

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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July 27, 2006

Mr. Patrick K. Loo, President
United Food & Commercial Workers
Local 480
2305 S. Beretania St., Suite 103
Honolulu, HI 96826

Re: Case Number: ~~XXXXXXXXXX~~

Dear Mr. Loo:

This office has recently completed an audit of Local 480 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, Secretary Treasurer Gwen Rulona, and Comptroller Calyndel Valenzuela on July 6, 2006, 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.

The CAP disclosed the following:

Record Keeping Violations

Title II of the LMRDA establishes certain reporting and record keeping requirements. Section 206 requires, among other things, that adequate records be maintained 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, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and the identity of the recipients 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 note can be written on it providing the additional information. An exception may be made only in those cases where 1)

other equally descriptive documentation has been maintained, and 2) there is evidence of actual oversight and control over disbursements.

In the case of receipts, the date, amount, purpose, and source of all money received by the union must be recorded in at least one union record. Bank records must also be retained for all accounts.

The audit of Local 480's 2005 records revealed the following recordkeeping violations:

1. Officer and Employee Expenses

Union officers and employees failed to maintain adequate documentation for reimbursed expenses, for expenses charged to union credit cards, and for lodging expenses that were direct-paid by the union. The date, amount, and business purpose of every expense must be recorded on at least one union record. In addition, the names of individuals present for meal expenses and the locations (names of restaurants) where meal expenses were incurred must be recorded.

Specifically, some of the documentation did not contain specific itemized receipts as to who was present at the meal, how much each person spent, and the purpose of the meal. Officer's receipts should be kept separated to keep an accounting for reporting their disbursements. Some receipts were also missing to back up specific purchases.

2. Other

Adequate documentation was not retained for the inventory of the fixed assets of Local 480. You agreed to keep an inventory list in the future.

As agreed, provided that Local 480 maintains adequate documentation as discussed above in the future, no additional enforcement action will be taken regarding these violations.

Reporting Violations

The CAP 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 480 for fiscal year ending December 31, 2005, was deficient in the following areas:

1. LM-2 Schedules 11 and 12 (All Officers and Disbursements to Officers/
Disbursements to Employees)

Local 480 failed to include some reimbursements to officers and employees in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees).

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

Specifically, some officers and key employees were not reported on the LM-2 Report. Union Representatives Sharein Gan and Cassandra Ohelo were not reported on the LM-2 Report, even though they received salary, allowances, and expenses. All the Vice Presidents and Recorder Jordan Avilla were not reported on the LM-2 Report for receiving stipends, lost time, and expenses. For the officers and key employees that were reported on the LM-2 Report, some of the expenses and allowances were incorrect.

2. LM-2 Item 27 and Schedule 6 (Fixed Assets)

Local 480 failed to list their fixed assets at the start of reporting period (A) in 2005, and failed to include all automobiles at the end of the reporting period (B), and in Schedule 6. Specifically, Local 480 failed to include a 2005 Toyota Land Cruiser for President Loo, which was purchased in December 2004 at the start of the 2005 reporting period. In addition, Local 480 owns a 2002 Toyota Sequoia driven by Secretary Treasurer Rulona that was not included in the beginning and end of the 2005 reporting period. Local 480 also owns office furniture and equipment that was reported as \$0 under "Office Furniture and Equipment."

All fixed assets, such as land, buildings, automobiles and other vehicles, and office furniture and equipment owned by your labor organization must be reported on the LM-2 in Statement A Item 27 and Schedule 6 (Fixed Assets). Land and buildings must

be itemized, whereas automobiles and other vehicles, and office furniture and equipment should be aggregated.

3. Failure to File Bylaws

The CAP 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 the constitution or bylaw changes were made. Local 480 amended its constitution and bylaws in 2002, but a copy was not filed with its LM report for that year.

As agreed, Local 480 will file a copy of its current constitution and bylaws with this agency as soon as possible, but not later than July 28, 2006.

Conclusion/Resolution of Reporting Problems

I am not requiring that Local 480 file an amended LM report for 2005 to correct the deficient items, but as agreed, Local 480 will properly report the deficient items on all future reports filed with this agency.

Other Issues

The audit disclosed the following other issues:

1. For Cases Where There is No Authorization for Salaries

During the audit, I advised you that authorization for the salary amounts paid to union officers could not be found in union records. I recommend that Local 480 document the authorized salary amounts in its bylaws or record them in meeting minutes or some other internal document (following discussion in the appropriate membership and/or executive board meeting). When the authorized salary amounts have been recorded in union records, I would appreciate it if you would forward a copy of the record documenting the authorization to me at the above address.

2. Policy for Expenses

As discussed during the exit interview, the audit revealed that Local 480 does not have a clear policy regarding the types and amounts of expenses personnel may claim for reimbursement and what types of expenses must be charged to union credit cards. Authorization of expenses is an important matter that should be recorded in union

records. If written guidelines are adopted in the near future, I would appreciate it if you would forward a copy to me.

3. Use of Signature Stamp

During the audit, President Loo, Secretary Treasurer Rulona, and Comptroller Valenzuela advised that it is Local 480's practice for President Loo, Secretary Treasurer Rulona, and/or Recorder Jordan Avilla to sign all union checks and to stamp the signature of President Loo, Secretary Treasurer Rulona, and/or Recorder Jordan Avilla on union checks. One officer will sign the check, and the second officer's signature will be stamped. President Loo, Secretary Treasurer Rulona, and Comptroller Valenzuela indicated that the Comptroller and one officer signing the check review the checks before they are issued. Article IX Section C of Local 480's bylaws requires that checks be signed by two of the three Trustees (which constitute the president, treasurer, and recorder). The second signature requirement is an effective internal control of union funds. Its purpose is to attest the authenticity of a completed document already signed. However, the use by the primary signer of a signature stamp for the second signature does not attest to the authenticity of the completed check, and completely circumvents and undermines the purpose of the countersignature requirement. I recommend that Local 480 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Local 480 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,

Michael Duvall
District Director

Bv:



Investigator

cc: Secretary Treasurer Gwen Rulona