



January 16, 2015

Mr. John Kane, Secretary/Treasurer
Plumbers Pennsylvania State Association
2791 Southampton Road
Philadelphia, PA 19154

Case Number: 140-6002914 [REDACTED]
LM Number: 061130

Dear Mr. Kane:

This office has recently completed an audit of the Plumbers Pennsylvania State Association 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 January 16, 2015, 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 Violation

Information not Recorded in Meeting Minutes

During the opening interview, you advised OLMS that large and unusual disbursements are authorized by the executive board. However, the minutes of the executive board meetings do not contain any reference to the authorization of disbursements for the annual convention, which totaled over \$46,000 in 2013. Minutes of all executive board meetings must report any disbursement authorizations made at those meetings.

Based on your assurance that the state association will retain adequate executive board meeting minutes 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 accurately disclosing their financial condition and operations. The Labor Organization Annual Report (Form LM-3) filed by the state association for the fiscal year ended March 31, 2014, was deficient in the following areas:

1. Cash Reconciliation

The figures reported in Statements A and B on page 4 of the state association's 2014 LM-3 report are not the correct figures according to the state association's books after reconciliation to the bank statements.

2. PAC Funds

Item 12 (During the reporting period did your organization have a political action committee (PAC) fund?) was incorrectly answered, "No." The state association had its own PAC fund during fiscal year 2014. Also, the state association did not provide the required information regarding its PAC fund in Item 56 (Additional Information). As stated in the LM-3 report instructions, the full name of each separate political action committee (PAC), the name of any government agency with which the PAC has filed a publicly available report, and the relevant PAC file number must be reported in Item 56.

3. Disbursements to Officers

The state association did not report the name of Vice President [REDACTED] in Item 24 (All Officers and Disbursements to Officers). The state association must report in Item 24 all persons who held office during the year, regardless of whether they received any payments from the state association.

The state association did not include indirect disbursements in the amount of \$148.83 to former Secretary/Treasurer [REDACTED] in Item 24 (All Officers and Disbursements to Officers). It appears the state association erroneously reported these payments in another item number on the LM report.

The state association must report most direct disbursements to state association 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. Disbursements to Employees

The state association did not include payments to employees totaling \$1,500 in the amounts reported in Item 46 (To Employees). It appears the state association erroneously reported these payments in another item number on the LM report. As stated in the LM-3 instructions, the total of all salaries, allowances, travel advances which are not considered

loans as explained in the instructions for Item 18 (Loans), and other direct and indirect disbursements (less deductions for FICA, withheld taxes, etc.) to employees of your organization during the reporting period must be reported in Item 46. See definition of direct and indirect disbursements above.

An acceptable amended LM-3 report correcting the above problems was received electronically by OLMS on January 8, 2015. The state association has agreed to properly report the deficient items on all future reports it files with OLMS. OLMS will take no further enforcement action at this time regarding the above violations.

Other Issues

1. Credit Card Policy

As I discussed during the exit interview with you, the audit revealed that the state association does not have a clear policy regarding the use of the state association's credit cards. OLMS recommends that labor organizations adopt written guidelines concerning such matters. An OLMS publication to assist the state association in adopting, writing, and monitoring a credit card policy was provided to you at the closing interview.

2. Use of Signature Stamp

During the audit, you advised that the office secretary prepares and stamps the signature of President Kenneth Broadbent on all checks. The checks are reviewed and signed by you. On rare occasions in the past, the office secretary has stamped the signature of both the president and secretary/treasurer on checks. The state association's bylaws require that the president countersign all checks drawn by the 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 recommends that the state association review these procedures to improve internal control of state association funds.

I want to extend my personal appreciation to the Plumbers State Association 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. Kenneth Broadbent, President