

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
San Francisco District Office
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July 7, 2006

Mr. Patrick Bjerke, Treasurer
Letter Carriers, AFL-CIO
Branch 627
1351 Second Street, Room B-6
Napa, CA 94558

Re: Case Number XXXXXXXXXX

Dear Mr. Bjerke:

This office has recently completed an audit of Letter Carriers BR 627 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 David James, Douglas Lockhart, Bob Lutomski and you on June 29, 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.

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 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.

The following record keeping violations were revealed during the audit of your union's 2005 records:

- **Officer and Employee Expenses** – Officers and employees of your union failed to retain adequate documentation for reimbursed expenses, expenses charged to credit cards and for other disbursements which were direct-paid by your union. Specifically, charges were made to your Visa credit card that did not have any supporting documentation. The date, amount and business purpose of every expense must be recorded on at least one union record. Additionally, the names of individuals present for meal expenses paid for by the union and the locations (names of restaurants) where meal expenses were incurred must also be recorded.
- **Lost Wages** – Officers failed to record the date and purpose of lost wage claims on records submitted for such expenses. Records that identify the date, number of hours lost, rate of pay and business purpose for all lost wages must be retained. Your union had warrants prepared by officers to receive pay, but additional forms of supporting documentation, such as a leave request form from the post office or a pay stub showing the officer did not receive pay for hours claimed as lost time, was not provided.

I strongly urge Branch 627 to adopt clear guidelines regarding what types of expenses union officers may charge with union credit cards and what types of out-of-pocket expenses for union officers may be reimbursed. Our office is readily available to provide guidance to you regarding the requirements of the law as they would pertain to any policies your union might adopt. If written guidelines are adopted in the near future, I would appreciate it if you would provide a copy to this office.

Reporting Violations

- **LM-3 Item 24 (All Officers and Disbursements to Officers)** – All direct disbursements to your union's officers and some indirect disbursements made by your union on behalf of its officers must be included in the amounts reported in Item 24. A direct disbursement to an officer is a payment made by your union to an officer in the form of cash, property, goods, services or other things of value. An indirect disbursement to an officer is a payment made by your union to another party (including credit card companies) for cash, property, goods, services or other things of value received by or on behalf of an officer. Indirect

disbursements for temporary lodging, such as a union check issued to a hotel, or for transportation by public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48 (Office and Administrative).

Personal, non-business related expenses paid by your union, which were not necessary for performing union business, were not reported in Item 24. Also, corresponding repayments must be shown in Item 43 (Other Receipts). These types of disbursements are not recommended because they are vulnerable to abuse.

- **Single Signature** - During the audit, you informed us that you occasionally have an officer sign blank checks in advance. The countersignature is an effective control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. Countersigning blank checks in advance does not attest to the authenticity of a completed check and completely undermines the whole purpose of the countersignature requirement.

I am not requiring that Branch 627 file an amended LM report for 2005 to correct the deficient items, but as agreed, Branch 627 will properly report the deficient items on all future reports filed with this agency.

I want to extend my personal appreciation to Letter Carriers BR 627 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: David James, President
Bob Lutomski, Sergeant-at-Arms
Douglas Lockhart, Trustee