



September 27, 2010

Mr. Ronald Borsella, President
American Postal Workers Union
Local 512
PO Box 701
Cockeysville, MD 21030

Case Number: [REDACTED]
LM Number: 509827

Dear Mr. Borsella:

This office has recently completed an audit of American Postal Workers Union Local 512 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 Mona Squires on August 31, 2010, 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 512's 2008 records revealed the following recordkeeping violations:

1. Meal Expenses

Local 512 did not require officers and employees to submit itemized receipts for meal expenses. The union must maintain itemized receipts provided by restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

Local 512 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, on March 11, 2008, a charge was made on a union credit card to Adams Ribs located in Edgewater, Maryland for \$148.40. There was nothing in the union's records to document the specific union purpose of the meal and the 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.

2. General Credit Card Expenses

Local 512 did not retain adequate documentation for credit card expenses incurred by local union officers. For example, on April 11, 2008, there was a charge on a union credit card at the United States Postal Service. The receipt for this transaction was not maintained by the union. There were also several purchases for which the union purpose was not clear. As previously noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. In addition, the union records must document the union business purpose 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.

3. Lost Wages

Local 512 did not retain adequate documentation for lost wage reimbursement payments to several union officers. The union must maintain records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. The OLMS audit found that a majority of the lost time payments to Local 512 officers lacked the date, hours, and specific union purpose of the lost time incurred. For example, on February 11, 2008, Vice President Rodger Rhodes was paid \$1,225.67 via check # [REDACTED]. The description on the expense voucher and the check indicated that this payment was for lost salary. However, there was nothing in the union records to substantiate the hours lost by Rhodes or the union purpose.

During the exit interview, I provided examples of how Local 512 may use its current expense voucher to satisfy this requirement.

4. Disposition of Property

Local 512 did not maintain an inventory of t-shirts it purchased, sold, or gave away. The union must report the value of any union property on hand at the beginning and end of each year in Item 30 (Other Assets) of the LM-3. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 30.

The union must record in at least one record the date and amount received from each sale of t-shirts.

5. Failure to Record Receipts

Local 512 did not record in its receipts records some receipts which originated from social activities during the year. For example, the union held a crab fest during the fiscal year in which monies were collected from individual members by way of ticket sales. The union failed to adequately record the date and amount received, and the source of the monies. 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.

6. Failure to Maintain Records

Local 512 failed to maintain records for some union disbursements. In addition, the business purpose for some disbursements was not clear. For example, the union wrote a check to West Virginia University for \$3,400. However, there was no receipt or invoice in the union's records and nothing to specify the business purpose for this disbursement. All union records must be maintained. In addition, the union records should indicate the business purpose of all disbursements.

Based on your assurance that Local 512 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 Local 512 for fiscal year ending December 31, 2010, was deficient in the following areas:

1. Acquire/Dispose of Property

Item 13 [LM-3] (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 t-shirts 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. Failure to Properly Report Loan to Union Officer

Local 512 failed to accurately report the beginning balance of a loan made to Local 512 Vice President Rhodes in fiscal year 2007 in Column A of Item 26 "Loans Receivable" on the union's 2008 LM-3 report. The beginning balance of all outstanding loans must be reported in Column A of Item 26.

3. Cash Reconciliation

It appears that the cash figures reported in Item 25 are not the cash figures according to the union's books after reconciliation to the bank statements. The instructions for Item 25 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements.

4. Failure to Report Interest

Local 512 did not report the interest it received on its investment accounts in any of the cash receipts categories in Statement B (Receipts and Disbursements). Interest received from an investment should be reported in Item 41 (Interest and Dividends).

Local 512 must file an amended Form LM-3 for fiscal year ending December 31, 2008, 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 October 15, 2010. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Violation

The audit disclosed the following other violation:

Improper Loan

The audit revealed that Local 512 loaned Local 512 Vice President Rhodes \$2,451.34 during fiscal year 2007. While this was outside of the audit period, a loan to an officer in excess of \$2,000 is a violation of LMRDA Section 503(a). A portion of the loan has been repaid and the outstanding loan amount is now less than \$2,000.

Other Issues

1. Personal Charges on Credit Cards

The audit revealed that three Local 512 officers made personal charges on the union credit card. In the opening interview, the union officers advised that the union's policy is that personal purchases cannot be made on the union credit card. Although the officers promptly repaid Local 512 for the personal expenses charged, OLMS strongly recommends that Local 512 follow its policy of no personal purchases on the union credit cards because this may lead to misuse of union funds.

2. Improper Payments to an Officer Per Local Constitution

The audit revealed that the Local 512 President was being improperly paid per the Local 512 Constitution for time spent conducting union business. Article 10 (Salaries and Compensation), Section 1 of the Local 512 Constitution states: "President: one (1) hour per week lost time per 35 members or fraction of 35 members per month." Lost time is time that a union officer or member spends conducting union business that is not paid by his or her employer. The audit revealed that the president was paid for the number of hours that he worked each month. However, the president was retired from the U.S. Postal Service and did not lose any time when conducting this business. Since the president did not lose any time from his work for an employer, according to the Local 512 Constitution, the president should not have been paid for the time that he spent conducting union business. We strongly recommend that the union look into additional internal controls to make sure that all union payments are proper and in accordance with the Local 512 Constitution.

3. Excess Payments to an Officer Per Local Constitution

The audit revealed that the Local 512 President was paid in excess of the number of hours authorized in the Local 512 Constitution for conducting union business. Article 10 (Salaries and Compensation), Section 1 of the Local 512 Constitution states: "President: one (1) hour per week lost time per 35 members or fraction of 35 members per month." This provision allowed the President to be paid for approximately 69 hours per month for lost time spent conducting union business (see above for issue related to the president not

losing time from an employer). The audit revealed that the president was paid for conducting union business for more than the 69 hours per month limit that the Local 512 Constitution imposes. The president was paid for 478 hours beyond the limit imposed in the Constitution during the audit period. The president must repay this amount to the union. We strongly recommend that the union look into additional internal controls to make sure that all union payments are proper and in accordance with the Local 512 Constitution.

4. Signing Blank Checks

During the audit, you advised that Local 512 President Ronald Borsella signs blank checks. Your union's bylaws require that all checks be signed by the president and treasurer. The 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. However, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 512 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to American Postal Workers Union Local 512 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: Ms. Mona Squires, Treasurer