

tions. The FLSA imposes fines on both corporations and officers involved in managing employees. These personal penalties are particularly likely in cases in which the company has not kept accurate records of the wages and hours worked of its employees, a requirement of the FLSA. *Chao v. Hotel Oasis, Inc.* (Case 19.1) reflects the enforcement standards and policies of the Department of Labor.

CASE 19.1

Chao v. Hotel Oasis, Inc.
493 F.3d 26 (1st Cir. 2007)

Two Sets of Books, One Big Penalty

FACTS

Hotel Oasis, Inc., operates a hotel and restaurant in southwestern Puerto Rico. Dr. Lionel Lugo-Rodríguez (defendant-appellant) (Lugo) is the president of the corporation, runs the hotel, and manages its employees. Oasis's records show that between October 3, 1990, and June 30, 1993, employees were paid less than minimum wage, were not paid for training time or meetings held during nonworking hours, were paid in cash "off the books," and were not paid correctly

for overtime. Oasis also maintained two sets of payroll records for the same employees, covering the same time periods, one showing fewer hours at a higher rate and the other showing more hours at a subminimum wage rate. Lugo maintains that the two sets of books were necessary, one for temporary employees and one for permanent employees.

On April 5, 1994, the Secretary of Labor (the "Secretary") filed a complaint in the United States District Court for the District of Puerto Rico against Oasis and

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