

U.S. Department of Labor

Employment Standards Administration
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September 11, 2006

Mr. Adolph Mares, Secretary Treasurer
Musicians AFL-CIO
Local 20-623
1165 Delaware Street
Denver, CO 80204-3607

Re: Case Number: ~~XXXXXXXXXX~~

Dear Mr. Mares:

This office has recently completed an audit of Musicians Local 20-623 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 Adolph Mares on September 7, 2006, 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.

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 Local 20-623's 2006 records revealed the following recordkeeping violations:

Your labor organization paid airfare for a union officer's spouse to accompany the officer on union business as a reimbursement for several years of that officer's unclaimed expenses. No records were kept of the expenses. As a result of the audit you obtained board approval for the payment. You stated that this would not be an issue in the future since the officer currently uses a union credit card for expenses he incurs while on union business. You agreed that if a similar situation should arise in the future you will get an expense reimbursement policy approved by your board.

Union officers and employees failed to maintain adequate documentation for expenses charged to union credit cards and disbursements from petty cash since support documentation for some of these payments was missing. The date, amount, and business purpose of every expense must be recorded on at least one union record. In addition, the names of individuals present for meal expenses and the locations (names of restaurants) where meal expenses were incurred must be recorded.

Local 20-623 failed to properly record some cash receipts from union fundraisers. Union receipts records must include an adequate identification of each receipt of money. The records should show the exact date the money was received, the identity of the source of the money, and the individual amount received from each source.

Some duplicate receipts that were voided and not issued were not retained.

As agreed, provided that Local 20-623 maintains adequate documentation as discussed above in the future, no additional enforcement action will be taken regarding these 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 Local 20-623 for fiscal year ending December 31, 2005, was deficient in the following areas:

Working dues were erroneously reported in Item 38 (Fees, Fines, Assessments, Work Permits) instead of Item 36 (Dues and Agency Fees).

Local 20-623 failed to include reimbursements to officers in Schedule 11 (All Officers and Disbursements to Officers). Such payments appear to have been erroneously reported in Schedules 15 through 19.

Direct disbursements to officers and employees for reimbursement of expenses incurred while conducting union business must be reported in Column F of Schedules 11 and 12 (Disbursements for Official Business). In addition, indirect disbursements made to another party (such as a credit card company) for business expenses incurred by union personnel must also be reported in Column F of Schedules 11 and 12. However, indirect disbursements for business expenses incurred for transportation by public carrier (such as an airline) and for temporary lodging expenses incurred while traveling on union business must be reported in Schedules 15 through 19. Any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business must be reported in Column G (Other Disbursements) of Schedules 11 and 12.

In addition, Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees) require that labor organizations provide a good faith estimate in Line (I) of the estimated percentage of time spent by officers and employees on activities that fall within Schedules 15 through 19. You indicated that 100% of all the officers' time was spent on Union Administration. However, the audit revealed that at least the president spent part of his time on Representational Activities.

Under Statement B, receipts must be recorded when money is actually received by the labor organization and disbursements must be recorded when money is actually paid out by the labor organization. The audit found that your labor organization reported net amounts in Statement B. Since Statement B reports all cash flowing in and out of the labor organization, "netting" is not permitted.

Although I did not audit your 2004 records, I found that the cash reconciliation on your LM-2 Report for fiscal year ending December 31, 2004 was off by \$12,754. The cash at the start of your reporting period plus your total receipts minus your total disbursements should equal the cash at the end of your reporting period.

Local 20-623 must file amended Forms LM-2 for fiscal years ending December 31, 2005 and December 31, 2004 to correct the deficient items discussed above. I explained to you the filing procedures and the availability of the filing software on the OLMS

website (www.olms.dol.gov). The amended Forms LM-2 must be filed as soon as possible, but not later than October 6, 2006. Before filing, review the reports thoroughly to be sure they are complete and accurate, and properly signed with electronic signatures.


The amended Form LM-2 for the fiscal year ending December 31, 2005 must be filed electronically on the Revised Form LM-2. However, the amended Form LM-2 for the fiscal year ending December 31, 2004 can be filed using the Informed Filler version CD which you can order by calling 202-693-0123 or by sending an email to olms-public@dol.gov or you can complete the Revised Form LM-2.

The audit disclosed the following other issue:

During the audit, you advised that periodically blank checks are signed in advance. Your union's bylaws require that all checks over \$300 have two signatures. The countersignature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, countersigning a blank check in advance does not attest to the authenticity of a completed check, and completely circumvents and undermines the whole purpose of the countersignature requirement. I recommend that Local 20-623 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Musicians Local 20-623 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: Peter Vriesenga, President