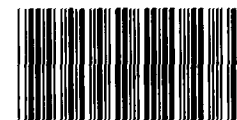


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SUMMARY OF GAO STATEMENT
SUBMITTED TO THE
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS
COMMITTEE ON GOVERNMENTAL AFFAIRS
UNITED STATES SENATE
ON THE EXAMINATION OF FINANCIAL ACTIVITIES
AND THE DEPARTMENT OF LABOR'S OVERSIGHT
OF SELECTED UNION AFFILIATED ORGANIZATIONS IN HAWAII
JUNE 23, 1982

- GAO, at the request of the Subcommittee, has made a financial analysis of Unity House, an entity created in Hawaii by Locals 5 and 555 of the Hotel Employees and Restaurant Employees International union and Local 996 of the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America union. GAO also reviewed the activities of two other entities, Unity Council and the Waikiki Marina Hotel--which is owned by Unity House--and their relationship to Locals 5 and 996 and Arthur A. Rutledge, the founder of Unity House.
- Unity House's stated purpose was to bring together in a benevolent and fraternal organization all members and friends of labor in Hawaii. However, according to Mr. Rutledge the real purpose of Unity House was to "shield local union assets from both international unions."
- GAO found that Unity House, Locals 5 and 996 and the other subpoenaed entities had extremely close and complex relationships and that Unity House has been used as a conduit for moving funds among union locals and several affiliated organizations.
- For example, Locals 5 and 996 loaned Unity House about \$2.5 million to help construct the Waikiki Marina Hotel, and the hotel repaid the loan through Unity House. Also, Locals 5 and 996, Arthur A. Rutledge, members of his family and others pooled funds to invest in certificates of deposit to obtain higher rates of return.
- GAO found that the financial management and internal controls used to safeguard the organizations' assets were seriously deficient. These inadequacies contributed to two apparent embezzlements--one uncovered by GAO--totaling about \$282,000, at two of the organizations.
- GAO found that, as far back 1961, Labor officials raised questions concerning Unity House, Mr. Rutledge and his relationship to Locals 5 and 996. Yet, Labor has never audited or investigated Unity House and Unity Council and Mr. Rutledge's activities.
- In GAO's opinion, the problem for over 21 years seems to be a lack of a decision by Labor's Office of the Solicitor as to whether Unity House and Unity Council are labor organizations, and thus subject to the requirements of the Labor-Management Reporting and Disclosure Act.



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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

FOR RELEASE ON DELIVERY
EXPECTED AT 10:00 A.M.
JUNE 23, 1982

STATEMENT OF
EDWARD A. DENSMORE, DEPUTY DIRECTOR
HUMAN RESOURCES DIVISION
BEFORE THE
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS
COMMITTEE ON GOVERNMENTAL AFFAIRS
UNITED STATES SENATE
ON THE
EXAMINATION OF FINANCIAL ACTIVITIES
AND THE DEPARTMENT OF LABOR'S OVERSIGHT
OF SELECTED UNION AFFILIATED ORGANIZATIONS
IN HAWAII

Mr. Chairman and Members of the Subcommittee, we are pleased to appear here today to report on the results of work you requested on the financial activities and the Department of Labor's oversight of certain union affiliated organizations in Hawaii.

By letters dated October 15, 1981 and January 18, 1982, you requested our assistance in examining the activities of the Hotel Employees and Restaurant Employees International union (HERE) and its Locals 5 and 555 in Honolulu, Hawaii, and Local 996, in Honolulu, of the International Brotherhood of Teamsters, Chauffeurs, Warehousemen, and Helpers of America union (IBT). Your October 15 letter said that Locals 5 and 555, acting in concert with Local 996, had established a corporate entity known as Unity House, Incorporated, for investment purposes. The letter also said that the creation of an entity such as Unity House raises a question as to whether the provisions of Federal labor laws are being circumvented and the Department of Labor is aware of these actions.

In accordance with your request and subsequent discussions with your office, we were requested to (1) make a financial analysis of Unity House, another entity called Unity Council, and the Waikiki Marina Hotel, Incorporated, (the Hotel) which is located in Honolulu and is owned by Unity House, (2) determine Unity House's and Unity Council's relationships to Locals 5, 555, and 996, and (3) respond to various questions concerning the three entities and the role of Arthur A. Rutledge in their operation. In addition, you requested that we review Labor's

oversight of Unity House and Unity Council.

We performed our work primarily in Honolulu, Hawaii, using records provided by Unity House, Unity Council and the Hotel in response to the Subcommittee's subpoenas. Many of the records required by the subpoenas were not provided and, as a result, we were not able to make a complete financial analysis.

Our analysis is based primarily on a review of the financial records of Unity House and the Hotel. We concentrated on the receipts and disbursements of the two entities. We were not able to perform any detailed analysis of Unity Council's financial activities because most records were not made available to us. We also interviewed a number of individuals associated with the entities and we reviewed annual reports filed by the union locals with Labor.

Also, Local 5 voluntarily allowed us to review its cash receipts and disbursements journals and verify selected transactions recorded by Unity House, Unity Council and the Hotel. Our review covered the period January 1, 1975 to September 30, 1981, however, in some cases we reviewed records prior to 1975.

We also reviewed Labor's records in Washington pertaining to Unity House, Unity Council and Locals 5 and 996 from the early 1960s to the present.

At the Subcommittee's request we prepared a detailed Statement of Facts on the results of our review, and on June 18, 1982, we provided a copy to you. We understand that the statement has been provided to the Subcommittee members and has been made

available to the public prior to today's hearings.

DESCRIPTION OF ORGANIZATIONS SUBPOENAED

Before discussing the results of our work, we would like to briefly describe of the various organizations included in our review. A chart depicting selected Arthur A. Rutledge affiliated organizations is included as appendix A. The chart was prepared for illustrative purposes only. It is not intended to represent control, chain of authority, or ownership.

Unity House is the organizational focal point of the subpoenaed organizations, the first of the three to be established, and the owner of the Hotel. It was incorporated in 1951 as a nonprofit corporation basically for the purpose of supporting and furthering the interests of labor in Hawaii. Arthur A. Rutledge has been president of the organization since it was founded.

Unity Council was established about 1959 and it supposedly was composed of a committee of local union officials. The council's purpose was to coordinate the organizing activities of Locals 5 and 996 which are affiliated with different international unions.

The Hotel was established in May 1973 under the laws of the State of Hawaii as a for-profit corporation. The Hotel was built by and is wholly owned by Unity House.

RELATED ORGANIZATIONS AND INDIVIDUALS

The subpoenaed organizations discussed above have close relations with union locals and several other related and affiliated organizations. These organizations loaned money to and borrowed money from the subpoenaed organizations, paid dues

to the organizations, and shared facilities and staff. A brief description of the union locals and their relationships with the subpoenaed organizations follows.

Local 5, Hotel Employees and
Restaurant Employees

This local, which is affiliated with HERE, was founded in 1938. Arthur A. Rutledge became its president the following year and remained so until August 1978.

In August 1978, following a disputed election, HERE established a trusteeship over Local 5's operations because (1) a majority of the Local's executive board had requested the trusteeship, (2) Local 5 failed to hold an election of officers in November 1977 as required by the bylaws, (3) Local 5 had almost become functionally inoperative, because of the confusion which resulted in lawsuits involving Local 5 officers and Labor, (4) extreme confusion existed because the duly elected Secretary-Treasurer, who had primary responsibility for conducting the election of officers, was allegedly removed by other officers of Local 5, and (5) a review of audit reports indicated a need to clarify the assets belonging to Local 5 members.

As a result of a Labor investigation, Local 5 had a court ordered election of officers--supervised by Labor--in January 1980. In the election Arthur A. Rutledge lost control of the union and was replaced as president. After the election, HERE removed the trusteeship.

Arthur A. Rutledge maintained his influence during the trusteeship, because he was a business agent for Local 5 and

his son Anthony was an assistant international trustee of HERE. Arthur A. Rutledge was also an International Vice President of HERE from 1976 to January 1980, when he resigned as part of an agreement with HERE to promote harmony. He was succeeded by his son Anthony.

Local 5, in return for monthly fees, obtained office space and administrative and clerical services from Unity House until 1980.

Local 555, Culinary and Service Employees

This local is also affiliated with HERE. It was founded in 1974 to represent small and special groups of employees such as hospital and culinary workers. Anthony Rutledge, Arthur's son, was an officer of the local until 1979. Up to about that time Local 555 obtained office space and administrative services from Unity House at no cost.

Local 996, Hawaii Teamsters and Allied Workers

This local is affiliated with IBT. According to a news article, Arthur A. Rutledge founded this local in 1943 and since, has been its president. Local 996 occupies space in a building owned by Unity House and, in return for monthly fees, obtains administrative and clerical services from Unity House.

ESTABLISHMENT AND OPERATION OF
UNITY HOUSE, UNITY COUNCIL, AND
THE HOTEL

I would like to describe in more detail how and why each of these organizations were established and operated.

Unity House

Unity House's stated purpose, as described in its original charter, is to, among other things, bring together in a benevolent and fraternal organization all members, past members, and friends of labor in Hawaii. However, the real purpose Unity House was established, according to Arthur A. Rutledge, was to shield local union assets from both international unions. Our review showed also that Unity House has been used as a conduit for moving funds among union locals and union affiliated organizations.

Unity House established its financial base in 1953 by offering noninterest-bearing, nonnegotiable debenture bonds to union members and friends. Its campaign had a goal to collect \$50,000; however, records were not available to show the amount it actually collected.

Since its original campaign, Unity House has been almost entirely dependent financially on Locals 5 and 996. Each local paid a monthly charge to Unity House of \$1 per member per month. In exchange for these payments, the locals apparently received administrative services and/or office space. According to Arthur A. Rutledge, the amounts the locals paid were established arbitrarily rather than based on the value of the services received. The main assets of Unity House are the Unity Building and the Hotel. In June 1980, these buildings were appraised at about \$1.5 million and \$12.5 million, respectively.

From January 1975 through September 1981 Unity House recorded \$9.6 million in receipts. The union locals provided about \$2 million, or over 20 percent of these receipts, in the

form of dues/administrative expenses, loans, contributions, and other reimbursements. Union-related organizations accounted for about \$4.6 million, or 48 percent, in loans, payments for miscellaneous costs, loan repayments, interest and from the dissolution of Unity Council.

Unity House was used as a clearing house for funds passing from one entity to another. Many of these receipts, for example, passed through Unity House as loans for construction of the Hotel and as repayment for these loans and interest. Unity House borrowed over \$2 million from Local 5 during the period 1971 to 1977, primarily for the construction of the Hotel. Between 1971 and 1980 Unity House borrowed about \$550,000 from Local 996--again primarily for the construction of the Hotel. Unity House also received similar loans from various union-affiliated organizations.

Unity Council

According to Arthur A. Rutledge, Unity Council was established as a coordinating committee for the organizing activities of Locals 5 and 996. He stated that this arrangement was needed because the locals were affiliated with different internationals--Local 5 with HERE and Local 996 with IBT. He stated, however, that Unity Council's organizing activities never really materialized.

Unity Council was never registered with the State of Hawaii and we were not able to determine if State or Federal income tax returns were filed. Although we could not locate documents relating to its establishment or its financial operations, it

appears that Unity Council existed at least by 1959.

Unity Council was sustained financially the same way as Unity House--through monthly contributions from the union locals. Unity Council received about \$4 million between January 1, 1970, and November 30, 1979. However, Unity Council had records showing the purpose and source of these receipts for only six years. During the time for which Unity Council records were available, they showed that about one-third of its receipts came from Locals 5 and 996. The remaining two-thirds came from redemptions of certificates of deposit and savings withdrawals. We were unable to document Unity Council's financial activities in greater detail because very few accounting records were provided to us.

Unity Council supposedly was disbanded in November 1979 and about \$560,000 in assets such as checking and savings accounts, were transferred to Unity House. Our review disclosed, however, that a Unity Council business account remained active at least through February 1982. Moreover, we found that Locals 5 and 996 made deposits to the account and disbursements were made to Arthur A. Rutledge, the Diners Club, and other individuals. Although the Subcommittee's subpoena requested all Unity Council accounts and records, the existence of this account was never divulged to us by Unity House or Unity Council officials.

Waikiki Marina Hotel

Unity House constructed the Hotel as an investment and has always owned 100 percent of the hotel's capital stock. The Hotel, incorporated in 1973, is a 323-room high rise building in the Waikiki area of Honolulu. Arthur A. Rutledge said that,

originally, the Hotel was intended for training prospective hotel and restaurant employees. He acknowledged that this idea proved impractical because the trainees needed to be interspersed with trained employees rather than concentrated in large groups.

In 1968, Unity House began to formally account for construction expenses incurred on behalf of the Hotel. Between November 1968 and August 1981, Unity House charged nearly \$8 million, including over \$2 million in accrued interest, to its hotel receivable account. These charges reflected expenses such as engineering services, demolition/site preparation, construction costs and accrued interest. Unity House borrowed money from (1) Locals 5 and 996, (2) union-related organizations, and (3) the First Hawaiian Bank to construct the Hotel.

The Hotel opened for business about 1974. It operated at a loss in 1975, at a profit from 1976 through 1979, and at a loss again in 1980. Overall, the Hotel has shown a net profit before income taxes of about \$666,000. However, the Hotel has not distributed any of the profits. Instead, the Hotel has applied the profits to decrease its liabilities--primarily the construction costs paid by Unity House.

The Internal Revenue Service audited both Unity House and the Hotel for tax years 1976, 1977 and 1978 in connection with interest the Hotel paid Unity House on the construction loans. As a result of the audit, Unity House was required to pay income taxes of about \$162,000, plus interest of about \$45,000.

Interrelationship of subpoenaed
and other organizations

Our work disclosed that the interrelationships between Unity House, Unity Council, the Hotel, Locals 5 and 996, and other affiliated organizations were extremely close and complex. For example, between 1971 and 1980, Locals 5 and 996, through Unity House, loaned about \$2.5 million which was used primarily to construct the Hotel. The Hotel repaid principal and interest to the locals through Unity House.

At one time the organizations shared the same facilities, staff, and leader--Arthur A. Rutledge. The organizations paid expenses for one another, shifted employees from one to the other, and loaned money back and forth.

Also, Unity House, the Hotel, Locals 5 and 996 as well as Arthur A. Rutledge, members of his family, and employees of Unity House and the Hotel, pooled funds to invest in large denomination certificates of deposit to obtain higher rates of return. During our review we identified 14 examples where funds--ranging from \$102,100 to \$681,871--were pooled. Arthur A. Rutledge participated in eight of these transactions.

Because of these close and complex interrelationships, basic internal controls to safeguard the organizations' assets were seriously deficient. Particularly weak was the almost complete lack of separate duties for accounting personnel. Employees were allowed access to all accounting records for several different organizations and were involved in all phases of the accounting cycle.

Although a certified public accountant audited Unity House's financial statements, Unity Council and the Hotel records were not audited. Furthermore, none of the organizations required written agreements to document indebtedness or contractual arrangements. Perhaps the best evidence of the financial management and internal control inadequacies is that apparent embezzlements totaling at least \$282,000--one of which was uncovered by our review--occurred in two of these organizations.

Role of Arthur A. Rutledge

Arthur A. Rutledge is the key individual associated with the three subpoenaed organizations and many of the related organizations. He has been president of Unity House since it was founded in 1951, and the key representative of Unity Council from 1959 until 1979 when it was disbanded. He was president of the Hotel from May 1973 to May 1974. He has not officially held a position in the Hotel since 1974; however, he is president of Unity House which owns the Hotel.

We also found that he controls the operations of the Hotel even though not an officer. The current president of the Hotel told us that he consults with Arthur A. Rutledge on major decisions affecting the operations of the Hotel. A former general manager of the Hotel also told us that Arthur A. Rutledge was in fact responsible for most of the significant decisions. A March 1982 National Labor Relations Board decision stated that Arthur A. Rutledge has controlled the day-to-day operations of the Hotel since it opened for business.

In addition to the subpoenaed organizations, Arthur A. Rutledge held key positions in at least 13 related and affiliated organizations. In 1978, for example, while he was president of Unity House and Unity Council, he was concurrently

- President of Local 5,
- Trustee for a Local 5 pension plan,
- Trustee for a Local 5 health and welfare plan,
- International vice-president of HERE,
- Trustee of HERE's pension plan,
- President of Local 996,
- President of Teamsters Joint Council 50 (a local Hawaii organization affiliated with IBT), and
- President of the Hawaii Pacific Cinema Development Foundation, Incorporated (Movie Production Fund).

A chart which illustrates the various positions Arthur A. Rutledge held and the timeframes is in appendix B.

In the early 1960's, Locals 5 and 996 each established a \$100,000 trust fund for Arthur A. Rutledge. At September 30, 1981, the two trusts' value had increased to at least \$388,000. Under the trusts' terms, when Arthur A. Rutledge retires he will receive the interest earned from the investments and the principal will revert to the locals. Apparently, he has not received any payments from these trusts to date.

REVIEW OF DEPARTMENT OF LABOR'S
OVERSIGHT OF UNITY HOUSE, UNITY COUNCIL
AND RELATED UNION ORGANIZATIONS

Our review of records at Labor's Washington office showed that the Department's Office of Labor-Management Standards Enforcement

(LMSE) has not made any investigations per se of Arthur A. Rutledge, Unity House, Unity Council or the Hotel's operations. LMSE's only reviews of Arthur A. Rutledge, Unity House and Unity Council were made in the early 1960s as part of its reviews of Locals 5 and 966.

Labor-Management Services Administration (LMSA) officials, including a former Assistant Secretary for Labor-Management Relations and the former and present Directors of LMSE believe that Unity House and Unity Council are subject to the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). However, despite repeated requests from officials in LMSA and its predecessor agency--spanning a 21-year period (1961 to 1982)--Labor's Office of the Solicitor has never made a determination as to whether these organizations are in fact labor organizations under LMRDA, and thus subject to the act's requirements.

As a result, LMSE has never investigated or audited Unity House or Unity Council.

LMRDA, which was enacted in 1959, applies to labor organization (union) members, employers, labor relation consultants, and other persons as well as labor organizations and surety companies. LMRDA was passed to help eliminate or prevent improper and corrupt practices on the part of labor organizations, labor relations consultants, and their officers and representatives. The act imposed Federal standards on labor organization activities to protect the rights of union members and the election of officers, and it established requirements for labor organization officials to report and disclose the organizations' financial and administrative practices.

It also imposed fiduciary responsibilities on labor organization officials.

LMRDA applies to all labor organizations and employees subject to collective bargaining agreements even if not union members, except organizations representing public employees working for a State or its political subdivisions.

Within LMSA, LMSE administers and enforces LMRDA. LMSE is assisted in carrying out its enforcement responsibilities by an Associate Solicitor for Labor-Management Laws in the Washington headquarters and a regional solicitor located in each of the six LMSA regional offices.

Labor's reviews of Unity House
and Unity Council in the 1960s

Labor's only reviews relating to Arthur A. Rutledge, Unity House and Unity Council were made in the early 1960s and they were made as part of its reviews of Locals 5 and 996 and HERE's trusteeship of Local 5 in 1960.

To illustrate, the Bureau of Labor-Management Reports (the predecessor agency to LMSA) made a review in May 1960 at HERE's headquarters in Cincinnati, Ohio, to review the trusteeship of Local 5's operations, and a review in September-October 1960 in Honolulu to gather information on Arthur A. Rutledge, Unity House and Unity Council. Our review of the Bureau's reports show that they did not constitute an investigation of Arthur A. Rutledge, Unity House, or Unity Council per se. The first review was merely a gathering of, and reporting on, the reasons for HERE's trusteeship of Local 5 and its termination, and the second was a review to gather information on Arthur A.

Rutledge, Unity House and Unity Council and their affiliation with Locals 5 and 996.

The Bureau's San Francisco Area Office also made a financial investigation of Locals 5 and 996 in November-December 1960. Its report pointed out that the two organizations, Unity House, and Unity Council, were financially dependent on the locals, but did not file any of the reports required by LMRDA. In March 1961, the San Francisco Office requested its Washington Office to rule on the status of Unity House and Unity Council under LMRDA. In September 1961, the Commissioner of Labor-Management Reports formally requested such a ruling from Labor's Solicitor. The Washington and San Francisco Office made repeated requests for information on the ruling from 1962 to 1967.

In October 1967, the Washington Officials advised the San Francisco Office that the Office of the Solicitor did not expect to render an opinion in the near future on Unity House. It suggested that the San Francisco Office close its open 1961 case and reopen it when the Solicitor made a decision.

Thus, in November 1967--over 6 and one-half years after its investigation showed that Unity House had not filed reports under LMRDA and it had requested a determination on Unity House's status under the act--the San Francisco Office closed its investigation file. Moreover, as noted below, the Office of Solicitor had not, as of May 1, 1982, made the requested determination on Unity House's status.

Labor's reviews of Unity House and
Unity Council in the 1970s

Labor's records showed no significant review activity concerning Unity House and Unity Council occurred until late in 1978. Labor's interest in 1978 apparently stemmed from the fact that HERE had again placed Local 5 under trusteeship in 1978. On November 16, 1978, the Director of LMSE had a memorandum prepared which addressed the nature of Unity House and Unity Council and whether they are subject to the provisions of LMRDA. The Director's memorandum stated that LMSE had concluded that Unity House and Unity Council are "trusts" in which labor organizations are interested as defined in the LMRDA.

On November 17, 1978, the Director, LMSE, submitted the memorandum to the Assistant Secretary for Labor-Management Relations. The Assistant Secretary, on November 20, 1978 raised two questions: (1) who are the legal "owners" of Unity House and (2) are dues money for Unity House collected through union auspices. The Assistant Secretary said if the second point is true, then Unity House and Unity Council are trusts under LMSE's regulations. The Assistant Secretary, concluded, that in any case, LMSE should begin audits of Unity House and Unity Council.

Our review showed, however, that as of May 1, 1982, LMSE had not made any audits or investigations of Unity House and Unity Council.

Labor's review of Unity House
and Unity Council in 1980s

LMSE's latest investigative activity concerned a complaint to the Secretary of Labor dated January 15, 1982, by the President of Local 5. The President's letter enclosed a demand for investigation of certain charges that the local's financial Secretary-Treasurer (Richard A. T. Tam) had used Local 5 funds to pay certain legal expenses for himself and others in violation of the fiduciary standards in section 501 of LMRDA, HERE's constitution and Local 5's by-laws. As of June 1, 1982, LMSE's San Francisco Office had not completed the investigation of the President's allegations.

LMSE officials told us that, when the current investigation of Local 5 is completed, it intends to follow-up with an investigation of Locals 5 and 996 and their relationship with Unity House and Unity Council. The Acting Chief, Branch of Criminal Investigation said that LMSE expects to receive 100 additional investigative positions in 1982, with one of the positions designated for Hawaii. He indicated that LMSE will then be in a better position to make a review of Unity House and Unity Council.

We also discussed LMSE's proposed investigation with the Director, LMSE who stated that he recently had received an opinion from LMSE's Branch of Interpretations and Standards on whether Unity House and Unity Council are labor organizations and whether LMSE has the authority to investigate their financial operations. The Director said that the opinion was prompted by LMSE's problems with Arthur A. Rutledge in the court-ordered Labor supervised election of officers for Local 996 held in December 1981. The

Director said that, because of certain improprieties by Local 996 officials, LMSE has petitioned the Hawaii District Court that the election be rerun. LMSE's petition is still pending.

The Branch of Interpretations and Standards opinion reiterated and supported the conclusions in the November 16, 1978, memo by the former Director of LMSE (See page 16); and stated if LMSE believes that Unity House and Unity Council are trusts in which the labor organizations are interested, LMSE clearly has the authority under section 601 of LMRDA to obtain information to determine whether they are in fact trusts. Regardless of whether the entities are trusts, the Branch's opinion stated, LMSE has the authority to investigate in order to determine whether the officers and employees of the two locals need to submit to LMSE reports entitled "Labor Organization Officer and Employee Report" (LM-30)--required from section 202 of LMRDA--listing things of value they received by Unity House and Unity Council.

The Director of LMSE told us that as a result of the Branch's opinion he believes LMSE does have authority to investigate Unity House and Unity Council and he plans to have the San Francisco Office initiate an investigation, hopefully, in 1982.

GAO OBSERVATIONS

As far back as 1961, officials of LMSA and its predecessor agency have raised questions concerning the operation of Unity House and Unity Council by Arthur A. Rutledge and their relationship to Locals 5 and 996. LMSA officials, including the Assistant Secretary of Labor-Management Relations, believed that Unity House and Unity Council were subject to LMRDA. He also suggested that

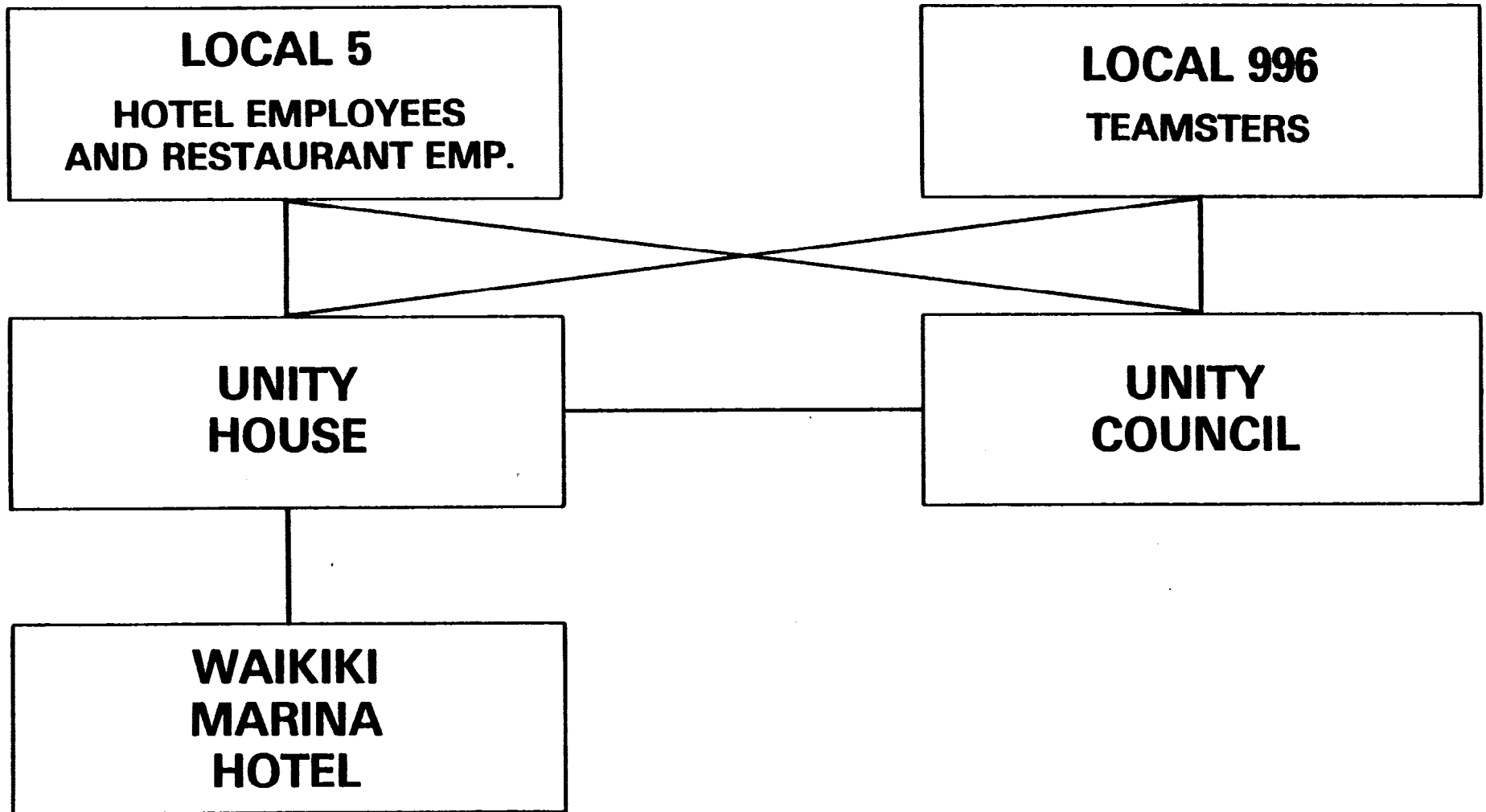
LMSE audit the organizations.

Yet, to date, LMSE has not audited Unity House and Unity Council. In our opinion, the problem for over 21 years, seems to be a lack of a decision on the part of Labor's Office of the Solicitor to make a determination as to whether Unity House and Unity Council are labor organizations under LMRDA, and thus subject to the act's requirements.

We are encouraged by LMSE's current actions and comments, particularly the Director's comment, that LMSE has the authority to investigate Unity House and Unity Council and his plans to have San Francisco initiate such an investigation in 1982.

Mr. Chairman, this completes my statement. We will be happy to respond to any questions you or members of the Subcommittee may have.

**ARTHUR A. RUTLEDGE
AFFILIATED ORGANIZATIONS**
(SUBPOENAED ORGANIZATIONS AND TWO LOCALS ONLY)



THIS CHART WAS PREPARED FOR ILLUSTRATIVE PURPOSES ONLY. IT IS NOT INTENDED TO REPRESENT CONTROL, CHAIN OF AUTHORITY, OR OWNERSHIP.

POSITIONS HELD BY ARTHUR A. RUTLEDGE IN VARIOUS ORGANIZATIONS

ORGANIZATION	POSITION/TITLE ^{b/}	70	71	72	73	74	75	76	77	78	79	80	81	82	TIME PERIOD(S) INVOLVED
UNITY HOUSE, INC.	PRESIDENT														FROM 1961 TO PRESENT
UNITY HOUSE, INC.	DIRECTOR														FROM 1961 TO PRESENT
WAIKIKI MARINA HOTEL, INC.	PRESIDENT														FROM 05/11/73 TO MAY 1974
WAIKIKI MARINA HOTEL, INC.	DIRECTOR														FROM 05/11/73 TO MAY 1974
UNITY COUNCIL	PRESIDENT														FROM 1969 TO NOV 1979 ^{e/}
MOVIE PRODUCTION FUND	FOUNDER														FROM 1967 TO AUG 1979
HAWAII PACIFIC CINEMA DEVELOPMENT FOUNDATION, INC.	PRESIDENT														FROM AUG 1979 TO PRESENT
JOINT COUNCIL #50	DIRECTOR														FROM 1973 TO 1978
	PRESIDENT														FROM 1973 TO 1978
HOTEL EMPLOYEES LOCAL #5	PRESIDENT														FROM 1938 TO AUG 1978
HOTEL EMPLOYEES LOCAL #665	NOT KNOWN ^{b/}														FROM 1943 TO PRESENT
TEAMSTERS LOCAL #906	PRESIDENT														
FRIENDS OF RUTLEDGE (AAR's CAMPAIGN ORGANIZATION FUND)	NOT KNOWN ^{b/}														08/11/78
MARIETT HOTEL EMPLOYEES INTERNATIONAL	FOUNDER														02/04/65
TEAMSTERS INTERNATIONAL	INTERNATIONAL VICE PRESIDENT														FROM 1978 TO JAN 1980
PENSION PLANS	TRUSTEE														FROM 1978 TO FEB 1980
HOTEL EMPLOYEES LOCAL #5	FOUNDER														
TEAMSTERS LOCAL #906	FOUNDER														
HOTEL EMPLOYEES INTER-NATIONAL	TRUSTEE														FROM 1977 TO JAN 1980
TEAMSTERS INTERNATIONAL	NOT KNOWN ^{b/}														
HEALTH AND WELFARE PLANS	TRUSTEE														FROM 1979 TO FEB 1980
HOTEL EMPLOYEES LOCAL #6	FOUNDER														
TEAMSTERS LOCAL #906	FOUNDER														
HOTEL EMPLOYEES INTER-NATIONAL	TRUSTEE														"AT ONE TIME"
TEAMSTERS INTERNATIONAL	NOT KNOWN ^{b/}														

NOTES: ^{b/} THE INFORMATION USED TO COMPILE THIS TABLE CAME FROM A VARIETY OF SOURCES, INCLUDING INTERVIEWS.

^{d/} MR. RUTLEDGE'S POSITION IN THESE ORGANIZATIONS WAS NOT INCLUDED IN THE INFORMATION AVAILABLE TO US (See Note a).

^{e/} ALTHOUGH UNITY COUNCIL CEASED OPERATIONS AS OF NOVEMBER 1979, ITS BUSINESS CHECKING ACCOUNT REMAINS ACTIVE.