



March 27, 2020

Mr. Brett Hopper, President  
Government Employees NAGE SEIU AFL-CIO  
IAEP Local R7-167  
P.O. Box 49516  
Blaine, MN 55449

Case Number: 320-6016546  
LM Number: 544422

Dear Mr. Hopper:

This office has recently completed an audit of Government Employees (NAGE) International Association of EMTs and Paramedics (IAEP) Local R7-167 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 current Treasurer Blake Katzenmeier and incoming Treasurer Dustin Hadley on March 4, 2020, 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 R7-167's 2018 records revealed the following recordkeeping violations:

1. Receipt Dates not Recorded

Entries in Local R7-167's receipts journal reflect the date the union deposited money, but not the date money was received for dues checkoff checks totaling at least \$224,733. Union receipts records must show the date of receipt. For example, Allina Health check number [REDACTED], dated May 3, 2017, in the amount of \$6,604.79, was mailed to the union's post office (PO) box on or about the date of the check; however, the union recorded the date of receipt for this check as September 21, 2017, the date the union collected the check from its PO box.

The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-3. The LM-3 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

2. Disbursements to Vendors and General Reimbursed Expenses

Local R7-167 did not retain adequate documentation for disbursements to vendors and payments to Vice President Ryan Dougherty and Recording Secretary Amanda Layne totaling at least \$3,362. For example, adequate supporting documentation was not retained for a \$114 reimbursement to Ms. Layne for flowers she purchased for [REDACTED] funeral. While Local R7-167 recorded this expense in its general ledger, it did not retain any supporting documentation, such as a voucher or receipt. As another example, adequate supporting documentation was not retained for a \$1,549.84 disbursement the union made to Aesop's Table on November 29, 2017 for Thanksgiving meals. Local R7-167 also recorded this expense in its general ledger, but again did not retain any supporting documentation, such as a voucher or receipt.

Additionally, Local R7-16's records of meal expenses did not always include itemized receipts. For example, an itemized receipt was not retained for a \$322.88 meal expense the union incurred at Pizza Pub on December 22, 2017 for its membership meeting that day. In support of this expense, Local R7-167 only retained a debit card signature receipt, which is not sufficient.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. Itemized receipts provided by restaurants to officers and employees must be retained. 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. 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. 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.

Based on your assurance that Local R7-167 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

#### Reporting Violation

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 R7-167 for the fiscal year ended August 31, 2018, was deficient in that:

#### Statement B (Dues Receipts and Per Capita Tax)

The audit revealed that Local R7-167 had dues receipts of \$192,413 during the audit year. However, Local R7-167 reported dues receipts of \$215,199 in Item 38 (Dues) of Statement B.

It appears that the discrepancy is a result of Local R7-167 failing to record dues receipts in the union's records in the correct fiscal year. As a result, Local R7-167's 2018 LM report included receipts totaling at least \$59,961 that were received in 2017 and did not include at least \$27,634 in receipts that were received in 2018. The LM-3 instructions require that the LM-3 be prepared using the cash method of accounting. Under the cash method of accounting, receipts are recorded when money is actually received by your organization and disbursements are recorded when money is actually paid out by your organization. As noted above, failure to record the exact date that monies were received could result in some receipts being reported in a different year than they were actually received. Local R7-167 should take steps to ensure that all transactions are recorded in a timely manner.

Additionally, Local R7-167 reported per capita receipts of \$9,533 in Item 39 (Per Capita Tax). However, the audit revealed that Local R7-167 did not receive any per capita tax payments during the audit year. It appears that the union erroneously reported dues refund checks received from the NAGE National Office as per capita tax receipts rather than as "other receipts." The Form LM-3 instructions require that all "other receipts" not required to be reported in Items 38 (Dues) through 42 (Sales of Investments and Fixed Assets), including dues refund checks, proceeds from the sale of supplies, loans obtained, repayments of loans made, rents, and funds collected for transmittal to third parties, must be reported in Item 43 (Other Receipts).

I am not requiring that Local R7-167 file an amended LM report for 2018 to correct the deficient items, but Local R7-167 has agreed to properly report the deficient items on all future reports it files with OLMS

Mr. Brett Hopper

March 27, 2020

Page 4 of 4

I want to extend my personal appreciation to NAGE IAEP Local R7-167 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,

A large black rectangular redaction box covering the signature of the investigator.

Investigator

cc: Mr. Blake Katzenmeier, Treasurer  
Mr. Dustin Hadley, incoming Treasurer