



March 7, 2013

Mr. Walt Frederickson, Executive Director  
Minnesota Nurses Association  
345 Randolph Avenue  
Suite 200  
St. Paul, MN 55102-3610

Case Number: 330-08755 [REDACTED]  
LM Number: 053683

Dear Mr. Frederickson:

This office has recently completed an audit of Minnesota Nurses Association (MNA) 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 Director of Finance John Lose on February 20, 2013, 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 MNA's 2011 records revealed the following recordkeeping violations:

1. Miscellaneous Receipts Dates not Recorded

MNA records miscellaneous receipts in a spreadsheet; however, the spreadsheet reflects the

date money was deposited and not the date money was received. No other records are retained that identify the dates that those monies were received. Union receipts records must show the date of receipt. 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-2. The LM-2 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. Dues Checkoff Records

MNA failed to retain some dues check-off reports received from employers. In addition, records were not retained that adequately identified the sources of dues checkoff receipts. MNA has as many as 80 bargaining units and most members' dues are withheld from their paychecks and remitted to the MNA by checks mailed to a lockbox at US Bank. The bank automatically deposits those funds into MNA's checking account, and the employers send the MNA records that identify the total amount of each payment made, the names of members from whom dues were withheld, and the total amount of dues remitted for each member. However, in several instances the dues checkoff reports were not retained.

Additionally, MNA records the employer dues checkoff checks deposited by the bank from the lockbox in a deposit log that identifies the payer and amount of each check that comprised each deposit. However, the MNA was not consistent in how it identified the names of the employers in its records. For example, some employers that remitted dues checkoff checks were identified with as many as four different names and MNA did not maintain records that could be used to determine which names were used for each payer. Receipts records must sufficiently identify the source of each receipt. This information is required to be retained to support and clarify information required to be reported by the MNA on its Labor Organization Annual Report (Form LM-2). In addition, proper identification of each source of funds received can help ensure effective internal controls and safeguard union assets.

## 3. Investment Statements not Retained

MNA failed to retain monthly investment statements received from RBC Investment Banking. Mr. Lose advised that he destroyed the monthly statements when he received the annual statement at the end of the year. However, Mr. Lose obtained and provided copies of the monthly statements during the audit.

As noted above, labor organizations must maintain all records used or received in the course of union business and must retain bank records for all accounts. Investment statements are required to be retained to verify, clarify and support the information reported the LM-2.

4. Lack of Salary Authorization

Article IV of the MNA Bylaws states that the MNA is governed by a board of directors comprised of five officers and seven directors. Section 4(H) of Article IV states, in part, that the board of directors shall, “appoint, define duties, and fix compensation for an executive director...” However, the MNA did not maintain records to verify that your salary as the executive director was the amount authorized. In addition, as further discussed below, your salary was not properly reported in Schedule 12 (Disbursements to Employees) of the LM-2 report. A May 2011 agreement between the MNA and the National Nurses United (NNU) indicates that you are considered a “loaned employee” from the NNU. The agreement states that your salary is to be paid to you by the NNU, and that the MNA is required to reimburse the NNU for that expense. The agreement and a related contract were discussed and approved by a motion at an MNA board of directors meeting; however, neither the meeting minutes nor the contract identify the authorized salary amount. 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.

5. Meal Expenses

MNA did not require officers and employees to submit itemized receipts for meal expenses charged to union credit cards totaling at least \$3,124. 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.

MNA’s records of meal expenses did not always include written explanations of the union business conducted. Many of MNA’s records of meal expenses included a written description such as, “lunch” or “dinner” written on the back of the receipt along with the names of those persons present. 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.

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.

Based on your assurance that MNA 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-2) filed by MNA for the fiscal year ended December 31, 2011, was deficient in the following areas:

1. Some Officers Not Reported in Schedule 11 (Disbursements to Officers)

MNA did not report the names of elected directors in Schedule 11. The directors who should have been reported on Schedule 11 for 2011 include: Linda Rossow, Nancy Carlson, Pat Webster, Judy Russell-Martin, Dick Hebrink, Juli Uzlik, Lori Christian, Pat Dwyer, Cindy Prout, Eric Tronnes, and Mary Turner. Payments to these individuals were erroneously reported in Schedule 15. The union must report in Schedule 11 all persons who held office during the year, regardless of whether they received any payments from the union.

2. Executive Director Salary and Expenses Not Properly Reported

You served as the MNA's executive director during 2011 and received a salary of \$166,429. As previously discussed, your salary was paid to you by the NNU and the MNA reimbursed the NNU for your salary. The payments to you were erroneously reported as payments to the NNU in Schedule 19. The disbursements by the MNA to the NNU are considered an indirect disbursement to you for LM-2 reporting purposes, and must be reported in Schedule 12 (Disbursements to Employees).

You advised that the disbursements by the MNA for your salary and expenses were reported in Schedule 19 because you are an employee of the NNU and you did not believe that the disbursements by the MNA to the NNU were required to be reported in Schedule 12. You also stated that you believed that the NNU included the payments to you in Schedule 12 of its LM-2 report (LM File Number 544-309). However, no payments were reported to you on the NNU's LM-2 report for fiscal year ending June 30, 2012. Additionally, NNU did not report the money it received from MNA to reimburse it for your salary. It appears that the NNU may have "netted" the receipts and disbursements related to your salary and reported neither figure on its report. "Netting" is the offsetting of receipts against disbursements and reporting only the balance (net) as either a receipt or disbursement. Since Statement B reports all cash flowing in and out of the labor organization, "netting" is not permitted.

The LM-2 instructions require that all direct and indirect disbursements to employees of the labor organization during the reporting period be reported in Schedule 12. A "direct disbursement" to an employee is a payment made by the labor organization to the employee in the form of cash, property, goods, services, or other things of value. An "indirect disbursement" to an officer is a payment made by the labor organization to another party

for cash, property, goods, services, or other things of value received by or on behalf of the employee.

Records show that you also received at least \$3,235 in direct expense reimbursements from the MNA, and that you charged at least \$4,600 in expenses to the MNA credit card assigned to you. Such disbursements are typically required to be reported in Schedule 12, Column F (Disbursements for Official Business) if they were necessary for conducting union business. If not necessary for conducting union business, the disbursements are required to be reported in Column G (Other Disbursements). However, 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 must be reported in Schedules 15 through 19.

3. Payments to Employees Erroneously Reported in Schedule 15 (Union Representation)

MNA erroneously reported payments totaling at least \$11,557 to members [REDACTED] and [REDACTED] in Schedule 15. The audit revealed the Ms. [REDACTED] and Ms. [REDACTED] are members of MNA and the payments were to compensate them for time they worked in contract negotiations. Such payments are required to be reported in Column D (Gross Salary Disbursements) of Schedule 12 even if the organization does not otherwise consider them to be employees.

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

I want to extend my personal appreciation to Minnesota Nurses Association 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: Mr. John Lose, Director of Finance