



November 26, 2019

Mr. Anthony Pirollo, President  
Musicians Local 661-708

Case Number: 140-6015536  
LM Number: 032194

Ventnor, NJ 08406

*VIA REGULAR MAIL AND ELECTRONIC MAIL*

Dear Mr. Pirollo:

This office has recently completed an audit of the American Federation of Musicians (AFM) Local 661-708 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 John D'Angelo and AFM International Representative for the Northeast Gene Tournour on November 20, 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 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 661-708's 2019 records revealed the following recordkeeping violations:

1. General Expenses

Local 661-708 did not retain adequate documentation for general expenses totaling at least \$7,984.67. For example, there was no backup documentation to support check

# [REDACTED] dated January 15, 2019 in the amount of \$500.00 issued to Mazars USA, LLP. You explained that records were lost due to flooding and due to the passing of former Local 661-708 Secretary-Treasurer Carl Matani in April 2019.

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. Documentation of Receipts

Local 661-708 did not retain adequate documentation of receipts totaling at least \$22,674.29. For example, Local 661-708 recorded a receipt in the amount of \$1,652.26 on July 18, 2019 but union records did not contain documentation supporting this receipt. 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.

## 3. Disposition of Property

Local 661-708 did not maintain an inventory of its assets, including a desk, four filing cabinets, chairs and a laptop computer. The union must report the value of any union property on hand at the beginning and end of each year in Item 29 (Fixed Assets) of the LM-3. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 30.

## 4. General Bookkeeping

Local 661-708's general ledger contained a few errors such as recording duplicate check numbers and incorrect payees, amounts, or dates. Union disbursement records must show the date of disbursements. The date of disbursement is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-3. 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 correct information regarding the money disbursed could result in the union reporting inaccurate figures or reporting some disbursements for a different year than when it actually disbursed them.

Based on your assurance that Local 661-708 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 violations 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-3 filed by Local 661-708 for the fiscal year ended (FYE) March 31, 2019, was deficient in the following areas:

1. Trusts or 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.” However, the audit disclosed the local has a health & welfare fund with Ocean First Bank. Therefore, Item 11 should be answered “yes.”

If Item 11 is answered “yes,” provide in Item 56 (Additional Information) the name, address, and purpose of each trust. If a report has been filed for the trust or other fund under the Employee Retirement Income Security Act of 1974 (ERISA), report in Item 56 (Additional Information) the ERISA file number (Employer Identification Number — EIN) and plan number, if any.

2. Bonding

Local 661-708 reported under Item 20 (Fidelity Bond) the maximum amount recoverable for a loss caused by any officer, employee, or agent of your organization who handled your organization’s funds was \$100,000. The audit disclosed Local 661-708 is covered by a blanket bond through the AFM International in the amount of \$50,000. The audit revealed the amount of coverage was adequate as required by 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. However, the amount of coverage was inaccurately reported on the LM-3 report.

3. Disbursements to Officers

Local 661-708 did not include some disbursements to officers in the amounts reported under Item 24 (All Officers and Disbursements to Officers). The audit disclosed President Pirollo received \$3,600.00 (gross) in salary payments and Secretary-Treasurer D’Angelo received \$5,250.00 (gross) during the audit period, but the LM-3 report listed \$4,050 for President Pirollo and \$5,625 for Secretary-Treasurer D’Angelo.

The audit disclosed President Pirollo received a total of \$245.85 in expenses, and Secretary-Treasurer D’Angelo received a total of \$50.00 in expenses during the audit period, but the LM-3 report listed \$0 in expenses for both officers.

The union must report most direct disbursements to Local 661-708 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).

#### 4. Investments

Local 661-708 reported under Item 28 (Investments) a beginning cash balance of \$1,258.00 and ending cash balance of \$1,030.00. However, the audit revealed the UBS Financial Services investment account had a beginning balance of \$5,284.52 and ending balance of \$5,055.13.

The total book value at the start and end of the reporting period of all investments other than U.S. Treasury securities must be accurately reported under Item 28. The book value of these investments is the lower of cost or market value.

#### 5. 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 661-708 amended its constitution and bylaws in 2000, but did not file a copy with its LM report for that year.

Local 661-708 has now filed a copy of its constitution and bylaws.

I am not requiring that Local 661-708 file an amended LM report for 2019 to correct the deficient items, but Local 661-708 has agreed to properly report the deficient items on all future reports it files with OLMS.

### Other Issues

#### 1. Use of Signature Stamp

During the audit, you advised that former Secretary-Treasurer Carl Matani created a signature stamp bearing your signature and used it to stamp your signature on union checks. Article II, Sections 2 and 4 of the Local 661-708 Constitution and Bylaws require that all checks be signed by the president and secretary-treasurer. 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, the use of a signature stamp for the second signer does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. OLMS recommended that Local 661-708 review these procedures to improve internal control of union funds. You

advised Local 661-708 has not used signature stamps since Secretary-Treasurer Matani's passing in April 2019 and that Local 661-708 will not use them in the future.

## 2. Signing Blank Checks

During the audit, you advised that you used to sign blank checks. Article II, Sections 2 and 4 of the Local 661-708 Constitution and Bylaws require that all checks be signed by the president and secretary-treasurer. 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 does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommended that Local 661-708 review these procedures to improve internal control of union funds, and you advised you had already stopped the practice.

I want to extend my personal appreciation to Musicians Local 661-708 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. John D'Angelo, Secretary-Treasurer  
Mr. Gene Tournour, AFM International Representative for the Northeast