



May 3, 2011

Mr. Adolph Mares, Secretary/Treasurer
Musicians, Local 20-623
1165 Delaware Street
Denver, CO 80204-3607

Case Number: [REDACTED]
LM Number: 011949

Dear Mr. Mares:

This office has recently completed an audit of Musicians, Local 20-623 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 April 28, 2011, 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 Local 20-623 for the fiscal year ended December 31, 2010, was deficient in the following areas:

1. Disbursements to Officers and Employees (LM-2)

Local 20-623 did not include some reimbursements to officers and employees in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees) for travel expenses. 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.

2. Local 20-623 did not include loans received and paid on Schedule 9 of the LM-2 report during the audit period. For example, the local received loans totaling \$15,569 advanced to their account through overdraft receipts which the local repaid during the audit period.

The union must report details of all loans payable on which the labor organization owed money on at any time during the reporting period except those secured by mortgages or similar liens on real property (land or buildings) that must be reported in Item 32 (Mortgages Payable) of Statement A of the LM-2 report.

3. 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 20-623 amended its constitution and bylaws in April 2009, but did not file a copy with its LM report for that year.

Local 20-623 has now filed a copy of its constitution and bylaws.

I am not requiring that Local 20-623 file an amended LM report for 2010 to correct the deficient items, but Local 20-623 has agreed to properly report the deficient items on all future reports it files with OLMS.

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 20-623's officers and employees were not bonded for the minimum amount required at the time of the audit. However, Local 20-623 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.

Other Issues

1. Signing Blank Checks

The audit disclosed that an undated blank check was signed by officers. You reported that the union requires duplicate signatures on all checks over \$300. However, a total of 253 cancelled checks were found containing only your signature.

Your union's bylaws require the signature of the president, not the secretary/treasurer on all checks over \$300. 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 and checks with only one signature does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 20-623 review these procedures to improve internal control of union funds.

2. Personal Use of Credit Cards

The audit revealed that Local 20-623 permitted former president [REDACTED] and employee [REDACTED] to use the union credit card to pay for personal expenses. Although the officer and the employee promptly repaid Local 20-623 for the personal expenses charged with the union credit card, OLMS does not recommend policies that allow personnel to make personal purchases with union credit cards because this may lead to misuse of union funds.

I want to extend my personal appreciation to Musicians, Local 20-623 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,

[REDACTED]

Investigator