



October 12, 2023

Chad Russell, President
Food and Commercial Workers
Local Union 13-D
P.O Box 3903
Lawrenceburg, IN 47025

Case Number: 350-6027331()
LM Number: 016-139

Dear Mr. Russell:

This office has recently completed an audit of Food and Commercial Workers Local 13-D 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 Treasurer Darla Mattsson on October 12, 2023, 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 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 13-D's 2022 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 13-D did not retain adequate documentation for reimbursed expenses incurred by union officers and employees. For example, a reimbursement check to Vice President

Ryan Kramer for \$183.14 did not contain documentation or a voucher to explain the purpose of the reimbursement.

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 13-D's records of meal expenses did not always include an itemized receipt, written explanations of union business conducted, and/or the names and titles of the persons incurring the restaurant charges. For example, on September 21, 2022, Local 13-D failed to maintain an itemized receipt, names of those who attended, and an explanation and/or purpose for meals at River Watch in Lawrenceburg, Indiana. Union records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

3. Reimbursed Auto Expenses

Treasurer Mattsson received reimbursement for business use of her personal vehicles but did not retain adequate documentation to support payments to her totaling at least \$338.58 during 2022. 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.

4. Lost Wages

Local 13-D did not retain adequate documentation for lost wage reimbursement payments to union officers and employees on at least eight instances. The union must maintain records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. The OLMS audit found that Local 13-D maintained emails and post-it notes that did not always identify the business conducted or the dates lost wages were incurred.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, that contained a sample of an expense voucher Local 13-D may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

5. Disposition of Property

Local 13-D did not maintain an inventory of the gift cards it purchased 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 items were given away and the recipients of those items.

6. Failure to Record Receipts & Receipt Dates not Recorded

Local 13-D did not maintain receipts records or books for deposits received during the year. The deposits consist of dues and interest earned on a certificate of deposit totaling at least \$105,466. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money. The date of receipt 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 receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

7. Information not Recorded in Meeting Minutes

During the audit, Treasurer Mattsson advised OLMS that the executive board authorized disbursements at monthly meetings. Article VII, Section C, requires that all disbursements be authorized by the executive board, however, the minutes of the meetings do not contain any reference to disbursements or there were no minutes maintained. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

8. Lack of Salary Authorization

Local 13-D did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 were the authorized amount and therefore correctly reported. 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.

Based on your assurance that Local 13-D 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 (LM-3) filed by Local 13-D for the fiscal year ended December 31, 2022, 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 totaling \$9,500 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 13-D did not accurately report all disbursements to officers in the proper sections in Item 24 (All Officers and Disbursements to Officers). For example, the treasurer receives an allowance, but it is not reported in Item 24 column (E) and some officers received reimbursement checks that should also have been reported in column (E). Moreover, the audit revealed Local 13-D did not include some payments to officers totaling at least \$17,144. It appears the union erroneously reported these payments in Item 48 and 51.

The union must report most direct disbursements to Local 13-D officers and some indirect disbursements made on behalf of its officers in Item 24. A "direct disbursement" to an officer is a payment made to an officer in the form of cash, property, goods, services, or other things of value. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An "indirect disbursement" to an officer is a payment to another party (including a credit card company) 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 Expense).

I am not requiring that Local 13-D file an amended LM report for 2022 to correct the deficient items, but Local 13-D has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Expense Policy

As I discussed during the exit interview with you, the audit revealed that Local 13-D does not have a clear policy regarding the types of expenses personnel may claim for reimbursement. OLMS recommends that unions adopt written guidelines concerning such matters.

2. Duplicate Receipts

Some members of Local 13-D pay dues directly to the union. Treasurer Mattsson deposits the dues, but does not record dues payments in a receipts journal and does not issue receipts to the members. OLMS recommends that Local 13-D 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. If more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned.

I want to extend my personal appreciation to UFCW Local 13-D 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: Darla Mattsson, Treasurer