

U.S. Department of Labor

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Office of Labor-Management Standards
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March 25, 2008

Mr. Keith Niemi, President
Service Employees Local 284
450 Southview Boulevard
South Saint Paul, MN 55075

LM File Number: 530-903
Case Number: [REDACTED]

Dear Mr. Niemi:

This office has recently completed an audit of Service Employees Local 284 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 Executive Director Shane Allers, Office Manager Jan Hirsch, and CPA Charlie Marini on March 26, 2008, 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 284's 2006 records revealed the following recordkeeping violations:

1. Meal Expenses

Local 284 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$3,300. For example, a charge to Applebee's for a bargaining team meeting in the amount of \$102.91 did not have an itemized receipt. 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. Union Owned/Leased Vehicles

Local 284 did not maintain records necessary to verify the accuracy of the information reported in Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees) of the LM-2 for former President [REDACTED] and Contract Organizer Shelly Johnson.

[REDACTED] and Ms. Johnson incurred expenses totaling at least \$4,000 for automobiles during 2006. However, they did not maintain records documenting business versus personal use of the union vehicles.

The LM-2 instructions include specific rules for the reporting of automobile expenses. The union must report operating and maintenance costs for each of its owned or leased vehicles in Schedules 11 and 12 of the LM-2, allocated to the officer or employee to whom each vehicle is assigned.

For each trip they take using a union owned or leased vehicle, officers and employees must maintain mileage logs that show the date, number of miles driven, whether the trip was business or personal, and, if business, the purpose of the trip.

Based on your assurance that Local 284 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 Local 284 for fiscal year ending December 31, 2006, was deficient in the following areas:

1. Liability Reporting

The Policy Manual for Local 284 provides that employees and officers are allowed to cash out up to sixty days of unused vacation time. Though this represents a liability to the union, no corresponding entry was found on Schedule 10 (Other Liabilities). The audit revealed that Local 160 officers and employees had as many as 387 unused vacation days that were carried over from 2005 to 2006 that could be cashed out under the local's policies.

2. Automobiles

The audit revealed that employees of Local 284 who are designated by the executive director as field staff (i.e. generally expected to drive at least 7,000 miles per year for union business) and who are not provided a union owned vehicle receive IRS mileage reimbursement for approved union mileage and a \$305 monthly automobile stipend. Also, the employees who receive an automobile stipend must carry business class insurance with specific levels of liability coverage. Local 284 reimbursed employees \$283 each six months for said coverage, regardless of the actual cost to the employee.

Records show that Local 284 disbursed at least \$7,000 in liability insurance reimbursements to employees in 2006. However, supporting documentation for the insurance reimbursements revealed that most employees did not pay \$283 for six months of liability coverage. Any amounts reimbursed to employees over and above actual expenses they incur must be reported in Column G of Schedules 11 and 12 (Other Disbursements). In addition, such payments may be subject to income tax reporting.

I recommend that Local 284 consult with Mr. Marini or obtain the IRS Publication 463 *Travel, Entertainment, Gift and Car Expenses* for further information.

3. Signatures

Local 284's LM-2 report was only signed by you. Page 72 of the LM-2 Instructions state the completed Form LM-2 that is filed with OLMS must be signed by both the president and treasurer or corresponding principal officers of the labor organization.

I am not requiring that Local 284 file an amended LM-2 report for 2006 to correct the deficient items, but Local 284 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Meal Expenses

Article XV, Section 15.05 and 15.06 of the USWA Local 7263 contract which covers employees of Local 284 who are not officers states that the employers shall reimburse employees for authorized business expenses. Out of Town Overnight Meal Per - Diem is paid at \$34 per day. However, the audit revealed employees incur occasional local meal expenses and Local 284 occasionally provides lunch at office meetings. During the exit interview, Mr. Allers provided a copy of a memorandum issued in January 1994 that prohibits union meals charged on union credit cards from being reimbursed if an employee eats alone while going to or coming from a meeting.

OLMS policy is that frequent meal expenses incurred by union officers and employees during which general union business is discussed and billed to the union should be reported in Column G of Schedules 11 and 12 (Other Disbursements). The frequency and regularity of the meetings and the fact that they take place at a time when the officers and employees would otherwise normally be paying for meals themselves, appear to indicate that the meals are more for personal benefit rather than necessary for conducting union business. Therefore, unless it can be shown that the luncheons are actually necessary for conducting official union business, such disbursements of the union must be reported Column G and allocated among the officers and employees.

In addition, OLMS recommends that unions follow any written guidelines or policies concerning officer and employee expenses.

I want to extend my personal appreciation to Service Employees Local 284 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: Shane Allers, Executive Director
Eric Baertsch, CPA