



May 18, 2010

Mr. Thomas J. Bethel  
President  
American Maritime Officers, SIUNA, AFL-CIO  
2 West Dixie Highway  
Dania Beach, FL 33004

RE: International Compliance Audit Program (I-CAP)  
American Maritime Officers, SIUNA, AFL-CIO (AMO)  
LM File Number 055-008

Dear President Bethel:

The Office of Labor-Management Standards (OLMS) within the Department of Labor recently completed a compliance audit of the American Maritime Officers, SIUNA, AFL-CIO (AMO), to assess its compliance with the provisions of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). The audit was conducted under the OLMS International Compliance Audit Program (I-CAP).

On April 20, 2010, the I-CAP Team conducted an exit interview with Jose E. Leonard, Secretary-Treasurer; Martin Epstein, Controller; Michael Kowler, Certified Public Accountant; and David Glanstein, General Counsel. During the exit interview, the I-CAP Team reviewed audit findings, specified actions that the AMO must take to correct the deficiencies identified, and recommended actions to enhance the union's internal controls. This letter captures the audit's civil findings as generally discussed during the exit interview. It does not purport to be an exhaustive list of all possible problem areas, since the audit was limited in scope and duration.

Reporting Deficiencies - LMRDA Section 201(b)

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 following deficiencies identified in this section must be corrected in an amended Form LM-2 for the fiscal year ending March 31, 2008. Additionally, if your union's Form LM-2 for fiscal year ending March 31, 2009 contains any of the reporting deficiencies noted in this closing letter, that report must also be amended. Further, subsequent Form LM-2 filings must be prepared so as not to contain these deficiencies.

1. The AMO answered "Yes" to Item 10 (Trusts or Funds), but failed to report information regarding one trust in Item 69 (Additional Information). Schedule 14 (Other Receipts) reported receipts from the AMO Plans Master Operating Trust Fund. The AMO defines this trust fund as one that is governed by Employee Retirement Income Security Act of 1974 (ERISA) which is administered by an equal number of union designated and maritime employer designated trustees. According to the Form LM-2 instructions, this meets the definition of a trust in which a labor organization is interested and must be reported in Item 69 in support of Item 10.
2. The AMO answered "Yes" to Item 17 (Contingent Liabilities), but failed to include sufficient details in Item 69 (Additional Information). The AMO reported in Item 69 that it is party to a number of administrative and judicial actions and provided some information regarding those actions. The AMO, however, failed to report the case number, court, and caption for each administrative and judicial action as required by the Form LM-2 instructions.
3. The AMO correctly reported the amount of all U.S. Treasury securities in Item 25 (U.S. Treasury Securities) at market value, but did not report in Item 69 (Additional Information) the original cost of those securities. The Form LM-2 instructions require reporting the total value of all U.S. Treasury securities as shown on the labor organization's books at the start and end of the reporting period in Columns (A) and (B), respectively. However, the Form LM-2 instructions also require that if the value reported is different from the original cost, the original cost must be reported in Item 69.
4. The AMO failed to report the sale of five computers in the amount of \$12,846 in Schedule 3 (Sale of Investments and Fixed Assets). The Form LM-2 instructions require reporting the details of the sale or redemption by the labor organization of U.S. Treasury securities, marketable securities, other investments, and fixed assets, including those fixed assets that were expensed, during the reporting period in Schedule 3.

5. The AMO incorrectly reported the names and book values of four AMO building corporations in Schedule 7 (Other Assets). The Form LM-2 instructions require that the names and labor organization's share of the book values of all trusts in which the labor organization is interested, and which are investments of the labor organization (such as real estate trusts, building corporations, etc.), must be reported in Schedule 5 (Other Investments), Line 6.
6. The AMO reported "Prepaid Expenses" as descriptions of assets in Column (A) of Schedule 7 (Other Assets). These descriptions are not sufficient to identify the type of assets. The Form LM-2 instructions require that other assets must be described in Column (A) and may be classified by general grouping or bookkeeping categories, such as utility deposits or inventory of supplies for resale, as long as the descriptions are sufficient to identify the type of assets. More detailed descriptions in Column (A) of Schedule 7 are required.
7. The AMO incorrectly reported allowance disbursements to one officer in Schedule 11 (All Officers and Disbursements to Officers) and one employee in Schedule 12 (Disbursements to Employees). Allowance disbursements to one officer were overstated by \$251 and allowance disbursements to one employee were understated by \$2,416.
8. The AMO reported "Legal Fees" and "Consulting Fees" as the purpose for disbursements in Column (C) in several of the itemization pages in support of Schedules 15 through 19. These descriptions are not sufficient to identify the purpose of the disbursements. The description should be specific enough to disclose the type of services provided. More detailed descriptions in Column (C) are required.
9. The AMO reported "Contributions" as the type of business or job classification in Column (B) of the itemization page for a disbursement to "Congressional Award" in Schedule 17 (Contributions, Gifts and Grants). The Form LM-2 instructions require that reporting descriptions are sufficient to adequately identify the type of business or job classification of the entity or individual receiving payments, such as printing company, office supplies vendor, lobbyist, think tank, marketing firm, legal counsel, etc. The AMO must provide a more descriptive business type or job classification in Column (B).
10. The AMO failed to complete itemization pages in support of Schedules 15 through 19 for two payees for whom there were disbursements totaling \$5,000 or more during the reporting period. Specifically, the AMO made payments to the

Hilton Oakland for \$5,204 and to Catholic Charities for \$5,000 but did not include an itemization page for either vendor. The Form LM-2 instructions require that an itemization page must be completed for each payee for whom there is (1) an individual disbursement of \$5,000 or more or (2) total disbursements that aggregate to \$5,000 or more during the reporting period.

11. The AMO incorrectly reported disbursements to one vendor in Schedule 19 (Union Administration). Specifically, the AMO reported all disbursements to North Coast Maritime Consulting, Inc. in Schedule 19; however, the I-CAP team review of the supporting documentation revealed that a portion of these disbursements should have been reported in Schedule 18 (General Overhead). The AMO acknowledged that the disbursements were misreported.

#### Inadequate Recordkeeping – LMRDA Section 206

Pursuant to Section 206 of the LMRDA, every person required to file any report under LMRDA Title II shall maintain records on the matters reported that will provide in sufficient detail the necessary information from which the reports filed 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. Reports over five years must be maintained if they are necessary to verify reports filed within the last five years, for example, to verify current financial activities of the union, such as meetings minutes that note approval for officer salary increases. There were instances noted during this audit where the AMO did not comply with the recordkeeping requirements of Section 206. During the exit interview, the union was informed that adequate records necessary to document all financial transactions, regardless of amount, must be maintained for a minimum of five years.

12. The AMO officers and employees did not consistently submit itemized receipts for meal expenses. Itemized receipts supplied by restaurants must be maintained by the AMO as such receipts are necessary to determine whether such disbursements are for union business purposes and to fulfill the recordkeeping requirement in LMRDA Section 206.
13. The AMO did not retain adequate documentation for all reimbursed expenses incurred by its officers and employees. In certain instances, receipts were not retained for officer and employee meal, tolls, transportation, and parking expenses. Labor organizations must retain original receipts, bills, and vouchers for all disbursements.

14. The AMO records pertaining to meal expenses sometimes did not include the full names and titles of persons who incurred meal charges and did not always include a written explanation of union business. In order to comply with LMRDA Title II, union records of meal expenses must include the full names and titles of all persons incurring the restaurant charges as well as written explanations of union business conducted.

#### Bonding - LMRDA Section 502

Section 502 of the LMRDA requires that every person who handles funds or other property of the union shall be bonded for no less than ten percent of the total funds handled by those individuals or their predecessors during the preceding fiscal year, but in no case more than \$500,000. The audit disclosed a violation of the LMRDA Section 502.

15. The AMO bonding policy was not in compliance with the LMRDA requirements because coverage was through a commercial crime policy that included a self-insurance deductible in the amount \$1,000. This \$1,000 deductible was improper as any type of self-insurance of union funds, in whole or in part, fails to meet the requirements of LMRDA Section 502. The AMO's bond was also deficient in that the policy did not provide coverage in the categories of credit card loss, funds transfer fraud, computer fraud and inventory shortages. The AMO must amend its coverage to fully comply with LMRDA Section 502 in the above areas.

#### Internal Controls

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

16. The AMO Business Expense Policy requires that all expenditures must be accounted for by submitting a comprehensive and accurate expense report, with receipts, within the month the expense was incurred. The expense reports must be signed to confirm accuracy of the amounts claimed and to verify legitimate business purpose. The audit revealed two instances where the AMO paid reimbursed expenses without receipt of the required expense report. In both instances, an officer submitted a claim for reimbursement on an AMO Check Request Form. The I-CAP Team recommends that the AMO consistently follow

its policy and pay reimbursed expenses only upon receipt of a signed, fully-receipted expense report in order to maintain strong internal controls.

17. The audit revealed that no AMO officer reviews or approves disbursement vouchers before checks are printed. Only the Assistant Controller reviews the vouchers and approves the disbursements. To strengthened internal controls, the I-CAP Team recommends that disbursement vouchers be reviewed and approved by an AMO officer.
18. The AMO does not routinely have an officer sign union checks with an original signature. Only signature stamps are used and no officer reviews the checks once they are stamped. To strengthen the internal controls, to facilitate the fiduciary responsibility of the officers, and to ensure that all union funds are being used only for union purposes, the I-CAP Team recommends that an officer routinely review and sign union checks with an original signature.

As discussed in the exit interview, the AMO must submit, within thirty days from the date of this letter, a response letter to this closing letter, and an amended Form LM-2 for fiscal year ending March 31, 2008 and, if necessary, an amended Form LM-2 for the fiscal year ending March 31, 2009. The response letter must identify the corrective actions implemented by the AMO based on the results of the compliance audit. We will schedule an on-site, follow-up audit in approximately six months to review corrective actions taken, to discuss the amended Form LM-2 report(s) filed by the AMO, and to assist your organization in complying with LMRDA requirements.

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

Sincerely

James D. Devine, Chief  
Division of International Union Audits

cc: Jose E. Leonard, Secretary-Treasurer