



December 21, 2005

Ms. Linda Mays
President
American Guild of Musical Artists, AAAA, AFL-CIO
1430 Broadway 14th Floor
New York, New York 10018

Dear Ms. Mays:

The Office of Labor-Management Standards (OLMS) within the Department of Labor has recently completed a compliance audit at your headquarters under the International Compliance Audit Program (I-CAP). The purpose of this audit was to determine compliance with provisions of the Labor-Management Reporting and Disclosure Act of 1959, as amended (LMRDA) by the American Guild of Musical Artists, AAAA, AFL-CIO (AGMA or IU). The I-CAP team conducted an exit interview on December 8, 2005 with you and Ms. Geraldine Angel, Director of Operations, to review its findings, including the issues and problem areas identified during the audit as well as actions recommended to correct deficiencies and enhance internal control.

You were informed at the exit interview that an amended Labor Organization Annual Report, Form LM-2, for the fiscal year ended December 31, 2004, is required to be submitted within thirty days from the date of this letter to correct reporting and other deficiencies. Specific information on these deficiencies is presented below. We will schedule an on-site follow-up in approximately six months to review corrective actions taken, to discuss the amended Form LM-2 filed by the IU, and to continue cooperative efforts to prevent and/or correct LMRDA deficiencies. This letter does not purport to be an exhaustive list of all possible problem areas since the compliance audit was limited in scope.

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AUDIT DETAILS:

Reporting Deficiencies - LMRDA Section 201

Section 201 (b) of the LMRDA requires that unions file with OLMS an annual financial report that accurately discloses the union's financial condition and operations. The following deficiencies were noted in regard to the AGMA Form LM-2 for the fiscal year ended December 31, 2004.

1. The IU did not submit its Form LM-2 on time for the audit period nor for the prior two fiscal years as required by the law. The law allows 90 days after the close of the fiscal year to submit the Form LM-2 and does not allow an extension of the 90-day filing period for any reason. The Form LM-2 for the audit period was due March 31, 2005, but was not received by OLMS until October 11, 2005. The IU has agreed to submit their fiscal year 2005 report by March 31, 2006.
2. The amount for Accounts Receivable reported on Line 26 of Statement A is a "net" amount. That is, the amount in Statement A shows gross accounts receivable minus the allowance for doubtful accounts. When net accounts receivable are reported on Statement A, gross accounts receivable and the allowance for doubtful accounts should be reported as additional information in Item 75. The IU has agreed to amend the fiscal year 2004 report to report gross accounts receivable and the allowance for doubtful accounts in Item 75 to support the net accounts receivable amount on Line 26 of Statement A.
3. Item 18 of the Form LM-2 should contain the number of AGMA members at the end of the reporting period. The Form LM-2 instructions require the reporting of only those members who pay dues. During the course of the audit, AGMA representatives indicated that there are members included in Item 18 who have not paid dues for up to four years. During an interview with IU staff, the I-CAP team was informed that the AGMA Board of Governors has the authority to remove members from the rolls, yet has not done so during the audit year. The IU was informed that the membership number in Item 18 must reflect only those members who are actually paying dues. The IU has agreed to report, in future filings, membership based on the new Schedule 13, Membership Status Information, requirements.
4. On AGMA's Form LM-2 report for the audit period, the IU listed on Schedule 1, Loans Receivable, loans to an AGMA employee for a total amount of \$4,788. During the audit, the I-CAP team determined that the loans were incorrectly

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classified by AGMA. The \$4,788 amount represents disputed credit card charges. The funds were disbursed by AGMA for credit card charges during the audit period and were later disputed by AGMA. The IU has agreed to reclassify the loans from Schedule 1 to Statement A, Accounts Receivable, on an amended report for fiscal year 2004 and to also provide an explanation in Item 75.

Bonding Requirements -LMRDA Section 502

Section 502 of the LMRDA requires that officers, agents, shop stewards or other representatives or employees of a labor organization who handle funds or other property of the labor organization must be bonded. The fidelity bond must be with a company approved by the Department of the Treasury and have no deductible.

5. The union's current bond contains a clause providing for a \$5,000 deductible. OLMS advised AGMA officials orally and in writing that the LMRDA does not permit a deductible of any kind on the policy. AGMA obtained a fidelity bond that complies with LMRDA requirements and includes no deductible. The I-CAP team will review the bond for compliance with the LMRDA during the six month follow-up review with the IU.

Internal Controls

Adequate internal financial controls are essential in order for a union to fulfill its obligations under Title II and Title V of the LMRDA. During the AGMA audit, the I-CAP team identified weaknesses in implementing internal policy.

6. AGMA has an internal policy that requires two original signatures when the amount of the disbursement exceeds \$3,000. The I-CAP team discovered that the IU will occasionally write two checks to circumvent the requirement for a dual signature. For example, the I-CAP team found two disbursements for \$2,500 each to pay an invoice amount of \$5,000. To better safeguard union funds, the I-CAP team recommends the IU follow their instituted policies placed in effect to avoid the misuse of union funds.

As discussed in the exit interview, the IU will submit an amended Form LM-2 for the fiscal year ended December 31, 2004 and a response to this closing letter within thirty days from the date of this letter. The response letter will identify the corrective actions implemented by the union based on the results of the compliance audit. In addition, the IU has agreed that the Form LM-2 filed for the fiscal year ending December 31, 2005 will also reflect the findings addressed in this letter. We will schedule an on-site follow-

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up in approximately six months to review LMRDA compliance and the amended Form LM-2, discuss the corrective actions that have been taken, and continue cooperative efforts.

We want to express our appreciation for the cooperation and courtesy extended by you and your staff during this compliance audit. If we can be of any assistance in the future, please do not hesitate to call us.

Sincerely,

A solid black rectangular redaction box covering the signature of the sender.

K Kim R. Marzewski, Chief
Division of International Union Audits