

**U.S. Department of Labor**

Employment Standards Administration  
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August 12, 2009

Mr. Tom Price, President  
United Food and Commercial Workers  
Local 2  
1305 East 27th Street  
Kansas City, MO 64108

LM File Number 540-631  
Case Number: [REDACTED]

Dear Mr. Price:

This office has recently completed an audit of UFCW Local 2 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 Office Secretary Janice Garrett and Office Secretary Scheryl Walker on August 5, 2009, 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 2's 2008 records revealed the following recordkeeping violation:

#### Lack of Salary Authorization

Local 2 did not maintain records to verify that the salaries reported in Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees) of the LM-2 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. Additionally, any bonuses or salary increases should be authorized properly and recorded in a union record such as the meeting minutes.

Based on your assurance that Local 2 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

#### Reporting Violation

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 Local 2 for fiscal year ending December 31, 2008, was deficient in that:

#### Disbursements to Officers and Employees

Local 2 did not include some reimbursements to officers totaling at least \$13,000 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.

I am not requiring that Local 2 file an amended LM report for 2008 to correct the deficient items, but Local 2 has agreed to properly report the deficient items on all future reports it files with OLMS.

#### Other Issues

##### 1. Duplicate Receipts

Some members of Local 2 pay dues directly to the union. These payments are recorded in the union's receipts journal, but the person receiving the payment does not always issue receipts to dues payers. Based on review of ten payees, the audit revealed Local 2 did not record in its duplicate receipts record two cash dues payments totaling \$72.95. For example, membership records indicate a member paid \$50.00 cash for dues, but the local did not have a corresponding duplicate receipt to support this payment. OLMS recommends that Local 2 use a duplicate receipt system where the union issues original pre-numbered receipts to all members who make payments directly to the union and retains copies of those receipts. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable. If more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned.

2. Use of Signature Stamp

During the audit, you advised that it is Local 2's practice for Janice Garrett to stamp the signature of you and Secretary-Treasurer Martin Rosas on union checks. Office Secretary Garrett indicated that no one but she and Office Secretary Scheryl Walker review the checks before they are issued. 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, the use of a signature stamp for the second signer does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 2 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to UFCW Local 2 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