



July 8, 2015

Mr. Ryan K. Soon, President  
Federal Police Officers of Hawaii and Affiliates  
91-1028 Nanahu Street  
Kapolei, HI 96707

Case Number: 520-6003523( )  
LM Number: 544646

Dear Mr. Soon:

This office has recently completed an audit of Federal Police Officers of Hawaii and Affiliates (FPOHA) under the Compliance Audit Program (CAP) to determine your organization's compliance with the provisions of the Civil Service Reform Act of 1978 (CSRA). As discussed during the exit interview with you and Executive Vice President Justin Tavares on May 21, 2015, 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 of the LMRDA and Title 29 of the Code of Federal Regulations (C.F.R.) Section 403.7 require, among other things, that labor organizations maintain adequate records for at least five years after reports are filed by which the information on the reports can be verified, explained and clarified. Pursuant to 29 C.F.R. Section 458.3, this recordkeeping provision of the LMRDA applies to labor organizations subject to the requirements of the Civil Service Reform Act of 1978 (CSRA) as well. Therefore, as a general rule, labor organization must retain 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 Federal Police Officers of Hawaii and Affiliates' 2012 and 2013 records revealed the following recordkeeping violations:

## 1. General Reimbursed and Debit Card Expenses

FPOHA did not retain adequate documentation for numerous reimbursed expenses and debit card expenses incurred by union officers totaling at least \$4,817.71. For example, receipts were not kept for travel expenses totaling \$699.94 incurred during a trip to Washington, DC, in February-March 2013 by executive board members and the chief steward. These included expenses for meals, baggage fees, and gas for the rental car. In addition, there were no receipts for the union's monthly phone service totaling \$3,144.01, as well as various other meals and entertainment expenses, iPad accessories, and miscellaneous office supplies.

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.

## 2. Meal Expenses

FPOHA did not require officials to submit itemized receipts for meal expenses totaling at least \$746.12. The union must maintain itemized receipts provided by restaurants to officials. 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.

FPOHA records of meal expenses did not include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. All but one of the meals were noted as for the executive board but without names, titles and purpose; one receipt was noted as for a negotiating team meeting but without individuals' names and titles. In every instance, no itemized receipt was maintained. The sales slips for two restaurant charges were kept; however, these contained only the transaction total. Union 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 proper maintenance of union records is the personal responsibility of the individuals who are required to file FPOHA's LM report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person who caused the violations, not just the individuals who are responsible for filing the union's LM report.

### Reporting Violations

Pursuant to 29 C.F.R., Section 458.3, the reporting requirement under 29 C.F.R. Section 403.2 (see Section 201(b) of the Labor-Management Reporting and Disclosure Act (LMRDA)) is made applicable to labor organizations subject to the requirements of the CSRA. This provision requires labor organizations to file annual financial reports that accurately disclose their financial condition and operations. The audit disclosed a violation of this requirement. The Labor Organization Annual Report Form LM-3 filed by FPOHA for the fiscal year ended September 30, 2013, was deficient in the following area:

#### Disbursements to Officers

FPOHA did not include some direct and indirect disbursements to officers totaling at least \$932.93 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48 (Office and Administrative Expense).

The union must report most direct disbursements to FPOHA officers and some indirect disbursements made on behalf of its officers in Item 24. A "direct disbursement" to an officer is a payment made to an officer in the form of cash, property, goods, services, or other things of value. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An "indirect disbursement" to an officer is a payment to another party (including a credit card company) for cash, property, goods, services, or other things of value received by or on behalf of an officer. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel) or for transportation by a public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48 (Office and Administrative Expense).

I am not requiring that FPOHA file an amended LM report for 2013 to correct the deficient items, but FPOHA has agreed to properly report the deficient items on all future reports it files with OLMS.

### Other Violation

The audit disclosed the following other violation:

#### Inadequate Bonding

Pursuant to 29 C.F.R. Section 458.35, officers and employees of any labor organization subject to the CSRA are required to be bonded in accordance with Section 502(a) of the LMRDA. This provision requires that union officers and employees be bonded for no less than 10% of the total funds those individuals or their predecessors handled during the preceding fiscal year.

The audit revealed that FPOHA's officers and employees were not bonded for the minimum amount required during the audit period. However, FPOHA obtained adequate bonding

coverage beginning in January 2015 and provided evidence of this to OLMS during the audit. As a result, OLMS will take no further enforcement action regarding this issue.

#### Other Issues

##### Lack of Internal Controls

As discussed during the exit interview with you and Executive Vice President Justin Tavares, the audit revealed that FPOHA does not have an adequate internal control system in place or a clear policy regarding the types of expenses personnel may claim for reimbursement and the types of expenses that may be charged to union debit cards. For example, in May and July 2013, FPOHA improperly reimbursed the former chief steward \$2,400 for lodging and car rental expenses for which the union had previously made payment. This amount included \$400 to pay for \$310 worth of speeding citations received by the former treasurer. FPOHA only attempted to recoup this loss through an installment arrangement that began in January 2015. To date, the union has only collected \$285 of the amount owed.

OLMS recommends that unions adopt written guidelines concerning such matters and incorporate them into their constitution and bylaws. The union is also strongly encouraged to maintain a check register to record its financial transactions on a timely basis and keep a running balance of its checking account.

I want to extend my personal appreciation to Federal Police Officers of Hawaii and Affiliates 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: Walter Dabu, Treasurer