



June 28, 2016

Mr. Marshall Christmann III, President
United Food and Commercial Workers Local 278C
816 South Grand
Lyons, KS 67554

Case Number: 510-6007109 [REDACTED]
LM Number: 048865

Dear Mr. Christmann III:

This office has recently completed an audit of United Food and Commercial Workers Local 278C 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 Vawn Vopat on June 16, 2016, 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 278's fiscal years 2014 and 2015 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 278 did not retain adequate documentation for reimbursed expenses incurred by previous Recording Secretary [REDACTED] and President Marshall Christmann totaling at least \$3,700. For example, on October 31, 2013 Hofer was written a check for \$3,602;

union records indicated this was a reimbursement for convention travel expenses such as hotel, mileage, and food. No supporting documentation such as hotel receipts, mileage logs, or restaurant receipts were maintained to verify these expenditures. On November 21, 2013 Christmann was written a check for \$182.64; union records indicated this was a reimbursement for mileage and parking fees. No supporting documentation such as a mileage log or parking receipts were maintained to verify this payment.

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. We discussed this in the exit interview and you agreed to maintain these records in the future.

2. Lost Wages

Local 278 did not retain adequate documentation for lost wage reimbursement payments to officers totaling at least \$1,100. 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 278 did not meet this requirement for any of its payments made for lost wages.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, which contained a sample of an expense voucher Local 278 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. As we discussed in the exit interview, Local 278 has agreed to maintain these records for any future lost time payments.

3. Information not Recorded in Meeting Minutes

During the audit, you advised OLMS that the membership authorizes all disbursements made by the local but you do not have a record of these authorizations. You advised that the local conducts all business by secret ballot and no written record are made of these votes. Article 33 Section F of the constitution for the United Food and Commercial Workers states that all business conducted at local union meetings is to be recorded. Because all disbursements by the local must be authorized by the membership it is vital to keep an accurate record of these authorizations. These documents verify, clarify, and explain the transactions you report on your LM-3 report and must be maintained. During the exit interview you agreed that you will immediately begin taking minutes at every union meeting and will maintain them in your records.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 278C's LM report. You should be aware that under the provisions of

Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person who caused the violations, not just the individuals who are responsible for filing the union's LM report.

Reporting Violations

The audit disclosed violations 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-3) filed by Local 278C for the fiscal year ended June 30, 2015, was deficient in the following areas:

1. Disbursements to Officers

In fiscal year 2015, Local 278C did not include some reimbursements to officers totaling \$1,000 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 51. In fiscal year 2014 the local misreported at least \$4,000 worth of disbursements to officers.

The union must report most direct disbursements to Local 278 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).

We discussed this issue in the exit interview and you have agreed to properly report all disbursements to officers properly in the future.

2. Delinquent Reports

The law requires the president and treasurer or corresponding principal officers of each labor organization to file an annual financial report with the Office of Labor-Management Standards (OLMS) within 90 days after the end of its fiscal year. Not only did you fail to timely file your report for the most recently completed fiscal year, but your local has been delinquent in filing its financial disclosure reports for the last nine years. OLMS has authority to conduct investigations concerning compliance with the reporting requirements

of the LMRDA. The Secretary of Labor may file civil actions in Federal courts to restrain violations and ensure compliance with the LMRDA reporting requirements and Section 209 of the LMRDA also proscribes criminal penalties of a fine of not more than \$10,000, imprisonment for not more than 1 year, or both for the willful failure to file a report. You have agreed that you are aware of the requirements of the law and your obligation to timely file all annual financial reports in the future.

Local 278C must file an amended Form LM-3 for the fiscal year ended June 30, 2015, to correct the deficient items discussed above. I have enclosed a reporting form and instructions with this letter. The amended Form LM-3 should be submitted no later than July 15, 2016 to this office at the above address. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed with original signatures.

Other Issues

Expense Policy

As we discussed during the exit interview, the audit revealed that Local 278C 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.

I want to extend my personal appreciation to United Food and Commercial Workers Local 278C 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. Vawn Vopat, Treasurer