

U.S. Department of Labor

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August 6, 2010

Mr. Thomas Strebel, Secretary-Treasurer
Letter Carriers, NATL ASN
Branch 1495
PO Box 724
State College, PA 16804-0724

LM File Number 083-700
Case Number: [REDACTED]

Dear Mr. Strebel:

This office has recently completed an audit of Letter Carriers Branch 1495 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, Linda Ford, Kip Naugle, and Barry Intorre on March 5, 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 1495's 2006 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Branch 1495 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by union officers and employees totaling at least \$209.74. For example, in February 2006 the officers attended a union related trip and did not maintain a receipt for a gasoline charge totaling \$38.00 at Sunoco SVC Station.

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. Meal Expenses

Branch 1495 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 January 11, 2006 the union held a budget meeting and charged \$64.02 to the union's credit card at Papa John's Pizza. The union provided a receipt for this expense, but did not provide the names and titles of the persons incurring the expense. 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. Disposition of Property

Branch 1495 did not maintain an inventory of calendars, candy, watches, and other property 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 union candy, calendars and other items.

4. Failure to Record Receipts

Branch 1495 did not record in its receipts records some checks received from unknown individuals totaling at least \$829.55 for social events and sales. For example, on March 29, 2006 the union deposited \$180 for "miscellaneous income" into the general fund checking account. Another example, is when on April 10, 2006 the union deposited \$286.60 for candy sale proceeds. The union did not keep a record of exactly who purchased candy from the union during this sale. 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

Entries in Branch 1495's receipts journal reflect the date the union deposited money, but not the date 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.

6. Bank Deposit Slips

On several occasions during the audit year, the union failed to maintain deposit slips for deposited items. The bank deposit slip is an important union record that must be maintained to verify union deposits.

Based on your assurance that Branch 1495 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 1495 for fiscal year ending December 31, 2006, was deficient in the following areas:

1. Acquire/Dispose of Property

Item 13 (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 calendars and watches totaling an unknown amount 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 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 1495 amended its constitution and bylaws in 2006, but did not file a copy with its LM report for that year.

Branch 1495 has now filed a copy of its constitution and bylaws.

I am not requiring that Branch 1495 file an amended LM-3 report for 2006 to correct the deficient items, but as agreed, Branch 1495 will properly report the deficient items on all future reports filed with this agency.

Other Issue

Expense Policy

As I discussed during the exit interview with Secretary-Treasurer Thomas Strebel, President Kip Naugle, Trustee Barry Intorre, and Trustee Linda Ford, the audit revealed that Branch 1495 does not have a clear policy regarding the types of expenses personnel may claim for reimbursement and the types of expenses that may be charged to union credit cards. OLMS recommends that unions adopt written guidelines concerning such matters.

I want to extend my personal appreciation to Letter Carriers Branch 1495 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: Trustee Barry Intorre
President Kip Naugle
Trustee Linda Ford