

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Washington, D.C. 20210



July 21, 2008

Mr. John H. Hegarty
National President
National Postal Mail Handlers Union, LIUNA, AFL-CIO
1101 Connecticut Avenue, N.W.
Washington, D.C. 20036

Dear President Hegarty:

The Office of Labor-Management Standards (OLMS) within the Department of Labor (Department) has recently completed a follow-up compliance audit of the National Postal Mail Handlers Union, LIUNA, AFL-CIO (NPMHU). The follow-up audit was conducted by the Division of International Union Audits (DIUA) under the International Compliance Audit Program (I-CAP), pursuant to the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). The purpose of this follow-up audit was to assess the progress of NPMHU in rectifying deficiencies identified during the original audit.

This letter documents the areas reviewed and discussed with the NPMHU officials during the exit meeting on July 10, 2008. The meeting was conducted with General Counsel Bruce Lerner, National Secretary-Treasurer Mark Gardner, and Comptroller Susanne Green. The purpose of the meeting was to review the amended Form LM-2 reports submitted by the NPMHU for fiscal years 2005 and 2006, the current Form LM-2 for fiscal year 2007 and your letter of October 25, 2007, which describes actions the NPMHU has taken in response to the findings of the audit. The findings were identified during the initial audit and in the audit closing letter dated September 25, 2007. The findings are summarized below along with an assessment of the NPMHU progress in correcting them.

Neither the initial audit, nor the subsequent follow-up review purport to be an exhaustive list of all possible problem areas since the compliance audit is limited in scope.

Reporting Deficiencies - LMRDA Section 201

Section 201(b) of the LMRDA requires that labor organizations file with OLMS an annual financial report that accurately discloses the union's financial condition and operations.

The closing letter identified reporting deficiencies in the following areas: filing information for the political action committee fund, disposal of fixed assets, reinvestments, investments, assets, accounts payable, disbursements in itemization pages for Schedule 15 through 19, time percentage for functional categories, and officers' expenses on the Form LM-2. In response to these audit findings, the NPMHU filed an amended Form LM-2 for the fiscal years 2005 and 2006. During the follow-up audit, the I-CAP Team compared the original FY 2005 Form LM-2 to the amended FY 2005 Form LM-2 and reviewed the amended FY 2006 Form LM-2 and the current FY 2007 Form LM-2. The I-CAP Team determined that the NPMHU had corrected each of the 12 reporting deficiencies on its amended forms and its current form.

Inadequate Recordkeeping - LMRDA Section 206

Pursuant to Section 206 of the LMRDA, every person required to file any report under Title II of the LMRDA shall maintain records on the matters reported that provide, in sufficient detail, the information and data from which the documents may be verified, explained, or clarified and checked for accuracy and completeness. All required records must be maintained for at least five years following the date the financial report is filed. Records over five years in age must be maintained if necessary to verify reports filed within the last five years.

The closing letter noted three recordkeeping deficiencies for which the NPMHU had not maintained sufficient records. The NPMHU did not maintain a signed copy of the loan agreement documenting the loan made to a local union. The NPMHU also did not always maintain mileage logs documenting the business use of vehicles for officers, nor maintain adequate documentation for expenses incurred by its officers and employees. At the conclusion of the initial I-CAP, NPMHU officials were informed that sufficient documentation must be maintained for a minimum of five years.

In response to these findings, the NPMHU has taken steps to ensure that sufficient records will be maintained to comply with the LMRDA. During the follow-up audit, the I-CAP Team determined that the NPMHU maintained signed copies of loan agreements; mileage logs that included the date, number of miles driven and business purpose; and, adequate documentation for all expenses incurred by the officers.

Office Holding Prohibitions - LMRDA Section 504

Section 504(a) of the LMRDA prohibits persons convicted of certain offenses from holding labor organization office or employment for a period of thirteen years from the date of conviction or release from prison, whichever is later.

Section 504 also stipulates that "No person shall knowingly hire, retain, employ or otherwise place any other person to serve in any capacity in violation of this subsection."

As stated in the closing letter, the NPMHU did not conduct criminal background checks of officers and employees except for employees hired by the NPMHU accounting department. During the exit interview, the I-CAP Team emphasized the importance of verifying background information to ensure individuals do not hold office or employment in violation of LMRDA Section 504.

NPMHU officials stated during this follow-up audit that criminal background checks will be conducted of employees hired by the National Office into financial or accounting positions and of full-time officers.

Internal Controls

Adequate internal financial controls are essential to prevent the misuse of funds and to support the financial responsibility and other obligations under Title II and Title V of the LMRDA. Title V stipulates, among other things, the fiduciary responsibility of officers of labor organizations. As a general matter, weaknesses in financial controls can lead to violations of Section 501 of the LMRDA.

The closing letter identified four internal control weaknesses in the following areas: segregation of duties over cash receipts processing, lack of supervision by a principal officer over cash receipts processing, checks containing two stamp signatures, and all accounting department staff members having access to blank checks.

NPMHU has taken several steps in response to these findings. The NPMHU has implemented new procedures to process cash receipts; the union is currently converting to an electronic deposit system for all of its cash receipts, and it is segregating the duties associated with the processing of cash receipts. The NPMHU has also implemented new procedures in which a principal officer reviews and initials the bank reconciliation

prepared by the comptroller, and review of canceled check revealed that at least one principal officer reviewed and signed union checks.

NPMHU has decided, however, not to accept the I-CAP Team's recommendation of limiting the access of checks to two persons on the accounting staff. The NPMHU stated that all five employees in its accounting department require access to the locked file cabinet that contains blank checks. The NPMHU stated that immediate access to these checks is necessary for the proper operations of the union, and leave and other absences of the accounting staff make it desirable to retain a total of five staff members with such access.

For this follow-up audit, the I-CAP Team reviewed the FY 2005 amended Form LM-2, the FY 2006 amended Form LM-2 and the FY 2007 Form LM-2, and determined that all reports are consistent in handling the issues addressed in this letter.

As a result of this follow-up audit, the DIUA considers this audit to be concluded. If we can be of further assistance in the future, please do not hesitate to contact us. Thank you again for the cooperation and courtesy extended by you and your staff during this compliance audit.

Sincerely,



James D. Devine
Division Chief
Division of International Union Audits