

**U.S. Department of Labor**

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December 7, 2009

Ms. Rose Knipp, Secretary-Treasurer  
American Postal Workers Union AFL-CIO  
Indiana State Association  
P.O. Box 6351  
Fort Wayne, IN 46896

LM File Number 507-499

Case Number: [REDACTED]

Dear Ms. Knipp:

This office has recently completed an audit of American Postal Workers Union - Indiana State Association 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 on August 12, 2009, 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 the Indiana State Association's records for fiscal year ending March 31, 2008 revealed the following recordkeeping violations:

1. Lack of Supporting Documents

Adequate supporting documentation was not retained for a \$1,217.62 print shop expense and a \$44.47 postage expense that were incurred by the Indiana State Association during the audit year. Specifically, the Indiana State Association only retained copies of receipts, not the original receipts, for such expenses.

As previously 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. Receipt Dates not Recorded

Entries in the Indiana State Association's electronic receipts journal reflect the date the union deposited money, but not the date the money was received. Union receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-3. The LM-3 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

Based on your assurance that the Indiana State Association will maintain adequate supporting 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 the Indiana State Association for fiscal year ending March 31, 2008, was deficient in the following areas:

1. Number of Members

Item 19 (How many members did your organization have at the end of the reporting period?) was reported as 301; however, a review of union records revealed that the local only had approximately 3,112 dues paying members at the end of the year. Of the 3,112 dues paying members, approximately 295 were classified as members-at-large while the remaining members had per capita taxes paid on their behalf by the APWU locals that are affiliated with the Indiana State Association. The LM-3 instructions states that Item 19 needs to include all categories of members who pay dues at the end of the reporting period. In addition, the number of dues paying members that can be categorized in either membership type should be reported in Item 56 (Additional Information).

2. Dues Rate

The Indiana State Association reported a regular dues rate of \$8.82 bi-weekly in Item 23 (What are your organization's rates of dues?) with a minimum of \$6.59 and a maximum of \$8.82. A review of dues check off statements revealed that the regular dues rate for members-at-large was \$8.68 bi-weekly for a majority of the fiscal year under audit with a minimum of \$6.11 and a maximum of \$9.54. In addition, the Indiana State Association did not report the monthly dues rate (\$0.52) for per capita tax paying members on the LM-3 report. Due to space constraints on the LM-3, the dues rate for per capita tax paying members should be reported in Item 56 (Additional Information).

I am not requiring that the Indiana State Association file an amended LM-3 report for fiscal year ending March 31, 2008 to correct the deficient items, but the Indiana State Association has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Expense Policy

As I discussed during the exit interview with you, the audit revealed that the Indiana State Association does not have a clear policy regarding the types of expenses that can be charged to union credit cards. OLMS recommends that unions adopt written guidelines concerning such matters.

2. Electronic Backups

The audit disclosed that electronic backups of computer records are created bi-monthly, but they are stored in the same location as the laptop. OLMS recommends that computer backups are stored in a secure location separate from the laptop that contains the electronic records.

I want to extend my personal appreciation to American Postal Workers Union - Indiana State Association 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: Douglas Brown, President