

U.S. Department of Labor  
Employment Standards Administration  
Office of Labor-Management Standards  
Cleveland District Office  
1240 East Ninth Street  
Room 831  
Cleveland, OH 44199  
(216)357-5455 Fax: (216)357-5425

July 1, 2008

Mr. Leonard DiCosimo, President  
Musicians AFL-CIO  
Local 4  
2200 Carnegie Ave.  
Cleveland, OH 44115

LM File Number: 030-803  
Case Number: |||

Dear Mr. DiCosimo:

This office has recently completed an audit of Musicians Local 4 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 and Sandra Baxter on June 16, 2008, 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.

#### 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 the Musicians Local 4 for fiscal year ending December 31, 2007 was deficient in the following areas:

##### 1. Disbursements to Officers

Local 4 did not include some reimbursements to officers/payments to officers totaling \$5,075.46 in Schedule 11 (All Officers and Disbursements to Officers). It appears that the local erroneously reported these payments in Schedule 15 through 19.

The local 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.

## 2. Failure to Properly Report Receipts and Disbursements

The purpose of Statement B on the LM-2 is to report the flow of cash in and out of the labor organization during the reporting period. Transfers between separate bank accounts or between special funds of the labor organization, such as strike funds or vacation funds, do not represent the flow of cash in and out of the labor organization. Therefore, these transfers should not be reported as receipts and disbursements of the labor organization. Since Statement B reports all cash flowing in and out of the labor organization, "netting" is not permitted. "Netting" is the offsetting of receipts against disbursements and reporting only the balance (net) as either a receipt or a disbursement.

Local 4 netted the financial activity for musicians on the payroll account. The result of the netting on the LM-2 resulted in a material understatement of both receipts and disbursements.

### Other Violations

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 4's officers and employees were not bonded for the minimum amount required at the time of the audit. However, the union obtained adequate bonding coverage and provided evidence of this to OLMS during the audit. As a result, OLMS will take no further enforcement action regarding this issue.

Local 4 must file an amended Form LM-2 for fiscal year ending December 31, 2007, to correct the deficient items discussed above. The amended Form LM-2 must be electronically filed as soon as possible, but not later than August 11, 2008. Before filing, review the report thoroughly to be sure it is complete and accurate, and properly signed with electronic signatures.

I want to extend my personal appreciation to Musicians Local 4 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,

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Investigator

cc: Sandra Baxter, Secretary/Treasurer