



March 11, 2020

Ms. Shelia Holston, President
Retail Wholesale, DC, UFCW Local 506
[REDACTED]

Case Number: 410-6017330 [REDACTED]
LM Number: 007261

Dear Ms. Holston:

This office has recently completed an audit of Retail Wholesale, DC, UFCW Local 506 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, Treasurer Laura Wright, Retail Wholesale, DC 932 Representative Marisol Urena, Local 506 Vice President Chet Kato, Retail Wholesale, DC 932 President Randy Hadley, and Retail Wholesale, DC 932 Office Manager Shelley Caver on March 5, 2020, 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 506's 2019 records revealed the following recordkeeping violations:

1. Information not recorded in Meeting Minutes

During the audit President Holston advised OLMS that the membership authorized a Christmas bonus in the amount of \$200.00 for the President, Vice President, and Secretary Treasurer. Article X of the bylaws require all disbursements to be approved and by proper resolution of the membership. The minutes of the meetings do not contain any reference to this bonus issue. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

2. Lost Wages

Local 506 did not retain adequate documentation for lost wage reimbursement payments to union officers and employees totaling at least \$453.00. 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 506 maintained lost time vouchers; however, the vouchers did not have an adequate, detailed explanation of the type of union business conducted and instead listed only “negotiations.”

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, that contained a sample of an expense voucher Local 506 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.

Based on your assurance that Local 506 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Other Violation

The audit disclosed the following other violation:

Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds those individuals or their predecessors handled during the preceding fiscal year. The audit revealed that Local 506’s officers and employees were not bonded for the minimum amount required at the time of the audit. The minimum bond was \$25,022.00; the union was only bonded for \$25,000.00. Local 506 obtained adequate bonding coverage and provided evidence of this to OLMS on March 5, 2020 during the audit. As a result, OLMS will take no further enforcement action regarding this issue.

Other Issue

Signing Blank Checks

During the audit, President Holston advised that she signs blank checks. Your union’s bylaws require that all checks be signed by the president and financial secretary. 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 506 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Retail Wholesale, DC, UFCW Local 506 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: Ms. Laura Wright, Secretary Treasurer