



June 28, 2016

Mr. Vaughn Chong  
Financial Secretary-Treasurer-Business Manager  
Roofers Local Union 221  
2045 Kamehameha IV Road, Suite 203  
Honolulu, Hawaii 96819

Case Number: 520-6006113  
LM Number: 012210

Dear Mr. Chong:

This office has recently completed an audit of Roofers Local Union 221 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 on May 20, 2016, 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 221's 2014 records revealed the following recordkeeping violations:

1. Failure to Record Receipts

Local 221 did not maintain and record receipts for the month of October 2014 for cash receipts totaling \$35,563.91. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

## 2. Information not Recorded in Meeting Minutes

The audit disclosed that the membership authorized the purchase of Foodland gift cards valued at \$1,720. These cards were to be distributed to members at the general membership meetings on May 10, 2014, August 16, 2014, and November 8, 2014. The meeting minutes did not identify the names of members who received a gift card or the number of gift cards distributed. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 221'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

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 221 for the fiscal year ended December 31, 2014 was deficient in the following area:

#### Disbursements to Officers and Employees (LM-2)

Local 221 did not include some reimbursements to officers and employees in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees).

The audit disclosed that the union did not include \$65.00 monthly cell phone allowance and the \$249.00 Airlines Premier membership renewal fee was not properly reported. It appears that the local erroneously reported these payments in Schedules 15 through 19.

The union must report in Column F of Schedules 11 and 12 (Disbursements for Official Business) direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedules 11 and 12 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 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. The union must report in

Column G (Other Disbursements) of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

I am not requiring that Local 221 file an amended LM report for 2014 to correct the deficient items, but Local 221 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Roofers Local 221 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,