



June 24, 2010

Mr. Johnny Rodriguez, President
UFCW Local 540
11041 Garland Road
Dallas, TX 75218

Case Number: [REDACTED]
LM Number: 041547

Dear Mr. Rodriguez:

This office has recently completed an audit of UFCW Local 540 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, Secretary-Treasurer Felipe Mendez, CPA Dennis Jenkins, and Attorney at Law G. William Baab on June 11, 2010, 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 540's 2009 records revealed the following recordkeeping violations:

1. Meal Expenses

Local 540 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$1,000. 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 540's records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, the receipt from Fat Daddy's dated November 13, 2009 for \$171.25 did not state a purpose of the union business conducted. Also, the receipt for Monterrey Restaurant dated October 23, 2009 for \$36.50 stated "lunch" as the union purpose. 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.

2. Credit Card Expenses

Local 540 did not retain adequate documentation for some credit card expenses incurred by union officers totaling at least \$34.23. For example, the receipt for \$15.44 dated April 2, 2009 for Subway was missing from Local 540's records. Also, the receipt for \$18.79 dated September 16, 2009 for Souper Salad was missing from Local 540's records.

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.

3. Dues Checkoff Reports

Local 540 failed to maintain the February, April, and May dues checkoff reports from the employer Albertsons. Labor organizations are required to retain supporting documentation of their receipts.

4. QuickBooks Records

Local 540 failed to maintain an accurate union record of Local 540's financial accounts. Some receipt amounts and disbursement check amounts were entered incorrectly into QuickBooks. For example, the deposit made on August 14, 2009 was entered into QuickBooks as \$50,002 instead of \$50,000. Also, some disbursement checks were entered into QuickBooks under a different check number than the actual check number. For example, check [REDACTED] was in QuickBooks under check [REDACTED], and check [REDACTED] was in QuickBooks under check [REDACTED].

Based on your assurance that Local 540 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Other Violation

The audit disclosed the following other violation:

Duplicate Payment

Local 540 made a \$15.68 reimbursement overpayment to Secretary-Treasurer Felipe Mendez because Mendez mistakenly claimed \$15.68 for reimbursement when that charge was made on a credit card paid for by the union. Mendez agreed to immediately reimburse Local 540 that amount.

Other Issues

1. Use of Signature Stamp

During the audit, Office Manager Mona Rodriguez advised that it is Local 540's practice for her and Accountant Laura McCoskey to stamp the signatures of President Johnny Rodriguez and Secretary-Treasurer Felipe Mendez on union checks. Rodriguez stated that Secretary-Treasurer Felipe Mendez reviews the checks before they are issued. 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 signature stamps for the signers does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 540 review these procedures to improve internal control of union funds.

2. Flower Policy

Local 540 does not have a clear policy regarding flower purchases such as who flowers may be purchased for, for what purpose, and the maximum amount of each purchase. OLMS recommends that Local 540 adopt written guidelines concerning this matter.

3. Meal Expenses

Local 540 has a liberal policy regarding meal expenses stating that a union representative can charge reasonable costs to a local union credit card or claim reimbursement as long as the representative completes an expense report, attaches the receipts, and states the names of the individuals present, purpose of the meeting, and amount of the expenses and date. Local 540 representatives are permitted to purchase an unlimited number and cost of drinks and meals for themselves and others via a local union credit card or claim reimbursement for those expenses. OLMS recommends that Local 540 adopt more specific written guidelines concerning this matter.

5. Monthly Car Allowance

Some Local 540 officers receive a \$600 to \$700 per month car allowance in addition to mileage reimbursement of 32 cents per mile and reimbursement for their car insurance. Local 540 does not have the purpose of the monthly car allowance documented anywhere in the union's records. OLMS recommends that Local 540 document the purpose.

6. Board of Audit

Two members of Local 540's Board of Audit Laura McCoskey and Mona Rodriguez are also employees of Local 540 who maintain Local 540's QuickBooks records and write all of Local 540's disbursement checks and sign them using the signature stamps. OLMS recommends that the Board of Audit members be independent of the Executive Board and the office staff.

7. Review of Disbursements

Local 540's Secretary-Treasurer Felipe Mendez reviews supporting documentation (receipts, invoices, and vouchers) for all of Local 540's disbursements including his own reimbursement claims. OLMS recommends having another Executive Board member or a member of Local 540's office staff review Mendez's reimbursement claims.

8. Membership Meetings

According to Local 540's records, Local 540 had no membership meetings in 2009 due to a lack of having a quorum at each and every meeting. OLMS recommends that Local 540 consider ways to get the membership more involved such as holding regional or area membership meetings instead of membership meetings for each employer.

I want to extend my personal appreciation to UFCW Local 540 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

cc: Mr. Dennis Jenkins, CPA
Mr. G. William Baab, Attorney at Law