

U.S. Department of Labor

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July 19, 2010

Mr. Wayne Wharton, President
National Association of Letter Carriers AFL-CIO
Branch 124
4200 Elysian Fields Avenue
New Orleans, Louisiana 70122

LM File Number 083-353
Case Number: |||||

Dear Mr. Wharton:

This office has recently completed an audit of Letter Carriers Branch 124 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, Vice President Lloyd Doucet, and Financial Secretary Treasurer Cynthia Barnes on January 11, 2008, 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 124's records for fiscal year ending December 31, 2006 revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Branch 124 did not retain adequate documentation for reimbursed expenses incurred by union officers and members totaling at least \$2700. For example, the local's files did not contain documentation supporting at least two of the checks issued to ||| ||| ||| ||| (number ||| | for \$238 and number ||| | for \$245.70), at least two of the checks issued to ||| ||| ||| ||| (number ||| | for \$224.19 and ||| | for \$264.17), and checks issued to two officers for training (number ||| | to Stanley Taylor in the amount of \$862 and number ||| | issued to Clifford Jefferson in the amount of \$946). Branch 124 issued more than 450 checks to approximately 60-70 members and officers. OLMS reviewed only a sample of these checks to determine whether supporting documentation had been maintained. Therefore, it is not known exactly how many checks were not supported by the required documentation.

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. General Disbursements

Branch 124 did not retain adequate documentation for disbursements to various vendors totaling at least \$4200. For example, the local's files did not contain documentation supporting checks numbered ||| | and ||| | to TLC Linen (\$326.76 and \$324.09, respectively), number ||| | to Manny's (\$241.54), number ||| | to Kinko's (\$280.58), and checks ||| | and ||| | (\$1600 each) to Varilyn Roussel. As indicated in the preceding paragraph, OLMS did not attempt to determine whether each check issued by the Branch was supported by the proper documentation.

3. Lost Wages or Compensation for Performing Union Business

Branch 124 did not maintain adequate documentation for compensation payments to ||| ||| on five occasions totaling \$3552. The union must maintain records in support of claims for lost wages or compensated time that identify each date wages were lost or work was performed, the number of hours involved on each date, the applicable rate of pay, and a description of the union business conducted. The OLMS audit found that Branch 124 retained no records regarding these payments other than the five canceled checks and related check stubs, thereby failing to identify all of the dates on which union business was performed, the number of hours involved, the applicable rate of pay, and a description of the union business conducted. Although the branch referred to the payments as "lost time," ||| ||| lost no wages as he was retired.

During the exit interview, you and Mr. Doucet provided an example of the paperwork the Branch plans to maintain in the future when compensated time or lost wages are paid. This paperwork reflected the appropriate information and, if maintained, will ensure that the Branch is in compliance with the requirements of the LMRDA with respect to the payment of compensated time or lost wages.

4. Failure to Record Source of Receipts

Branch 124 did not record in its receipt records the nature or source of some of the income it received in cash and checks. For example, the ledger for the Payroll account reflects a deposit in August 2006, but there is no indication of the source of the funds. Similarly, the General account ledger reflects the receipt of rental income on two occasions (\$600 and \$300) in July 2006, with no details regarding the source of the funds. September reflects income of \$674.78 (source unknown) and October reflects \$2640 of income from an unknown source. The ledger for the Building account reflects entries labeled "Rental income" with no additional details in August (\$1818), September (\$1000), October (\$200 and \$1700), November (\$650, \$4200, \$1000, and \$1300), and December (\$1200 and \$800). 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.

5. Receipt Dates Not Recorded

Some entries in Branch 124's receipts journals do not reflect the date the union received the funds. (For example, see entries in August and September 2006 in the ledger for the Payroll account; August 2006 in the ledger for the Building account; and entries in April, May, June, July, August, September and November 2006 in the ledger for the General account.) Union receipt 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.

6. Failure to Retain Other Required Records

Branch 124 did not retain the following records required to be maintained:

Dues Income Reports (Checkoff Reports) – Branch 124 was not able to locate any of the bi-weekly reports for its active members for periods prior to pay period 2 of 2007. Additionally, the Branch was unable to locate its quarterly report for retirees for the period July-September 2006, but was subsequently able to obtain a copy. You were advised that the law requires you to keep all records such as these for at least five years as they serve to verify, explain, or clarify information required to be reported on the LM Report, and you have agreed to retain these records in the future.

Rental Contracts – During the audit, you advised that you generally kept the rental agreements for one or two years and then discarded them. These rental contracts are material to determining the source and amount of rental income and may serve to verify, explain, or clarify entries on the annual LM Report. I advised you that these records must be maintained for at least five years after the date the LM Report is filed, and you have agreed to retain them in the future.

Vacation Log – You maintain a log that is intended to reflect all sick and annual leave that you earn and use. This log serves to support the payments made to individuals who sit in for the president when you are absent, and will serve to support any payments of unused annual leave made to you once you retire. Your vacation log was incorrect for the year of 2006 in that it reflected only one absence –

40 hours of annual leave used during the week of May 13-May 19, 2006. However, Branch 124 paid Mr. Don Aymami to sit in during five of your absences in 2006: 40 hours of wages at \$23 per hour were paid on May 22, 2006 for unspecified dates; 32 hours were paid on August 28, 2006 for unspecified dates; 24 hours were paid on September 7, 2006 for unspecified dates; 40 hours of wages at \$24 per hour were paid on October 12, 2006 for October 2-6, 2006; and 16 hours were paid on October 27, 2006 for October 23-24, 2006. You have advised that the payments to Mr. Aymami were made in connection with your absences, and that the vacation log is incorrect. You have agreed to correct the vacation log by posting your absences in 2006 and reducing your accumulated annual leave.

Quarterly Account Statements – Branch 124 did not have statements for its account at ||||| for the period October-December 2005, January-March 2006, and January-March 2007. The Branch did not have its statement for its account at ||||| for the period October-December 2005. You have agreed to retain these records in the future.

Bond – Branch 124 was unable to locate its bond for the period June 2006-June 2007, but was subsequently able to obtain a copy. You have agreed to retain a copy of each period's bond in the future.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Branch 124'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.

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 124 for fiscal year ending December 31, 2006, was deficient in the following areas:

1. Disbursements to Officers

Branch 124 did not report the names of some officers (including Michael Alexander, Roosevelt Hale, Clifford Jefferson, Charles McCann, and Louis Ware) and the payments to them or on their behalf in Item 24 (All Officers and Disbursements to Officers), totaling approximately \$4200. The union must report in Item 24 all persons who held office during the year, regardless of whether they received any payments from the union. Additionally, the Branch did not include some reimbursements to officers totaling approximately \$11,000 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). It appears that the union reported only officers' salary and allowances in Item 24, sometimes failed to include all allowance payments issued to an officer, and incorrectly reported lost time payments, reimbursements, and per diem in Item 48 (Office & Administrative Expense) and Item 54 (Other Disbursements).

2. Disbursements to Employees

Branch 124 issued payments of at least \$6000 to approximately 18 members who were not officers but served as delegates to the National Convention. These payments should have been reported in Item 46 (Payments to Employees) in accordance with LM-3 reporting instructions, which state that payments to individuals other than officers are to be treated as payments to employees.

Branch 124 must file an amended Form LM-3 for fiscal year ending December 31, 2006, to correct the deficient items discussed above. I provided you with 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 February 1, 2008. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Issues

1. Duplicate Receipts

Individuals who rent the union hall for functions pay rent directly to the union. You advised that you only provided receipts to individuals who paid cash (as opposed to paying by check) when they rented the union hall, and advised that

you did not begin retaining duplicate copies of these receipts for the union's records until 2007. OLMS recommends that Branch 124 use a duplicate receipt system where the union issues original pre-numbered receipts to all individuals who make payments directly to the union and retains copies of those receipts. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable. If more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned.

I would encourage you to discontinue the practice of accepting cash rental payments, and require renters to pay via check or money order. In the event the Branch continues to accept cash, I would encourage you to deposit all cash received.

2. Log of Rental Agreements

Although not required by the LMRDA, I strongly encourage you to create a system for tracking the Branch's rental agreements, including the date, amount, and source of all funds received in connection with the rental of the union hall as we discussed at length during the closing interview. The branch deposited approximately \$17,000 in connection with rental of its property in 2006. This amount of income warrants the institution of controls to ensure that all funds are properly recorded in the union's books and deposited to the union's accounts.

3. Single Signature on Union Checks

During the audit, you advised that only a single signature is required to access funds from both of your savings accounts and all three of your checking accounts. While the law does not forbid this practice, and your union's constitution and bylaws are not clear as to how many signatures are required, OLMS recommends that unions require that all checks drawn on the union's bank account have a second signature. The two signature requirement, whose purpose is to attest to the authenticity of a completed document already signed, is an effective internal control of union funds.

I want to extend my appreciation to Letter Carriers Branch 124 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

Mr. Wayne Wharton
July 19, 2010
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to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,

|||||||

Senior Investigator

cc: Lloyd Doucet, Vice President
Cynthia Barnes, Financial Secretary Treasurer