



September 30, 2019

Mr. Mike Zagaros, President
Letter Carriers, NATL ASN, AFL-CIO
Branch 9
2408 Central Ave. NE
Minneapolis, MN 55418

Case Number: 320-6016722
LM Number: 089980

Dear Mr. Zagaros:

This office has recently completed an audit of Letter Carriers, AFL-CIO, Branch 9 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, Vice President Samantha Hartwig, Treasurer Elizabeth O'Neill, and Financial Secretary Jim Nelson on September 19, 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 9's 2018 records revealed the following recordkeeping violations:

1. 50/50 Raffles

During the audit, it was determined that Branch 9 conducted 50/50 raffles at its general membership meetings, with half of the proceeds collected going to the winner(s) and the other half being deposited into Branch 9's savings account. The audit found that Branch 9 did not maintain adequate records to document the funds it collected and the funds that were awarded to members.

For the sale of raffle tickets, records must be maintained, at a minimum, that explain the number of tickets sold, the price of each ticket, the amount of money collected, and the names of the winners/beneficiaries. Records must also be kept that identify the name of each person who sells tickets and the date and amount of money that each person turns in to Branch 9. Such records must show that the persons who sell tickets fully account for all of the tickets provided to them by returning any unsold tickets along with the money raised from sold tickets. All unsold tickets, and ticket stubs (if any), must be retained.

2. Meal and Beverage Expenses

Branch 9 did not require officers and employees to submit itemized receipts for meal and beverage expenses totaling at least \$644. For example, you used your union credit card to charge \$140 for refreshments for the general membership meeting on September 25, 2018. A credit card charge slip was maintained, but the union failed to maintain an itemized receipt.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. 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. 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.

Based on your assurance that Branch 9 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violation.

Reporting Violation

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-2 filed by Branch 9 for the fiscal year ended December 31, 2018, was deficient in the following area:

Netting Receipt and Disbursement Transactions

During the audit year, Branch 9 held 50/50 raffles at its general membership meetings. Branch 9 received a total of \$1,087 for the raffle and disbursed \$543.50 to the winners of the raffle. During the audit, Treasurer O'Neill advised that the receipts for the raffle and the disbursements

to the winners of the raffle were “netted” and as a result, Branch 9 only reported \$543.50 in receipts in Statement B (Receipts and Disbursements).

As discussed during the exit interview, the purpose of Statement B (Receipts and Disbursements) is to report the flow of cash in and out of your organization during the reporting period. Since Statement B reports all cash flowing in and out of your organization, “netting” is not permitted. All of the money received from members for the 50/50 raffle should have been reported in Item 43 (Other Receipts). All of the money disbursed to members that won the 50/50 raffle should have been reported in Item 48 (Office and Administrative Expense). OLMS also recommends that in future 50/50 raffles, Branch 9 deposits the total amount of the raffle proceeds and write checks to the raffle winners.

I am not requiring that Branch 9 file an amended LM report for 2018 to correct the deficient item, but Branch 9 has agreed to properly report the deficient item 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. The amount of Branch 9’s bond is sufficient; however, the bond included a deductible, which is a form of self-insurance that fails to meet the bonding requirements of the LMRDA. Branch 9 has agreed to obtain bonding coverage without a deductible and provide evidence of this to OLMS. Please provide proof of bonding coverage to this office as soon as possible, but not later than October 23, 2019.

Other Issue

The audit disclosed the following other issue:

Lack of Authorization for Sick Leave Payouts

Branch 9 did not maintain records to verify that the disbursements to officers reported in Item 24 of the LM-3 were the authorized amounts and, therefore, were correctly reported. During the opening interview, you stated that Branch 9 authorizes officers to receive a pay-out of unused sick leave at the end of each year. A review of Branch 9’s disbursement records showed that the union paid out unused sick leave to officers in 2018 totaling at least \$4,868; however, authorization for this type of reimbursement has not been maintained by the union. During the exit interview, you stated that the union has been paying out unused sick leave for many years and you were unaware if this policy had been reduced to writing.

OLMS recommends that Branch 9 (1) adopts clear policies and procedures regarding its practices of paying out accrued sick leave, (2) maintain detailed documentation to support each payment, and (3) regularly monitor compliance with the established sick leave payout disbursement policies and procedures.

I want to extend my personal appreciation to Letter Carriers Branch 9 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 area.A smaller black rectangular redaction box covering the name of the investigator.

Investigator

cc: Ms. Elizabeth O'Neill, Treasurer
Ms. Samantha Hartwig, Vice President
Mr. Jim Nelson, Treasurer