

**U.S. Department of Labor**

Employment Standards Administration  
Office of Labor-Management Standards  
Kansas City Resident Investigative Office  
Two Pershing Square Building  
2300 Main Street, Suite 1000  
Kansas City, MO 64108  
(816) 502-0290 Fax: (816) 502-0288



October 2, 2008

Mr. Scott Hanley, President  
Air Traffic Controllers AFL-CIO  
Local ZKC  
P.O. Box 2809  
Olathe, KS 66063

LM File Number 517-976  
Case Number: [REDACTED]

Dear Mr. Hanley:

This office has recently completed an audit of Air Traffic Controllers Local ZKC 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 Treasurer David Bennett and you on October 1, 2008, 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.

Recordkeeping Violation

Title II of the LMRDA establishes certain reporting and recordkeeping requirements. Section 206 requires, among other things, that labor organizations maintain adequate records for at least five years by which each receipt and disbursement of funds, as well as all account balances, can be verified, explained, and clarified. As a general rule, labor organizations must maintain all records used or received in the course of union business.

For disbursements, this includes not only original bills, invoices, receipts, vouchers, and applicable resolutions, but also documentation showing the nature of the union business requiring the disbursement, the goods or services received, and the identity of the recipient(s) of the goods or services. In most instances, this documentation

requirement can be satisfied with a sufficiently descriptive expense receipt or invoice. If an expense receipt is not sufficiently descriptive, a union officer or employee should write a note on it providing the additional information. For money it receives, the labor organization must keep at least one record showing the date, amount, purpose, and source of that money. The labor organization must also retain bank records for all accounts.

The audit of Local ZKC's 2007 records revealed the following recordkeeping violation:

#### Disposition of Property

Local ZKC did not maintain an inventory of gift cards and t-shirts it purchased, sold, or gave away. The union must report the value of any union property on hand at the beginning and end of each year in Item 30 (Other Assets) of the LM-3. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 30. The union must record in at least one record the date and amount received from each sale of union hats, jackets, and other items.

Based on your assurance that Local ZKC will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violation.

#### Reporting Violations

The audit disclosed a violation of LMRDA Section 201(b), which requires labor organizations to file annual financial reports accurately disclosing their financial condition and operations. The Labor Organization Annual Report LM-3 filed by Local ZKC for fiscal year ending December 31, 2007, was deficient in the following areas:

##### 1. Acquire/Dispose of Property

Item 13 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered "Yes" because the union gave away gift cards and t-shirts during the year. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the

recipients by broad categories if appropriate such as "members" or "new retirees." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

2. Disbursements to Officers

Local ZKC incorrectly reported the purchase of fixed asset under Item 24 (List of All Officers and Disbursements to Them). President Scott Hanley was reimbursed for purchasing a copier/fax for the union. The LM-3 instructions state that reimbursements to an officer for the purchase of investments or fixed assets must be reported in Item 52 (Purchase of Investments and Fixed Assets), not under disbursements to officers.

3. Failure to File Bylaws

The audit disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its constitution and bylaws. Local ZKC did not have its constitution and bylaws on file with OLMS. This provision also requires labor organizations to file copies of any revised constitution and bylaws when it files its annual financial report.

Local ZKC has now filed a copy of its constitution and bylaws.

I am not requiring that Local ZKC file an amended LM report for 2007 to correct the deficient items, but Local ZKC has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Air Traffic Controllers Local ZKC 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: David Bennett, Treasurer

Mr. Scott Hanley  
October 2, 2008  
Page 4 of 4