

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
New York District Office
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June 5, 2008

Mr. Peter Ward, President
New York Hotel Trades Council
707 Eighth Avenue
New York, NY 10036

Re: Case Number: [REDACTED]

Dear Mr. Ward:

This office has recently completed an audit of the New York Hotel Trades Council, 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 Michael Simo, Vice President and Carmen Vuotto, Controller, on June 5, 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.

The CAP disclosed:

Recordkeeping Violations

Title II of the LMRDA establishes certain reporting and recordkeeping requirements. Section 206 requires, among other things, that adequate records be maintained for at least 5 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 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 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 New York Hotel Trades Council records for the year-ended December 31, 2006, revealed the following recordkeeping violations:

The union failed to maintain the "Point of Sale" receipts that are generated when the union's credit cards were used. These receipts usually require the signature of the individual making the purchase at the time of the sale.

Conclusion/Recordkeeping Violation(s)

As agreed, the union will maintain the "Point of Sale" receipts and provided they comply, no additional enforcement action will be taken regarding these violations.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file the New York Hotel Trades Council LM report.

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 the New York Hotel Trades Council for fiscal year-ended December 31, 2006, was deficient in that Schedule 14-Other Receipts incorrectly listed a payer and the corresponding amount is also incorrect.

Conclusion/Resolution of Reporting Problems

The New York Hotel Trades Council voluntarily agreed to file an amended LM report for 2006 to correct the deficient items, and agreed, to properly file all future reports with this agency.

The amended Form LM-2 should be submitted electronically as soon as possible, but not later than July 17, 2008. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Violations

The CAP disclosed the following other violation:

Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds handled by those individuals or their predecessors during the preceding fiscal year. The union has a commercial crime policy. The policy is deficient in the following three (3) areas. The officers, employees, and all who handle union funds are not adequately covered regarding the dollar amount paid upon loss. Second, the policy did not cover individuals who are not under the direct control of the union such as independent contractors. Finally, the policy contains a deductible which is a form of self insurance and thus not permitted.

Conclusion/Resolution of Reporting Problems

The union has increased the amount of coverage to the maximum allowed by statute to \$500,000. Additionally, the union removed the provision for the deductible. The only outstanding issue is that of the individuals covered which is currently in the process of being corrected. Please provide to this office proof that adequate coverage has been obtained no later than July 17, 2008.

Other Issues

The audit disclosed the following other issue:

The audit disclosed that the union subsidiary, HTC Realty Corporation (HTC), is an entity that holds the office space lease between the union and the landlord. HTC was formed over 40 years ago and does not generate income. Over the years, in order for HTC to pay the required annual state corporate fees, HTC borrowed funds from the union. As of the year-ended December 31, 2006, the amount due the union totaled \$53,376, which is disclosed on the LM-2, Schedule 2 - Loans Receivable. The union voluntarily agreed to write off the loan due to HTC's inability to repay. All further expenditures for HTC will be disbursed directly from the union.

I want to extend my personal appreciation to the New York Hotel Trades Council 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: Michael Simo, Vice-President