

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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June 22, 2005

Ronald Kautz, President
UFCW Local 688

6

Dear Mr. Kautz:

As you are aware, this Office has recently completed an audit of UFCW Local 688 under the Compliance Audit Program (CAP) to determine compliance with provisions of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). As discussed during the exit interview with treasurer Donna Mahn, 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 Violation

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.

The following record keeping violation was revealed during the audit of Local 688's 2004 records:

Local 688 consistently over-paid per capita tax to the international union because it did not maintain accurate membership records. For example, for the month of October 2004 Local 688 paid a total of \$1,064.54 in per capita tax when only \$938.06 should have been paid, a difference of \$126.48. The membership list provided with the bill for per capita tax from the international union for the month of October 2004 indicated that Local 688 had a total of 101 members, but the employer checkoff list for the same month indicated that there were only 89 members, and Local 688 only received dues from those 89 members. However, the problem is not as simple as it seems. The situation was not just having the names of 12 former members on the international union membership list. The names of 26 former members were on the international union membership list and the names of 14 new members were on the employer checkoff list that were not on the international union list. These discrepancies show that Local 688 must implement steps to update its membership information much more frequently and to provide this updated information to the international union just as

Kautz
June 22, 2005
Page 2 of 2

frequently so that errors such as this do not continue to occur. For the entire year, Local 688 overpaid a total of \$1,043.92 in per capita tax to the international union. Local 688 had total receipts of only \$24,541 for the fiscal year, so this overpayment of \$1,043.92 represents 4.25% of its total receipts for the fiscal year.

Treasurer Hahn stated that she would be contacting a representative from the international union to explain the situation with the goal of developing a system to provide for the timely delivery of updated membership information to the international union to minimize future overpayments of per capita tax.

Provide this occurs, no further enforcement action is anticipated.

Other Issues

A review of Local 688's disbursements to officers revealed that taxes are not being withheld from dues refunds paid to officers. It is my opinion that the IRS would consider such payments to be regular income, and thus the payments would be subject to federal taxes.

Finally, a review of LM-3 reports filed for Local 688 for previous fiscal years revealed that the reports have been deficient in that items on the report which require a numerical response have been left blank when there has been no information to report. In cases where there is nothing to report, a zero must be entered. I advised Treasurer Hahn of this and she assured me that future reports will be filed properly. Please also note that if inaccurate membership information is entered in item 19 (How many members did your organization have at the end of the fiscal year?) of the Local 688 LM-3 report, this would represent a violation of LMRDA section 201(b).

I strongly recommend that you make sure that this letter is passed on to yours and Ms. Hahn's successors at whatever time you may leave office.

I want to thank Ms. Hahn for her cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please do not hesitate to contact me or any other representative of our office.

Sincerely,

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Investigator

cc: Donna Hahn, treasurer