

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Houston Resident Investigator Office
2320 La Branch Street, Room 1107
Houston, Texas 77004
(713)718-3755 Fax: (713)718-3757



July 16, 2009

Bob McGrew, Treasurer
Musicians Local 65
609 Chenevert
Houston, Texas 77003

LM File Number 016-825
Case Number: [REDACTED]

Dear Mr. McGrew:

This office has recently completed an audit of Musicians Local 65 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 July 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 audit of Local 65's 2008 records revealed the following recordkeeping violations:

1. Meal Expenses

Local 65 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$220.31. The union must maintain itemized receipts provided by restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

Local 65's records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, purchases at Star Pizza on September 23, 2008 (\$27.27), Kim Son on September 24, 2008 (\$25.14), and Bells and Whistles on September 25, 2008 (\$45.05) and October 6, 2008 (\$122.85) did not contain this information. Union records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

2. Information Recorded in Meeting Minutes

During the audit, you advised OLMS that the local's executive board authorizes per diem payments to officers to travel on union business. However, the minutes of the meetings do not contain any reference identifying these approvals. Minutes of all membership or executive board meetings must specifically report any disbursement authorizations made at those meetings.

Based on your assurance that Local 65 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 (Form LM-2) filed by Local 65 for fiscal year ending December 31, 2008, was deficient in that:

Disbursements to Officers and Employees

Local 65 did not include some reimbursements and payments to officers totaling at least \$4,897.77, in Schedule 11 (All Officers and Disbursements to Officers) and, payments to employees totaling \$3,600.00, Schedule 12 (Disbursements to Employees). It appears that the local erroneously reported these payments in Schedules 15 through 19.

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

I am not requiring that Local 65 file an amended LM report for 2008 to correct the deficient items, but Local 65 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Violation

The audit disclosed the following other violation:

Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds those individuals or their predecessors handled during the preceding fiscal year.

Local 65's officers and employees were bonded for \$65,000.00 at the time of the audit. The officers and employees should have been bonded for at least \$75,200. Bonding coverage was increased to \$80,000.00 following the audit's closing interview. This amount is sufficient. The local provided a copy of the Certificate of Property Insurance to OLMS confirming this bonding increase.

I want to extend my personal appreciation to Musicians Local 65 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: Lovie Smith-Schenk, President