

U.S. Department of Labor

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March 20, 2008

Mr. Richard Scott, Treasurer
Air Traffic Controllers ZDV
P O Box 211
Longmont, CO 80502-0211

LM File Number: 519-532
Case Number: [REDACTED]

Dear Mr. Scott:

This office has recently completed an audit of Air Traffic Controllers ZDV under the Compliance Audit Program (CAP) to determine your organization's compliance with the provisions of the Civil Service Reform Act of 1978 (CSRA), 5 U.S.C. 7120, and the Department's regulations, 29 CFR 458. As discussed during the exit interview with you and President Lyle Burrington on February 28, 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.

Record Keeping Violations

Title II of the LMRDA establishes certain reporting and recordkeeping requirements. Section 206 of the LMRDA and Title 29 of the Code of Federal Regulations (C.F.R.) Section 403.7 require, among other things, that labor organizations maintain adequate records for at least five years after reports are filed by which the information on the reports can be verified, explained and clarified. Pursuant to 29 C.F.R. Section 458.3, this recordkeeping provision of the LMRDA applies to labor organizations subject to the requirements of the Civil Service Reform Act of 1978 (CSRA) as well. Therefore, as a general rule, labor organization must retain 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 ZDV's 2007 records revealed the following recordkeeping violations:

1. Disbursements Dates not Accurately Recorded

Entries in Local ZDV's disbursement journal reflect the date the union's checks cleared the bank, but not when the checks were written. Union disbursements records must accurately show the date the check was issued. The date of disbursement is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-3. The LM-3 instructions for Statement B state that the labor organization must record disbursements when it actually pays out money. Incorrectly recording the date money was disbursed could result in the union reporting some disbursements for a different year from when it actually paid out the money.

2. Documenting Disbursements

In January 2007, the local gave [REDACTED] a \$500 gift certificate but failed to document the approved amount and the reason for the gift. In August 2007, the local purchased four \$50 Safeway gift cards but failed to document the reason for the gift and the identity of the recipients. The purpose of the disbursement and the identity of the recipients of the goods or services received should be documented on the union's records.

3. Retaining Voided Checks

Local ZDV failed to maintain all voided checks for fiscal 2007. Keeping voided checks is necessary to determine whether a check is outstanding or lost.

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

Other Issues

1. Signing Blank Checks

During the audit, you advised that President Burrington, Vice President Doug O'Connell, and you signed blank checks. Your union's bylaws require that all checks be signed by two officers. The two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local ZDV review these procedures to improve internal control of union funds.

2. Duplicate Receipts

Members of Local ZDV donate proceeds from the vending machine directly to the union. You record donations in the union's receipts journal, but you do not issue a receipt to the member making the donation. OLMS recommends that Local ZDV use a duplicate receipt system where the union issues original pre-numbered receipts to all members who make payments directly to the union and retains copies of those receipts. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable.

I strongly urge you to accept these recommendations and implement them as soon as possible to improve your internal controls.

I want to extend my personal appreciation to Air Traffic Controllers ZDV 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: Mr. Lyle Burrington, President

Mr. Richard Scott
March 20, 2008
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