



June 9, 2016

Ms. Leslie A. Campbell, President  
Postal Workers, American, AFL-CIO  
Local 282/ Saginaw 486/487 Area  
[REDACTED]  
Saginaw, MI 48603

Case Number: 320-6006993 [REDACTED]  
LM Number: 092891

Dear Ms. Campbell:

This office has recently completed an audit of Postal Workers Local 282 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 Judy Sommer on May 24, 2016, 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 Local 282's 2015 records revealed the following recordkeeping violations:

1. Disbursements to Vendors and Debit Card Expenses

Local 282 did not retain adequate documentation for disbursements for the local's office rent, two State of Michigan tax withholding payments, and a debit card expense totaling at least \$9,309.21. The local did not retain any receipts or invoices for office rental payments made to the property owner during the audit year totaling \$6,684; two payments totaling \$2,149.27 to the State of Michigan in December 2015; and a debit card payment for \$475.94 to Intuit Payroll. In support of these expenses, Local 282 only retained internal

vouchers, cancelled checks, and bank statements, which are not sufficient. It was also discovered during the audit that Local 282 does not have a current lease agreement for the local's office. During the exit interview, you and Ms. Sommer indicated that you would contact the union's landlord to obtain an updated copy of the lease for the union's office.

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. Failure to Record Retiree Dues

The audit revealed that Local 282 did not adequately record in its receipts records dues paid by retired members during the audit period totaling at least \$1,940.60. Local 282 failed to record any details concerning these receipts in the union's ledgers, such as which retiree paid dues, how much was paid by each individual, the method of payment, etc. Union receipts 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. During the exit interview, you and Ms. Sommer stated that the local is able to receive retiree dues payments reports and these reports will be retained by the local.

The audit also revealed that all of the retiree dues payments recorded in the union's receipt records for the retiree checking account were the net difference between the retiree dues payments deposited to the account less the \$3 check image fee charged by the bank for each payment. This process is known as "netting," which is the offsetting of receipts against disbursements and reporting the balance (net) as either a receipt or disbursement. During the exit interview, you and Ms. Sommer stated that you were unaware that former Treasurer [REDACTED] was netting the retiree dues payments, and that currently Ms. Sommer does not do this. The total amount of retiree dues received during the fiscal year must be reported as a receipt in Item 43 (Other Receipts) and the check image fees must be reported as disbursements in Item 54 (Other Disbursements). In addition, records must be retained to enable OLMS to verify the accuracy of the figures reported in these items.

## 3. Failure to Maintain Meeting Minutes

Local 282 did not maintain meeting minutes for the executive board and general membership meetings held in January, February, and October 2015. During the opening interview, you and Ms. Sommer advised OLMS that it is the policy of Local 282 to have disbursements approved by the executive board and recorded in the meeting minutes. During the exit interview, you and Ms. Sommer were unsure why these meeting minutes were not retained as it is the local's policy to maintain all meeting minutes. Minutes of all membership or executive board meetings during which disbursement authorizations are made or union governing decisions are made must be retained, as such records clarify, verify, and support information required to be reported on the LM-3 report.

Based on your assurance that Local 282 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(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. Local 282 amended its constitution and bylaws in 2014, but did not file a copy with its LM report for that year. Local 282 has now filed a copy of its constitution and bylaws with OLMS.

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 LM-3 filed by Local 282 for the fiscal year ended December 31, 2015, was deficient in the following areas:

#### 1. Officers and Disbursements to Officers

Lodge 282 did not include reimbursements to officers totaling at least \$374 in the amounts reported Item 24 (All Officers and Disbursements to Officers). The expense vouchers maintained by Lodge 282 identifies reimbursed travel expense payments to officers totaling almost \$374, but there were no reimbursed expense payments reported in Column E (Allowances and Other Disbursements) of Item 24 for any of the union's officers. It appears the union erroneously reported these payments in another disbursement section of the LM-3 report.

In addition, Local 282 did not report Vice President Joanna Atkinson as a local officer in Item 24. The union must report all persons who held office during the year in Item 24 regardless of whether they received any payments from the union. However, in Ms. Atkinson's case, the audit revealed that she received approximately \$105 in salary payments and \$164.50 in reimbursed travel expenses. These payments must be reported in Column B (Gross Salary, before taxes and other deductions) and Column E of Item 24, respectively.

The union must report most direct disbursements to Local 282 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 for room rent only) 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).

#### 2. Other Receipts

The audit revealed that Local 282 failed to report an approximate \$244 electronic refund from QuickBooks in Item 43 (Other Receipts). If a receipt does not conform to one of the

defined items in Statement B (Receipts and Disbursements) it must be included in Item 43. This includes refunds, sale of supplies, loans obtained, repayments of loans made, rents, and funds collected for transmittal to third parties.

### 3. Total Disbursements

The audit revealed that Local 282 disbursed funds totaling \$37,152 during the fiscal year; however, Local 282 reported total disbursements of \$28,816 in the Cash Disbursement section of Statement B. During the exit interview, Ms. Sommer stated that the LM-3 report was prepared using the figures provided by [REDACTED] and as such, you and Ms. Sommer were unable to explain this discrepancy. It appears that part of this discrepancy can be attributed to the union's erroneous reporting of the total disbursements for Items 48 (Office and Administrative Expense) and 54 (Other Disbursements).

The LM-3 instructions require that the LM-3 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. Checks issued at the end of the fiscal year that do not clear the union's checking account until after the start of the next fiscal year must still be reported in the fiscal year that the checks were actually issued.

Local 282 must file an amended Form LM-3 for the fiscal year ended December 31, 2015, to correct the deficient items discussed above. I encourage Local 282 to complete, sign, and file its report electronically using the Electronic Forms System (EFS) available at the OLMS website at [www.olms.dol.gov](http://www.olms.dol.gov). Reporting forms and instructions can be downloaded from the website, if you prefer not to file electronically. The amended Form LM-3 should be filed electronically no later than June 29, 2016, or submitted to this office at the above address by the same date. Before filing, review the report thoroughly to be sure it is complete and accurate. Paper reports must be signed with original signatures.

## Other Issues

### 1. Two Signatures on Checks

The audit disclosed that 19 union checks were only signed by [REDACTED] during the audit year. You and Ms. Sommer advised at the opening interview that the union's policy requires two signatures for checks issued from the union's checking account. A two-signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. OLMS recommends that the Local 282 review its disbursements procedures to improve internal control of union funds. Also, each signer should fully understand that his/her fiduciary responsibilities demand that he/she know the purpose and legitimacy of each transaction before signing a check or withdrawal slip.

2. Retiree Compensation while on Union Business

The audit revealed that Local 282 does not have any written policies or procedures for compensating retirees while on union business. You advised at the exit interview that it is the practice of Local 282 to compensate retirees a fixed rate while on approved union business; however, you did not have the details on the rate of compensation paid to retirees or how these payments are authorized.

OLMS recommends that unions adopt written guidelines concerning the authorization and approval of compensation for retirees while on union business and the specific rates of compensation. I recommend that these policies and procedures be reduced to writing and added to your union's constitution and bylaws, or discussed at an executive board or membership meeting where they can be supported by entries in the meeting minutes. Once established, it is important that your union consistently follow its procedures for compensating retirees for working on union business.

3. Lost Wages Policy

During the opening interview, you advised that the local's policy concerning lost wages is that officers and members are only entitled to claim compensation for time they actually lost from the employer while on official union business. You also advised that lost wages are paid at the normal hourly rate of the requesting individual, and that premium and overtime rates are not authorized for lost wage claims. However, the audit revealed that former President [REDACTED] was compensated for lost wages in January 2015 and received a Sunday premium pay rate for the wages lost. During exit interview, you and Ms. Sommer stated that [REDACTED] reimbursement for Sunday premium pay was not in accordance with the local's policy and should not have been authorized. Additionally, the audit revealed that Local 282's constitution and bylaws are silent on the local's policy for lost wage compensation.

Whatever your union's policy, it should be reduced to writing and added to your union's constitution and bylaws or approved at an executive board or membership meeting where they can be supported by entries in meeting minutes. Once established, it is important that your union consistently follow its policy for handling lost wages pay and pay rates.

I want to extend my personal appreciation to Postal Workers Local 282 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]  
Investigator

cc: Ms. Judy A. Sommer, Treasurer