



July 20, 2020

Ms. Betty Mense, President
Food and Commercial Workers Local 268
P.O. Box 126
Chippewa Falls, WI 54729

Case Number: 320-6017806
LM Number: 008370

Dear Ms. Mense:

This office has recently completed an audit of Food and Commercial Workers Local 268 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 Treasurer Melissa Dutton on June 9, 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 268's 2019 records revealed the following recordkeeping violations:

1. Failure to Adequately Record Receipts

The audit revealed that Local 268 did not accurately record in its receipts records the source of some initiation fees totaling at least \$420. For example, for a \$120 deposit made on February 27, 2019, Local 268 recorded "new members" as the source of the receipt in its receipts journal but did not record the names of the new members that made payments to the union. 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.

2. Lack of Salary Authorization

Local 268 did not maintain records to verify that the salaries reported in Item 24 (All Officers and Disbursements to Officers) of the LM-3 were the authorized amounts and, therefore, were correctly reported. During the opening interview, Ms. Dutton stated that officer salaries were in place when she took office and she continued issuing salary payments based on past practice. However, Local 268 did not maintain records that show these salary amounts were properly authorized. The union must keep a record, such as meeting minutes, to show the current salaries authorized by the entity or individual in the union with the authority to establish salaries.

3. Disposition of Property

Local 268 failed to retain adequate records for various gifts that it gave away during the audit period. The audit revealed that Local 268 spent at least \$300 on prizes, including gift cards and movie tickets, which it gave away at its Christmas party; however, Local 268 did not maintain adequate records that identified all of the items given away or the recipients of those items. 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 and amount received from each sale of union hats, jackets, and other items.

In addition, in the case of items given away to members, the union must retain records that identify the date the items were given away and the recipients of those items.

4. Disbursements to Vendors and General Reimbursed Expenses

Local 268 did not retain adequate documentation for disbursements to vendors and payments to Ms. Dutton totaling at least \$380. For example, adequate supporting documentation was not retained for \$300 check to cash issued on February 19, 2019. The cash from this check, which was cashed by Ms. Dutton, was used to purchase items for the union's Christmas party. In support of this disbursement, the union maintained vendor receipts totaling \$109.69 and two handwritten notes stating that gift cards were purchased, which is not sufficient.

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.

5. Receipts and Disbursements from Christmas Party Reservation Fees

At the exit interview, Ms. Dutton advised that Local 268 collected \$10 reservation fees from members who planned to attend the union's Christmas party and that members were subsequently reimbursed their \$10 reservation fees when they arrived at the Christmas party. Local 268 failed to maintain any records to support the reservation fees it collected. 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.

In addition, Local 268 did not retain records to account for the disbursements it made to members that attended the Christmas party. The members that attended the Christmas party, along with the amount disbursed to them, must be recorded in the union's records.

Based on your assurance that Local 268 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 268 for the fiscal year ended April 30, 2019, 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 prizes, including gift cards and movie tickets, totaling at least \$300 at its Christmas party. 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 268 did not include reimbursements to officers totaling at least \$270 in the amounts reported Item 24 (All Officers and Disbursements to Officers), Column E (Allowances and Other Disbursements). Local 268's disbursements records indicate that its officers received reimbursed expenses totaling \$270; however, the total amount reported in Column E of Item 24 was \$0. It appears the union erroneously reported its officers' reimbursed expenses in Item 54 (Other Disbursements).

The union must report most direct disbursements to Local 268 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).

3. Receipts and Disbursements from Christmas Party Reservation Fees

As noted above, Ms. Dutton advised that Local 268 collected \$10 reservation fees from members who planned to attend the union's Christmas party and refunded the \$10 reservation fees to members as they arrived at the Christmas party. Ms. Dutton further advised that the receipts from the reservation fees and the corresponding disbursements to members at the Christmas party were "netted," meaning that the related receipts and disbursements were offset by one another, and as a result, Local 268 did not report these receipts or disbursements in Statement B (Receipts and Disbursements).

As discussed during the exit interview, the purpose of Statement B is to report the flow of cash in and out of your organization during the reporting period. Since Statement B reports all cash flowing in and out of your organization, "netting" is not permitted. All of the money received from individuals for the Christmas party reservation fees should have been reported in Item 43 (Other Receipts). All of the money disbursed to members when they arrived at the Christmas party should have been reported in Item 54 (Other Disbursements). OLMS also recommends that in the future, Local 268 deposit the total amount of the party reservation fees and write checks to members when they arrive at the Christmas party.

I am not requiring that Local 268 file an amended LM report for 2019 to correct the deficient items, but Local 268 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Food and Commercial Workers Local 268 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,

A large black rectangular redaction box covering the signature of the investigator.

Investigator

cc: Ms. Melissa Dutton, Treasurer