



September 21, 2016

Ms. Tish Ramirez, President
Food & Commercial Workers Regional Council 6
20 N. Martingale Road
Suite 260
Schaumburg, IL 60173-2412

Case Number: 310-6005855
LM Number: 068-035

Dear Ms. Ramirez:

This office has recently completed an audit of Food & Commercial Workers Regional Council 6 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 Office Manager Sandy Czerwinski on September 13, 2016, 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 Regional Council 6's 2014 records revealed the following recordkeeping violations:

1. Inventory of Fixed Assets

UFCW Regional Council 6 did not maintain an adequate inventory list of fixed assets. Per the LM-2 report and financial statements generated by Legacy Professionals, LLC, the union held \$3,428 in fixed assets. The union could not identify these assets at the organizational interview but later determined that the property was artwork. These assets should be inventoried and safeguarded for future reporting and disclosure.

2. Failure to Record Receipts

Regional Council 6 did not record in its receipts records the sale of unknown number of raffle tickets sold in 2012 and 2015, which were convention years. During the organizational interview, you advised that raffle tickets are sold during convention years and the proceeds were donated to the Leukemia and Lymphoma Foundation. You acknowledged that no records are maintained related to these collections because you did not consider the raffle sales union funds. 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.

Based on your assurance that Regional Council 6 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-2 filed by Regional Council 6 for the fiscal year ended December 31, 2014 was deficient in the following areas:

1. Bonding Coverage

The LM-2 report (Item 14) improperly reported the maximum amount recoverable under the Council's fidelity bond for a loss caused by any officer, employee or agent of the organization as \$104,000. Your union's coverage was \$500,000 and should be reflected as such on the report.

2. Election Date

The LM-2 report (Item 19) improperly reported the union's next regular election of officers as May 2015. The election was conducted August 2015.

3. Receipts

Regional Council 6 improperly reported the union's principle receipts as dues (Item 36) in Statement B, *Receipts and Disbursements*. In 2014, affiliate local unions paid monthly per capita tax to the Council at a rate of 15 cents per full time member and 5 cents per part time member. These receipts should have been reported as per capita tax (Item 37) in Statement B, as reflected on the Regional Council 6 financial reports prepared by your accounting firm.

4. Liabilities

Regional Council 6 improperly reported that the union had no liabilities in 2014 on Statement A, *Assets and Liabilities*, of the LM-2 report. The Regional Council 6's LM-2 reported that its assets were pledged at the end of the reporting period (Item 16) and that your organization had contingent liabilities at the end of the reporting period (Item 17). The Additional Information Section (Item 69) for both of these responses cites the decision by the UFCW International Union (IU) to allow Regional Council 6 affiliate Local 7R to disaffiliate and be reimbursed its percentage of net assets in the Council. On December 29, 2014 your organization liquidated assets totaling \$285,760 in anticipation of the payment, which occurred by check written on January 2, 2015 to UFCW Local 7R.

Per page 8 of LM-2 instructions, a contingent liability is a potential liability that may or may not develop into actual liabilities in the future. Based on the facts outlined above, there was nothing conditional regarding the liability owed to Local 7R and Item 17 should be answered "No." Further, Schedule 10, *Other Liabilities* should reflect \$285,760 owed to UFCW Local 7R as of fiscal year ended December 31, 2014.

In addition, Regional Council 6 entered into a contract with a consultant to assist organizing members in Minnesota at a cost of \$30,000. As of December 31, 2014, the remaining commitment on the contact was \$10,000, which was paid on January 7, 2015. The \$10,000 payment should have been reported in Schedule 8, *Accounts Payable*.

5. Disbursements to Officers

Regional Council 6 did not report indirect disbursements to officers totaling at least \$2,629 in Schedule 11 (All Officers and Disbursements to Officers). It appears that the local erroneously reported these payments in Schedules 15 through 19.

The union must report in Column F of Schedules 11 and 12 (Disbursements for Official Business) direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedules 11 and 12 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union personnel incur for transportation by public carrier (such as an airline) and for temporary

lodging expenses while traveling on union business. The union must report in Column G (Other Disbursements) of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

6. 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. Regional Council 6 amended its constitution and bylaws in 2013, but did not file a copy with its LM report for that year.

Regional Council 6 has now filed a copy of its constitution and bylaws.

Regional Council 6 must file an amended Form LM-2 for the fiscal year ended December 31, 2014 to correct the deficient items discussed above. The LM-3 report for fiscal year ended December 31, 2015 must also be amended due to the continuing reporting errors outlined above, including the incorrect bonding coverage and indirect disbursements to officers. The amended Forms LM-2/3 must be electronically filed as soon as possible, but not later than October 21, 2016. The reporting errors will also be detailed in a separate letter as discussed on September 13, 2016.

I want to extend my personal appreciation to Food & Commercial Workers Regional Council 6 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,



Senior Investigator