

**U.S. Department of Labor**  
Office of Labor-Management Standards  
Washington District Office



USPS Only:  
200 Constitution Avenue, NW  
Suite 11-200  
Washington, DC 20210-0001

Visitors/UPS/FedEx:  
375 E Street, SW, Suite 11-200  
Washington, DC 20024-3221  
Phone (202) 513-7300  
Fax: (202) 513-7301

June 19, 2019

[REDACTED]  
National Association of Letter Carriers  
Branch 609  
PO Box 15619  
Newport News, VA 23607-1538

Case Number: 450-6013080 [REDACTED]  
LM Number: 083-720

Dear Ms. Farulli:

This office has recently completed an audit of National Association of Letter Carriers 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 [REDACTED] on May 23, 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 609's 2016 and 2017 records revealed the following recordkeeping violations:

## 1. General Reimbursed Expenses

Branch 609 did not retain adequate documentation for reimbursed expenses incurred by union officers. For example, there were a few missing receipts for travel and office expenses.

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.

## 2. Meal Expenses

Branch 609 did not require officers to submit itemized receipts for meal expenses. The union must maintain itemized receipts provided by restaurants to officers. 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, Branch 609 records of some meal expenses did not always include a written explanation of the union business conducted or the names and titles of the persons incurring the restaurant charges. 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. Disposition of Property

Branch 609 did not maintain an inventory of shirts, old union equipment, and other property it purchased, sold, or gave away. The union must report the value of any union property on hand at the beginning and end of each year in Item 30 (Other Assets) of the LM-3. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 30. The union must record in at least one record the date and the amount received from each sale of the union hats, shirts, and other items and the source of those funds.

Branch 609 records also did not include anything to show who received items like the shirts that were sold for the food drive. The union must record the recipient of these items in at least one union record.

## 4. Failure to Maintain and Record Receipts

Branch 609 failed to retain some deposit slips. In addition, Branch 609 did not adequately record information in its records regarding income received during the year. Union receipt 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. The labor organization must also retain all deposit slips.

## 5. Receipts Dates not Recorded

Entries in Branch 609's receipts journal 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.

#### 6. Information not Recorded in Meeting Minutes

During the audit, you advised OLMS that the executive board authorized financial expenditures at its monthly meetings. Branch 609 did not maintain meeting minutes from any executive board meetings. In addition, membership meeting minutes were not maintained in some instances where disbursements were approved, including the annual picnic expenses. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

#### 7. Lack of Salary Authorization

Branch 609 lacked documentation of the executive board and/or membership authorizing officer's salary. Branch 609 did not maintain records to verify that the salaries reported on the LM-3 was the authorized amounts and therefore was correctly reported. 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.

#### 8. Insufficient Descriptions

There were several disbursements in which the union business purpose was not sufficiently descriptive. For example, there were several checks written to members or officers in which the only purpose in the records was "supplies", "postage" and "payroll." This purpose is not sufficient. All disbursement records, including checks and check card receipts, must contain an adequate description of the nature of the union business requiring the disbursement.

Based on your assurance that Branch 609 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Branch 609'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 Branch 609 for the fiscal year ended December 31, 2016, was deficient in the following areas:

### 1. Reported Cash Balances

Beginning and ending cash balances reported in Item 25 of the 2016 LM-3 report was reported incorrectly. The audit revealed that the beginning cash balance reported on the Form LM-3 report for December 31, 2016 is understated by \$846.

The LM-3 instructions state that Item 25 (Cash) is to include all cash on hand, including cash, checks, and money orders, even if they have not been deposited yet. Also included are deposited funds from checking, savings, certificates of deposit, and money market accounts.

### 2. Total Disbursements

The total disbursements reported in Items 55 (Total Disbursements) do not match the total figures from the bank statements. Branch 609 must accurately report the total disbursements on its LM-3 report.

The instructions on the LM-3 Form states the disbursements must be recorded when money is actually paid out by the union. Transfers between separate bank accounts or between special funds of your organization, such as vacation or strike funds, do not represent the flow of cash in and out of your organization. Therefore, these transfers should not be reported as receipts and disbursements of your organization.

### 3. Disbursements to Officers

Branch 609 failed to properly record the officers' gross salaries in Item 24, Column D (Gross Salary) totaling at least \$18,796.

The union must report the gross salary of each officer before tax withholdings and other payroll deductions in Item 24 (All Officers and Disbursements to Officers). Include disbursements for "lost time" or time devoted to union activities.

Branch 609 did not include some reimbursements to officers in the amounts reported in Item 24 (All Officers and Disbursements to Officers). Several union officers incurred travel expenses, meals, parking and other expenses during the audit year, but these expenses were not reported next to their name in Item 24, Column E (Allowances and Other Disbursements). Such payments appear to have been erroneously reported in Item 48 (Office and Administration Expenses).

The union must report the gross salary of each officer before tax withholdings and other payroll deductions in Item 24 (All Officers and Disbursements to Officers). Include disbursements for "lost time" or time devoted to union activities.

The union must report most direct disbursements to Branch 609 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. 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. 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 t-shirts 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 giveaway by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees". In addition, the cost, book value, and trade-in allowance for assets that were traded in must be 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. Branch 609 amended its constitution and bylaws in April 2016 but did not file a copy with its LM report for that year.

As agreed, Branch 609 will file a copy of its current constitution and bylaws with OLMS as soon as possible but not later than July 3, 2019.

I am not requiring that Branch 609 file an amended LM report for 2016 to correct the deficient items, but Branch 609 has agreed to properly report the deficient items on all future reports it files with OLMS.

#### Other Violation

The audit disclosed the following other violation:

##### Inadequate Bonding

The audit revealed a violation of 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.

Branch 609 was not able to provide proof of bonding coverage. Branch 609 must obtain adequate bonding coverage for its officers immediately. Please provide proof of bonding coverage to this office as soon as possible, but not later than July 3, 2019.

I want to extend my personal appreciation to NALC Branch 609 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,

[REDACTED]

Auditor

cc: [REDACTED], Treasurer