

U.S. Department of Labor

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



November 23, 2004

President Charles Mercer
Union Label and Service Trades
Department, AFL-CIO
815 16th Street NW., Room 607
Washington, DC 20006

Dear President Mercer:

The Office of Labor-Management Standards (OLMS) within the Department of Labor has recently completed a compliance audit at your headquarters under the International Compliance Audit Program (I-CAP). The purpose of this audit was to determine compliance with provisions of the Labor-Management Reporting and Disclosure Act of 1959, as amended (LMRDA) by the Union Label and Service Trades Department (ULSTD). This letter outlines several issues and problem areas as discussed during the exit interview on November 22, 2004, with Ms. King and you but does not purport to be an exhaustive list of all possible problem areas since the compliance audit was limited in scope.

Reporting Deficiencies - LMRDA Section 201

Our audit revealed there were deficiencies with the Form LM-2 filed with OLMS for the fiscal year which ended July 31, 2003. In conducting the compliance audit, the I-CAP team determined that OLMS did not have the union's most recent amendment to its constitution as required by LMRDA Section 201(a). We obtained the amendment and informed the ULSTD in the future to timely submit constitution amendments.

In addition, the ULSTD constitution permits adding vice presidents but has not been updated to reflect the current number of vice presidents which is 20. The constitution currently has 18 vice presidents listed. The approval for the two additional officers was noted in the minutes dated February 2003. The Form LM-2 in Schedule 9 for the audit period included 18 vice presidents. It was recommended the union update the constitution to reflect the correct number of vice presidents in addition to ensuring the Form LM-2 correctly lists all officers in Schedule 9.

There was an election date noted on the Form LM-2 for the audit period of October 2003, but this election was not held. The union was informed scheduled elections should be conducted as set forth in their constitution and the Form LM-2 should include the correct information regarding the next election date. We were informed that the next election will be held in July 2005.

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The Form LM-2 form reflects 38 members in Item 18 which is the number of ULSTD affiliates. The I-CAP team recommends adding narrative in Item 75 that states the union defines member based on the number of affiliates. The ULSTD utilizes two methods to determine affiliate dues payments. One method is based on the total number of members in an affiliate. The other method is based on a flat rate agreed upon between the ULSTD and the affiliate.

In Schedule 4 on the Form LM-2, there are Deferred Revenues listed. The term Chapter Funds Held more accurately describes the type of liability as these funds were deposits by unions to initially form the ULSTD.

The pension plan information included on Schedule 11 did not identify who was paid. A more detailed description will be included in Column B of Schedule 11.

On the Form LM-2, in Schedule 2, Line 5 should reflect the lower of cost or market for Other Investments. The LM-2 included the market value instead of the cost.

Schedule 9 listed amounts as allowances in Column E that should have been reported in Column F as disbursements for official business for two officers and three employees.

In addition, the officer business expenses, listed incorrectly as allowances, were overstated for the Secretary -Treasurer and understated for the President when compared to supporting documentation provided by the union.

Also, the employee business expenses, listed incorrectly as allowances, were understated for the three employees based on comparison with the supporting documentation provided by the union.

Office and Administrative Expenses listed on Schedule 13 of the Form LM-2 has expenses for an annual trade show that should be listed and clearly identified in Schedule 15, Other Disbursements.

The union has agreed to file an amended Form LM-2 report within 30 calendar days after the date of this letter. The amendment will correct the deficiencies in Schedule 2, Schedule 9, and Schedule 13. All other deficiencies were corrected on the most recent Form LM-2 submitted to OLMS for the fiscal year which ended July 31, 2004.

Lastly, the union has been late in submitting the Form LM-2 the past 3 years. The union was informed the due date is 90 calendar days after the close of their fiscal year.

Internal Controls

The President and one staff member have responsibility for the finances of the union. There were instances where the President signed checks that were a reimbursement for his expenses. There is no cash received, and checks are held in a safe until deposit. One employee is responsible for depositing checks and preparing bank reconciliations. That employee also has a stamp that can be used in place of an original signature by the President. Checks are deposited on average every 2 weeks. One of the deposits sampled from the bank statement by the I-CAP

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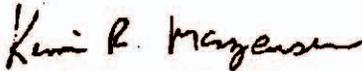
team could not be substantiated by the union. The deposit was substantiated by the bank where the deposit was made.

The I-CAP team recommends the union segregate the financial responsibilities to ensure union funds are properly safeguarded. This would entail a separation of duties between those staff that receive funds and those who expend funds in addition to having two original officer signatures on each check. In addition, more frequent deposits would allow funds to be safeguarded and deposits to be more easily reconciled.

I will contact you again in approximately 6 months. At that time, I will determine what corrective actions have been taken at the ULSTD level, continue cooperative efforts to prevent and/or correct LMRDA deficiencies, and discuss the amended report filed.

I want to express my appreciation for the cooperation and courtesy extended by you and your entire staff during this compliance audit. If we can be of any assistance in the future, please do not hesitate to call me.

Sincerely,



Kim R. Marzewski, Chief
Division of International Union Audits