



July 29, 2019

Ms. Joan Carroll, Secretary/Treasurer  
Musicians Local 23  
427 N. Main Avenue  
San Antonio, TX 78205

Case Number: 420-6016686 [REDACTED]  
LM Number: 045173

Dear Ms. Carroll:

This office has recently completed an audit of Musicians Local 23 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 on July 26, 2019, 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 of the LMRDA, among other things, that labor organizations maintain adequate records for at least five years after reports are filed by which the information on the reports can be verified, explained, and clarified. As a general rule, labor organization must retain 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 23's 2018 records revealed the following recordkeeping violations:

#### 1. General Disbursements

Local 23 did not maintain adequate documentation for general disbursements and debit card expenses totaling at least \$7,901.01. For example, there was no backup documentation to support payments made to Office Depot totaling \$83.22, to Marsh, Seabury & Smith totaling \$442.36, to ADM Investments totaling \$290, and to [REDACTED] totaling \$250.

As noted above, labor organizations must retain original 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.

2. Meal Expenses

Local 23 records of meal expenses did not include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, the union debit card was used to purchase meals at Pasha Restaurant and Jim's Restaurant totaling \$56.34 without sufficient details. 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.

3. Receipt Dates Not Properly Recorded

In some instances, entries in Local 23's receipts journal reflected the date the local received work dues reports, but not the date the money was received. Union receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-3 report. The LM-3 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

Based on your assurance that Local 23 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violation.

Reporting Violations

The audit disclosed a violation of LMRDA Section 201(b) which requires labor organizations to file annual financial reports that accurately disclose their financial condition and operations. The Labor Organization Annual Report LM-3 filed by Local 23 for the fiscal year ended December 31, 2018, was deficient in the following areas:

1. Trust Funds

Item 11 (During the reporting period did your organization create or participate in the administration of a trust or other fund or organization which provides benefits for members or their beneficiaries?) was incorrectly answered, "No." The audit disclosed that Local 23 participated in the Local 23 Music Performance Fund during 2018, which qualifies as a trust under section 3(l) of the LMRDA. Therefore, the name, address, and

purpose of the trust must be reported in Item 56 (Additional Information).

2. Dues and Fees

The audit disclosed that Local 23 collects membership dues and work dues from its members, but failed to include its work dues payments in Item 23(a). As stated in the LM-3 instructions, if your organization requires members to pay working dues as part of regular dues, also report the amount or percentage of working dues and enter the basis for the payment (per hour, per month, etc.).

I am not requiring that Local 23 file an amended LM-3 report for 2018 to correct the deficient items, but Local 23 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

According to Article III, Section 5(E) of the Musicians' Society of San Antonio, Local 23 Bylaws, "The Secretary-Treasurer shall be authorized to sign all checks, bills, contracts, and agreements or order for payment of moneys, any and all of which must, however, be countersigned by either the President or Vice President." 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. The audit revealed that only one officer signed union a union check payable to you, to AFM Finance Department, and three payable to President Richard Oppenheim. Only having one signatory sign a check negates the purpose of the two signature requirement. OLMS recommends that Local 23 review these procedures to improve internal controls of union funds.

I want to extend my personal appreciation to Musicians Local 23 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]

Senior Investigator

cc: Mr. Richard Oppenheim, President