

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Philadelphia District Office
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Philadelphia, PA 19106
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August 24, 2006

Mr. Ronald Ferguson, Treasurer
National Federation of Independent Unions
United Independent Union
1166 S. 11th Street
Philadelphia, PA 19147

Re: Case Number: XXXXXXXXXX

Dear Mr. Ferguson:

This office has recently completed an audit of United Independent Union under the Compliance Audit Program (CAP) to determine your organization's compliance with the provisions of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). As discussed during the exit interview with Ronald Ferguson, Julia Bruno on August 23, 2006, the following problems were disclosed during the CAP. The matters listed below are not an exhaustive list of all possible problem areas since the audit conducted was limited in scope.

The CAP disclosed a violation of LMRDA Section 201(a) which requires that a union submit a copy of its revised constitution and bylaws with its LM report when constitution or bylaw changes are made. United Independent Union amended its constitution and bylaws in 1996, but a copy was not filed with its LM report for that year. A copy of United Independent Union's constitution and bylaws has now been filed.

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds handled by those individuals or their predecessors during the preceding fiscal year. United Independent Union's officers and employees are currently bonded for \$65,000, but they must be bonded for at least \$80,500. Adequate bonding coverage was obtained and documentation provided during the audit. No further enforcement action will be taken.

During the audit, I advised you that authorization for the salary and allowance amounts paid to union officers could not be found in union records. I recommend that United Independent Union document the authorized salary amounts in its bylaws or record them in meeting minutes or some other internal document (following discussion in the appropriate membership and/or executive

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board meeting). When the authorized salary amounts have been recorded in union records, I would appreciate it if you would forward a copy of the record documenting the authorization to me at the above address.


As discussed during the exit interview, the audit revealed that United Independent Union does not have a clear policy regarding the types of expenses personnel may claim for reimbursement. Authorization of expenses is an important matter that should be recorded in union records. If written guidelines are adopted in the near future, I would appreciate it if you would forward a copy to me.

During the audit, you advised that it is United Independent Union's practice for President Francis Chiappardi to sign all union checks and if not available a signature stamp of President Chiappardi's signature be used on union checks. The use of a signature stamp does not attest to the authenticity of the completed check. I recommend that United Independent Union review these procedures to improve internal control of union funds.

During the audit, you advised that President Francis Chiappardi signs all checks. Even though your union's bylaws are silent on this issue it is recommended that checks be signed by the president and treasurer of the union. The countersignature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, countersigning a blank check in advance does not attest to the authenticity of a completed check, and completely circumvents and undermines the whole purpose of the countersignature requirement. I recommend that United Independent Union review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to United Independent Union for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make sure this letter and the compliance assistance materials provided to you are passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,


Investigator

cc: President Francis Chiappardi