 was reported in Column E (Allowances and Other Disbursements) of Item 24. It appears the union erroneously reported these payments elsewhere on the report.

The union must report most direct disbursements to Local 604-605 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).

4. Statement B (Receipts and Disbursements)

Local 604-605 underreported Item 44 (Total Receipts) by at least \$6,350 and Item 55 (Total Disbursements) by at least \$6,426. The union's total receipts for fiscal year 2017, as reconciled to the bank statements, was \$173,235. However, the amount reported in Item 44 on the LM-3 was only \$166,885. The union's total disbursements for fiscal year 2017, as reconciled to the bank statements, was \$180,909. However, the amount reported in Item 55 on the LM-3 was only \$174,483. You advised that the union's accountant prepared the LM report, and you were unsure why these amounts were not correctly reported.

5. 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. Local 604-605 amended its constitution and bylaws in 2013, but did not file a copy with its LM report for that year. Local 604-605 has now filed a copy of its constitution and bylaws.

I am not requiring that Local 604-605 file an amended LM report for 2017 to correct the deficient items, but Local 604-605 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Cash Disbursements

During the audit year, the union issued you a check for \$1,300 to pay movers when the Local 604-605 relocated its office. You cashed the check, and disbursed the funds directly to the movers. OLMS recommends that all disbursements be by check directly to the individual or business receiving the funds in order to ensure internal control over disbursements. Since the payee of this checks is an officer (you), the cash is considered direct disbursements for reporting purposes and must be included in the amount reported next to your name in Item 24, Column E (Allowances and Other Disbursements). Note that a check made payable to "cash" and cashed by an officer must also be reported as a payment to that officer. OLMS

recommends that Local 604-605 review these procedures to improve internal control of union funds.

## 2. Use of Signature Stamp

During the audit, you advised that it is Local 604-605's practice to have you, Treasurer Buchler, or Vice President Maurer prepare union checks, to stamp the signature of you, Ms. Buchler, or Mr. Maurer on union checks. Ms. Buchler advised that neither the checks nor the three signature stamps are safeguarded in a safe or by other means. 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 one or both signers does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 604-605 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Postal Workers Local 604-605 (aka Postal Workers Local 6266) 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 sender.

Senior Investigator

cc: Ms. Cathy Buchler, Treasurer  
Mr. Charles Maurer, Vice President