



February 24, 2015

Mrs. Cindy Colevris, Secretary
American Postal Workers Union Local 5007
PO Box 751
Kankakee, IL 60901-0751

Case Number: 310-6002826 [REDACTED]
LM Number: 071521

Dear Mrs. Colevris:

This office has recently completed an audit of American Postal Workers Union (APWU) Local 5007 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 Secretary-Treasurer Cindy Colevris on February 13, 2015, 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 APWU Local 5007 fiscal year ending December 31, 2013 records revealed the following recordkeeping violations:

1. Failure to Retain Disbursement Records

Local 5007 failed to retain receipts and other supporting documentation to verify disbursements of union funds. Specifically, the union did not retain adequate documentation to verify at a minimum the following disbursements: \$1,797.03 for purchases using a Staples credit card, \$1,749.00 paid to the U.S. Postmaster, a \$500.00 scholarship check paid to [REDACTED], and \$74.00 paid to the APWU for what appears to be the premium for accidental insurance.

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 Maintain Receipt Records

Local 5007 did not maintain records to verify \$97.22 deposited into the union's savings account on February 25, 2013. During the organizational interview, you explained that you do not make deposits because the APWU electronically deposited receipts into the union's checking account. You further explained that all receipts and disbursements occurred within the union checking account, adding the union's savings account and three certificates of deposit were solely to earn interest and hold savings. Although you acknowledged making the \$97.22 deposit into the savings account, you could not recall how the union received this money.

Union receipt records must include an adequate identification of all funds the union receives. The records should show the date, the amount received, and the source of the money.

3. Failure to Maintain Bank Statements and Interest Statements

Local 5007 did not maintain all bank statements mailed to the union during the audit period. These records were obtained after OLMS contacted the union to schedule the audit. The union must maintain all financial records, including bank statements and interest statements for the required time period.

4. Failure to Maintain Union Financial Records

Local 5007 check register maintained in QuickBooks could not be reconciled with the bank statements. Specifically, the December 31, 2013 check register balance was \$2,845.55, which was approximately \$3,566.59 below the amount the union had in its checking account at the end of year. The January 6, 2014 bank statement ending balance was \$7,348.14 less \$936.00 in outstanding checks totaling approximately \$6,412.14. You explained during the organizational interview, which occurred at the beginning of the

audit, that you transferred \$1,500.00 from the union's savings account into the checking account in 2014 due to a low bank balance. However, the union's bank balance did not reflect the low balance as you described. Furthermore, you could not provide an explanation when this discrepancy was pointed out to you during the exit interview regarding why you transferred funds.

5. Failure to Maintain Asset Inventory

Local 5007 did not maintain a detail of assets in its possession to verify \$5,775.00 the union reported in Item 29 "Fixed Assets" on the union's LM-3 report.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 5007 LM-3 report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both.

Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person who caused the violations, not just the individuals who are responsible for filing the union's LM report.

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 Local 5007 for the fiscal year ended December 31, 2013 was deficient in the following areas:

1. Cash Reconciliation

Local 5007 reported in Item 25b (Cash) \$14,181.00 for the end of the reporting period. Per the union's bank statements for its checking account, savings account, and three certificates of deposit, less the two checks outstanding, the union had a cash balance of approximately \$21,916.30.

LM-3 Instructions note you are to enter in Item 25 "Cash" the total of all your organization's cash on hand and on deposit at the start and end of the reporting period in Columns (A) and (B), respectively. Include all cash on hand, such as undeposited cash, checks, and money orders; petty cash; and cash in safe deposit boxes. Cash on deposit includes funds in banks, credit unions, and other financial institutions, such as checking accounts, savings accounts, certificates of deposit, and money market accounts. Also include any interest credited to your organization's account during the reporting period. The LM-3 Instructions further note that the checking account balances reported should be

obtained from your organization's books as reconciled with the balances shown on bank statements.

2. Interest

The union is required to report all receipts. Local 5007 did not report interest earned on its certificates of deposit and savings account that totaled approximately \$39.76.

LM-3 Instructions note that you are to enter in Item 41 "Interest and Dividends" the total amount of interest and dividends received by your organization from savings accounts, bonds, mortgages, loans, investments, and all other sources.

3. Other Receipts

Local 5007 did not report \$97.22 in receipts that you deposited into the union's savings account on the union's LM-3 report.

LM-3 Instructions note that you are to enter in Item 43 "Other Receipts" all receipts of your organization other than those reported in Items 38 through 42, including proceeds from the sale of supplies, loans obtained, repayments of loans made, rents, and funds collected for transmittal to third parties.

4. Committee on Political Action Funds – COPA

The union raised approximately \$443.00 in funds for COPA at the membership meetings during fiscal year 2013. The union failed to report the collection and disbursement of these funds on the union's LM-3 report.

LM-3 Instructions note you are to enter in Item 43 "Other Receipts" all receipts of your organization other than those reported in Items 38 through 42. The Instructions also notes that you are to report in Item 54 "Other Disbursements" all disbursements made by your organization not reported in Items 45 through 53, including transmittals of funds collected for third parties.

Local 5007 must file an amended Form LM-3 for the fiscal year ended December 31, 2013, to correct the deficient items discussed above. I provided you with a blank form and instructions, and advised you that the reporting forms and instructions are available on the OLMS website (www.olms.dol.gov). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than March 13, 2015. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Additional Information

You mentioned during the exit interview that beginning in approximately October 2014, the union decided to retain some funds that were previously raised for COPA and forwarded to the National Union. You also stated that as of the exit interview date, the cash collected and retained by the local has not been deposited. As previously noted above, the union must maintain adequate records regarding all cash collected from members during the monthly membership meetings. Specifically, a record must be kept to identify the date, how much cash the union collected, how much was forwarded to a COPA fund, how much was deposited into a union's account, and how much was not deposited.

Your union is encouraged to adopt segregation of duties regarding handling of receipts. Having at least two officers involved in the collection and management of cash receipts establishes an internal control to help ensure proper handling of all receipts and minimize the possibility of theft. If your union decides to maintain a petty cash fund, keep a log of all payments from petty cash to include the date, amount, payee, and reason. Also maintain invoices or receipts, including cash register receipts and maintain date and method of how the fund is replenished.

I want to extend my personal appreciation to the American Postal Workers Union Local 5007 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,

, Investigator

cc: Mr. Michael O'Hearn, President