

**U.S. Department of Labor**

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July 9, 2007

Mr. Larry Bulman, Secretary Treasurer  
Plumbers, AFL-CIO  
State Association, NYS Pipe Trades  
30 Bluebird Rd  
South Glens Falls, NY 12803

LM File Number 530-034

Case Number: [REDACTED]

Dear Mr. Bulman:

This office has recently completed an audit of State Association, NYS Pipe Trades 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 June 29, 2007, 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 NYS Pipe Trades 2006 records revealed the following recordkeeping violations:

1. General and Credit Card Expenses

The NYS Pipe Trades did not retain adequate documentation for all labor organization expenses, including credit card expenses incurred for the benefit of union officers. For example, check #'s [REDACTED] and [REDACTED] total \$3,615 in expenses for charity and/or convention golf tournament activity. Names of participants in those activities were not identified.

Check [REDACTED] payable to American Express (NYS Pipe Trades Account) included charges of \$706 and \$117 payable to Dick's Sporting Goods store, however, NYS Pipe Trades failed to properly identify union benefit, which included golf prizes and a retirement gift for member [REDACTED]. Furthermore, check [REDACTED] payable to Bolton St Johns Inc. for consulting services totaling \$17,000, failed to disclose the nature of the consulting and subsequent union benefit. Several instances were discovered where backup invoice/receipts were not found for expenses incurred.

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 labor organization, who are required to sign your labor organization's LM report, are responsible for properly maintaining union records.

2. Meal Expenses

NYS Pipe Trades 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. For example, check #'s [REDACTED] payable to American Express for \$1,455 in charges for dinner meetings, all failed to properly identify the participants involved and the nature of union business conducted.

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. Auto Expenses

You charged on the American Express card approximately \$385 in gasoline expenses between June 2006 through October 2006 for the use of your personal automobile in conducting union business. However, you did not retain adequate documentation to support all of those charges. NYS Pipe Trades must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven to warrant such charges. The record must also show the business purpose for each use of a personal vehicle for business travel by an officer or employee who was reimbursed for or incurred mileage expenses on a union credit card.

4. Meeting Minutes

NYS Pipe Trades did not retain minutes documenting Executive Board meetings taking place between February 1, 2006 and June 1, 2006. Minutes of all Executive Board meetings must be maintained and should disclose all matters discussed, reviewed and voted on.

Based on your assurance that NYS Pipe Trades 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-3, filed by NYS Pipe Trades for fiscal year ending December 31, 2006, was deficient in the following areas:

1. Disbursements to Officers

The NYS Pipe Trades did not report the names of all of their officers and the total amounts of payments to them or on their behalf 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 labor organization.

The union must report most direct disbursements to NYS Pipe Trade 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).

## 2. Automobile Expenses

NYS Pipe Trades did not include in the amounts reported in Item 24 (All Officers and Disbursements to Officers) gasoline purchases on the American Express card incurred for your business use. The LM-3 instructions for Item 24 require that NYS Pipe Trades report in Column E of Item 24 (Allowances and Other Disbursements) the total maintenance and operating costs of any automobile it owned or leased and assigned to an officer, whether the use was for official business or for the personal benefit of the officer. The gasoline charges incurred for the use of your own personal vehicle would be included as an indirect disbursement.

## 3. Cash Receipts and Cash Disbursements

The audit revealed a total of \$228,831 in total receipts and \$190,273 in total disbursements. The LM-3 underreported those areas due to "netting out" receipts against disbursements. Since Statement B, Receipts and Disbursements, of the LM-3 is supposed to reflect all cash (except for transfers) flowing in and out of your organization, "netting" is not permitted.

Furthermore, you reported monies received from affiliates as Dues in Item #38. Those monies should have been reported in Item #39, Per Capita Tax.

### 3. 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. NYS Pipe Trades amended its constitution and rules of order in 2002, but did not file a copy with its LM report for that year.

NYS Pipe Trades has now filed a copy of its constitution and rules of order.

NYS Pipe Trades must file an amended Form LM-3 for fiscal year ending December 31, 2006, to correct the deficient items discussed above. The draft amended LM-3 Report provided to me on June 28, 2007 by Bob Ritz, CPA, was still deficient as Item 24 (E), was ignored as many disbursements were simply lumped into Item 54, Other Disbursements.

I provided you with a blank form and instructions, and also provided you with a copy of "Reporting Officer and Employee Disbursements on the LM-3". I also advised you that the reporting forms and instructions are available on the OLMS website ([www.olms.dol.gov](http://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 July 19, 2007. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

### Other Violation

The audit disclosed the following other violation:

#### Inadequate Bonding

The audit revealed a violation of 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. The NYS Pipe Trades currently has no bonding coverage.

Mr. Larry Bulman

July 9, 2007

Page 6 of 6

The audit revealed that NYS Pipe Trades officers and employees were not bonded for the minimum amount required at the time of the audit, which is \$22,896 for persons handling only receipts and \$23,753 for persons handling all of the union funds. You promised to obtain bonding coverage of \$50,000 for officers and employees. Please provide proof of bonding coverage to this office as soon as possible, but not later than July 19, 2007.

I want to extend my personal appreciation to State Association, NYS Pipe Trades 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. I look forward to receiving the amended LM-3 Report and proof of bonding coverage by July 19, 2007. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,

[REDACTED]

Investigator

cc: David Decaire, President, NYS Pipe Trades  
Robert Ritz, CPA, D'Arcangelo & Co., LLP