

**U.S. Department of Labor**

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June 20, 2008

Mr. Ronald Hinton, President  
National Association of Letter Carriers  
Branch 496  
2416 Chamberlayne Avenue  
Richmond, Virginia 23222-4206

LM File Number 083-869

Case Number: [REDACTED]

Dear Mr. Hinton:

This office has recently completed an audit of Letter Carriers Branch 496 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 Treasurer Mac Robinson and you on June 18, 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.

Record Keeping; 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 496's 2006 records revealed the following recordkeeping violations:

1) General Reimbursed and Credit Card Expenses

Branch 496 did not retain adequate documentation for reimbursed expenses incurred by almost all union officers and for credit card expenses. Receipts must be maintained for all expenses. Credit card billing statements do not qualify as adequate documentation. Receipts, vouchers, and invoices that identify the union purpose for the purchase must also be maintained.

As previously noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records.

2) Meal Expenses

Branch 496 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. 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.

3) Failure to Retain Records

Branch 496 failed to maintain records for some union receipts and expenses. The union failed to maintain a few dues check off reports, a few credit card statements, and an invoice for the purchase of calendars. All union records must be maintained.

Labor organizations must retain all original documentation for all receipts and 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.

4) Failure to Record Receipts

Branch 496 did not record in its receipts records the money received at membership meetings from the 50/50 raffles, or the names and amount of money collected from members for the purchase of calendars. 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. The union's records should also indicate the name of the member that won the raffle.

5) Vacation Policy

As a full time officer, the union president receives both annual leave and sick leave. During the course of the audit, OLMS discovered that Branch 496 has no records regarding the date and number of hours of leave used, or the leave balances. As I discussed during the exit interview, the union must maintain records in support of annual leave and sick leave earned and/or used that identify each date annual or sick leave was used, the number of hours used/earned and the remaining balances.

Based on your assurance that Branch 496 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 496 for fiscal year ending 12/31/2006, was deficient in the following areas:

1) Disbursements to Officers

Branch 496 did not include some reimbursements to officers in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears that the expenses for the officers were erroneously reported under the column "Gross Salary" on the LM-3 report for the audit year instead of in the column "Allowances and Other Disbursements."

The union must report most direct disbursements to Branch 496 officers and some indirect disbursements made on behalf of its officers in Item 24. A "direct disbursement" to an officer is a payment made to an officer in the form of cash, property, goods, services, or other things of value. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An "indirect disbursement" to an officer is a payment to another party (including a credit card company) for cash, property, goods, services, or other things of value received by or on behalf of an officer. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel) or for transportation by a public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48 (Office and Administrative Expense).

2) 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 or bylaws. Branch 496 amended its constitution and bylaws in 2006, but did not file a copy with its LM report for that year.

As agreed, Branch 496 will file a copy of its amended constitution and bylaws with OLMS as soon as possible, but not later than June 30, 2008.

I am not requiring that Branch 496 file an amended LM report for 2006 to correct the deficient items, but Branch 496 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Violations

The audit disclosed the following other violation:

1) Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds those individuals or their predecessors handled during the preceding fiscal year.

Branch 496's Secretary-Treasurer and Financial Secretary are currently bonded for \$50,000. However, President Hinton is not on the Branch's bond. All officers who handle union funds must be bonded. Branch 496 should obtain adequate bonding coverage for all its officers immediately. Please provide proof of bonding coverage to this office as soon as possible, but not later than June 30, 2008.

Other Issues

1) Signatures on Checks

During the audit, the union advised that its policy is for two signatures to be on all union checks. The audit revealed that one check written by the union only contained one signature. The countersignature requirement is an effective internal control of union funds. I strongly recommend that Branch 496 make sure that all future checks contain two signatures.

I want to extend my personal appreciation to Letter Carriers Branch 496 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: Mac Robinson, Treasurer