



March 3, 2017

Ms. Evelyn Diaz Reyes, President  
International Chemical Workers Union Council  
UFCW Local 995  
3200 Inland Empire Blvd.  
Ontario, CA 91764

Case Number: 520-6009861 [REDACTED]  
LM Number: 512835

Dear Ms. Diaz Reyes:

This office has recently completed an audit of International Chemical Workers Union Council UFCW Local 995 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 Isiah Savage on February 27, 2017, 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 995's 2016 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 995 did not retain adequate documentation for reimbursed expenses incurred by union officers totaling at least \$326.21. For example, a car gas reimbursement payment for \$76.07 lacked supporting receipts.

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. Voided Checks

Local 995 did not retain the original copies of at least two checks which were marked as void in the union's checking ledger. Although these checks were not processed for payment, the voided originals should be maintained with the union's financial records.

Based on your assurance that Local 995 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-3 filed by Local 995 for the fiscal year ended June 30, 2016, was deficient in the following areas:

1. Disbursements to Officers

Local 995 did not include some reimbursements to officers totaling at least \$15.00 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in either Item 48 (Office & Administrative Expenses) or Item 50 (Benefits). The disbursement of \$15.00 for the monthly stipend to an officer was not reported in Item 24 of the LM-3 report for fiscal year 2016.

The union must report most direct disbursements to Local 995's 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).

2. Per Capita Tax

The audit disclosed that Local 995 made consistent payments for per capita taxes but did not report these payments under Item 47 (Per Capita Tax) on the LM-3 report for fiscal year 2016. It appears the union erroneously reported these payments in Item 50 (Benefits).

3. Fixed Assets

Local 995 did not include the value of an external hard drive purchased with union funds as a fixed asset on their LM-3 Report. The union must report the value of any union property on hand at the beginning and end of each year in Item 30 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.

4. 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 995 amended its bylaws in 2004, but did not file a copy with its LM report for that year. Local 995 has now filed a copy of its bylaws.

I am not requiring that Local 995 file an amended LM report for 2016 to correct the deficient items, but Local 995 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

During the audit, you indicated that one of the officers signs blank checks. Your union's bylaws require that all checks be signed by the president and treasurer. 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 995 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to International Chemical Workers Union Council (UFCW) Local 995 for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make sure this letter and the compliance assistance materials

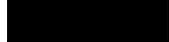
Ms. Evelyn Diaz Reyes

March 3, 2017

Page 4 of 4

provided to you are passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,

A solid black rectangular box used to redact the signature of the investigator.

Investigator

cc: Mr. Isiah Savage, Secretary Treasurer