



December 8, 2015

Mr. Vernon Raymond, Financial Secretary
Food and Commercial Workers Local 498
5137 Oakridge Drive
Saint Anne, IL 60964

Case Number: 310-6003975 [REDACTED]
LM Number: 015-329

Dear Mr. Raymond:

This office has recently completed an audit of Food and Commercial Workers Local 498 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 on November 23, 2015, 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 Violation

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 498's records for fiscal year ending June 30, 2014, revealed the following recordkeeping violation:

Lack of Salary Authorization

Local 498 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 was the authorized amount and therefore was correctly reported. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

Based on your assurance that Local 498 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violation.

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 498 for the fiscal year ended June 30, 2014, 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 bibles during the year. The local purchased bibles totaling more than \$1,094.41 during the year. 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 498 did not include some reimbursements to officers such as per diem payments totaling at least \$3,382.00 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48 (Office and Administrative Expense).

The union must report most direct disbursements to Local 498 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).

I am not requiring that Local 498 file an amended LM report for fiscal year ending June 30, 2014, to correct the deficient items, but Local 498 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Signing Blank Checks

During the audit, you advised that President Fortino and Vice President Perzee sign blank checks. The UFCW International Constitution [Article 36(C)] requires that all checks be signed by at least two of the following officers: the president, secretary-treasurer, or the designated executive board member. 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 498 review these procedures to improve internal control of union finances.

2. Lost Time Policy

As I discussed during the exit interview, the audit revealed that Local 498 does not have a clear written policy regarding the payment of lost time to officers. A written policy should include the positions of officers eligible to receive lost time, whether wages must be lost in order for an officer to be paid lost time, whether lost time can be claimed for union business conducted when an officer is off duty or on employee-paid leave (vacation, sick, holiday), and the rate(s) at which lost time will be paid (overtime, night differential). OLMS recommends that the union adopt written guidelines concerning this matter.

I want to extend my personal appreciation to the Food and Commercial Workers Local 498 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. Tom Fortino, President