

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Pittsburgh District Office
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March 9, 2005

Mr. Donald Denhart, Treasurer
American Federation of Musicians, AFL-CIO
Local Union 82-545

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Re: _____ 2

Dear Mr. Denhart:

This office has recently completed an audit of Musicians Local Union 82-545 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, as Amended (LMRDA). As discussed during the exit interview with you on March 3, 2005, 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.

Title II of the LMRDA establishes certain reporting and record keeping requirements. Section 206 requires that adequate records be maintained for at least five years by which each receipt and disbursement of funds, as well as account balances can be verified, explained, and clarified. As a general rule, all records used or received in the course of business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts and vouchers, but also adequate additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and the identity of the recipient of the goods or services.

The following record keeping deficiencies were revealed during the audit of Local 82-545's 2003 records:

The CAP disclosed that union officers failed to retain adequate documentation for reimbursed expenses, including convention expenses which were paid by the union. No documentation was on file regarding the monthly expense for the American Legion hall rental. The date, amount, and business purpose of every expense must be recorded on at least one union record. With respect to documentation retained in support of specific disbursements, the record retention requirement includes not only retention of original bills, invoices, receipts, and vouchers, but also additional documentation, if necessary, showing the nature of the union business requiring the disbursement. In most cases, this documentation requirement can be most easily satisfied with a sufficiently descriptive receipt.

The local failed to record in its cash receipts journal the interest earned on the certificates of deposit, although the earnings on the certificates are regularly noted in the meeting minutes. Union receipt records

must include an adequate identification of each receipt of money. The records should show the exact date that the money was received, the identity of the source of the money, and the individual amount received from each source. In the case of Local 82-545, individual deposit slips showing the members name and the amount paid by each member should be retained by the secretary. A cashier's receipt showing the total amount deposited lacks sufficient detail to satisfy the requirement of Section 206 of the LMRDA.

Minutes should be retained in sufficient detail to document the decisions of the local regarding financial transactions approved by the members. This would include motions to fund the Musicians Hall of Fame scholarship and the approval of expenses to send a delegate to the international convention.

The CAP disclosed a violation of LMRDA section 201(b), because the Labor Organization Annual Report (Form LM-3) filed by the local for fiscal year ending December 31, 2003 was deficient in the following areas:

All direct disbursements to your union's officers must be included in the amounts reported in item 24. A direct disbursement to an officer is a payment made by your organization to an officer in the form of cash, property, goods, services, or other things of value. On the 2003 LM-3, payments to Secretary Rocco for expenses and office rent were not reported. Mr. Rocco received \$1,680 in expenses from the local while the LM-3 reported \$600 in disbursements.

Cash receipts for the local were overstated by \$1,000 as a result of the transfer of a certificate of deposit to the local's checking account. Since the certificate was already a union-owned asset, the deposit of the money into the union's checking account should not have been reported as a receipt. The purchase or redemption of a certificate of deposit is simply a transfer of cash from one account to the other and should not be reported as either a receipt or disbursement.

I want to extend my personal appreciation for your cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please do not hesitate to call.

Sincerely,

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Investigator