

## U.S. Department of Labor

Employment Standards Administration  
Office of Labor-Management Standards  
Washington District Office  
800 North Capitol St., NW Suite 120  
Washington, DC 20002  
(202) 513-7300 / FAX: (202) 513-7301



January 28, 2005-

Debbie Dawson, Treasurer  
NALC Branch 325  
6015 Fort Avenue  
Lynchburg, Virginia 24502

Re: ~

Dear Ms. Dawson:

This office has recently completed an audit of the National Association of Letter Carriers (NALC), Branch 325 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, as Amended (LMRDA). As discussed during the exit interview with you, Mr. Crawford, and 7(c) on January 27, 2005, 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.

### Record Keeping Violations

Title II of the LMRDA establishes certain reporting and record keeping requirements. Section 206 requires, among other things, that adequate records be maintained 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, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and the identity of the recipients of the goods and services. The following record keeping deficiencies were noted:

1. **Officer and Employee Expenses:** Union officers and employees failed to retain adequate documentation for reimbursed expenses, for expenses charged to union credit cards, and for lodging expenses which were direct-paid by the union. The date, amount, and business purpose of every expense must be recorded on at least one union record. In addition, the names of individuals present for meal expenses paid for by the union and the locations (names of restaurants) where meal expenses were incurred must also be recorded.

With respect to documentation retained in support of specific disbursements (including those in payment of credit card charges), the record retention requirement includes not only the retention of original bills, invoices, receipts, and vouchers, but also additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and all the recipients of the goods or services. In most instances, this

documentation requirement can be most easily satisfied with a sufficiently descriptive receipt. If a receipt is not sufficiently descriptive, a note can be written on it providing the additional information. An exception may be made only in those cases where 1) other equally descriptive documentation has been maintained, and 2) there is evidence of actual oversight and control over disbursements.

2. Lost Wages: Union officers failed to report the date and/or purpose of some lost wage claims on records submitted for such expenses. Records that identify the date, number of hours lost, rate of pay, and business purpose (reason) for all lost wages must be retained. During the exit interview, I provided samples of blank expense vouchers Branch 325 may use that identify the type of information and documentation which must be retained for lost wages and other officer expenses.
3. Receipts: Branch 325 failed to record in its records one employer dues check-off check and one month's interest on the union bank account. The union records were also missing two deposit slips for the account. The union records were missing four of the per capita tax reports sent by the NALC National Union. The union does not keep their own record of each member's dues payments and only relies on the dues payment information received from the National Union. Union receipts must include an adequate identification of each receipt of money. The records should show the exact date that the money was received, the identity of the source of the money, and the individual amount from each source.
4. Other: The union books were missing one of the union's bank account statements. Some checks which were voided and not issued were not retained. It is imperative that all records of the union's financial transactions are retained in order to verify all of the union's disbursements.

As agreed, provided that Branch 325 maintains adequate documentation for its disbursements in the future, no additional enforcement will be taken regarding this violation.

### Reporting Violations

The CAP disclosed a violation of LMRDA Section 201(b), because the Labor Organization Annual Report (Form LM-3) filed by Branch 325 for fiscal year ending December 31, 2003 was deficient in the following areas:

The following deficient items were identified:

1. LM-3 Item 24 (All Officers and Disbursements to Officers)

- Officers not listed: The names of some officers who held office during the year were not reported in item 24 with the total amount of payments to or for them. The names of all

persons who held office during the year must be reported in item 24 regardless of whether or not they received payments from the union.

- **Some payments to officers not properly reported:** All direct disbursements to your union's officers and some indirect disbursements made by your organization on behalf of its officers must be included in the amounts reported in item 24. A "direct disbursement" to an officer is a payment made by your organization 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 made by your organization to another party (including credit card companies) 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 Expenses).

Specifically, the audit revealed that Nelson Crawford's car allowance was being reported as a portion of his gross salary, when it should be reported under allowances. Any union expense made for officers or employees or reimbursed expenses need to be reported in item 24 under officer allowances. This includes any meals that are expensed on union trips. The only officer related expenses that can be reported else where are lodging and transportation by public carrier that can be listed under item 48.

2. **Per Capita Tax:** The per capita tax information was improperly reported on the 2003 LM-3 report. The union receives per capita receipts from the NALC National Union; therefore, the per capita tax information should be reported in the receipts column on the LM report. The national dues are never deposited into the branch's bank account and are not considered disbursements. It is imperative that the per capita information is properly reported on the LM reports.

It will be necessary for Branch 325 to file an amended LM-3 report for 2003 to correct the deficient items discussed above. For the amended report, please follow the instructions and new amounts listed on a copy of the 2003 report included in this package. We discussed many of the changes in our meeting. The amended report should be submitted to this office at the above address as soon as possible, but no later than 2/14/05. Before mailing, review the reports thoroughly to be sure they are complete, accurate, and signed properly with original signatures. Please review the Form LM-3 instructions before completing the LM-3 report for the 2004 finances. Use the ending balance from the amended 2003 report as the beginning balance on the 2004 report. Please feel free to call me at any point during your work on the amended report or the 2004 report. I understand that these matters can be very difficult.

#### Other Issues

1. The CAP disclosed a violation of LMRDA Section 201(a) which requires that unions submit a copy of their current constitution and bylaws with its LM report when bylaw changes are made. Copies of the NALC Branch 325's Constitution and Bylaws have now been filed. I understand

that you have agreed to file all future revised versions on a timely basis. Based on that understanding, no further action on this matter is currently contemplated.

2. During the audit, you advised that only one person signs the branch's checks. Currently Ms. Dawson is the only person signing the checks. Having dual signature checks is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. I strongly urge you to revise your check disbursement method.

I strongly recommend that you make sure that this letter and the compliance assistance materials that were provided to you are passed on to yours and Mr. Crawford's successors at whatever time you may leave office. Please review the materials I returned to the union to make sure they are complete, sign the document receipt, and send that back to my office.

The number for the National Labor Relations Board that was requested by Mr. Kaczynski concerning problems with your employer is (202) 273-1000. I hope they can assist you with your questions.

I want to extend my personal appreciation for your and your entire union's cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please do not hesitate to call me at (202) 513-7319.

Sincerely,

7(c)  
7(c)

Investigator

cc: Nelson Crawford, President

7(c)