

U.S. Department of Labor

Office of Labor-Management Standards
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March 15, 2010

Mr. Lawrence Wheeler, President
Musicians AFL-CIO
Local Union 618
5905 Marble NE
Albuquerque, NM 87110

LM File Number 017-791
Case Number: [REDACTED]

Dear Mr. Wheeler:

This office has recently completed an audit of Musicians Local 618 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 March 4, 2010, 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 audit of Local 618's 2009 records revealed the following recordkeeping violations:

1. General Disbursements

Local 618 did not retain adequate documentation for at least four disbursements totaling at least \$1,078. For example, the union debit card was used twice for a meeting room at Candlewood Suites during negotiations, but there was no receipt or invoice to document the payment; a check was made out to ROPA for lodging for a member who attended a conference, but there was no invoice; and finally, a check was made out to the Albuquerque Jazz Festival for an advertisement in their program, but there was no supporting documentation in the union records.

As previously noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principal officers) of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records.

2. Disposition of Fixed Assets

Local 618 did not maintain an inventory of fixed assets it purchased, acquired, sold, or gave away. The union must report the value of any fixed asset on hand at the beginning and end of each year in Item 29 (Fixed Assets) of the LM-3. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 29.

3. Lack of Salary Authorization

Local 618 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 was the authorized amount and therefore was correctly reported. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

Based on your assurance that Local 618 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violations

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 618 amended its constitution and bylaws in 2000, but did not file a copy with its LM report for that year. Local 618 has now filed a copy of its constitution and bylaws; therefore, no further action is required.

Other Issues

1. Expense Policy

As I discussed during the exit interview with you, the audit revealed that Local 618 does not have a clear policy regarding the types of expenses personnel may claim for reimbursement and the types of expenses that may be charged to union debit cards. OLMS recommends that unions adopt written guidelines concerning such matters.

2. Signing Blank Checks

During the audit, you advised that Vice President Ted Rush signs blank checks. Your union's bylaws require that all checks be signed by the president and vice president. 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, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 618 review these procedures to

improve internal control of union funds.

It was also discovered during the audit that your bank did not have Vice President Ted Rush listed as a signatory on your account; rather Office Manager Lisa Di Carlo Finch was listed as a signatory. This was corrected during the audit. Office Manager Finch was removed as a signatory and Vice President Rush was added as a signatory.

3. Lack of Proper Approval for Expenditures

Article III, Section 4b of your bylaws requires Local 618's board of directors to approve all expenditures of the local. Currently Local 618 is not following this provision of its bylaws; rather President Wheeler authorizes and approves all expenditures. During the exit interview, we discussed problems that you have getting officers to attend meetings. However, it is important to find a way for your board members to approve expenses, since it is required by your bylaws and since it provides additional oversight of union funds. It is also important to document board of director approval of disbursements.

I want to extend my personal appreciation to Musicians Local 618 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