



March 11, 2013

Adolfo Vargas, Secretary Treasurer
UFCW Local Union 146C
PO Box 1025
Lompoc, CA 93438

Case Number: 520-13407 [REDACTED]
LM Number: 022271

Dear Mr. Vargas:

This office has recently completed an audit of UFCW Local Union 146C 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 President Tom Hansen, ICWUC Vice President John Lewis, and you on February 28, 2013, 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 146C's 2012 records revealed the following recordkeeping violations:

1. General Expenses

Local 146C failed to maintain adequate documentation for some expenses totaling at least \$4,941 during the 2012 fiscal year. For example, there were no receipts for landscaping services totaling at approximately \$2,492.28, donations to various local youth organizations totaling \$1,554, or the purchase of office supplies using the union's Staple's credit card totaling \$895.61. All expense receipts should adequately document the union business conducted that required the expense, such as the date; description of goods and/or services rendered; the amount; and the nature of union business.

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.

2. Lost Wages

Local 146C did not retain adequate documentation for lost wage reimbursement payments to union officers and members totaling at least \$2,554.43 in 12 separate instances. 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.

3. Lack of Salary Authorization

Local 146C did not maintain records to verify that the monthly salaries and quarterly stipends reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 were the authorized amounts and therefore was correctly reported. The union must keep a record, such as meeting minutes, constitution and bylaws, or other internal documents establish that the current salaries and allowances are authorized by the entity or individual in the union with the authority to establish such salaries.

Based on your assurance that Local 146 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 146C for the fiscal year ending June 30, 2012, was deficient in the following areas:

1. Disbursements to Officers

Local 146C did not report the names of two of the six vice presidents that held office during the fiscal year and the total amounts of payments to them or on their behalf in Item 24 (All Officers and Disbursements to Officers). Additionally, Local 146C failed to include all salaries and allowances paid to officers during the fiscal year in Item 24 (All Officers and Disbursements to Officers). Local 146C erroneously reported the salaries, lost time payments, other allowances paid to officers totaling at least \$7,117 in Item 46 (Employees) and Item 54 (Other Disbursements).

The union must report most direct disbursements to Local 146C 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).

2. 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. Local 146C amended its constitution and bylaws in 2004, but did not file a copy with its LM report for that year. A copy of Local 146C's constitution and bylaws has now been filed.

Local 146C has filed an amended Form LM-3 for fiscal year ending June 30, 2012, to correct the deficient items discussed above and has agreed to properly report the deficient items on all future reports filed with OLMS.

Other Issues

One Signature on Checks

During the audit, it was determined that it is the practice of Local 146C for the secretary treasurer to sign all union checks without a second signature. A 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 one signature circumvents and undermines the purpose of requiring two signatures. Thus, OLMS recommends that Local 146C review their procedures to improve their internal control of union funds.

I want to extend my personal appreciation to UFCW Local Union 146C for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make sure this

Mr. Adolfo Vargas

March 11, 2013

Page 4 of 4

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,

Beverly Perkins
District Director

cc: Mr. Tom Hansen, President