

March 15, 2006

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Mr. Richard Deslauriers
PSAC – Union of Postal – Communications Employees
701 – 233 Gilmour Street
Ottawa, Ontario
K2P 0P2

Dear Mr. Deslauriers:

We have completed the audit of PSAC – Union of Postal – Communications Employees for the year ending December 31, 2006. As you might be aware of, the Generally Accepted Auditing Standards (GAAS) now require auditors to report any matter that appear to be relevant to the Audit Committee of a Corporation or to its Board of Directors.

It should be noted however, that our goal in an audit, is to obtain reasonable assurance that the financial statements are free of any material misstatements. It is not conducted to provide Management with a letter of recommendation. As a consequence, our audit does not necessarily allow us to gather all existing items that are or might be relevant to the Board of Directors. For this reason, we decline the responsibility, should we fail to communicate some matters that turned out to be considered important to the Board of Directors. Nevertheless, we would like to share with you the following comments which we believe could be of some value to your Organization.

INDEPENDENCE

The GAAS require that we declare if there are any situations which might affect our independence in the conduct of our audit engagement. We report that we are not aware of the existence of anything that might affect our independence in the conduct of the audit of PSAC – Union of Postal – Communications Employees for the year ending December 31, 2006.

FINANCIAL HIGHLIGHTS

The Financial Results of the UPCE have significantly improved in 2006. This can be measured by the net results which indicate that the revenues have exceeded the expenses by \$316,248 in 2006 compared to a loss of \$121,254 in 2005. Moreover, the net assets have increased from \$502,263 at December 31, 2005 to \$818,511 at December 31, 2006. This represents an increase of 62%, which is significant.

The Balance Sheet also indicates that the same improvement has been noticed in the financial position of the UPCE. Cash has increased from \$235,904 in 2005 to \$429,138 in 2006. The equity ratio has been passed from 1.5 in 2005 to 2.46 in 2006 while the working capital has passed to \$375,804 in 2006 from \$131,891 in 2005. Note that an equity ratio exceeding 1 is a sign that an organization is in a position to meet its short term financial obligations.

It is also interesting to note that the appropriated funds have increased from \$434,418 in 2005 to \$513,093 in 2006. This indicates that your long term obligations are all sufficiently covered by funds.

Finally, a good criteria to assess if an organization is self sufficient is to look at the relationship that exist between the Members' Net Assets and the Expenditure's budget. An organization is considered self sufficient when this ratio exceeds 50%. In the case of UPCE, the ration has passed from 37% in 2005 to 78% in 2006. This is a significant improvement.

OTHER RECEIVABLES

During the audit, we have noted that some receivables and advances are old receivables that represents in many cases expenses that were incurred for which you are unable to obtain the original expense claims. We recommend that you review these receivables. In our opinion, as the collection of these receivables is doubtful, they should be expensed.

PAYROLL

During the audit, we have noted that payroll advances continue to be often requested and paid to the point that it has become a common practice within UPCE. In our opinion, payroll advances should be made only exceptionally. Otherwise they can become a source of problems. A good way to prevent employee from requesting payroll advances is to take advantage of the Direct Payment possibilities offered by most chartered banks. With the Direct Payment, the pay is deposited in the bank account of the employee on its pay day.

TRIENNIAL CONVENTION

We have noted that the 2006 Budget included an amount of \$31,000 for the triennial convention. As this convention will be held in 2008 only, we recommend that this amount be transferred to the reserve for triennial convention. If the Executive Committee agrees with our recommendation, it would be possible to report the transfer to the reserve in the 2006 financial statements provided that a duly approved motion of the Executive Committee recommend it.

CODE OF ETHICS

In recent years, much emphasis has been placed on the importance of proper ethics as a critical ingredient in the successful management of an organization. The term ethics is used when referring to the conduct encouraged or condoned by organizations of their employees in their dealings with each other, with customers, suppliers and the general public. Good deeds and proper ethical conduct go largely unnoticed, because this is the expected norm. Rather, the importance stems from the attention that can result from doing things the wrong way. The adverse consequences that can befall an organization, its management, those who engage in a transaction with the organization, and even the public, provide a powerful motivator to comply with ethical standards.

The following factors influence an Organization's ethics:

- The society. The role of society is extremely important in shaping the ethics of the organization. In Canada, the values of justice, equality, integrity, truthfulness, and respect for others provide the underpinnings for ethical decision making. Canadian citizens expect an organization to be conducted in accordance with these values.

- The Government. Actions by government profoundly affect the business practices. An example in Canada is the legislation on the protection of private and personal information.
- Economics. Maintaining proper ethics is a battle to resist to temptation. It is relatively easy to resist temptation when the economic climate is healthy, with prosperity and security being welcome allies in the battle. When times get tough, those most imperiled are almost forced to act in ways they would not under better times.
- Nature of business. The nature of the business affects ethical practices. For example, unions organizations are expected by many to hold to higher ethical values than other forms of organization.
- Management philosophy. Management is responsible for the affairs of the Organization. Top Management must set the tone or culture for the rest of the organization.
- Internal control and delegation of authority. A system of internal control provides an effective check against possible misconduct. The system recognizes the facility of human behavior and designs means to help people from doing wrong things. A weak system of internal control fails to provide such protection, and the risk of irregularities and dishonest acts increase proportionately.
- Audit Committee. In recent years, many organizations have been encouraged to form Audit Committee to provide an oversight role on the actions of management and to act as an effective deterrent to improper ethical behavior.

We have provided, in appendices attached to this letter, some elements that we regularly provide to our clients and that might help them to cope with the above mentioned issues.

CASH MANAGEMENT AND INVESTMENT POLICY

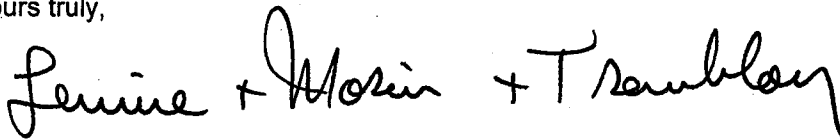
UPCE has accumulated an amount of \$942,231 in its bank accounts at December 31, 2006. We believe that the time has come for UPCE to establish a more sophisticated Investment Policy. There are two primary reasons why an organization like UPCE should establish an Investment Policy. First, it is to ensure that it optimizes the amount of cash available to meet cash requirements when they occur. Second, it is to earn the maximum return possible on monies that are not needed for current requirements.

For your information, we have attached in an appendix to this letter, some elements to be considered in developing an investment policy.

We appreciate the opportunity given to us to share these comments with you. Should any of the comments raised require further explanations or for any other matters, do not hesitate to contact us. We would be pleased to provide you with whatever assistance we might be in a position to offer.

We wish to acknowledge the excellent co-operation we have obtained from Ms. Nicole Dicaire during the course of our audit.

Yours truly,



Lemire + Morin + Tremblay,
Chartered Accountants
General Partnership