



March 1, 2013

Mr. Brad Jacaway, Treasurer  
National Association of Letter Carriers, AFL-CIO, Branch 1151  
[REDACTED]

Case Number: 310-23401 [REDACTED]  
LM Number: 084-286

Dear Mr. Jacaway:

This office has recently completed an audit of National Association of Letter Carriers, AFL-CIO, Branch 1151 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 President Debra Blake-Moench on February 28, 2013, 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 Branch 1151's 2010 records revealed the following recordkeeping violations:

1. Lack of Expense Supporting Documentation

Branch 1151 failed to retain one union credit card statement that detailed purchases totaling \$2,127.24 during the period October 2, 2010 to November 1, 2010. In addition, Branch

1151 failed to maintain adequate supporting documentation for at least 34 credit card transactions incurred by union officers totaling at least \$8,077.06. For example, no supporting documentation other than the original credit card statement was retained for approximately \$1,657.83 in charges at a hotel for the 2010 National Association of Letter Carriers Convention. In addition, no supporting documentation was retained for at least \$1,451.00 in charges at various airlines for union related travel.

Branch 1151 also failed to retain adequate supporting documentation for at least 7 disbursements made by check totaling at least \$793.72. For example, no supporting documentation other than a Branch 1151 expense warrant was retained for a \$200.00 disbursement to an affiliated organization for convention registration fees.

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. Lack of Income Supporting Documentation

Branch 1151 failed to retain one dues check-off report for the first pay period during 2010. If retained, this check-off report would have identified the dues remittance from each member that comprised the resulting \$1,885.97 direct deposit in the union's checking account.

In addition, Branch 1151 failed to adequately report the purpose of a \$118.92 reimbursement from two union officers that appeared to pertain to union travel.

As noted above, the labor organization must retain at least one record that shows the date, amount, purpose, and source of all money received.

## 3. Information not Recorded in Meeting Minutes

During the audit, Mr. Jacaway advised OLMS that the membership authorizes the budget for the following calendar year at the October membership meeting. Article 3, Section 3 of the Branch 1151 Bylaws requires that the following year budget be approved by the membership in October of each year. However, Branch 1151 failed to retain the October 2010 membership meeting minutes.

## 4. Failure to Record Receipts

Branch 1151 did not record in its receipts records some interest earned on a certificate of deposit totaling approximately \$207.31. Union receipts records must include adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Branch 1151's LM 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.

Based on your assurance that Branch 1151 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 Branch 1151 for the fiscal year ended December 31, 2010, was deficient in the following areas:

1. Undeposited Checks Reported as an Other Asset

The audit revealed that Branch 1151 received a \$10,000.00 grievance settlement check in late 2008 or early 2009 from the United States Postal Service. The audit also revealed that such check was cancelled by its issuer in 2011 because it was never negotiated. Branch 1151 reported the value of the grievance settlement check on their 2010 LM-3 report in Item 30 (Other Assets). Although the LM-3 instructions require undeposited checks to be reported in Item 25 (Cash), the value of the now cancelled undeposited check should be reported in Item 30 with an explanation in Item 56 (Additional Information) that the undeposited and subsequently cancelled check will be reported in Item 30 until the check is re-issued by the United States Postal Service and received by Branch 1151. Once the re-issued grievance settlement check is received, it should be reported in Item 43 (Other Receipts).

2. Failure to Report Cash On Hand and On Deposit

Branch 1151 failed to report approximately \$725.15 in interest earned during prior fiscal years and \$7.63 in petty cash in Item 25(a) (Start of Reporting Period Cash). The LM-3 instructions for Item 25 (Start and End of Reporting Period Cash) state that the total of all your organization's cash on hand and on deposit at the start and end of the reporting period must be entered in items 25(a) and 25(b), respectively.

3. Netting Receipts Against Disbursements

The audit revealed that Branch 1151 failed to record approximately \$737.00 in Item 43 (Other Receipts) and Item 55 (Total Disbursements). This reporting error was caused when three reimbursements to the union related to union travel totaling \$587.42 and one deposit refund for the Branch 1151 annual steak fry in the amount of \$150.00 were netted against the corresponding disbursements that were made by the union. The LM-3 instructions prohibit offsetting (i.e. netting) receipts against disbursements since Statement B reports all cash flowing in and out of a labor organization

4. Failure to Report Interest Income

Branch 1151 failed to report approximately \$207.31 in interest earned on a certificate of deposit during the audit year. The LM-3 instructions state that the total amount of interest and dividends received by your organization from savings accounts, bonds, mortgages, loans, investments, and all other sources must be reported in Item 41 (Interest and Dividends).

5. Failure to File Bylaws

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 and bylaws. Branch 1151 received final approval on its bylaws in 2010, but did not file a copy with its LM report for that year.

Branch 1151 has now filed a copy of its bylaws.

Branch 1151 must file an amended Form LM-3 for the fiscal year ended December 31, 2010, to correct the deficient items discussed above. I encourage Branch 1151 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 March 29, 2013 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 Issue

During the audit, Treasurer Jacaway advised that Branch 1151 does not maintain its financial software backup file in a location separate from the computer on which the financial software is maintained. It is recommended that Branch 1151 protect itself against data loss by storing a backup file in a secure location separate from the computer. The storage location of the backup file should be approved by the general membership or the executive board.

Mr. Brad Jacaway

March 1, 2013

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I want to extend my personal appreciation to Letter Carriers Branch 1151 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,

A solid black rectangular box redacting the signature of the investigator.

Investigator

cc: Mrs. Debra Blake-Moench, President