



September 17, 2014

Mr. Tony Iversen, President  
AFSCME Local 1164  
420 Delaware St. SE  
Room B495  
Minneapolis, MN 55414

Case Number: 320-6000448( )  
LM Number: 544152

Dear Mr. Iversen:

This office has recently completed an audit of AFSCME Local 1164 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, Treasurer Roberta Hoff, and Vice President Kim Oliver on May 7, 2014, 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 1164's 2013 records revealed the following recordkeeping violations:

#### 1. Lost Wages

Local 1164 did not retain adequate documentation for lost wage reimbursement payments to union officers on at least 14 occasions totaling \$4,547. Records must be maintained 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 audit found that Local 1164 did not maintain any documentation to support lost time claimed on 12 occasions, and on two occasions the vouchers failed to identify the dates the lost time was incurred.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, that contained a sample of an expense voucher Local 1164 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

2. Lack of Salary Authorization

Local 1164 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 were the authorized amounts and therefore were correctly reported.

The audit revealed that officers receive a monthly salary of \$150 to \$250. The union currently maintains no written record that documents the authorization to pay wages to Local 1164's officers. The union must keep a record, such as meeting minutes, to show the current salaries authorized by the entity or individual(s) in the union with the authority to establish salaries.

3. General Reimbursed Expenses to Officers

Local 1164 did not retain adequate documentation for reimbursed expenses incurred by union officers totaling at least \$2,810.71. For example, adequate supporting documentation was not retained for a \$1,009.35 reimbursement to former Treasurer [REDACTED] on June 12, 2013, for airfare and lodging for the Next Wave conference. In support of this expense, Local 1164 only retained the executive board and membership meeting minutes from May 13, 2014, and May 14, 2014, respectively, that authorized [REDACTED] to attend the conference.

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.

4. Failure to Maintain Carbon Copies of Checks and Dues Checkoff Reports

The audit revealed that Local 1164 failed to retain the carbon copies of check numbers [REDACTED], [REDACTED], and [REDACTED]. Local 1164 also failed to retain the dues checkoff reports from Fairview and University of Minnesota Physicians for the months of October, November, and December 2013. As a general rule, all types of records created or used in the normal course of doing union business must be maintained by the union for five years.

Based on your assurance that Local 1164 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 1164 for fiscal years ended December 31, 2011 and December 31, 2013, were deficient in the following areas:

#### 1. Failure to Report Other Assets

Local 1164 failed to report funds owed to the union by former President [REDACTED] at the beginning and end of the reporting period in Item 30 (Other Assets) on Local 1164's 2011 and 2013 LM-3 Reports.

On December 29, 2005, [REDACTED] was convicted of embezzling funds from Local 1164, and was ordered by the court to make restitution to Local 1164 in the amount of \$43,216.09. As of November 1, 2010, [REDACTED] made restitution payments totaling \$928.00 to Local 1164. Local 1164 also received a \$25,000 payment from their bonding company regarding the loss. [REDACTED] has not made any additional restitution payments to Local 1164 since November 1, 2010. The Hennepin County Attorney Restitution Unit has advised that because [REDACTED] is no longer under County supervision, the only way for Local 1164 to collect the remaining \$17,288.09 in restitution from [REDACTED] is through a civil lawsuit.

The audit revealed that since November 1, 2010, [REDACTED] owes \$17,288.09 in restitution to Local 1164; however, Local 1164 failed to report the outstanding restitution in Item 30 on the 2011 and 2013 LM-3 reports. The LM-3 instructions for Item 30 state to enter the total value as shown on your organization's books at the start and end of the reporting period of all assets (such as accounts receivable or utility deposits) which have not been reported in Items 25 through 29.

#### 2. Disbursements to Officers

Local 1164 did not report reimbursements to officers totaling at least \$1,287.85 in the amounts reported in Item 24 (All Officers and Disbursements to Officers) on the 2013 LM report. As an example, Vice President Kim Oliver was reimbursed \$160.14 during the audit year, but the amount reported in Item 24 Column E (Allowances and Other Disbursements) for Ms. Oliver was \$0. It appears that the reimbursed expenses paid to officers in 2013 were reported in Item 48 (Office & Administrative Expenses); however, these amounts should have been reported in Item 24, Column E.

Local 1164 also did not report lost wage payments to officers totaling at least \$1,938.46 in the amounts reported in Item 24 on the 2013 LM report. As an example, on June 12, 2013, Secretary LaTonya Clark received a lost wage reimbursement in the amount of \$219.97,

but the amount reported in Column D (Gross Salary) for Ms. Clark does not include this payment. It appears that the lost wages paid to officers were erroneously reported in Item 48 (Office & Administrative Expenses); however, all salary payment, including reimbursements for lost wages, are to be reported in Column D of Item 24.

Most direct disbursements to Local 1164 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. 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).

I am not requiring that Local 1164 file amended LM reports for 2011 or 2013 to correct the deficient item, but Local 1164 has agreed to properly report the deficient items on all future reports it files with OLMS.

#### Other Violations

The audit disclosed the following other violation(s):

##### 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.

The audit revealed that Local 1164's officers and employees may not be bonded for the minimum amount required at the time of the audit. Local 1164 officers stated that the local was bonded, but were unable to provide evidence of bonding coverage during the audit. Local 1164 should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as possible, but not later than September 30, 2014.

##### 2. Failure to File

The audit also disclosed a violation of the LMRDA, which requires the president and treasurer, or corresponding principal officers, of each labor organization to file an annual financial report accurately disclosing the union's financial conditions and operations. Local 1164 has failed to file its annual financial report for fiscal year ended (FYE) December 31, 2012 with OLMS by the due date required by Section 201(b) of the LMRDA. Section 201(b) requires that annual financial reports be filed within 90 days after the end of the labor organization's fiscal year. Local 1164's fiscal year ends on December

31, and it must file its annual financial report by March 31 of each year (or by March 30 in a leap year).

Local 1164 must file the delinquent LM-3 report for FYE 2012 no later than September 30, 2014. I encourage Local 1164 to complete, sign, and file its report electronically using the Electronic Forms System (EFS) available at the OLMS website at [www.olms.dol.gov](http://www.olms.dol.gov). Reporting forms and instructions can be downloaded from the website, if you prefer not to file electronically. Before filing, review the report thoroughly to be sure it is complete and accurate. Paper reports must be signed with original signatures.

I want to extend my personal appreciation to AFSCME Local 1164 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

cc: Ms. Roberta Hoff, Treasurer