



October 25, 2019

Mr. Randall Hite, President  
Letter Carriers, Natl, Asn, AFL-CIO Branch 1110  
[REDACTED]  
[REDACTED]

Case Number: 410-6015625 [REDACTED]  
LM Number: 084103

Dear Mr. Hite:

This office has recently completed an audit of Letter Carriers, Natl, Asn, AFL-CIO Branch 1110 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 Secretary-Treasurer Scotty Jones on October 9, 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.

#### Reporting 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 1110's records for period ending November 30, 2018 revealed the following recordkeeping violations:

#### 1. General Expenses

Branch 1110 did not retain adequate documentation for expenses totaling at least \$332.50. For example, Branch 1110 disbursed \$75 to a member for services provided to the union

and purchased calendars for \$257.50, but no documentation was maintained to support the disbursements.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. If the vendor does not provide a receipt or invoice, the union should create a document indicating the date of service, the name and address of the vendor, and the amount of the disbursement. 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 1110 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. For example, the union purchased a Christmas meal for its members totaling at least \$135, but union records did not indicate the purpose or the meal attendees. 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. Receipt Dates and Sources not Recorded

Entries in Branch 1110's check register reflect the date the union deposited money, but not the date money was received. Additionally, the check register did not identify the sources of its receipts. Union receipts records must show the date of receipt as well as the source. The general principle of receipt recordkeeping is to ensure that for all funds received, at least one union record contains the basic information such as source of funds, amount received, the purpose of each payment, and the date the payment was received. 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.

## 4. Reimbursed Auto Expenses

Union officials who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$400 during fiscal year ending November 30, 2018. The union must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The 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 for mileage expenses.

5. Information not Recorded in Meeting Minutes

During the audit, Mr. Hite advised OLMS that the membership authorized a cell phone expense allowance for the union stewards during a membership meeting a few years ago. Article XII, Section 2 of the union's bylaws indicate that monies shall be disbursed in accordance with the bylaws of the national constitution. Article 12, Section 3 of the National Association of Letter Carriers Constitution, as amended through the 70<sup>th</sup> Biennial Convention Los Angeles, California August 15-19, 2016 states, "All funds shall be devoted to such uses as the Branch may determine; provided, that no appropriation shall be made except when ordered by a majority vote of the members present and voting at a regular meeting..." However, the minutes of the meeting do not contain any reference to this matter. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

Based on your assurance that Branch 1110 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 1110 for the fiscal year ended November 30, 2018 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 jackets and watches totaling more than \$200 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." 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 1110 did not include some reimbursements to officers totaling at least \$2,762.22 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 54 (Other Disbursements).

The union must report most direct disbursements to Branch 1110 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).

I am not requiring that Branch 1110 file an amended LM report for fiscal year ending November 30, 2018 to correct the deficient items, but Branch 110 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Letter Carriers, Natl, Asn, AFL-CIO Branch 1110 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 investigator.A smaller black rectangular redaction box covering the name of the investigator.

Investigator

cc: Mr. Scotty Jones, Secretary-Treasurer