

To the Executive Board of
National Postal Mail Handlers
Union, Local 305

In planning and performing our audit of the financial statements of National Postal Mail Handlers Union Local 305 (the Local) as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Local's internal control. Accordingly, we do not express an opinion on the effectiveness of the Local's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed on the attached pages, we identified a deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

In addition, we noted other matters involving the internal control and its operation that we have reported to management on the attached pages.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Local's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by the Executive Board.

The existence of significant deficiencies or material weaknesses may already be known to management and may represent a conscious decision by management or the Executive Board to accept that degree of risk because of cost or other considerations. Management is responsible for making decisions concerning costs to be incurred and related benefits. The auditor's responsibility is to communicate significant deficiencies and material weaknesses.

We have previously discussed our observations and suggestions with Local personnel and would be pleased to discuss them in further detail at your convenience, to perform any additional study of the matters, or to assist you in implementing the recommendations to the extent our independence is not impaired.

This communication is intended solely for the use of the Executive Board and the Local and is not intended to be and should not be used by anyone other than these specified parties.

Novak Francella LLC

June 13, 2011

MATERIAL WEAKNESS

PREPARATION OF ANNUAL FINANCIAL STATEMENTS

The Local's financial statements are the responsibility of the Local's management. An effective system of internal control includes controls over financial statement preparation, including footnote disclosures. Local management must possess the skills and competencies to prevent, detect, and correct material misstatements in the financial statements. Management does not have an effective system in place to prepare its financial statements that would prevent a material misstatement, aside from its reliance on the independent auditor.

SIGNIFICANT DEFICIENCY

FIXED ASSETS RECORDKEEPING

During the audit, we noted that the financial records did not properly reflect the fixed assets balances at year-end. There was sufficient supporting documentation provided to determine the fixed assets balances at year-end; however, the Local relied on the independent auditor to propose adjusting journal entries to correct these balances in the general ledger.

OTHER MATTERS

During our audit we became aware of other matters involving internal control that do not rise to the level of a material weakness or significant deficiency. We have provided you with some additional recommendations to enhance your existing internal controls as detailed below:

CREDIT CARD

During our audit procedures on credit card disbursements, we noted that there was insufficient documentation and evidence for certain credit card transactions selected. We noted some transactions for which receipts were not present or lacked sufficient documentation of business purpose. We also noted that the credit card reconciliations are not being reviewed by management.

We recommend the Local require proper documentation for credit card expenses and implement procedures to monitor compliance. It is also our recommendation that the Officers review and sign off on the credit card reconciliations that are prepared.

LIUNA BENEFITS

During our documentation and analysis of internal controls surrounding payroll benefits, we noted that not all employees and Officers eligible for LIUNA benefits were reported. Several individuals were not credited LIUNA benefits for which they were eligible during the year.

To ensure that all individuals eligible for pension benefits receive them, we recommend that the Local effectively track the LIUNA benefits eligibility for the year.

BANK RECONCILIATION PROCEDURES

During our audit, we noted that there were outstanding checks carried on the Local's checking account bank reconciliation for over six months. We also noted that the management is not signing off on bank reconciliations as having been reviewed.

We recommend the Local consider a policy for investigating, and potentially writing-off, outstanding checks older than six months and that management sign off on the bank reconciliations evidencing review.

CASH DISBURSEMENTS AND DUES RECEIPTS

During our documentation and analysis of internal controls surrounding dues and cash disbursements, we noted that the management of the Local is not signing off on accounts payable documents evidencing approval of payments and that management is not reviewing and signing off on the dues income reconciliation workpaper.

We recommend the Local implement procedures to ensure that evidence of management review is documented.

PAYROLL

During our procedures related to the internal controls over payroll, we noted that management is not signing off on payroll reports to document approval. We also noted that there is no clear evidence that quarterly reporting by the payroll company is being reconciled to the general ledger.

We recommend that prior to the payroll being issued, management review and sign off on the payroll summary report, and that the payroll transmittal report be included with the paychecks for management review of direct deposit and tax payments. We recommend that the Bookkeeper prepare documentation of the quarterly reconciliation of payroll reports to QuickBooks and that the Treasurer review these and sign off on reconciliations.

ANNUAL AFFAIRS

During our audit procedures surrounding Annual Affairs, we noted that coding of related expenses, to the general ledger, is not consistent with the budgets by Branch. Inconsistent coding makes it difficult to monitor if Branches are exceeding their budgets.

We recommend that the Local monitor Annual Affairs coding, along with budget-to-actual reports, more closely to ensure that the accounting records correspond to the budget for each Branch.

ACCRUALS

During our procedures, we noted that payroll had not been accrued as of December 31, 2010.

We recommend that the Local implement procedures to evaluate payroll at year end to determine if an accrual is appropriate.

FINANCIAL CLOSE AND REPORTING

During our review of the financial close and reporting process of the Local, we noted that no formal review process of financial records by management is done prior to providing financial reports to the Executive Board.

We recommend that the Local implement a closing, and review, process to help ensure accurate financial reporting is provided to the Executive Board.

LM-2 CODING

During the preparation of DOL Form LM-2, we noted that the expense categorization was inconsistent. We also noted expenses were incorrectly coded between Schedule 11 and the general categories.

We recommend that management review LM-2 categorization on a monthly or quarterly basis to ensure it is accurate and consistent.