

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Division of International Union Audits
1341 G Street, N.W., Room 201
Washington, D.C. 20210



November 25, 2008

Mr. Michael Sacco
President
United Industrial, Service, Transportation,
Professional and Government Workers of
North America, SIUNA, AFL-CIO
5201 Auth Way
Camp Springs, MD 20746

Dear President Sacco:

The Office of Labor-Management Standards (OLMS) within the Department of Labor has recently completed a follow-up compliance audit of the United Industrial, Service, Transportation, Professional and Government Workers of North America, SIUNA, AFL-CIO (UIW). UIW is affiliated with the Seafarers International Union of North America (SIUNA). The follow-up audit was conducted 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 the UIW in rectifying deficiencies identified during the original I-CAP audit.

This letter documents the areas reviewed and discussed with the UIW officials during the exit meeting on November 18, 2008. The meeting was conducted with Ms. Leslie Tarantola, General Counsel for the UIW and SIUNA. The purpose of the meeting was to review the amended Form LM-2 report submitted by the UIW for fiscal year ending December 31, 2005 and the UIW's letter of May 11, 2007, which describes actions the UIW 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 May 3, 2007. The findings are summarized below along with an assessment of the UIW's progress in correcting them.

Neither the findings summarized in the initial audit, nor the subsequent follow-up review purport to be an exhaustive list of all possible problem areas since the compliance audit and follow-up were 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 I-CAP closing letter, dated May 3, 2007, identified reporting deficiencies in the following areas: membership, rates of dues and fees, petty cash balances, loss of funds, misclassification of disbursements, traded-in automobiles, itemization of real estate, listing of officers, auto allowances, officers' expenses, disbursements in itemization pages for Schedule 15, direct taxes and disbursements for automobile insurance. In response to these audit findings, the UIW filed an amended Form LM-2 for the fiscal years ending December 31, 2005 and December 31, 2006. During the follow-up audit, the I-CAP Team compared the original Form LM-2 for fiscal year ending December 31, 2005 to the amended Form LM-2 for fiscal year ending December 31, 2005. Since the initial I-CAP audit did not cover UIW's fiscal year ending December 31, 2006, the follow-up audit could not include a verification of the accuracy of the information reported on the UIW's amended Form LM-2 for 2006. However, the I-CAP Team's general review of the UIW's amended 2006 Form LM-2 did confirm that certain corrections made to the amended 2005 Form LM-2 were also made to the amended 2006 Form LM-2.

The I-CAP Team determined that twelve of the fourteen reporting deficiencies were corrected on the amended Form LM-2 for fiscal year ending December 31, 2005. Two deficiencies were not corrected. Cash considered by the union to be "petty cash" that was held in bank accounts was still not reported according to the actual cash balances in Item 22 (Cash). Also, in the original Form LM-2, disbursements for auto insurance for a union-owned vehicle assigned to a UIW official was incorrectly reported on Schedule 18, instead of Column (F) (Disbursements for Official Business) of Schedule 11 (All Officers and Disbursements to Officers). The amended Form LM-2 was revised to add the disbursement to Column (F) for the appropriate UIW officer, but the disbursement was inadvertently left on Schedule 18.

The I-CAP Team is not requiring that UIW file another amended Form LM-2 for 2005 to correct these final two remaining deficient items, based on assurances from the union that it will report these items correctly on all future filings with OLMS.

Other Reporting Issue

The I-CAP audit determined that the UIW's practice of omitting a Form LM-2 functional reporting category - Contributions, Gifts and Grants - from the worksheet its officers and employees use to record time percentage allocations reported in Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees)

could cause officers and employees to overlook time devoted to this functional category. During the follow-up, the UIW provided a revised worksheet that now includes the previously omitted category of Contributions, Gifts and Grants.

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 identified seven recordkeeping deficiencies for which the UIW did not maintain sufficient records. The deficient records related to: payment of real estate taxes in lieu of rent for a regional office, ownership of an automobile, ownership of bank accounts, loss of petty cash funds, meal receipts and mileage logs. At the conclusion of the original I-CAP audit, the UIW officials were informed that sufficient documentation must be maintained for a minimum of five years.

During the follow-up audit, the I-CAP Team determined that the UIW adequately addressed all but one of the recordkeeping deficiencies. The UIW obtained a rental agreement; obtained proof of ownership of the bank accounts; revised its guidelines for expense reimbursements to require adequate documentation for all expenses incurred by the officers including meal receipts; and as of January 2008, implemented a requirement for mileage logs. The loss of petty cash funds was a one-time event that could not be tested during the follow-up I-CAP audit, but the UIW provided assurances that it will maintain more extensive documentation in this regard. The one deficiency that was not resolved involved the ownership of an automobile. The UIW has still not obtained proof of ownership of a car maintained at its regional office in Panama. UIW officials advised that they have worked with governmental officials in Panama to resolve this issue and transfer title of the vehicle to the UIW. However, efforts have been unsuccessful and the vehicle is still titled in the name of a UIW affiliate. Given your continued efforts and the difficulties in changing title in Panama, OLMS will take no further enforcement action regarding this deficiency.

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 I-CAP closing letter identified seven internal control weaknesses in the following areas: commingling of funds with affiliated organizations; check signing and review; bank transfer review or authorization; documentation showing proof of asset ownership; authorization of leasing agreements; and the large petty cash amount at the convention.

The UIW has taken steps to strengthen internal controls in response to several of these findings. As discussed in the recordkeeping section of this letter, the UIW has obtained documentation showing proof of ownership of its bank accounts and attempted to obtain similar proof of ownership for the car. Also, leasing agreements are now signed by the UIW Secretary-Treasurer.

The UIW has decided, however, not to accept the I-CAP Team's recommendation of segregating its funds from those of its affiliated organizations. Union officials also decided not to have a UIW officer regularly review or sign union checks or review or authorize bank transfers. UIW officials advised that due to the officers' travel schedules and availability it would not be feasible to make any significant changes to its operations as a result of those deficiencies. The UIW has not made a decision on how to address the issue of having large amounts of petty cash on hand at the convention. The next UIW convention is in 2009. The I-CAP Team continues to advise that all internal control recommendations should be implemented to prevent the misuse of union funds and to support financial responsibility under Title II and Title V of the LMRDA.

As a result of this follow-up, OLMS considers this I-CAP audit to be concluded. If we can be of 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

cc: David W. Heindel, Secretary-Treasurer
Leslie Tarantola, General Counsel