

U.S. Department of Labor

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January 3, 2008

Mr. David McGarity, President
UFCW
Local 432-C
1063 Prospect
Imperial, MO 63052

LM File Number 020-755

Case Number: [REDACTED]

Dear Mr. McGarity:

This office has recently completed an audit of UFCW Local 432-C 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 December 19, 2007, 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 432-C's 2007 records revealed the following recordkeeping violations:

1. Backup Documentation for Disbursements

Local 432-C did not retain adequate documentation for all disbursements totaling at least \$1,600. For example, documentation was not retained to verify the monthly per capita tax payment of \$111.80 to the Missouri AFL-CIO.

As previously 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 432-C did not retain adequate documentation for lost wage reimbursement payments to union officers. 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. The OLMS audit found that Local 432-C maintained lost time vouchers for most lost time claims; however, the vouchers did not identify union business conducted and the applicable rate of pay. Additionally, some lost time vouchers for Stuart Hensley and Leonard Harris were missing. These lost time payments totaled \$389.52.

3. Lack of Salary Authorization

Local 432-C 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 432-C 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 of UFCW Local 432-C revealed the following reporting violations:

1. Failure to File 2007 LM-3 Report on Time

The CAP 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) was not filed in a timely manner by Local 432-C for fiscal year ending June 30, 2007. The delinquent LM-3 report was submitted during the audit.

2. Deficient LM-3 Report

The 2007 LM-3 report was deficient in several areas. First, Item 9 is marked "No," but the address where records are stored is not provided in Item 56. Second, the report fails to reconcile because there are no figures for ending cash and assets (Lines 25B - 30B). Beginning cash, total receipts, total disbursements, and ending cash figures must be used to reconcile the report. A reconciliation worksheet is provided on page 14 of the LM-3 instructions. Third, Items 25-55 must be completed with a number or "0" where appropriate. Local 432-C left a majority of items in this section blank.

3. Disbursements to Officers

Local 432-C did not include some reimbursements to officers totaling at least \$180.00 in the amounts reported in 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 432-C 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).

4. 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 432-C amended its constitution in 2003 and bylaws in 2005, but did not file a copy with its LM report for that year. Local 432-C has now filed a copy of its constitution and bylaws.

Local 432-C must file an amended Form LM-3 for fiscal year ending June 30, 2007, to correct the deficient items discussed above. I provided you with a blank form and instructions, and advised you that the reporting forms and instructions are available on the OLMS website (www.olms.dol.gov). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than January 31, 2007. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

I want to extend my personal appreciation to you 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,

[REDACTED]
Investigator

cc: Charlette Kempen, Treasurer