

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Seattle District Office
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Seattle, WA 98101
(206) 398-8099 / FAX: (206) 398-8090



June 6, 2005

Longshore and Warehouse Union AFL-CIO
Attn: Jay Kalla
608 Marine Drive
Port Angeles, WA 98363

Re: 2

Dear Mr.Kalla:

This office has recently completed an audit of Local 27 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 yourself and George Schoenfeldt on June 2, 2005, 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 a violation of LMRDA section 201(a) which requires that unions submit a copy of their current constitution and bylaws with its LM report when bylaw changes are made. Local 27 amended its constitution and bylaws on 1/11/01 and 7/12/01, but a copy of the amendments made to the constitution and bylaws was not filed with Local 27's LM-3 report for those years. Two copies of Local 27's constitution and bylaws have now been filed.

In addition, the CAP disclosed a violation of LMRDA section 201(b), because the Labor Organization Annual Report (Form LM-3) filed by Local 27 for fiscal year ending December 31, 2003 was deficient in the following areas:

- Your union's reported cash figures for the reporting period do not balance (reconcile). Specifically, cash at the start of the reporting period (Item 25(A)) plus total receipts (Item 44) minus total disbursements (Item 55) does not equal cash at the end of the reporting period (Item 25(B)). One or more of the reported figures in these items is inaccurate and should be corrected or the cash shortage must be explained in Item 56 (additional information).

All direct disbursements to your union's officers and some indirect disbursements made by your organization 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 organization 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 organization 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. 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 Expenses).

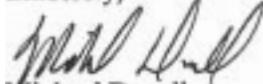
It will be necessary for Local 27 to file amended LM-3 reports for 2003 and 2004 to correct the deficient items discussed above. The necessary reporting forms and instructions are enclosed for your use. One copy of each amended report should be submitted to this office at the above address as soon as possible, but no later than 06/28/05. Before mailing, review the reports thoroughly to be sure they are complete, accurate, and signed properly with original signatures.

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. The audit of Local 27's 2003 records revealed that bank statements were missing for the certificate of deposit issued through US Bank. Provided that Local 27 maintains adequate documentation for its accounts in the future, no enforcement action will be taken regarding this violation.

During the audit, you advised that President Jacobsen occasionally signs blank checks in advance. 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 of a completed check, and completely circumvents and undermines the whole purpose of the countersignature requirement. You may want to revise your check disbursement method.

I want to extend my personal appreciation for your cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please do not hesitate to call.

Sincerely,



Michael Duvall
District Director