



October 8, 2010

Mr. Ettore Chiudioni, Secretary/Treasurer
Musicians Local Union 159
1013 Burkwood Road
Mansfield, OH 44907

Case Number: [REDACTED]
LM Number: 063410

Dear Mr. Chiudioni:

This office has recently completed an audit of Musicians Local Union 159 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 September 28, 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 159's 2009 records revealed the following recordkeeping violation:

General Disbursements

Local 159 did not retain adequate documentation for telephone providers Embarq and Century Link totaling at least \$278.00.

As 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.

Based on your assurance that Local 159 will retain adequate documentation in the future, 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 labor organizations to file annual financial reports accurately disclosing their financial condition and operations. The Labor Organization Annual Report LM-3 filed by Local 159 for the fiscal year ended November 30, 2009 was deficient in the following areas:

1. Audit/Review of Books

Item 14 (During the reporting period did your organization have an audit or review of its books and records by an outside accountant or by a parent body auditor/representative?) was incorrectly answered, "Yes." Local 159's members conducted an internal audit during 2009 but did not have its books audited or reviewed by an outside accountant or parent body auditor/representative. As stated in the LM-3 report instructions, report any audit or review by an outside accountant or a parent body auditor/representative in which your organization's books and records were examined to verify their accuracy and validity. The term "audit or review" does not include providing assistance in developing a bookkeeping system, providing routine bookkeeping services, or merely compiling information from your organization's books and records to prepare Form LM-3 or other financial reports. Also, do not answer Item 14 "Yes" if the audit or review was performed by an audit committee or trustees of your organization.

2. Interest Earned

Local 159 did not include interest earned from accounts and investments totaling at least \$290.00 in Item 41 (Interest and Dividends). As stated in the LM-3 instructions, the union must enter the total amount of interest and dividends received by your organization from savings accounts, bonds, mortgages, loans, investments, and all other sources in Item 41.

3. Fees Reported As Per Capita Tax

Local 159 improperly included \$530.00 as receipts from fees received from your organization in Item 39 (Per Capita Tax). Your organization's receipts from fees, fines, assessments, and work permits must be reported in Item 40.

I am not requiring that Local 159 file an amended LM report for 2009 to correct the deficient items, but Local 159 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

Use of Signature Stamp

During the audit, you advised that it is Local 159's practice for the secretary/treasurer to sign all union checks and to stamp the signature of the president on union checks. You and former President Thomas Schonauer indicated that checks are reviewed after they are paid at the monthly executive board meetings, but no one other than you reviews the checks before they are issued. Article III of Local 159's bylaws requires that checks be signed by the president and 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. OLMS recommends that Local 159 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Musicians Local Union 159 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,



Senior Investigator

cc: Mr. Michael Grady, President