



May 8, 2019

Mr. John Harding, President
Letter Carriers Branch 154
P.O. Box 362
Marietta, OH 45750

Case Number: 350-6013219
LM Number: 084-222

Dear Mr. Harding:

This office has recently completed an audit of Letter Carriers Branch 154 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 Secretary-Treasurer Cathy Cheeseman on April 18, 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 154's 2017 records revealed the following recordkeeping violations:

1. Receipt Dates not Recorded

An entry of \$280.00 in Branch 154's check register for t-shirt reimbursements reflected 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.

OLMS recommends that Branch 154 use a duplicate receipt system where the branch issues original pre-numbered receipts to all individuals who make payments directly to the branch and retains copies of those receipts. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable.

2. Disbursements Documentation

Branch 154 did not retain adequate documentation for a disbursements totaling \$236.50. For example, no supporting documentation was available for the purchase of postal calendars from Richdon, Inc. for the branch membership.

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. Information not Recorded in Meeting Minutes

During the audit, Ms. Cheeseman advised OLMS that the membership authorizes branch expenses at the monthly membership meetings. However, a disbursement of \$100.00 for a golf outing donation to Branch 63 was not recorded and approved by the membership in the minutes. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

4. Lack of Salary Authorization

Branch 154 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 was the authorized amount and therefore was correctly reported. No supporting documentation was available for your \$100.00 monthly salary and Ms. Cheeseman's annual dues reimbursement in December. 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 salaries.

Based on your assurance that Branch 154 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 154 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 food drive t-shirts, calendars, and holiday gift cards totaling \$7,968.50 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 on the LM report. 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.

2. Disbursements to Officers

Branch 154 did not include some reimbursements to officers totaling at least \$107.07 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 54.

The union must report most direct disbursements to Branch 154 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. Reporting of Disbursements

The audit of Branch 154's records for the fiscal year ending December 31, 2017 revealed that the total cash disbursements were not recorded in the proper categories in Statement B of the LM-3 report. For example, Item 51 (Contributions, Gifts & Grants) was under reported by at least \$8,213.86 for disbursements for the funeral flowers and food donation, golf outing donation, food drive t-shirts for the members, calendars, and the holiday gift

cards from Kroger's. In addition, Item 48 (Office & Administrative Expenses) was under reported by at least \$461.68 for the disbursements of postage, meeting room rental, post office box rental, and bond payment. The branch has erroneously reported these payments in Item 54, which is consequently over reported by approximately \$8,675.54.

Please be sure to review the LM-3 reporting instructions to determine to correct disbursement category before completing future LM-3 reports. A copy of the Report LM-3 Instructions can be obtained on the OLMS website: www.dol.gov/olms.

I am not requiring that Branch 154 file an amended LM report for 2017 to correct the deficient items, but Branch 154 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Check Signatures

During the OIQ, Ms. Cheeseman stated Branch 154 requires two signatures on each check. The audit revealed that on three occasions the disbursement checks did have the proper number of signatures. Two checks only had one signature of Cathy Cheeseman, and one check had one signature of John Harding.

The two-signature requirement is an effective internal control of union funds because its purpose is to attest to the authenticity of a completed document. OLMS recommends that Branch 154 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Letter Carriers Branch 154 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: Ms. Cathy Cheeseman, Secretary-Treasurer