

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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August 28, 2006

Mr. Richard Oshima, Treasurer
National Association of Letter Carriers
Branch 6241
5416 Olopuia St.
Kapaa, Hawaii 96746-2137

Re: Case Number

Dear Mr. Oshima:

This office has recently completed an audit of the National Association of Letter Carriers (NALC) Branch 6241 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 July 12, 2006, 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.

The CAP disclosed the following:

Record Keeping Violations

Title II of the LMRDA establishes certain reporting and record keeping requirements. Section 206 requires, among other things, that adequate records be maintained 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, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and the identity of the recipients 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 note can be written on it providing the additional information. An exception may be made only in those cases where

1) other equally descriptive documentation has been maintained, and 2) there is evidence of actual oversight and control over disbursements.

In the case of receipts, the date, amount, purpose, and source of all money received by the union must be recorded in at least one union record. Bank records must also be retained for all accounts.

The audit of the NALC Branch 6241 records for Fiscal Year April 1, 2005, through March 31, 2006, records revealed the following recordkeeping violations:

1. Officer and Employee Expenses

Union officers and employees failed to maintain adequate documentation for reimbursed expenses that were paid by the union. The date, amount, and business purpose of every expense must be recorded on at least one union record. In addition, the names of individuals present for meal expenses and the locations (names of restaurants) where meal expenses were incurred must be recorded.

Specifically, some of the documentation did not contain specific itemized receipts as to who was present at the meal, how much each person spent, and the purpose of the meal. Officers' receipts should be kept separated to keep an accounting for reporting their disbursements. Receipts were also missing to back up specific purchases.

2. Other

Adequate documentation was not retained for purchases of office supplies and administrative expenses. Specifically, receipts for a newspaper subscription and calendars that were purchased for the union. In addition, adequate documentation was not retained for contributions, gifts, and grants. Specifically, gift certificates for members, donations to relief funds, back supports for members and donations to members whose family members had passed away.

Membership meetings are rarely held, and minutes are not maintained. According to the National Association of Letter Carriers Constitution, the regular meetings of the Branch shall be held not less than once a month, at such time and place as may be designated in the Branch bylaws. Each Branch, with prior approval of its membership, shall have the option of only meeting ten times per year.

In addition, Branch 6241 did not retain checks that were voided and not issued.

Conclusion/Resolution of Record Keeping Problems

As agreed, provided that Branch 6241 maintains adequate documentation as discussed above in the future, no additional enforcement action will be taken regarding these violations.

Reporting Violations

The CAP 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 NALC Branch 6241 for fiscal year ending March 1, 2006, was deficient in the following areas:

1. LM-3 Item 24 (All Officers and Disbursements to Officers)

The names of some officers and the total amounts of payments to them or on their behalf were not reported in Item 24 (All Officers and Disbursements to Officers). All persons who held office during the year must be reported in Item 24 regardless of whether or not they received any payments from the union.

Specifically, all officers and key employees were not reported on the LM-3 Report. Treasurer Richard Oshima and President Wanda Waiaman should be reported on the LM-3 Report, even though they received no salary, allowances, and expenses.

2. LM-3 Item 48 (Office and Administrative Expenses)

Branch 6241 failed to include your organization's total disbursements for office and administrative expenses. Specifically, Branch 6241 paid \$83.20 for a newspaper subscription and \$40.00 for calendars during the 2006 Fiscal Year. Therefore, a total of \$123.20 should have been reported under Item 48 (Office and Administrative Expenses).

Ordinary office and administrative expenses, for example, rent, utilities, office supplies, postage, subscriptions, fidelity bond premiums, etc., should be reported under Item 48. Also report in Item 48 all taxes paid by your organization, such as FICA taxes as an employer.

3. LM-3 Item 51 (Contributions, Gifts, and Grants)

Branch 6241 failed to enter the total of all disbursements for contributions, gifts, and grants made by your organization. Specifically, Branch 6241 donated monies for union family members who had passed away, relief funds, charities, and Thanksgiving gift certificates to members totaling \$780 during the April 1, 2005, through March 31, 2006 Fiscal Year. Therefore, \$780 should have been reported under Item 51 (Contributions, Gifts, and Grants).

4. LM-3 Item 38 (Dues) and 44 (Total Receipts)

During the CAP, it was discovered that Branch 6241 did not report the amount of cash received until the date the check was deposited in the bank, and not the date the check was received. The Form LM-3 must be prepared using the cash method of accounting, receipts are recorded when money is actually received by your organization and disbursements are recorded when money is actually paid out by your organization. Therefore, \$2,583.19 should have been reported under Item 38 Dues and Item 44 as total receipts instead of \$2,381.00.

5. LM-3 Item 23 (Regular Dues and Fees)

During the CAP, you indicated that you were unsure of how much each member was paying for regular dues. You reported the partial dues amount sent back to the Branch by your National as the full amount of dues paid by members. You listed this amount under Item 23(a). Therefore, the full dues amount should be reported under Item 23(a).

Conclusion/Resolution of Reporting Problems

Branch 6241 must file an amended Form LM-3 for fiscal year ending March 31, 2006, to correct the deficient items discussed above. I provided you with a blank form and instructions, and discussed with you the availability of the reporting forms and instructions 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 September 15, 2006. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Violations

The CAP disclosed the following other violations:

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 handled by those individuals or their predecessors during the preceding fiscal year. Branch 6241's officers and employees are currently not bonded. They must be bonded for at least \$661.19.

Branch 6241 should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as adequate coverage has been obtained, but not later than September 15, 2006.

Other Issues

The audit disclosed the following other issues:

1. Countersignature (Signing Blank Checks)

During the audit, you advised that you (Treasurer Oshima) sign blank checks in advance when going on vacation. You also advised that you and [REDACTED] are the only people authorized to sign the checks. Your union's bylaws require that all checks be signed by the president and treasurer. The countersignature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, countersigning a blank check in advance does not attest to the authenticity or a completed check, and completely circumvents and undermines the whole purpose of the countersignature requirement. I recommend that Branch 6241 review these procedures to improve internal control of union funds. I also recommend that the President's signature be added on the checking account, and [REDACTED] signature be removed.

2. Election

During the audit, you advised that the union does not hold officer elections because of lack of participation. The LMRDA requires every local labor organization elect its officers not less than once every three years by secret ballot among the members in

good standing. The National Association of Letter Carriers Constitution requires that all officers shall be elected for a term of one, two, or three years, at the option of the Branch, or until their successors are duly elected and installed. I recommend that Branch 6241 review these procedures to comply with the LMRDA.

3. Policy for Expenses

As discussed during the exit interview, the audit revealed that Branch 6241 does not have a clear policy regarding the types of expenses personnel may claim for reimbursement. Authorization of expenses is an important matter that should be recorded in union records. If written guidelines are adopted in the near future, please forward a copy to me.

4. Bank Reconciliation

As discussed during the exit interview, the audit revealed that Branch 6241 does not reconcile their checking account, but just accepts the bank balance. As agreed, Branch 6241 will reconcile their checking account in the future.

I want to extend my personal appreciation to you and President Waiaman for your 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,

Michael Duvall
District Director

By: _____

Investigator

cc: President Wanda Waiaman