

U.S. Department of Labor

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Office of Labor-Management Standards
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July 16, 2007

Mr. Allen Stephenson, Secretary Treasurer
Retail Wholesale, UFCW, AFL-CIO
Local 21
2569 County Rd. 18
South Point, OH 45680

LM File Number 030-341

Case Number: [REDACTED]

Dear Mr. Stephenson:

This office has recently completed an audit of Retail Wholesale Local 21 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 President Dennis Look on June 21, 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 21's 2006 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 21 did not retain adequate documentation for reimbursed expenses and for expenses charged to the union's Office Max credit card. One example is the international convention in Florida attended by President Dennis Look and Vice Presidents Bill Curry, Mike Baker, and David Sands. Not including lost wages, the union paid approximately \$20,000 in travel advances, hotel rooms, airline tickets for Bill Curry, rental cars, and Walt Disney entertainment passes. You and President Look stated the executive board approved to allow up to four family members to travel with each officer on union expense. The officers did not complete travel vouchers to account for the dates of travel, travel advances, and other travel expenses. While two officers maintained some individual receipts for meals, hotel, and gasoline, these receipts did not correspond to a voucher or similar union document. Additionally when air travel is incurred, the original purchase receipt is not sufficient supporting documentation; the union must retain the ticket or boarding pass at the end of travel to verify completion of travel.

Concerning the Office Max credit card, the union did not have available with the union records the original receipts for purchases as shown on the credit card invoices. At the exit interview, President Look explained a charge of \$179.64 from a credit card invoice in October 2006 as a purchase he made for a book case to store union records that he has at his residence. President Look stated he has this receipt at his house. As previously noted, labor organizations must retain original receipts and invoices with the union records for all disbursements.

2. Lost Wages

Local 21 did not retain adequate documentation for lost wage reimbursement payments to union officers. An example is the lost wages paid to the four officers who attended the international convention that totaled \$6,836.92. 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 in the case of Local 21, officers have not used lost wage vouchers; President Look calculates the lost wages for each officer claiming lost wages based on the officer's wage grade but Look did not retain any of his paperwork. During the opening interview, President Look provided OLMS a sample lost wage voucher that Local 21 intends to modify and use in the future.

3. Failure to Record Receipts

Local 21 did not record in its records specific employer dues check off checks. The union used check stubs as its disbursements and receipts journal. The check stubs did not record every deposit into the union's bank account. Furthermore when the deposit amounts were entered, the union entered the total deposit amounts, not the itemized list of deposit items. The individual deposit items could not be reviewed from deposit slips since Local 21 retained only the deposit slips from the bank that shows the total deposit amounts. You stated that you did not retain the itemized deposit slips you took to the bank listing each employer check comprising a particular deposit. Union receipt 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.

4. Gifts to Members and Sponsorships

Local 21 did not record or explain in any union record the gifts paid to members totaling \$22,400 in 2006. In the one specific case, the union paid a member \$11,350 in nine checks from October 2006 to May 2007. Additionally the union paid two members a total of \$2,000 to sponsor teams, again without any documentation or explanation in any union record for the expenditure. At the exit interview, President Look provided OLMS with a copy of a "financial assistance request form" that the union will use in the future when gifts or sponsorships are disbursed from union funds.

5. Unit Funds

Local 21 did not maintain records for the unit funds. You and President Dennis Look explained the unit funds historically developed from Local 21's

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bylaws dated 1960 and amended 1968, which Local 21 still follows. Local 21 has never considered the unit funds as Local 21 money. Local 21 has four units - Heiner, Brown, AVI, and Canteen - each receiving dues refunds totaling \$1 per member per month. During the audit OLMS scheduled the checks payable to the units and found that Local 21 transferred a total of \$5,604 by issuing two checks to each unit for six-months of dues refunds as follows: AVI and Canteen received \$96, Brown was issued \$540 (however one check of \$270 was outstanding at the end of the year), and Heiner received \$4,872. Working with you, President Dennis Look, and Staff Representative Allen Mayne, OLMS has obtained copies of the bank statements for Heiner, Brown, and AVI; according to Mr. Mayne, the Canteen unit does not have a bank account. These unit accounts are Local 21 funds and as such must be handled with the same safeguards as the Local 21 general fund account.

Based on your and President Dennis Look's assurance that Local 21 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 LM-3 filed by Local 21 for fiscal year ending December 31, 2006 was deficient in the following areas:

1. Unit Funds Are Local 21 Funds

Local 21 failed to include the unit funds on the LM-3 report. Local 21 had four units in 2006, Heiner, Brown, AVI, and Canteen; with the exception of Canteen, the units each had their own checking accounts. These accounts are Local 21 funds and as such they must be included on the LM-3. From the OLMS audit it appears the checks transferred to the units were treated as dues refunds and the union netted all dues refunds on the LM-3 report. As a rule, dues refunds can not be netted; they must be reported as a receipt and disbursement. Any money from Local 21's checking account issued to the units are fund transfers (since the units are Local 21 funds) and thus should not be recorded as a disbursement from Local 21's checking account or a receipt to the units; however any money disbursed from the units is a Local 21 disbursement and must be treated as such on the LM-3 report. Summarizing, the amended LM-3 must show in Item 25(A) (Cash Start of

Reporting Period) and Item 25(B) (Cash End of Reporting Period) all union accounts including the unit accounts. Item 38 (Dues) must include all dues received, including money refunded to members, and lastly any disbursements made from the units must be properly allocated to Items 45 to 54 (Cash Disbursements).

2. Disbursements to Officers

Local 21 failed to include some reimbursements and payments to officers in Item 24 (All Officers and Disbursements to Officers). The union must report in Item 24 the payments to officers who received a gift or Christmas gift from the union; it appears the union erroneously reported these in Item 51 (Contributions, Gifts, & Grants). The monthly expense checks of \$60 to you and President Look are also reportable in Item 24 and not in Item 54 (Other Disbursements) where it appears these were included.

All direct disbursements to Local 21 officers and some indirect disbursements made on behalf of its officers must be reported 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. An "indirect disbursement" to an officer is a payment to another party (including credit card companies) 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).

Local 21 must file an amended Form LM-3 for fiscal year ending December 31, 2006, to correct the deficient items discussed above. I provided you with a blank form and instructions, and discussed with you the availability of the reporting forms and instructions 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 July 31, 2007. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Violations

The audit disclosed the following other violations:

1. Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds those individuals or their predecessors handled during the preceding fiscal year. Local 21's officers and employees are currently bonded for \$20,000, but they must be bonded for at least \$25,500. Local 21 should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as adequate coverage has been obtained, but not later than July 31, 2007.

2. Elections

Local 21 voted at the last officer election in December 2004 to change the term for union officer elections to every four years from every three years. As I explained during the exit interview, the LMRDA Section 401 (Elections) states that a local labor organization must elect officers at least once every three years. You and President Look were not aware of this requirement and you both stated to be in compliance with the LMRDA, Local 21 will conduct nominations in November 2007 and elections in December 2007.

Other Issues

1. Dissolution of Unit Funds

At the exit interview we discussed dissolving the unit funds. Although OLMS can not recommend terminating the unit funds, I suggested this option be discussed with your international representative, the executive board, and the membership.

2. Deposit Frequency

We also discussed deposits and I suggested making deposits more frequently. As stated above under recordkeeping, unions must record receipts in the union records when received. Ideally the deposit should be made as soon as

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the employer check is received, not held until all the employer checks are received.

3. Credit Card Fees

Lastly we discussed the Office Max credit card and the late fees and finance charges incurred due to late payments by the union. You agreed in the future to both make deposits when checks are received and to pay the Office Max bills promptly to avoid late fees.

I want to extend my personal appreciation to Retail Wholesale Local 21 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: Dennis Look, President
Allen Mayne, RWDSU International Representative