



May 4, 2006

Mr. James Spinosa  
President  
International Longshore and Warehouse Union, AFL-CIO  
1188 Franklin Street  
San Francisco, CA 94109

Dear Mr. Spinosa:

On April 4, 2006, the staff of the Office of Labor-Management Standards (OLMS) discussed with representatives of the International Longshore and Warehouse Union, AFL-CIO (ILWU or IU) the resolution of deficiencies identified in the compliance audit that OLMS conducted last year. The audit and this follow-up review were conducted under the International Compliance Audit Program (I-CAP) pursuant to the Labor-Management Reporting and Disclosure Act of 1959, as amended (LMRDA). The meeting was conducted with you, Mr. William Adams, ILWU Secretary-Treasurer, and Ms. Karen Coffey, Accounting Department Manager. 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 fiscal year 2005. The deficiencies identified during the initial audit, which were conveyed to the union in an audit closing letter dated December 8, 2005, are summarized below, along with an assessment of the IU's progress to correct these deficiencies. Neither the audit, nor the 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 of December 8, 2005.

Reporting Deficiencies - LMRDA Section 201

1. The IU correctly amended its FY 2004 Form LM-2 to accurately reflect both Cash in Item 25, and Investments in Item 29 of Statement A. The IU's FY 2005 Form LM-2 accurately reflects Cash and Investments on Statement A.
2. The amended report corrected the placement of per capita tax by reflecting \$3,749,698 in Item 40 of Statement B. The FY 2005 Form LM-2 accurately reflects per capita tax on Statement B.

3. As requested in the closing letter, the IU identified in its FY 2005 Form LM-2 whether a loan receivable was for an officer or employee by indicating after the name an "O" for officer or "E" for employee.
4. The ILWU in its FY 2005 Form LM-2 included sufficient descriptions. For example, prepaid expenses for insurance and postage were appropriately identified.
5. The IU identified in its FY 2005 Form LM-2 the complete name of lenders with which the IU has a loan as requested in the closing letter.
6. Non-cash transactions were excluded from the amended report on Schedule 14, Other Receipts, and Schedule 15, Other Disbursements, and included on Statement A, Assets and Liabilities, for the audit period as requested. In the FY 2005 Form LM-2, the non-cash transactions were properly reflected as assets and liabilities on Statement A.

#### Recordkeeping Deficiencies -LMRDA Section 206

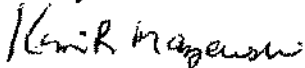
7. The closing letter requested that the IU maintain itemized receipts and include the union business purpose on all receipts. In a sample of two months of transactions reviewed during the follow-up, February and March 2006, 73 expense reports were examined. Of those, 68 were found to be in compliance with the LMRDA. The five remaining expense reports contained various LMRDA deficiencies. For example, 53 disbursements identified in the five reports contained only the credit card statement without itemized receipts. In addition, 14 disbursements had no receipts available for review, and three disbursements had no union purpose identified on the receipt provided. One of the missing receipts without a union purpose was for a meal at Ruth's Chris Steak House for \$1,223.86.
8. The IU has drafted a policy outlining approval procedures for all disbursements to be defined as recurring and non-recurring transactions as recommended in the closing letter. The I-CAP team reviewed the draft policy and the policy is consistent with recommendations provided in the I-CAP closing letter. In a sample of 50 disbursements, the IU complied with their new policy except for one disbursement of \$1,600 that had not been approved according to policy.

Internal Financial Controls

9. The IU has not fully implemented the recommendation to segregate duties for handling disbursements. Accounting staff with access to the general ledger and bank account also mails the checks. The I-CAP team recommends staff, other than those on the accounting staff, mail the checks to better safeguard union funds.
10. The IU has not fully implemented the recommendation as outlined in the closing letter regarding segregating receipt duties. The IU is maintaining a list of receipts that is compiled by a member of the accounting staff who has access to the general ledger and the bank account. The I-CAP team recommends that staff other than those in accounting maintain the receipt list and reconcile the list to deposited funds to ensure union funds are used solely for union purposes.
11. The ILWU has revised its lease agreement as recommended in the closing letter and based on a review of recent rent payments, the disbursements reviewed are in accordance with the revised agreement.
12. As recommended in the closing letter, the IU is making more frequent deposits and checks held for deposit are secured.

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