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IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF ARIZONA

Julie A Su,

Plaintiff,

V.

Apodaca Wall Systems Incorporated, et al.,

Defendants.

No. CV-24-03560-PHX-DJH

CONSENT JUDGMENT

Plaintiff Julie A. Su, Acting Secretary of Labor, United States Department of Labor ("Acting Secretary"), and Defendants Apodaca Wall Systems, Inc., d/b/a Apodaca Wall Systems, Empire Wall Systems, Inc., d/b/a Empire Wall Systems, Arnold Apodaca, Michael Apodaca, and Brittany Apodaca, (collectively "Defendants"), have agreed to resolve the matters in controversy in this civil action and consent to the entry of this Consent Judgment in accordance herewith:

- A. The Acting Secretary filed a Complaint in the above-captioned proceeding naming Defendants and alleging it violated provisions of sections 7, 11(c), 15(a)(2) and 15(a)(5) of the Fair Labor Standards Act of 1938, as amended ("FLSA"), 29 U.S.C. §§ 207, 211(c), 215(a)(2) and 15(a)(5).
- B. Defendants have retained counsel and acknowledge receipt of a copy of the Acting Secretary's Complaint in this action.
- C. Defendants waive issuance and service of process of the Summons and Complaint and waive their response to the Acting Secretary's Complaint.

- D. The Acting Secretary conducted an investigation of Defendants pursuant to the FLSA covering the period of January 2, 2020 through January 1, 2023. The parties have agreed to settle and resolve all FLSA violations attributable to Defendants through this Consent Judgment.
- E. The Parties agree to waive findings of fact and conclusions of law and agree to the entry of this Consent Judgment without further contest.
- F. Defendants admit that the Court has jurisdiction over the parties and subject matter of this civil action and that venue lies in the District of Arizona.
- G. Defendants engage in interior painting, drywall construction, and other related services on single- and multi-family homes and commercial buildings.

PERMANENT INJUNCTION

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that pursuant to Section 17 of the FLSA, 29 U.S.C. § 217, Defendants, their officers, agents, servants, employees, successor companies, parties in interest, and all persons and entities acting at its direction or in concert or participation with them, are permanently enjoined and restrained from violating the FLSA, including through any of the following manners:

- 1. Defendants shall not, contrary to the FLSA § 7, 29 U.S.C. § 207, employ any non-exempt employee who in any workweek is engaged in commerce, within the meaning of the FLSA § 3(s), or is employed in an enterprise engaged in commerce or in the production of goods for commerce, within the meaning of FLSA § 3(s), for any workweek longer than 40 hours unless such employee receives compensation for their employment in excess of 40 hours in such workweek at a rate not less than one and one-half times the regular rate at which they are employed.
- 2. Defendants shall not fail to make, keep, make available to authorized agents of the Acting Secretary for inspection, transcription, and/or copying, upon their demand for such access, and preserve records of employees and of the wages, hours, and other conditions and practices of employment

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maintained, as prescribed by regulations issued, and from time to time amended, pursuant to FLSA §§ 11(c) and 15(a)(5), 29 U.S.C. §§ 211(c) and 215(a)(5) and the implementing regulations found in Title 29, Code of Federal Regulations, Part 516.

- 3. Defendants, if not already in effect at the time of entry of this Consent Judgment, shall amend and maintain its payroll practices as follows:
- a. Defendants shall accurately record the information required by 29 C.F.R. § 516.2 in the payroll records, including (1) all hours worked by employees each workday and workweek; (2) the rate(s) of pay for each of the hours worked during a workweek; (3) the total weekly straight-time earnings due for the hours worked during the workweek; (4) the total weekly premium pay for overtime hours; and (5) if Defendants choose to calculate pay through any type of production-based system, such as a piece rate system, Defendants shall: a) notify employees of the standard applicable piece rate to be paid in writing, and keep a written record of any changes to or deviations from the standard applicable piece rate; b) maintain a record of the identities of all employees working on any "crew" to which a given employee is assigned; c) maintain a record of the precise formula used to calculate how each employees' weekly pay, including overtime pay, is calculated, and make such information open to each employee for inspection; d) calculate overtime at time and one-half the employee's regular rate (the regular rate is calculated by dividing the employee's total weekly earnings before any deductions are made by the total number of hours worked in that workweek); and e) show all deductions on the employee's weekly paystub along with an explanation of the deductions.
- b. Defendants' timekeeping system shall permit employees (as opposed to supervisors) to track their individual work hours daily. If changes in the time records later are required, Defendants shall designate and authorize one or more individuals to correct time entry errors. Crew leaders and

superintendents may not change or edit employee entered hours on a time sheet. Defendants will dedicate an individual to train employees on filling out time cards and perform periodic checks of timecards at various worksites. This provision shall remain in effect for three years or until an electronic timekeeping system is implemented for all employees.

- c. Defendants shall maintain all time, piece rate, and payroll records for a period of not less than three years.
- d. Defendants shall record all wages paid to employees, regardless of the manner of payment, on its payroll records, and any expense reimbursements must be recorded in Defendants' accounting system.
- e. Defendants shall inform all supervisors, managers, and persons performing payroll duties of the requirements of this Consent Judgment and shall provide a copy of this Consent Judgment to all supervisors, managers, and persons performing payroll duties.
- f. Defendants shall direct their supervisors, managers, and persons performing payroll duties to encourage workers to report all hours worked and piece rate work.
- 4. Defendants understand and affirmatively acknowledge that all individuals who perform labor services for or on behalf of Defendants will be paid wages under the FLSA that are subject to the issuance of IRS Form W-2, Wage and Tax Statement. Defendants understand and expressly acknowledge that such individuals are employees and as such are afforded all protections and safeguards guaranteed under the FLSA, including without limitation those found in sections 7, 11(c), 15(a)(2), 15(a)(3) and 15(a)(5).
- 5. Defendants shall maintain their licenses with the Arizona Registrar of Contractors and ensure that any and all subcontractors are also licensed with the Arizona Registrar of Contractors.
- 6. Defendants, their officers, agents, servants, and employees, and those persons in active concert or participation with them, shall not in any way

directly or indirectly, demand, require, or accept any of the back wages or liquidated damages from any of the employees listed on the attached **Exhibit A**. Defendants shall not threaten or imply that adverse action will be taken against any employee because of their receipt of funds due under this Consent Judgment. Violation of this Paragraph may subject the Defendants to equitable and legal damages, including punitive damages and civil contempt.

- 7. Defendants, their officers, agents, servants, and employees, and those persons in active concert or participation with them, shall not in any way retaliate or take any adverse employment action or threaten or imply that adverse action will be taken against any employee who exercises or asserts their rights under the FLSA or provides information to any public agency investigating compliance with the FLSA. Violation of this Paragraph may subject the Defendants to equitable and legal damages, including punitive damages and civil contempt.
- 8. Defendants shall not continue to withhold the payment of \$3,725,000 in overtime pay hereby found to be due by the Defendants under the FLSA to employees, as a result of their employment by Defendants during the period of January 2, 2020 through January 1, 2024 ("Back Wage Accrual Period").

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that pursuant to Section 17 of the FLSA, 29 U.S.C. § 217, Defendants, their agents, servants, employees, companies, and all persons and entities acting at their direction or in concert or participation with their direction, shall take the following affirmative actions:

9. Within sixty (60) days of the entry of this Judgment, Defendants shall hire a third party to conduct training for all of Defendants' supervisors, managers, and persons performing payroll duties on the requirements of the FLSA, including the overtime, recordkeeping, and anti-retaliation provisions. The training shall include: (a) when employees must be paid for overtime, including overtime with respect to piece rate work; (b) recordkeeping; and (c) an overview

of the system for reporting FLSA concerns set forth in Paragraph 11 of this Judgment.

- 10. Within fifteen (15) days of the training enumerated in Paragraph 9, Defendants shall deliver to the U.S. Wage and Hour Division evidence that all supervisors attended the training. Evidence may be provided in the form of a sign-in sheet and may be sent by electronic mail to zahler.charmaine@dol.gov.
- 11. Within sixty (60) days of the entry of this Judgment, Defendants shall implement a system for employees to report violations of the FLSA, including overtime concerns, to Defendants. The mechanism must include a requirement that all reports of FLSA concerns be reported to Defendants' senior management team.
- 12. Within sixty (60) days of the entry of this Judgment, Defendants shall amend or develop as necessary Defendants' employee Handbook that Defendants provide their employees to include a policy (or policies) notifying employees of their entitlement to overtime compensation.
- 13. Within thirty (30) days of the entry of this Judgment, Defendants shall supply all of its employees with copies of the attached **Exhibit C**. In addition, Defendants shall provide copies of **Exhibit C** to all new hires and post a copy at a work location where it is visible to employees for the period of two (2) years from the date of entry of this Consent Judgment.
- 14. Within thirty (30) days of the entry of this Judgment, Defendants will hire a Claims Administrator. Within fifteen (15) days of the entry of this Judgment, Defendants shall submit the name of the proposed Claims Administrator to the Acting Secretary who shall have 5 days to object to the proposed Claims Administrator. If the Acting Secretary objects, Defendants shall propose a new Claims Administrator to which the Acting Secretary can also object. After three unsuccessful proposals, Defendants shall seek approval from the Court through a noticed motion. The Claims Administrator shall oversee the payments to the workers on **Exhibit A**, as directed by the Acting Secretary in her

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sole discretion. If the Claims Administrator initially appointed by Defendants thereafter declines to serve or to carry out its duties under this Consent Judgment, Defendants will have ten (10) business days to notify the Acting Secretary in writing of the need for a replacement Claims Administrator, will consult with the Acting Secretary regarding the appointment of a new Claims Administrator, and, following that consultation, will provide the Acting Secretary with the name of a new Claims Administrator.

- 15. All of the Claims Administrator's administration fees and costs will be paid by Defendants pursuant to their agreement with the Claims Administrator, a copy of which agreement will be provided to the Acting Secretary. Said administration fees will not be funded by or deducted from the back wages, liquidated damages, or civil money penalty amounts.
- 16. The Claims Administrator will work with the Acting Secretary and Defendants to carry out the terms of this Consent Judgment. The Claims Administrator will be responsible for: (a) establishing, within ten (10) calendar days of being appointed, a noninterest-bearing Qualified Settlement Fund account to hold in trust the back wages and liquidated damages paid pursuant to Paragraph 20 ("Settlement Fund") and notifying the Parties when the account is established and ready for deposit of the Settlement Fund; (b) receiving and holding the Settlement Fund in trust, until distribution; (c) establishing a toll-free telephone number accessible to workers on Exhibit A; (d) responding to information requests from workers on Exhibit A; (e) sending notices and Claim Forms to workers on Exhibit A; (f) obtaining updated addresses for workers on Exhibit A and re-mailing returned notices; (g) receiving and processing Claim Forms as provided in this consent judgment; (h) issuing payments in accordance with a final Distribution List provided by the Acting Secretary; (i) calculating separately Defendants' share of payroll taxes and the individual employees' share of payroll taxes and income tax withholding only for the back wage amounts paid to workers on Exhibit A, and not withholding or deducting taxes from the

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17. payment to workers on Exhibit A:

liquidated damages amounts paid to each worker on Exhibit A; (j) should any worker on Exhibit A respond to the notice(s), but not return W4(s), the Claims Administrator will take the standard income tax withholding(s) from the employee(s)' back wages; (k) deducting the individual employee's share of payroll taxes and income tax withholding from the back wage portion of the employees' back wage payments; (1) putting an expiration date on the checks to employees that is 120 (one hundred twenty) calendar days after the date the checks were issued and informing the workers on Exhibit A that their checks must be cashed within 120 (one hundred and twenty) calendar days from the date of issuance; (m) issuing periodic payments to workers on Exhibit A in accordance with the individual employee's W-4 and instructions by the Acting Secretary's designated representative such that the employees' back wage portions are reduced by their share of payroll taxes and the amount of income taxes withheld; (n) obtaining from Defendants their payment of their share of payroll taxes when requested; (o) paying the payroll taxes for the Defendants and workers on Exhibit A and the income tax withholdings for the workers on Exhibit A to the appropriate federal agencies; (p) filing tax returns and issuing IRS Form W-2's and 1099's with respect to the Settlement Fund; (q) communicating as necessary with the Acting Secretary and Defendants; (r) tracking all necessary data regarding contact with workers on Exhibit A; (s) reissuing checks where required in consultation with the Acting Secretary, and (t) final distribution of the Settlement Fund.

- The parties agree to the following process for administering
- a. Within 30 days of receiving all required information from the Acting Secretary, the Claims Administrator will mail notice to each worker informing the worker of entry of the Consent Judgment. Prior to issuance, the Claims Administrator must obtain the approval of the notice from the Acting Secretary. The notice shall (i) state the amount of back wages and the amount

of liquidated damages to which the worker is entitled, (ii) request that the worker complete and return IRS form W-4 for use in calculating withholdings for the back wages payment, and (iii) advise the worker to contact the Claims Administrator with any questions related to the administration. The Claims Administrator will provide the Acting Secretary a summary report on the mailing of these notices.

- b. The Claims Administrator will run "skip-trace" on undeliverable notices in an effort to find current contact information for workers who did not receive the notice.
- c. Defendants will provide to the Claims Administrator their share of payroll taxes within 20 (twenty) calendar days of the Claims Administrator requesting them to pay the amount of employer payroll taxes due;
- d. As funds accumulate in the Settlement Fund, the Claims Administrator will make two waves of distributions: The first distribution shall be made within one year after the receipt of funds, and the second distribution shall be made within 24 months from the date of entry of this Consent Judgment. Each of these payments to the individual workers will be in the amounts specified in Exhibit A. These mailings will exclude workers whose notice packets were returned undeliverable even after skip-tracing. The checks will state that they must be cashed within 120 days. The Claims Administrator will provide the Acting Secretary and Defendants with a summary report on the mailing of these checks. The Claims Administrator shall adjust the prioritization, process and manner of these distributions based solely on instructions from the Acting Secretary.
- e. After the 120-day period for workers to cash their checks expires, the Claims Administrator will, within 14 days, remit the entirety of the unredeemed funds to the Department of Labor. This will include (i) the full amounts in all checks that were not cashed within 120 days, (ii) the full amounts of all back wages for which the Claims Administrator did not receive a W-4, and (iii) the full

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amounts of all back wages and liquidated damages payable to workers whose notice packets were returned undeliverable. The Claims Administrator will remit these funds to the Department of Labor "WHD Back Wages Payment Form – Western Region" at https://www.pay.gov/public/form/start/77743734. The payment shall reference Case Number 1970567. The Claims Administrator will report to the Acting Secretary and Defendants when it makes payments under this subparagraph to the Wage & Hour Division of the Department of Labor.

- 18. The Acting Secretary shall distribute the proceeds from the funds it receives as described in Paragraph 17(d) in the amounts set forth in the operative **Exhibit A** to the workers identified therein, or if necessary, to their estates.
- 19. The Acting Secretary may file subsequent amendments to **Exhibit**A as necessary and in her sole discretion to supplement or revise the names or amounts listed for up to four (4) years from entry of this Consent Judgment.

JUDGMENT

IT IS FURTHER, JUDGMENT IS HEREBY ENTERED pursuant to Section 16(c) and (e) of the FLSA, 29 U.S.C. § 216(c) and (e), in favor of the Acting Secretary as a judgment owed to the United States of America and against Defendants in the amount of \$7,575,000. Pursuant to this Judgment, IT IS HEREBY ORDERED:

- 20. Defendants shall pay \$3,725,000 in overtime pay hereby due under the FLSA and this Judgment, to employees on **Exhibit A**. In addition, liquidated damages in the amount of \$3,725,000 are hereby due under the FLSA and Defendants shall pay this amount to the employees on **Exhibit A**.
- 21. The amount of \$125,000 in civil money penalties is assessed against Defendants and finally determined, pursuant to FLSA Section 16(e), 29 U.S.C. § 216(e).
- 22. Defendants will comply with Paragraphs 20 and 21 of this judgment by making payments of back wages, liquidated damages, and interest on dates described in **Exhibit B**.

- 23. Defendants shall make all payments for overtime back wages and liquidated damages as required by this Consent Judgment (plus interest as applicable) to the Claims Administrator specified in Paragraph 14 to fund issuance of checks to workers on Exhibit A.
- 24. Defendants shall provide to the Claims Administrator on request the employer's portion of payroll taxes as computed by the Claims Administration at the time.
- 25. On or before October 30, 2024, Defendants shall make the payment for civil monetary penalties by going to www.pay.gov, then entering "WHDCMPWE" in the search field, clicking search, selecting the "WHD Civil Money Penalty Payment Form – Western Region" payment form, clicking the blue "Continue," and following payment instructions.
- 26. In the event of any default in the timely making of any payment due hereunder, after a 15 day notice and cure period, the full amount due under the back wage provisions of this Judgment which then remains unpaid, plus postjudgment interest at the rate of 4% per year, from the date of this Judgment until paid in full, shall become due and payable upon the Acting Secretary's sending by ordinary mail a written demand to the last business address of Defendants then known to the Acting Secretary.

IT IS FURTHER ORDERED that the filing, pursuit, and/or resolution of this proceeding with the entry of this Judgment shall not act as or be asserted as a bar to any action or claim under FLSA § 16(b), 29 U.S.C. § 216(b), as to any employee not named on the attached Exhibit A, nor as to any employee named on the attached Exhibit A, as amended, for any period not specified therein, nor as to any employer other than Defendants.

IT IS FURTHER ORDERED that each party shall bear their own fees, costs, and other expenses incurred by such party in connection with any stage of this proceeding, including but not limited to attorneys' fees, which may be available under the Equal Access to Justice Act, as amended, to the date of entry of the Judgment herein; and

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IT IS FURTHER ORDERED this Court retains jurisdiction of this action for purposes of enforcing compliance with the terms of this Consent Judgment.

Dated this 15th day of January, 2025.

Honorable Diane J. Humetewa United States District Judge

Exhibit B

Payment Number	Date Due	Amount	Interest	Total
1	12/30/2024	\$1,750,689.65	\$24,310.35	\$1,775,000.00
2	3/30/2025	\$345,645.08	\$54,354.92	\$400,000.00
3	4/30/2025	\$483,094.10	\$16,905.90	\$500,000.00
4	6/30/2025	\$169,357.85	\$30,642.15	\$200,000.00
5	12/30/2025	\$880,767.45	\$119,232.55	\$1,000,000.00
6	1/30/2026	\$1,438,204.84	\$11,795.16	\$1,450,000.00
7	7/30/2026	\$1,007,641.49	\$42,358.51	\$1,050,000.00
8	9/30/2026	\$1,092,703.17	\$7,296.83	\$1,100,000.00
Total		\$7,168,103.62	\$306,896.37	\$7,475,000.00

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Exhibit C

NOTICE TO ALL EMPLOYEES

The **Fair Labor Standards Act** provides that all employees must be paid **minimum wage** for all hours worked. In addition, employees, including piece rate employees, must be paid an **overtime premium** for the hours they work over 40 in a workweek. Piece rate pay covers the straight time pay for all hours worked in a workweek. The overtime premium for employees paid a piece rate is an additional half time of your regular rate for all hours you work over 40 in a workweek.

Apodaca Wall Systems, Inc. and Empire Wall Systems, Inc. agree to compensate their employees in accordance with the Fair Labor Standards Act (FLSA), including paying overtime when they work over 40 hours in a workweek. If you worked at Apodaca or Empire between January 1, 2020 and January 1, 2023, you may be entitled to unpaid wages under the FLSA.

State law prohibits registered contractors, including Apodaca and Empire, from using unlicensed independent contractors. A.R.S. § 32-1154, § 32-1164. You are classified as an employee and entitled to all rights associated with employment.

Employees may report minimum wage, overtime, and classification violations to the U.S. Department of Labor, Wage and Hour Division, at **(602) 514-7100.** Your name will not be disclosed.

Your employer cannot fire you, threaten you, or take any other action against you for speaking to a DOL representative, participating in a DOL investigation or lawsuit, or exercising your FLSA rights.

You are receiving this notice as part of a settlement between the U.S. Department of Labor and Apodaca Wall Systems, Inc. and Empire Wall Systems, Inc.

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EXHIBIT C (Spanish)

AVISO A TODOS LOS EMPLEADOS

La Ley de Normas Justas de Trabajo establece que todos los empleados deben recibir el salario mínimo por todas las horas trabajadas. Además, los empleados, incluyendo los que ganan por pieza, deben recibir sobretiempo por las horas trabajadas por más de 40 horas en una semana laboral. La paga por pieza cubre el salario a tiempo regular de todas las horas trabajadas en una semana laboral. La paga de horas extras para empleados con pago por pieza es medio tiempo adicional de su paga regular por todas las horas que trabajen más de 40 en una semana laboral.

Apodaca Wall Systems, Inc. y Empire Wall Systems, Inc. acuerdan compensar a sus empleados de acuerdo con la Ley de Normas Justas de Trabajo (FLSA, *por sus siglas en inglés*), incluyendo el pago de **sobretiempo** cuando los empleados trabajen más de 40 horas en una semana laboral. Si usted trabajó en Apodaca o Empire entre el 1 de enero de 2020 y el 1 de enero de 2023, puede tener derecho a salarios no pagados bajo la FLSA.

La ley estatal prohíbe a los contratistas registrados, incluidos Apodaca y Empire, utilizar contratistas independientes sin licencia. A.R.S. § 32-1154, § 32-1164. Se le clasifica como empleado y tiene derecho a todos los derechos asociados con el empleo.

Los empleados pueden denunciar las violaciones del salario mínimo, las horas extras y la clasificación al Departamento de Trabajo de EE.UU., División de Horas y Salarios, llamando al **(602) 514-7100**. No se revelará su nombre.

Su empleador no puede despedirlo, amenazarlo, ni tomar cualquier otra medida en su contra por hablar con un representante del DOL, participar en un caso legal del DOL o ejercer sus derechos ante la FLSA. Estas leyes se aplican a usted sin importancia de su estatus migratorio.

Usted está recibiendo este aviso como parte de un acuerdo entre el Departamento de Trabajo de EE.UU. y Apodaca Wall Systems, Inc. y Empire Wall Systems, Inc.