

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, 2011, 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 other deficiencies that we consider to be significant deficiencies.

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 management of the Local and is not intended to be and should not be used by anyone other than these specified parties.

Novak Francella LLC

August 27, 2012

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 DEFICIENCIES

OFFICER REVIEW

During our audit procedures and review of controls surrounding cash disbursements, cash receipts, payroll, and financial close, we noted that the President and Treasurer of the Local are reviewing the monthly bank statements and reconciliations, but not signing off on the documents to demonstrate their review and approval.

We recommend the Local have the President and Treasurer review and sign-off on the monthly bank statements and reconciliations to demonstrate their review and approval.

PAYROLL RATE INCREASES

During our audit procedures surrounding payroll, we noted that individuals at the Local received pay rate increases; however, there was a lack of documentation supporting the approvals of the increases. During review of the personnel files, there were no supporting approvals or trail indicating an increase of pay rates for those reviewed.

We recommend that pay rates be approved in accordance with the Bylaws, and supporting documentation for the approved rates be maintained in the correlating personnel files.

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:

FIDELITY BOND

During our review of the fidelity bond, we noted that the Local no longer requires a bond as high as it currently has covering the employees.

We recommend that the Local consider reducing the bond as a cost cutting measure.

PAYROLL REVIEW

During our audit procedures surrounding payroll, we noted that the payroll report being reviewed and approved is not a pre-transmission report, but the confirmation of transmission.

We recommend that the Treasurer sign-off on a pre-transmission report and the confirmation report that is after payroll is transferred to QuickBooks. Implementing this control will help mitigate the risk of payroll rates changing.

CREDIT CARD EXPENDITURES

During our audit procedures surrounding credit card expenditures, we noted an instance where there was a lack of sufficient documentation and receipts.

We recommend that the Local require employees and officers with credit cards to provide original receipts and business purposes to substantiate the related expenses.

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 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.

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.