

U.S. Department of Labor

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



May 17, 2006

Mr. Michael Sacco
President
Maritime Trades Department, AFL-CIO
815 Sixteenth Street, NW
Washington, DC 20006

Dear Mr. Sacco:

On April 18, 2006, staff of the International Compliance Audit Program (I-CAP), Office of Labor-Management Standards (OLMS), discussed with representatives of the Maritime Trades Department (Maritime Trades or IU) the resolution of deficiencies identified in the compliance audit that OLMS had conducted last year. The audit and this follow-up review were conducted pursuant to the Labor-Management Reporting and Disclosure Act of 1959, as amended (LMRDA). This meeting was conducted with Mr. Francis Pecquex, Executive Secretary-Treasurer. The purpose of the meeting was to review the amended Form LM-2 submitted by the IU for Fiscal Year (FY) 2004 and the Form LM-2 for FY 2005 along with your letter dated December 14, 2005, which describes actions the IU has taken in response to the findings of the audit. The deficiencies identified during the initial audit, conveyed to the union in an audit closing letter dated December 7, 2005, are summarized below, along with an assessment of the IU's progress to correct these deficiencies. Neither the initial audit, nor subsequent follow-up review purport to be an exhaustive list of all possible problem areas since the compliance audit is limited in scope. The numbered items below correspond to the numbered items in the audit closing letter.

Reporting Deficiencies - LMRDA Section 201

1. The IU agreed, as reflected in the closing letter, to provide to OLMS the amendments to its constitution. The Maritime Trades submitted their amended constitution during the initial I-CAP audit and there have been no further amendments since the audit.

2. The petty cash fund was not closed out during the audit period. During the follow-up review, the IU provided documentation demonstrating that the petty cash fund was closed out at the end of FY 2005. The Secretary-Treasurer has advised the I-CAP team that he intends to close out the petty cash fund on a quarterly basis.
3. The closing letter required that the Maritime Trades list all officers on the Form LM-2. In the FY 2005 Form LM-2 filing, the Maritime Trades identified all officers on Schedule 11 of the revised Form LM-2.
4. Item 67 on Statement B of the Form LM-2, Withholding Taxes, included in error a portion of employer's payroll tax liability. In the FY 2005 Form LM-2, Item 67 was presented correctly.
5. The Secretary-Treasurer's automobile disbursements were not correctly reflected on the Form LM-2 during the audit period. The IU correctly amended their Form LM-2 for the audit period to reflect the automobile disbursements. In the FY 2005 Form LM-2, although the disbursements were accurately reflected, there was no explanation in Item 69 to indicate that the automobile was used more than 50% of the time for union business.
6. There were descriptions that were not sufficiently detailed on the Form LM-2 for the audit period. As requested in the closing letter, Maritime Trades did provide sufficient descriptions in the FY 2005 Form LM-2. For example, there were contributions detailed in Schedule 17 - Contributions, Gifts & Grants.

Recordkeeping Deficiencies-LMRDA Section 206

7. The IU did not maintain mileage logs during the audit period. During the on-site follow-up, Maritime Trades provided documentation demonstrating that mileage logs are currently being maintained that include the date of the trip, origin, destination, and odometer start and end.
8. During the audit period, an automobile was purchased for the Secretary-Treasurer without adequate written documentation to support the disbursement. The I-CAP closing letter recommended maintaining written documentation by an authorized official to support approval of disbursements. During the on-site follow up, no disbursements without adequate documentation were identified in a sample of disbursement transactions from the FY 2005 Form LM-2.

Fiduciary Responsibility of Officers and Labor Organizations - LMRDA Section 501

9. The closing letter contained two recommendations that would help support the

fiduciary responsibility of the IU and its officers. One, discussed in item #8 above, recommended that documentation for disbursements, approved by an authorized official, be prepared and retained. No records examined during the follow-up included any disbursements without adequate documentation. The closing letter also recommended certain internal controls that would help ensure that union funds are used only for union purposes. The internal control recommendations and the actions taken by the IU in response are identified below in the Internal Financial Controls section of this report.

Internal Financial Controls

10. The IU has reduced the amount of money being held in the petty cash fund as recommended in the closing letter. In addition, the petty cash fund is being reconciled each quarter by someone other than the Secretary-Treasurer, as recommended in the closing letter. A reconciliation was completed for the quarter ended March 31, 2006 and the IU informed the I-CAP team they will reconcile each quarter thereafter.
11. The IU has begun to segregate duties by having someone other than the Secretary-Treasurer review receipt transactions, as recommended. An employee from the Seafarers International Union will log in receipts when working at the Maritime Trades. The I-CAP team recommended in the follow-up review to have the receipt logs reconciled to the canceled deposit slips to better safeguard union assets.
12. The IU has been depositing receipts on a more frequent basis, as recommended. On average, the deposits were being made on a weekly basis from October through December 2005.
13. The closing letter recommended two original signatures on all checks. The IU has in part implemented this recommendation with two original signatures on checks for \$5,000 or more. The second signature will be an employee from the Seafarers International Union. The I-CAP team reiterated during the follow-up review that two original signatures on all checks would better ensure union funds are used solely for union purposes.
14. The Maritime Trades fidelity bond has been updated to include the Seafarers International Union employee who will assist with receipt and disbursement duties as mentioned in items # 11 and 13 above. The IU provided a copy of the updated policy to OLMS during the follow-up and it does comply with LMRDA requirements.

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,



Kim R. Marzewski, Chief
Division of International Union Audits