



Sent via email to pres@detroitmusicians.net and sec-tres@detroitmusicians.net

May 20, 2020

Mr. George Troia, Jr., President
Musicians, AFL-CIO Local 5
20833 Southfield Road
Suite 103
Southfield, MI 48075

Case Number: 320-6017736
LM Number: 012-922

Dear Mr. Troia:

This office has recently completed an audit of Musicians Local 5 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 Secretary-Treasurer Mary Johnstone on May 14, 2020, 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 5's 2019 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 5 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by officers and members totaling at least \$10,930 during the audit year. For example, adequate supporting documentation was not retained for payments to members

[REDACTED], and [REDACTED] totaling at least \$910 for the 2018 American Federation of Musicians (AFM) Mid-America Conference. While Local 5 recorded these expenses in its QuickBooks general ledger, it did not retain any supporting documentation, such as vouchers or receipts.

Additionally, Local 5's records of meal expenses did not always include itemized receipts, written explanation of union business conducted, or the names and titles of the persons incurring or receiving the benefit of the restaurant charges. For example, an itemized receipt was not retained for a \$141.56 meal expense the union incurred at The Block Neighborhood Bar & Kitchen in Detroit, Michigan on November 2, 2018; the credit card signature receipt retained for this meal expense did not include the nature of the union business conducted or the names and titles of those present.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. Itemized receipts provided by restaurants to officers and employees must be retained. 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. 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 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.

2. Reimbursed Auto Expenses

You, Ms. Johnstone, and Ms. Ayoub received reimbursement for the business use of your personal vehicles but did not retain adequate documentation to support payments made to yourself and them totaling at least \$1,625 during the audit period. Mileage reimbursements for you, Ms. Johnstone, and Ms. Ayoub were claimed on expense vouchers that identified the dates of travel and the number of miles driven; however, the vouchers were not sufficient because they failed to adequately identify the locations traveled to and from and/or the union business conducted. The union must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The record must also show the business purpose of each use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses.

3. Lack of Authorization for Annual Stipends

Local 5 did not maintain records to verify that the salaries reported in Schedule 12 (Disbursements to Employees) of the LM-2 were the authorized amounts and therefore were correctly reported. The audit revealed that Local 5 paid \$750 annual stipends to members [REDACTED], and [REDACTED] for being Detroit Symphonic Orchestra (DSO) committee members. Authorization for the annual stipends could not be identified in Local 5's minutes, bylaws, or any other union records.

The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

4. 50/50 Raffle

The audit revealed that Local 5 conducted a 50/50 raffle during its annual 30/50 year party which raised \$296 in cash. According to you and Ms. Johnstone, the raffle's winner, [REDACTED], received \$148 during the event and the remaining \$148 was deposited into Local 5's checking account. The audit found that Local 5 did not maintain adequate records to document the raffle winner's name or the funds collected and awarded.

For the sale of raffle tickets, records must be maintained, at a minimum, that explain the number of tickets sold, the price of each ticket, the amount of money collected, and the name(s) of the winner(s). Records must also be kept that identify the name of each person who sells tickets and the date and amount of money that each person turns in to Local 5. Such records must show that the persons who sell tickets fully account for all of the tickets provided to them by returning any unsold tickets along with the money raised from sold tickets. All unsold tickets, and ticket stubs (if any), must be retained.

5. AFM Mid-America Conference Receipts

During the audit year, Local 5 collected an estimated \$2,300 in "delegate fees" from individuals that attended the 2018 AFM Mid-America Conference. The only record maintained by Local 5 to support the "delegate fees" it collected was a sign-in sheet, but the sheet lacked the date and amount of money paid by each guest. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

Based on your assurance that Local 5 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 5 for the fiscal year ended March 31, 2019, was deficient in the following areas:

1. Disbursements to Employees

Local 5 did not include disbursements to [REDACTED], and [REDACTED] totaling at least \$3,750 in the amount reported in Schedule 12, Column D (Gross Salary) of the union's 2019 Form LM-2. As noted above, Local 5's disbursements records indicate that [REDACTED], and [REDACTED] received gross salaries (i.e., DSO committee member stipends) totaling \$3,750; however, the

total amount reported in Column D on the “Total Received By All Other Employees Making \$10,000 or Less” line was \$0. It appears that the local erroneously reported the payments it made to [REDACTED], and [REDACTED] in Schedules 15 through 19.

The union must report in Column D of Schedules 11 (All Officers and Disbursements to Officers) and 12 gross salaries (before tax withholdings and other payroll deductions) of union personnel, including disbursements for “lost time” or time devoted to union activities. The union must report in Column F of Schedules 11 and 12 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. Receipts and Disbursements from 50/50 Raffle

The audit revealed that the receipts and disbursements reported in Statement B (Receipts and Disbursements) of the LM-2 for the 50/50 raffle held at Local 5’s 30/50 year party were “netted,” meaning that the related receipts and disbursements were offset by one another and only the difference was recorded as a receipt or disbursement when entered in Local 5’s QuickBooks general ledger and on the LM report. The purpose of Statement B is to report the flow of cash in and out of your organization during the reporting period. Since Statement B reports all cash flowing in and out of your organization, “netting” is not permitted. The \$296 received from members for the 50/50 raffle should have been reported in Schedule 14 and Item 48 (Other Receipts). The \$148 disbursed to the member that won the 50/50 raffle should have been reported in Schedule 19 and Item 54 (Union Administration). OLMS also recommends that in future 50/50 raffles Local 5 deposit the total amount of the raffle proceeds and write a check to the raffle winner.

I am not requiring that Local 5 file an amended LM report for 2019 to correct the deficient items, but Local 5 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Musicians Local 5 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]

[REDACTED]

Investigator

cc: Ms. Mary Johnstone, Secretary-Treasurer