



March 10, 2016

Ms. Nancy Goldman, President
UNITE HERE Local 17
312 Central Avenue
Suite 444
Minneapolis, MN 55414

Case Number: 320-6006706
LM Number: 506435

Dear Ms. Goldman:

This office has recently completed an audit of UNITE HERE Local 17 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 Bookkeeper Laura Malafa on March 2, 2016, 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 17's 2014 records revealed the following recordkeeping violations:

1. Meal Expenses

Local 17 did not require you or Secretary Treasurer Wade Luneburg to submit itemized receipts for meal expenses totaling at least \$397.47 that were charged to debit cards. For

example, Mr. Luneburg incurred a meal expense at Restaurant 11 on September 22, 2014 for the Minnesota AFL-CIO Convention. In support of this expense, Local 17 only kept the signature copy of the receipt, which is not sufficient. 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.

2. Disposition of Property

During the audit period, Local 17 disbursed over \$1,525 for t-shirts. You stated that the t-shirts were given away to staff and some members who participated in rallies or other union functions. The local failed to maintain an inventory of the t-shirts that were purchased and given away. Additionally, Local 17 did not maintain adequate records that identify the recipients of the t-shirts. Records must be retained which account for all union property to clarify and support information required to be reported by Local 17 in Statements A and B of the Labor Organization Annual Report (Form LM-2). The value of any property on hand at the beginning and end of the year should be reported in Item 28 (Other Assets). In addition, the type and value of any property received or given away must be identified in the additional information section of the Form LM-2 report with the identity of the recipient(s) or donor of such property. Further, the union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 28 regarding items that are disposed of in a manner other than by sale.

3. Lack of Salary Authorization

Local 17 did not maintain records to verify that the salaries reported in Schedule 12 (Disbursements to Employees) of the LM-2 were the authorized amounts and therefore were correctly reported.

The audit revealed that your salary and the salary of the full-time officers were reviewed and authorized by the executive board and noted in the executive board meeting minutes on January 14, 2014. Additionally, the local has a collective bargaining agreement (CBA) with the Office and Professional Employees Union Local 12 that covers Accountant [REDACTED] and Office Manager Martha Thorson, which specifies their authorized salaries and yearly raises. A review of Local 17's payroll records for 2014 revealed that Peters and Thorson were paid salaries that were greater than the authorized salaries from the wage schedules in the CBA. No authorization for these salary increases were found in the union's meeting minutes. During the audit, you advised that some staff were "off" the wage schedule because of their length of employment and that you authorized them to be paid a three percent wage increase for each of the last two years; however, the three percent increase was higher than the authorized raise of that was provided in the CBA with Local 12. A review of Article IX, Section 1(c) of Local 17 bylaws states that you shall approve all expenditures and Article IX, Section 1(h) says you shall recommend employment of employees. However, your authority to authorize salaries for Local 17 employees that are greater than the authorized salary levels in the CBA could not be identified in any union

record. During the exit interview, Ms. Malafa added that the current CBA provides for employees who are “off” the wage schedule to be paid a three percent raise. Local 17 must keep a record, such as bylaws, meeting minutes, or a CBA, to show the current salaries for officers and employees as authorized by the entity or individual in the union with the authority to establish salaries.

Based on your assurance that Local 17 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(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 17 amended its constitution and bylaws in 2009, but did not file a copy with its LM report for that year. Local 17 has now filed a copy of its constitution and bylaws.

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-2) filed by Local 17 for the fiscal year ended December 31, 2014, was deficient in the following areas:

1. Acquire/Dispose of Property

Item 15 LM-2 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered, "Yes," because the union purchased \$1,500 worth of t-shirts and gave away some t-shirts during the year. In addition, the local gave away at least \$250 in Cub Foods gift cards at a union meeting. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as “members” or “new retirees.” In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

2. Disbursements to Officers and Employees

Local 17 did not include payments to officers and employees totaling at least \$11,152 in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). For example, the local’s bank statements and receipts show that you and Mr. Luneburg charged meals and travel expenses such as parking fees totaling at least \$7,559 to union debit cards. In another example, the general ledger and expense reports identified reimbursed expenses such as mileage, cell phones, meals, and parking paid directly to you, Mr. Luneburg, former Accountant [REDACTED], and Senior Vice President Martin Goff totaling at least \$3,593. These payments were not included in Schedule 11 or 12, Column F (Disbursements for Official Business) and it appears that Local 17

erroneously reported the payments in Schedules 15 through 19.

The union must report in Column F of Schedules 11 and 12 direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedules 11 and 12 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union personnel incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business. The union must report in Column G (Other Disbursements) of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

3. Withheld Taxes/Payroll Deductions

Local 17 failed to report any deductions (including tax withholdings) from officer salaries and other disbursements in Schedule 11 and Schedule 12. As a result, the total amount of payments to officers and employees were incorrectly reported on Line 9 (Net Disbursements) at the bottom of Schedules 11 and 12. As noted in the LM-2 Instructions, the total amount of withheld taxes, payroll deductions, and all other deductions are to be entered on Line 8 (Less Deductions) of Schedules 11 and 12. The LM-2 filing software subtracts the amount reported on Line 8 from the amount reported on Line 7 (Total Officer Disbursements), and enters the difference on Line 9.

I am not requiring that Local 17 to file an amended LM report for 2014 to correct the deficient items, but Local 17 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to UNITE HERE Local 17 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: Mr. Wade Luneburg, Secretary Treasurer