

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Los Angeles District Office
915 Wilshire Boulevard
Room 910
Los Angeles, CA 90017
(213) 534-6405 Fax:(213) 534-6413



June 22, 2009

Ms. Madelyn Roberts, Secretary-Treasurer
Musicians AFL-CIO Local 586
1202 E. Oak Street
Phoenix, AZ 85006

LM File Number: 026-797
Case Number: [REDACTED]

Dear Ms. Roberts:

This office has recently completed an audit of Musicians AFL-CIO Local 586 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 you on June 9, 2009, 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.

Recordkeeping Violations

Title II of the LMRDA establishes certain reporting and recordkeeping requirements. Section 206 requires, among other things, that labor organizations maintain adequate records for at least five 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, labor organizations must maintain all records used or received in the course of union business.

For disbursements, this includes not only original bills, invoices, receipts, vouchers, and applicable resolutions, but also documentation 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 union officer or employee should

write a note on it providing the additional information. For money it receives, the labor organization must keep at least one record showing the date, amount, purpose, and source of that money. The labor organization must also retain bank records for all accounts.

The compliance audit of Local 586 revealed the following recordkeeping violations:

Adequate information for certain cash receipts (rent receipts) and disbursements (loan to "MPI") was not found in the records initially provided. Adequate information concerning these items was, however, obtained during the audit. At the exit interview, you were advised (and agreed) to improve recordkeeping in these areas and ensure that future local officers are made aware of LMRDA recordkeeping requirements. Based on your assurance that Local 586 will retain adequate documentation for all of its future receipts and disbursements, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violations

The audit disclosed a violation of LMRDA Section 201(b), which requires that labor organizations file annual financial reports accurately disclosing their financial condition and operations. The Labor Organization Annual Report (Form LM-2) filed by Local 135 for the fiscal year ending June 30, 2008 was deficient in the following areas:

1. Failure to Itemize Disbursement or Receipt (LM-2)

Local 586 did not report some cash transactions on its audit year LM-2 report. Specifically, union hall rental receipts were recorded in union duplicate receipt books but were not reported on the LM-2 (Item 42: Rents) and an audit year loan of \$2,400 to "MPI" was recorded in the monthly reconciliation but was not reported on the LM-2 (Item 61: Loans Made / Sch. 2: Loans Receivable). As the impact of these unreported items on the submitted LM-2 was minimal relative to the local's total cash receipts and disbursements, an amended LM-2 report is not necessary; however, you and the other local officers should ensure accurate reporting of all audit year cash receipts and disbursements on future LM reports of the local.

2. Failure to File Bylaws

The audit disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its revised constitution and bylaws with its LM report when it makes changes to its constitution or bylaws. Local 586 amended its

constitution and bylaws in July 2006 and July 2008 but did not file a copy of either with its subsequent LM reports as required. As current local bylaws (July 2008) were obtained during the audit and you agreed to provide future bylaws editions along with LM reports as required, no further action is required for this violation.

It will not be necessary for you to file an amended audit year LM report to correct the reporting errors noted above, as you promised during the exit interview that all cash receipts and disbursements (including loans) would be properly reported on future LM reports.

Other Issues

1. Dual-Signature Requirement for Disbursements; Use of Signature Stamp

The audit disclosed that the Secretary-Treasurer signs union checks and stamps the countersignature of the President on union checks. Article 1, Section 8(a) of Local 586's bylaws requires that checks be signed by both the President and Secretary-Treasurer. The two-signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed; however, the use of a signature stamp for the second signer does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. I recommended at the exit interview that Local 586 consider ceasing to use signature stamps in order to improve internal financial control. Thank you in advance for considering this change for all future check disbursements.

2. Frequency of Bank Deposits

During the exit interview, you agreed to make bank deposits more frequently than once per month, which was the frequency of deposits during the audit period.

3. Unchanging Loan Receivable Balance

During the exit interview, you stated that the local would start to aggressively pursue repayment of the outstanding loan of \$67,105 made to "Young Sounds of Arizona," as this balance has remained the same over several reporting periods. In addition, you said that the local would consider developing written loan policies.

4. Retention of Union Financial Records

Local bylaws (Article I, Section 8) state that the S/T must keep records for at least three years; however, LMRDA requires a five-year minimum. During the exit interview, you said that the local's bylaws would be updated in order to comply with OLMS' five-year records retention requirement.

I want to extend my personal appreciation to you and the other officers of Musicians AFL-CIO Local 586 for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you share with future officers this letter and the compliance assistance materials provided to you during the audit. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,



Investigator

cc: International AFM