



September 15, 2016

Mr. Bruce Graham, Secretary Treasurer
Musicians Local 58
515 West Wayne Street
Fort Wayne, IN 46802

Case Number: 310-6006935
LM Number: 032059

Dear Mr. Graham:

This office has recently completed an audit of Musicians Local 58 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 July 27, 2016, 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 58's 2015 records revealed the following recordkeeping violations:

A. Disbursements to Vendors

Local 58 did not retain adequate documentation for disbursements to vendors totaling at least \$6,185.00. For example, no supporting documentation was retained for online payments to Comcast (\$1,847.00), Waste Management (\$1,319.50), Supermedia (\$1,318.00) and NIPSCO (\$1,243.55). As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer of

your union, or corresponding officers, who are required to sign your union's LM report, are responsible for properly maintaining union records.

B. Fixed Assets

Although the Local maintained documentation supporting for land and buildings owned, the union did not keep a list of fixed assets such as office furniture and equipment owned. Unions are required to keep an inventory of all fixed assets.

Based on your assurance that Local 58 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 LM-3 filed by Local 58 for the fiscal year ended December 31, 2015, was deficient in the following areas:

A. Reporting Classifications

Contributions given to the Fort Wayne Musicians Player Association totaling \$8,083 were not reported in the LM-3 filed by the Local. Such contributions should be reported in Item 51 (Contributions, Gifts, and Grants). Also, the union reported per capita tax disbursements in the amount of \$10,121.00, but union records show disbursements to the Local's parent union totaling approximately \$16,382.00.

Payments made to the Local's parent union as a condition or requirement of affiliation, such as initiation fees, all dues and strike fund payments must be reported in Item 47 (Per Capita Tax).

B. Disbursements to Officers

Local 58 did not report the names of trustees and executive board members and the total amounts of payments to them in Item 24 (All Officers and Disbursements to Officers). The union must report in Item 24 all persons who held office during the year, regardless of whether they received any payments from the union. Allowances paid to officers to attend meetings and other reimbursed expenses to officers, such as parking, must be reported in Item 24, Column E (Allowances and Other Disbursements).

The union must report most direct disbursements to Local 58 officers and some indirect disbursements made on behalf of its officers in Item 24. A "direct disbursement" to an officer is a payment made to an officer in the form of cash, property, goods, services, or other things of value. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An "indirect disbursement" to an officer is a payment to another party (including a credit card

company) for cash, property, goods, services, or other things of value received by or on behalf of an officer. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel) or for transportation by a public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48 (Office and Administrative Expense).

C. 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 58 amended its constitution and bylaws in 2009, but did not file a copy with its LM report for that year. Local 58 has now filed a copy of its constitution and bylaws.

Local 58 must file an amended Form LM-3 for the fiscal year ended December 31, 2015 to correct the deficient items discussed above. I provided you with a blank form and instructions, and advised you that the reporting forms and instructions are available on the OLMS website (www.olms.dol.gov). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than October 7, 2016. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Issues

Second Signature on Checks

During the audit, you advised that the union does not require checks to have a second signature. Although your union's bylaws do not require checks to have a second signature, the two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document. OLMS recommends that Local 58 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Musicians Local 58 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,



Investigator

cc: Mr. Michael Shively, President