



October 31, 2018

Ms. Lovie Smith-Wright, President
Musicians Local 65-699
P.O. Box 8748
Houston, TX 77249

Case Number: 420-6014533
LM Number: 016825

Dear Ms. Smith-Wright:

This office has recently completed an audit of Musicians Local 65-699 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, Secretary-Treasurer Robert McGrew, and Attorney Patrick Flynn, on October 18, 2018, 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 65-699's records for fiscal year ending 2017, revealed the following recordkeeping violations:

1. Meal Expenses

Local 65-699 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. 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.

The OLMS Compliance Tips, *Reimbursed Travel Expense Payments*, which I provided during the exit interview, will provide further guidance on this matter.

2. Credit Card Expenses

Local 65-699 did not retain adequate documentation for credit card expenses incurred by union officers and employees, totaling at least \$800. As noted above, labor organizations must retain original itemized 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.

The OLMS Compliance Tip, *Union Credit Card Policy*, which I provided during the exit interview, will provide further guidance on this matter.

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 65-699 for the fiscal year ended December 31, 2017, was deficient in the following areas:

1. Building Maintenance/Repairs Reported as Investments

Local 65-699 improperly reported building maintenance/repairs, totaling at least \$9,000, in Schedule 4 (Purchase of Investments and Fixed Assets). The LM-2 instructions require these expenses should be reported in Schedule 18 (General Overhead).

I want to extend my personal appreciation to Musicians Local 65-699 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,

A large black rectangular redaction box covering the signature of the investigator.

Investigator

cc: Mr. Robert McGrew, Secretary-Treasurer
Mr. Patrick Flynn, Attorney