



July 6, 2020

Mr. Daniel Kaut, President
Food and Commercial Workers LU 871-C
8 Oasis Drive
Edwardsville, IL 62025

Case Number: 510-6018228 [REDACTED]
LM Number: 069905

Dear Mr. Kaut:

This office has recently completed an audit of Food and Commercial Workers Local Union 871-C 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, former Secretary – Treasurer Wayne Hargrave and Secretary – Treasurer Samuel Godard on July 6, 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.

Recording 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 871-C's July 1, 2018 – June 30, 2019 records revealed the following recordkeeping violations:

1. Meal Expenses

Local 871-C did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$107.47. The union must maintain itemized receipts provided by restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for Union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

Local 871-C records of meal expenses did not always include written explanations of union business conducted and/or the names and titles of the persons incurring the restaurant charges. For example, there were 35 occasions when Union officers purchased meals at restaurants using the Union's debit card totaling at least \$3,921.11, but did not record the full name and title or written explanations of the official union business conducted. 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.

The officers understand that Local 871-C must maintain original itemized receipts provided by restaurants to officers and employees. In the future, itemized receipts will be maintained as part of the Local's records. In addition, the officers understand that Local 871-C must include written explanations of union business conducted and the names and titles of the persons incurring the restaurant charges.

2. Lost Wages

Local 871-C did not retain adequate documentation for lost wage reimbursement payments to union officers and members totaling at least \$40,066.14. 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 871-C does not have sufficient records to identify and support 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 officers understand that Local 871-C 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.

3. Receipt Dates not Recorded

Entries in the Union's Deposits Detail Report and the General Ledger reflect the date the union deposited money, but not the date money was received. Union receipts records must show the date of receipt. 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.

The officers understand that Local 871-C must maintain a record of the date receipts are received in addition to the date receipts are deposited.

Based on your assurance that Local 871-C 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 Food and Commercial Workers Local 871-C for the fiscal year ended June 30, 2019, was deficient in the following areas:

1. Salary Payments to Officers

Local 871-C failed to report at least \$3,600 in payments to officers in the amounts reported in Item 24(D) ((Gross Salary (before taxes and other deductions)). It appears that payments to all officers were erroneously reported in Item 24 column (E) (Allowances and Other Disbursements) on the report. The audit revealed that all officers received a monthly "allowance." Local 871-C routinely reimburses expenses to officers in addition to their monthly allowance. The audit also revealed that these payments are intended to compensate the officers for the work that they do and are not intended to be reimbursement to them for any specific expenses.

2. Disbursements to Officers

Local 871-C did not include some reimbursements to officers totaling at least \$5,572.11, in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48.

The union must report most direct disbursements to Local 871-C 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).

Local 871-C must file an amended Form LM-3 for the fiscal year ended June 30, 2019, to correct the deficient items discussed above. The report must be filed electronically using the Electronic Forms System (EFS) available at the OLMS website at www.olms.dol.gov. The amended Form LM-3 must be filed no later than August 6, 2020. Before filing, review the report thoroughly to be sure it is complete and accurate.

B. Other Issue

Meeting Minutes not Maintained

Local 871-C failed to retain any Executive Board meeting minutes created during at least July 1, 2018 through June 30, 2019. Article 33 (E) of the Food and Commercial Workers International Union Constitution states: *The Recorder of each Local Union shall report the*

minutes of each Local Union membership and Executive Board meeting, keeping an accurate and permanently bound or unalterable electronically stored record of all proceedings. Minutes of all membership or executive board meetings during which disbursement authorizations are made must be retained, as such records clarify, verify, and support information required to be reported on the LM-3 report.

Local 871-C has agreed to maintain meeting minutes of its Executive Board meetings as required by the International Union Constitution.

I want to extend my personal appreciation to Food and Commercial Workers Local Union 871-C 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: Mr. Wayne Hargrave, former Treasurer
Mr. Samuel Godard, Treasurer