



May 2, 2019

Mr. Matt Tanner, President
Letter Carriers, National Association, AFL-CIO
Branch 122
[REDACTED]
Lansing, MI 48933

Case Number: 320-6015168 [REDACTED]
LM Number: 081-966

Dear Mr. Tanner:

This office has recently completed an audit of Letter Carriers Branch 122 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 Rick Murphy on April 12, 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 Branch 122's 2017 records revealed the following recordkeeping violations:

1. Failure to Record Receipts

Branch 122 did not record in its receipts records donations received from its monthly 50/50 raffles, ticket sales for various events that Branch 122 hosted, and donations received for

MDA and other charities totaling at least \$5,860. For example, cash and check donations totaling at least \$4,820 were received as donations for MDA, but the donations are not recorded in any union records. In another example, cash received at monthly meetings for the local's 50/50 raffle were not recorded in the local's general ledger. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

2. Fixed Assets

The LM-3 filed by Branch 122 for 2017 reported fixed assets totaling \$3,100 at the beginning of the year (Items 29 (A) Fixed Assets, Start of Reporting Period) and \$3,200 at the end of the audit year (Item 29 (B) Fixed Assets, End of Reporting Period); however, Branch 122 failed to retain any records to verify the accuracy of those figures. During the organizational interview, you and Mr. Murphy explained that Branch 122 does not maintain an inventory of any kind for the office equipment or furniture located at the union office in Lansing, MI. Mr. Murphy advised that the figures he reports in Item 29 are the estimated value of the office furniture and equipment, and he was not aware that he was required to report any additional assets purchased by the local, such as new laptops or additional equipment.

In the case of fixed assets, the union must maintain a written or electronic inventory or other similar record identifying each fixed asset and the cost and depreciation of each fixed asset. Such records are required to be retained to verify, clarify, and support information required to be reported in Item 29 of the LM-3 Report.

3. Disposition of Property

The audit revealed that Branch 122 did not maintain an inventory of t-shirts, tote bags, or other union merchandise that it gave away during the audit period. Branch 122 did not maintain records that identified the date items were given away or the items (and their value) that were on hand at the beginning and end of the year. The audit also revealed that Branch 122 purchased t-shirts, gift cards, TVs, and various other items totaling at least \$8,245 that it gave away at Branch 122 sponsored events (i.e. Food Drive, Spring Fling, Retiree's Dinner, Casino Trip, etc.) in 2017. However, Branch 122 did not maintain adequate records that identify the members that received these items.

Records must be retained which account for all union property. In the case of gift cards, merchandise, or other items given away to members, records must be maintained to clarify and support information required to be reported by Branch 122 in Statements A (Assets and Liabilities) and B (Receipts and Disbursements) of the Labor Organization Annual Report (Form LM-3). The value of any gift cards or similar property on hand at the beginning and end of the year should be reported in Item 30 (Other Assets). In addition, the type and value of any property received or given away must be identified in the additional information section of the Form LM-3 Report with the identity of the recipient(s) or donor of such property.

In addition, in the case of items given away to members, the union must retain records that identify the date the items were given away and the recipients of those items.

4. Lost Wages

Branch 122 did not retain adequate documentation for leave without pay (LWOP) lost wage reimbursement payments made to you, Trustee Kim Craig, and Secretary Misty Wenger totaling at least \$6,620 during the audit year. The audit found that although the officers generally documented lost wage claims on the United States Postal Service (USPS) Form 3971 (Request for or Notification of Absence), in many instances the vouchers were not sufficient in that the officers failed to describe the union business being conducted. 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.

Based on your assurance that Branch 122 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-3) filed by Branch 122 for the fiscal year ended December 31, 2017, was deficient in the following areas:

1. Fixed Assets

Branch 122 did not properly report the value of their fixed assets in Items 29(A) (Fixed Assets, Start of Reporting Period) and 29(B) (Fixed Assets, End of Reporting Period) of Statement A (Assets and Liabilities). As mentioned above, Mr. Murphy stated that he does not maintain an inventory of fixed assets, and the amounts reported in Item 29 are an estimation of what he believes the items are worth. Mr. Murphy was not aware that assets should be inventoried and reported in accordance with a depreciation value each year.

Branch 122 must report the value of all their fixed assets including land, buildings, office furniture, and equipment owned by the union at the beginning and end of the reporting period in Item 29(A) and Item 29(B), respectively, of the LM-3 Report. The book value of fixed assets is cost less depreciation.

2. Other Assets

Branch 122 did not properly report the value of their other assets in Items 30(A) (Other Assets, Start of Reporting Period) and 30(B) (Fixed Assets, End of Reporting Period) of Statement A (Assets and Liabilities). As mentioned above, Branch 122 does not maintain an

inventory of other assets (t-shirts, tote bags, or other union merchandise), and the amounts reported in Item 30 are an estimation of what the items are worth.

Branch 122 must report the value of all other assets, including t-shirts, tote bags, or other similar items, owned by the union at the beginning and end of the reporting period in Item 30(A) and Item 30(B), respectively, of the LM-3 Report.

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 122 amended its constitution and bylaws in 2012, but did not file a copy with its LM report for that year. Branch 122 has now filed a copy of its constitution and bylaws.

I am not requiring that Branch 122 file an amended LM report for 2017 to correct the deficient items, but Branch 122 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Lost Wage Policy

You and Mr. Murphy stated that Branch 122 pays officers for time lost from the USPS to work on union business. Specifically, the bylaws authorize 60 days of leave without pay (LWOP) for branch officers to be used at your discretion throughout the year. As noted above, LWOP claims are documented on USPS Form 3971 (Request for or Notification of Absence). The audit revealed that Branch 122 disbursed funds totaling at least \$1,615 from the LWOP allotment to officers for time that they took off from work to conduct union business and were also paid either annual leave or sick leave by the USPS. However, Branch 122 does not have a written policy that addresses disbursements for the purpose of reimbursing officers and employees who use their annual leave or sick leave from USPS. You and Mr. Murphy explained during the closing interview that lost time reimbursements of this type are conducted to reimburse officers and employees use “their own time they’ve earned in order to support the union,” and that this practice is “intended to make those officers and employees whole again.”

To ensure compliance with the LMRDA and to safeguard union assets by promoting transparency and accountability, labor organizations should establish best practices for administering lost time payments. OLMS recommends that unions (1) adopt clear policies and procedures for making lost time or similar payments and (2) use vouchers that require detailed information to support lost time payments. These practices will allow the union to properly report lost time payments on the Labor Organization Annual Report Form LM-3.

OLMS recommends that union policies and procedures for lost wages be reduced to writing and added to your union’s bylaws or discussed at an executive board or membership meeting where they can be supported by entries in the meeting minutes. Once established, it is important that

your union consistently follow its procedures for handling payments for lost time and other expenses.

I want to extend my personal appreciation to Letter Carriers Branch 122 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,

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Investigator

cc: Mr. Rick Murphy, Treasurer