

**U.S. Department of Labor**

Employment Standards Administration  
Office of Labor-Management Standards  
Los Angeles District Office  
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September 19, 2005

Rick Cornelius, President  
Postal Workers Local 197  
3737 Camino Del Rio South, Suite 200  
San Diego, California 92108

Re: 2

Dear Mr. Cornelius:

This office has recently completed an audit of Postal Workers Local 197 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, Ms. Reece, and Mr. Scurto on August 26, 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.

The CAP disclosed a violation of Title II of the LMRDA. Title II 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 or services.

The following record keeping deficiencies were revealed during the audit of Local 197's 2004 records:

1. Union officers and employees failed to retain adequate documentation for reimbursed expenses and for expenses charged to union credit cards. Receipts were missing for gas expenses, a hotel expense, and some office supply purchases. Meal receipts were missing the names of those present at the meal/meeting and, in some cases, the vendor information. 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. In the case of large gatherings, the receipt may include the number of those present. If a receipt is not sufficiently descriptive, a note can be written on it providing the additional necessary 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. Local 197 failed to list a purpose for several checks. Again, there must be at least one record that lists the purpose of each check. This record may include the check stub or ledger and should be written on each check.
3. Local 197 failed to retain an inventory of tee-shirts, jackets, and aprons which were purchased by the union and sold or given away. Records must be retained which account for all union property. In the case of union shirts, jackets and other items sold to members, the date and amount received from every sale must be recorded in at least one record. Records must also be maintained for items given away, which should include what item was given, to whom it was given, and on what date it was given. There should also be records demonstrating approval to give items away.
4. Local 197 failed to maintain a record of its petty cash. Records for petty cash need to include the approved amount to be maintained in the fund, records for all expenses paid from the account, and records showing the replenishment of the account. Records for expenses should include the date, business purpose, and amount of each expense.
5. Local 197 failed to maintain records of some receipts received in the union office. Receipts should be written for all money received in the office, including money paid for supplies and direct-pay dues. In addition, all such receipts should be recorded in the ledger.

As agreed, provided that Local 197 maintains adequate documentation for its receipts and disbursements in the future, no additional enforcement action will be taken regarding this violation.

The CAP disclosed a violation of LMRDA section 201(b), because the Labor Organization Annual Report (Form LM-2) filed by Local 197 for fiscal year ending December 31, 2004 failed to meet the standards of acceptability.

The following deficient items were identified:

1. The LM-2 is to be prepared using the cash method of accounting. Under the cash method of accounting, receipts are recorded when money is actually received by your organization and disbursements are recorded when money is actually paid out by your organization. Since the LM-2 for 2004 was prepared using the accrual method, the numbers for beginning cash, ending cash, receipts, and disbursements are incorrect.
2. The union erroneously reported its partial ownership of the building as an investment instead of a fixed asset.
3. The union erroneously reported money withheld from paychecks for deposit to **4** under schedule 13, other disbursements. This money should, instead, be reported under items 53 (from members for disbursement on their behalf) and 72 ([disbursements] on behalf of individual members).

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4. The names of some officers who held office during the year were not reported in schedule 9 with the total amount of payments to them. The names of all persons who held office during the year must be reported in schedule 9 regardless of whether or not they received any payments from the union. The officers of a union include constitutional officers, any person authorized to perform the functions of president, vice president, secretary, treasurer, or other executive functions of a labor organization, and any member of its executive board or similar governing body.

It will be necessary for Local 197 to file amended LM-2 reports for 2004 to correct the deficient items discussed above. The necessary reporting forms and instructions are enclosed for your use. You may also use the new electronic forms software available from OLMS to complete the amended reports. The amended report should be submitted to this office at the above address as soon as possible, but no later than 09/23/2005. Before mailing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

During the audit, you advised that it was Local 197's practice to sign union checks and to stamp the signature of President Wood on union checks. Your union's bylaws state that checks are to be signed by the president and treasurer. The second signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, the use by the primary signer of a signature stamp for the second signature does not attest to the authenticity of the completed check, and completely circumvents and undermines the purpose of the countersignature requirement. As we discussed, you revised this practice in May 2005 and no longer utilize a signature stamp. It is recommended that you continue to require two actual signatures for all checks.

I want to extend my personal appreciation for your and your entire staff's cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please do not hesitate to call.

Sincerely,



Jeffrey Gitomer,  
District Director

cc: Mildred Reece, Secretary-Treasurer, Postal Workers LU 197