



December 9, 2022

Mr. Simplicie Kuelo, President  
UFCW Local 431  
2411 West Central Park  
Davenport, IA 52804

Case Number: 510-6025225( )  
LM Number: 014291

Dear Mr. Kuelo:

This office has recently completed an audit of UFCW Local 431 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 you and Secretary-Treasurer Ashley Danner on October 14, 2022, 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 Violations

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 rule, labor organizations must maintain all records used or received during 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 431's 2021 records revealed the following recordkeeping violations:

#### 1. General Reimbursed and Credit Card Expenses

Local 431 did not retain adequate documentation to explain and clarify two disbursements. On January 5, 2021, the union made a \$1,000 disbursement to Women's Network. There was no backup record located and no mention of the disbursement in the meeting minutes.

On March 10, 2021, the union made a \$5,000 disbursement to K Promotions. There was no backup record located and no mention of the disbursement in the meeting minutes.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principal officers) of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records.

## 2. Meal Expenses

Local 431 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$3,661.97. The union must maintain itemized receipts provided by restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206. The following are examples:

- On March 22, 2021, Colleen Huber was reimbursed \$170.66 for an expense she incurred at Domino's. Only a non-itemized receipt was submitted.
- On November 22, 2021, Colleen Huber was reimbursed \$251.46 for expenses she incurred at The Other Place and Fogo De Chau. Only non-itemized receipts were submitted.
- On November 29, 2021, Simplicie Kuelo was reimbursed \$156.32 for expenses he incurred at Waterfront Seafood, Mulligans, and Steamboat Gardens. Only non-itemized receipts were submitted.
- On October 29, 2021, Bart Sorrels was reimbursed \$147.97 for expenses he incurred at Rio Grande, Mulligans, and Sippis American Grill. Only non-itemized receipts were submitted.
- On September 21, 2021, Samuel Stokes was reimbursed \$239.22 for expenses he incurred at Urban Spur and Steamboat Restaurant. Only non-itemized receipts were submitted.
- On March 4, 2021, Robert Waters was reimbursed \$358.81 for expenses he incurred at Thunder Bay Grill, The Filling Station, and Famous Dave's. Only non-itemized receipts were submitted.

## 3. Lack of Salary Authorization

Local 431 did not maintain records to verify that the salaries reported in Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees) of the LM-2 was the authorized amount and therefore was correctly reported. The union provides "stipends" to representatives but did not keep adequate documentation supporting the amount of the "stipends." The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

#### 4. Reimbursed Auto Expenses

Bob Waters, Ashley Danner, Colleen Huber, and Samuel Stokes, who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$9,890.21 during 2021. The union must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The record must also show the business purpose of each use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses. At times, the union did not maintain detailed information regarding the locations of travel and reason for travel. The following are examples:

- On March 5, 2021, Colleen Huber was reimbursed \$664.83 for mileage without adequate backup documents to support the expense. Detailed information regarding locations of travel and reasons for travel were not provided.
- On February 4, 2021, Samuel Stokes was reimbursed \$200.48 for mileage without adequate backup documents to support the expense. Detailed information regarding locations of travel and reasons for travel were not provided.
- On February 4, 2021, Robert Waters was reimbursed \$893.26 for mileage without adequate backup documents to support the expense. Detailed information regarding locations of travel and reasons for travel were not provided.

Based on your assurance that Local 431 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

#### 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 (Form LM-2) filed by Local 431 for the fiscal year ended November 30, 2021, was deficient in the following areas:

##### 1. Disbursements to Officers and Employees (LM-2)

Local 431 did not include some reimbursements to officers and employees/payments to officers and employees in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). It appears that the local erroneously reported these payments in Schedules 15 through 19. In addition, Local 431 incorrectly reported mileage paid to each officer/employee in Schedule 11, Column (E), Allowances Disbursed. The mileage payments should be reported in Column (F), Disbursements for Official Business.

The union must report in Column F of Schedules 11 and 12 (Disbursements for Official Business) direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedules 11 and 12 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union personnel incur for transportation by public carrier (such as an airline) and for temporary

lodging expenses while traveling on union business. The union must report in Column G (Other Disbursements) of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

I am not requiring that Local 431 file an amended LM report for 2021 to correct the deficient items, but Local 431 has agreed to properly report the deficient items on all future reports it files with OLMS.

2. Failure to File Bylaws

The audit disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its revised constitution and bylaws with its LM report when it makes changes to its constitution or bylaws. Local 431 amended its constitution and bylaws in 2020 but did not file a copy with its LM report for that year.

As agreed, Local 431 will file a copy of its current constitution and bylaws with OLMS with its Labor Organization Annual Report (Form LM-2) for the fiscal year ended November 30, 2022.

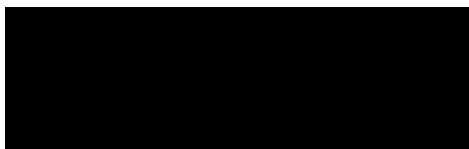
Other Issue

1. Use of Signature Stamp

During the audit, it was determined that it is Local 431's practice to utilize a signature stamp on union checks. 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, the use of a signature stamp does not attest to the authenticity of the completed check and negates the purpose of the two-signature requirement. OLMS recommends that Local 431 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to UFCW Local 431 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,



Senior Investigator