

U.S. Department of Labor

Employment Standards Administration  
Office of Labor-Management Standards  
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October 25, 2005

Mr. William Sukkert, President  
Auto Workers, AFL-CIO, Local 407  
1233 S. 96th St  
Milwaukee, WI 53214

Re: Case No. 330-07661(77)

Dear Mr. Sukkert:

This office has recently completed an audit of Local 407 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 Financial Secretary Richard Tarzinski on October 20, 2005, 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.

#### Record Keeping Violations

Title II of the LMRDA establishes certain reporting and record keeping requirements. Section 206 requires, among other things, that adequate records be maintained 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, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and the identity of the recipients of the goods or services.

1. The CAP revealed that Local 407 failed to record in its records some receipts from the sale of Community Action Program tickets, gate collections, and clothing items sold to members. The funds appear to have been deposited to Local 407's checking account. Union receipts records must include an adequate identification of each receipt of money. The records should show the exact date that the money was received, the identity of the source of the money, and the individual amount received from each source.

In the case of raffle ticket sales and gate collections, records must be retained which identify (at a minimum) the date, purpose, source (name each person who sold tickets) and amount.

received from each source (person). Local 407 is not required to retain further records which identify the names of members who purchased tickets or donated funds at a gate collection. The union is also not required to retain records showing the dates and amounts of individual ticket sales or monies received from members at gate collections. However, Local 407 must retain records to show that those individuals who sell tickets account for the tickets provided to them by returning money equivalent to the value of the tickets and/or the unsold tickets

2. Local 407 failed to retain an inventory of hats, jackets, and other property which was purchased and sold or given away. Records must be retained which account for all union property. In the case of union hats, jackets and other items sold to members, the date and amount received from every sale must be recorded in at least one record.

As agreed, provided that Local 407 maintains adequate documentation for the above items in the future, no additional enforcement action will be taken regarding this violation.

#### Reporting Violations

The CAP disclosed a violation of LMRDA section 201(b), because the Labor Organization Annual Report (Form LM-3) filed by Local 407 for fiscal year ending December 31, 2004 was deficient in the following areas:

1. Item 19 (What is the maximum amount recoverable under your organization's fidelity bond...) was not properly completed. Local 407 reported that the total amount recoverable is \$10,000. The financial questionnaire completed by Mr. Turzinski that was provided to OLMS during the audit indicates that the maximum amount recoverable under your union's surety bond is \$500,000.
2. Item 13 (Acquire any goods or property in any manner other than by purchase or dispose of any goods or property in any manner other than by sale) should have been answered "Yes" instead of "No," because the union received a computer and gave away various items at membership meetings. The type and value of any property received or given away must be identified in the additional information section of the LM-3 report with the identity of the recipient(s) or donor of such property.
3. Item 24 (All Officers and Disbursements to Officers) was not completed. Local 407 reported information concerning payments to officers on an attachment. However, Item 24 must be completed by either reporting the information on an original hard copy of the form (with the green boxes) or by using the electronic filing software available on the OLMS website. As noted in the LM-3 instructions, the hard copy of the form has been redesigned so that most of the data on it can be optically scanned.

The information reported on the attachment for Item 24 also appears to be incorrect in that it reports payments to various individuals who are not officers. In addition, the amounts reported in column (f) (Other) of the attachment appear to be incorrect. All direct disbursements to your union's officers and some indirect disbursements made by your organization on behalf of its officers must be included in the amounts reported in item 24. A "direct disbursement" to an officer is a payment made by your organization to an officer in the form of cash, property, goods, services, or other things of value. An "indirect disbursement" to an officer is a payment made by your organization to another party (including credit card companies) for cash, property, goods, services, or other things of value received by or on behalf of an officer. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel) or for transportation by a public carrier (such as an airline) for an officer traveling on union business should be reported in item 48 (Office and Administrative Expenses).

4. Item 23(a) (Regular Dues/Fees) was not properly completed. Local 407 reported that its regular dues were "2.2 hrs + \$1." The instructions for Item 23 (Dues and Fees) state, "Enter the dues and fees established by your organization. If more than one rate applies, enter the minimum and maximum rates." When completing Item 23(a), Local 407 should report the range of dues paid by members (in dollars).
5. Your union's reported cash figures for the reporting period do not balance (reconcile). Specifically, cash at the start of the reporting period (Item 25(A)) plus total receipts (Item 44) minus total disbursements (Item 55) does not equal cash at the end of the reporting period (Item 25(B)). One or more of the reported figures in these items is incorrect and should be corrected or the cash overage or shortage must be explained in Item 56 (additional information). (See the worktable on page 14 of the instructions.)
6. Local 407 erroneously reported funds in certificates of deposit as investments in Statement A (Assets and Liabilities). For LM reporting purposes, certificates of deposit are considered to be cash (regardless of the length of their term). The purchase or redemption of a certificate of deposit is simply a transfer of cash from one account to the other and therefore should not be reported either as a receipt or disbursement.

It will be necessary for Local 407 to file an amended LM-3 report for 2004 to correct the deficient items discussed above. The necessary reporting forms and instructions are enclosed for your use. The LM-3 form is also available on computer software which can be downloaded from the OLMS website. The OLMS Download Page can be reached from the Quick Links box on the OLMS home page at [www.olms.dol.gov](http://www.olms.dol.gov) or directly at:

<http://union-reports.dol.gov/olmsWeb/docs/downloadpg.html>

The page includes detailed instructions for system requirements, downloading the software, and installing the software. Individuals who have difficulty with the download and/or installation process should call the Electronic Forms Help Desk at 1-866-487-2365.

Local 407's amended LM-3 report should be filed as soon as possible, but no later than November 14, 2005. If Local 407 files the amended report using the enclosed reporting forms, the report should be mailed to this office at the above address. Before mailing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures. If Local 407 files the form electronically, I would appreciate it if you would also mail a copy of the electronically filed form to this office by November 14, 2005.

I want to extend my personal appreciation to you and your entire staff for your cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please do not hesitate to call.

Sincerely,



Supervisory Investigator

Enclosures / As Stated

cc: Richard Turzinski

