

**U.S. Department of Labor**

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October 11, 2007

Mr. Daniel Laffan, President  
National Association of Letter Carriers  
Branch 193  
1060 Minnesota Ave.  
San Jose, CA 95150

LM File Number: 080-419  
Case Number:

Dear Mr. Laffan:

This office has recently completed an audit of NALC Branch 193 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, [REDACTED] on September 25, 2007, 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:

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 193's fiscal year 2006 records revealed the following recordkeeping violations:

1. Some checks that were voided and not issued were not retained.
2. Union records revealed \$845.00 in receipts that were unaccounted for in bank deposits. There were no apparent records documenting the disposition of these receipts.
3. There are several tenants operating out of the branch-owned building at 1060 Minnesota Ave. The union failed to maintain current lease agreements or other records necessary to validate the appropriate amount of each tenant's monthly rent.
4. Branch 193 did not retain adequate documentation for lost wage reimbursement payments to union officers. The union must maintain records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted.
5. No specific record keeping system is in place to monitor vacation time for union officers.
6. While it appears the union president is receiving the appropriate salary, during the audit, I advised you that union records did not provide enough information to validate that salary. Records outside the union were not easily accessible and made it challenging complete an accurate assessment. I recommend that Branch

193 document the authorized salary amount in its bylaws or record it in meeting minutes or some other internal document (following discussion in the appropriate membership and/or executive board meeting).

As agreed, provided that Branch 193 maintains adequate documentation as discussed above in the future, no additional enforcement action will be taken regarding these 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-2 filed by Branch 103 for fiscal years ending December 31, 2005 and December 31, 2006, were delinquent. However, LM-2s for both fiscal years were submitted during the CAP. A review of these forms revealed deficiencies in the following areas:

1. Item 8 of the LM-2 identifies a post office box as Branch 193's mailing address. In this circumstance, "no" in item 9 must be checked and the physical address of the location of the union records should be identified in item 69.
2. The schedules attached to the LM-2 for the December 31, 2005, and December 31, 2006 reports contained significant errors. For example:

Schedule 11: Officers were not listed with designated title; salaries, disbursements and allowances were not appropriately categorized on line "I".

- Schedule 12: Union officers should not be listed on this schedule; employees were incorrectly identified as union officers.

Schedules 14 - 19: These schedules should provide detailed information on the financial operations of Branch 193 in categories that reflect the services provided to union members.

The details of the errors were discussed with you during the exit interview. Please refer to the instruction guide for specific information on completing the LM-2.

Branch 193 must file an amended Form LM-2 for fiscal years ending December 31, 2005 and December 31, 2006 to correct the deficient items discussed above. I explained to

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you the filing procedures and the availability of the filing software on the OLMS website ([www.olms.dol.gov](http://www.olms.dol.gov)). The amended Form LM-2s must be electronically filed as soon as possible, but not later than **November 15, 2007**. Before filing, review the report thoroughly to be sure it is complete and accurate, and properly signed with electronic signatures.


Other Issues

The audit disclosed the following other issue:

Duplicate check numbers were also noted in the audit year. As we discussed, this practice is considered a poor internal control.

I want to extend my personal appreciation to NALC Branch 193 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: George Katai, Treasurer