



May 9, 2005

Mr. Chris Rubicon
President
American Postal Workers Union
Local 5528 – Maui Area Local
P.O. Box 1569
Kihei, HI 96753-1569

RE: 2

Dear Mr. Rubicon:

This Office has recently completed an audit of American Postal Workers Union Local 5528 under the Compliance Audit Program (CAP) to determine compliance with provisions of the Labor-Management Reporting and Disclosure Act of 1959, as amended (LMRDA). As discussed during the exit interview with former Secretary-Treasurer Mary Jane Balubar on March 16 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.

Reporting Violations

The CAP disclosed a violation of LMRDA section 201(b), because the Labor Organization Annual Report (Form LM-3) filed by Local 5528 for fiscal year ending December 31, 2003 was deficient in the following areas:

- 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).
- Insurance premiums paid for workers compensation coverage of Local 5528 members were improperly reported on Line 48 as Office and Administrative Expenses. These and other benefit payments should be reported on Line 50 (Benefits).

- Total disbursements during the audit year did not include checks that had been written but were outstanding at the end of the year totaling \$554.39. The LM-3 instructions state that the Form LM-3 must be prepared using the cash method of accounting. Under this method, receipts are recorded when money is actually received by your organization and disbursements are recorded when money is actually paid out by your organization.

I am not requiring that Local 5528 file an amended LM-3 report for 2003 to correct the deficient items, but as agreed, your union will properly report the deficient items on all future reports filed with this agency.

Inadequate Bonding

The audit also revealed a violation of LMRDA Section 502 (Bonding), which requires that the union's officers and employees be bonded for no less than 10% of the total funds handled by those individuals or their predecessors during the preceding fiscal year. Local 5528's officers are currently bonded for \$2,500, but they must be bonded for at least \$4,800. The union 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.

I strongly recommend that you make sure that this letter and the compliance assistance materials that were provided to you are passed on to your successors at whatever time you may leave office.

I want to thank Ms. Mary Jane Balubar for her cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please do not hesitate to contact me or any other representative of our office.

Sincerely,



Investigator

cc: Secretary-Treasurer Ofalota Satofoaiga