



GENERAL SECRETARY-TREASURER

FRANK V. LÍMA**SENIOR TRANSITION TEAM****APPENDIX B****CONSOLIDATED RECOMMENDATIONS****BUDGET and FINANCE RECOMMENDATIONS**

1. Implement a solution for budget development and presentation that provides:
 - a. Training to managers on how to review their current actuals and input their proposed budget for the next fiscal year **Completed**
 - b. Adequate time for staff to input their proposed budget **Completed**
 - c. The IAFF Executive Board information on the preliminary budget for the next fiscal year prior to IAFF managers entering their proposed adjustments. **Completed**
 - d. A more intuitive presentation of the proposed budget for Board consideration and adoption **Completed**

2. Develop a more intuitive process to present the financials of the IAFF to the Executive Board, Trustees, affiliate leaders and members. **Completed**

IAFF financials are viewed by individuals who have a broad base of familiarity/experience with financial documents. It is important to receive input from those users and strive to develop reports that are clear and easy to understand.

The IAFF Executive Board requested that a report be created to detail Executive Board actions that might affect the IAFF Financials to include who raised the item and any action that occurred as well as the outcome of the request. This report, titled *Summary of Executive Board Financial Actions*, was then created and is actively updated after each Executive Board meeting. It is then communicated to the appropriate parties and posted under the process in Recommendation 2 below.

3. Develop an online Financial Library to provide the Executive Board and Trustees access to monthly reports dealing with the financials including a per capita. **Completed**

The subcommittee noted that there were several locations that IAFF financials were housed, however, their locations were not always clear to relevant parties.

At the direction of the General Secretary-Treasurer, his office implemented the core tenet of *transparency through simplicity* regarding the IAFF's financials, and worked diligently to develop clear and detailed reports, graphs, and documents that would be housed in one central location for ease of access by the parties mentioned. Providing this information via e-mail has been at the forefront of the office functions to then relay the developed documents as well as their location.

This online Financial Library will enable the Executive Board to see the financial health of the organization as documents and reports are updated and posted monthly. By increasing the ability to more frequently review the finances, the Executive Board will have a more in-depth understanding of organizational financial health. The per capita report should include designated funds and performance over multiple fiscal years.

Feedback regarding the creation of this Financial Library from the IAFF Executive Board members has been positive. This Financial Library also contains a glossary of financial terms to encourage informed interaction with the IAFF's financials, historical record of the past three years' audits of the IAFF and its relevant foundations and/or pension plans, actuarial reports of the employee and staff pension plans, as well as official records of Office of Labor Management Standards Form LM-2⁸ and Internal Revenue Service Form 990⁹ filings.

An investments page contains performance reports and a pension contribution forecast that illustrates historical and future pension payments to aid the Executive Board with additional information.

All additions to the IAFF Financial Library are routinely updated with the most current applicable report to ensure that the transparency recommended by the subcommittee has been accomplished.

4. Post the monthly bank statements from the IAFF's bank accounts in the financial library. Completed

The IAFF maintains approximately 28 bank accounts as part of the IAFF financial operations. While the IAFF Executive Board and Trustees review various financial statements at the IAFF Executive Board meetings, the Executive Board and Trustees should have easy access to the monthly bank statements that will allow them to review the actual transactions within each account for maximum transparency.

⁸ Required for labor organizations with \$250,000 or more in total annual receipts

⁹ United States Internal Revenue Service form that provides the public with financial information about a nonprofit organization

5. Educate the membership on the budget including showing how per capita funds are allocated. Completed

Every IAFF member deserves to know how their hard-earned dues are invested in the IAFF. This transparency is critical in maintaining our members' trust in the IAFF finances.

The General Secretary-Treasurer and his staff have developed a clear report that illustrates how per capita funds are allocated. This report was developed with suggestion from the IAFF Executive Board and subsequent update from the GST staff. It compares the membership totals of both active and retired members from the current year and previous year demonstrating the relationship between membership and per capita funds. This report has been published (and updated monthly) on the IAFF secured online Financial Library as well as distributed to membership at IAFF sanctioned events to promote the level of transparency recommended by the subcommittee.

6. Have a report that distinguishes designated funds and balances. Completed

It is important for the board to understand how the funds that have been approved for specific purposes are used. This helps transparency regarding the reasons the funds were raised and how they are being managed. This provides better tracking and accountability for each fund as it relates to the overall budget.

Within the IAFF Financial Library, a page dedicated to this fund designation was created to house individual reports for each of the relevant funds to show their balances. For historical record keeping purposes, previous month balances also exist to clearly show balance history to the Executive Board.

7. Develop reports that clearly show the Interfund balances. Completed

In reviewing recent challenges the Executive Board has dealt with, it is evident that the Board would benefit from a report that clearly shows interfund balances and how they are paid down over time. This clarity empowers the Board to make informed decisions when addressing how to make future decisions in regard to paying down these balances.

The General Secretary-Treasurer worked with his staff to have this report, titled "Interfunds: Annual Comparison" that clearly shows the interfund balances and to support the subcommittee's recommendation. This report is in the IAFF Financial Library and is accessible to the IAFF Executive Board.

8. Develop a plan to pay down the Interfund balances. In Progress

The Executive Board has taken decisive action to address some of the interfund balances such as the Emergency Disputes Fund (EDF). With the ability to now easily view interfund balances and any pay downs on the IAFF Financial Library, a plan to address remaining balances will allow the Board to make more informed decisions on future spending needs. IAFF Executive Board action taken in June 2021 has initiated this plan to address a portion of the Union Justice and PROP interfund balances for example.

9. Adopt a per capita policy that:

a. Defines the value of One Cent Completed

There is no written policy for the measurement date to determine this value or the threshold for when these increments should change. The IAFF has been following a verbal instruction that the budgetary value of one cent shall only change in \$2,500 increments. This should be codified in policy.

During the June Executive Board meeting, the General Secretary-Treasurer, along with his AGST/Comptroller, brought forth a policy to clearly illustrate the budgetary value of one cent and outlines the budgetary value of one cent only changing in \$2,500 increments. This policy was subsequently unanimously adopted by the IAFF Executive Board.

b. Defines the rounding of Convention Cost Factors Completed

During the June Executive Board meeting, the above-mentioned policy defined the rounding of convention cost factors to the nearest ¼ cent.

c. Defines the rounding of CPI-W Completed

During the June Executive Board meeting, the above-mentioned policy defined the rounding of CPI-W annual measurement to the nearest tenth of a percent, and the subsequent calculated per capita increase rounded up to the nearest cent, consistent with the IAFF Constitution & Bylaws Article VIII, Section 5.

d. Defines the amounts allocated to designated funds Completed

Some funds and programs receive per capita based on actual membership figures from month to month – PAC, EDF, Disaster Relief Operations, Reserve, Foundation, and the Fallen Fire Fighter Memorial program. All other programs receive the per capita calculated on the one cent equals method. To create a consistent practice, the policy set all funds and programs to the one cent equals method.

The per capita tax policy unanimously adopted during the June Executive Board meeting encapsulated the recommendations listed in number seven.

10. Adopt a policy to ensure adequate operating cash in both the U.S. and Canadian banks. Completed

Within the last decade, the IAFF General Fund has experienced an excess of operating cash available (over \$5M in Canadian operations) and a shortage of operating cash available (less than \$500k in US operations). After studying the cash cycles over the last two years, a policy designed to give the General Fund an appropriate amount of cash to meet the day-to-day demands, while also providing an early warning system for cash management issues, was needed.

The Cash Management Policy should also provide a mechanism for handling transfers/rollovers of a budget line item's funds from one year to the next. By recording these rollovers in the General Fund budget and actuals as a planned "Reserve Draw" the recordkeeping will be clearer and more transparent.

During the June Executive Board meeting, the above-mentioned policy was brought forth to the IAFF Executive Board and included the provision of a mechanism for assessing budgetary "rollovers" while closing out the IAFF's fiscal year books. Language was added to this policy to clearly state the responsibility of the General Secretary-Treasurer to inform the IAFF Executive Board of any line-of-credit draws. The policy was unanimously adopted as revised.

PROCUREMENT RECOMMENDATIONS

1. Adopt a robust procurement process rather than merely a single procurement policy. In Progress

A robust procurement process (see Figure 3) that is universally understood and consistently followed will lead to organizational efficiencies that in turn will ensure staff resources are being dedicated to member-focused efforts. Likewise, this process will ensure more effective use of IAFF's financial assets.

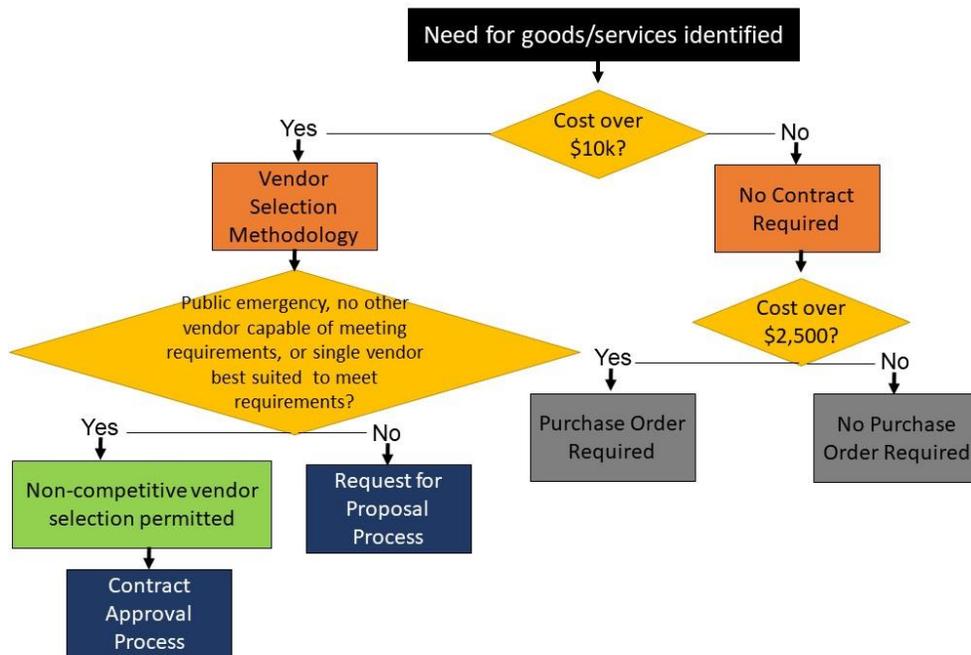


Figure 3: Procurement Process

The procurement process should include:

a. Procurement policy

Most procurement policies address funding sources, vendor selection, purchasing authority, documentation, review, payment, reporting, and related policies.

b. List of related IAFF policies

These policies should be listed at the end of the procurement policy once adopted.

c. ReQlogic flowchart

This flowchart should be developed following approval of the procurement policy. During discussions with IAFF staff, it was shared that ReQlogic can route purchase orders and invoices. It is recommended that IAFF pursue updates to the ReQlogic system to allow for increased efficiencies. The proposed systems usage graphic illustrates the improved integration possibilities.

d. Concur flowchart

This flowchart should be developed following approval of the procurement policy. During discussions with IAFF staff, it was shared that custom fields have been added to Concur to allow for tracking of course/project-related

expenses. It is recommended that all IAFF travel be routed through Concur using these custom fields for enhanced tracking and reporting.

e. New consultant contract flowchart

This flowchart will outline when a contract is required, if a request for proposal is required, and when a contract requires IAFF Executive Board approval prior to approval. The Executive Board will be briefed on all contracts through the list of all current consultant contracts (item J below).

f. Request for Proposal (RFP) template

This template should be developed by legal following approval of the procurement policy.

g. Sole source justification form

This form should be developed following approval of the procurement policy and based on the form currently used by the grants department. It is used when no other vendor is capable of fully meeting the requirements exists.

h. Single Source Justification form

This form should be developed following approval of the procurement policy and based on the form currently used by the grants department. It is to be used when alternative vendors exist in the competitive market, but the buyer chooses to solicit a bid from only one particular because of the vendor's specific technical competencies.

i. Standard language for consultant agreements

All consultant agreements signed by the IAFF should include a detailed statement of work with project milestones and billing intervals. This statement of work could serve as the basis of a future project management system. Language requiring all consultants to key their invoices to completed project milestones when requesting payment should be included in all future agreements. Any vendor being paid over \$100,000 in a given fiscal year should be reported on the IAFF 990s.

j. List of all current consultant agreements

This list is similar to the report that is referenced in the new IAFF Executive Board Policy in the Budget and Finance section.

k. Preferred vendor list

This list should be posted in a single location where all IAFF staff and board members can view. Access to edit the list should be limited. This list should include only existing preferred vendors noting the vendor's name and contact information, the goods/services they provide, and the last time they were reviewed. All vendors should be reviewed at least every three years. Any vendor being paid over \$100,000 in a given fiscal year should be reported on the IAFF 990s.

l. Preferred contractor list

This list should be maintained by the GST's office and be available to program staff. The list should include the contractor's name and contact information and the services they provide to the IAFF (e.g., instruction or field representation). To ensure adequate contractor performance, any program that chooses to discontinue using a particular contractor, should notify all other programs that use that contractor.

m. Contractor agreement form

A contractor agreement form that outlines, at a minimum, independent contractor status, scope of engagement, compensation, termination, and safeguarding of IAFF intellectual property should be developed.

n. Approved contracted services list

This list should be posted in a single location where all IAFF staff and board members can view. Access to edit the list should be limited. This list should include the company's name and contact information, the services they provide, and the last time they were reviewed. All contracted services should be reviewed at least every three years. Any firm being paid over \$100,000 in a given fiscal year should be reported on the IAFF 990s.

2. Revise the following Budget and Finance policies Completed

a. BF 014 Reimbursable Travel Expenses

b. BF 016 Reimbursable Travel Expenses for Principal Officers, District Vice Presidents and Trustees

An internal policy working group comprised from the General President's and the General Secretary-Treasurer's offices developed drafts of revised and new policies to delineate the requirements for travel and expense reimbursement based on the individual's position in the organization. Separate draft policies were created for principal officers, district vice presidents and trustees, exempt and OPEIU staff, and contractors and consultants. These drafts should be reviewed, finalized and adopted by the Executive Board.

INFORMATION SYSTEMS RECOMMENDATIONS

1. The General Secretary-Treasurer should continue to use iMIS as the association management system (membership database). In Progress

The IAFF has been using iMIS for more than 16 years. The Assistant to the General Secretary-Treasurer/Comptroller, Director of Membership, Director of Accounting, and their staff all report that they are satisfied with using iMIS for their processes and expressed concern with any attempt to replace iMIS with another software.

The IAFF upgraded to the latest version of iMIS in March of 2021. This newer version will allow the IAFF to access a more modern, user friendly and intuitive interface and additional webtools.

iMIS has several third-party integrations that tie directly to the functionality that the office of the GST relies on:

- Microsoft SSRS (Report Writer)
- Crystal Reports
- Microsoft Dynamics (accounting software)
- Tableau (business intelligence reporting software)

iMIS plays a critical role in ensuring the accurate collection of per capita dues including complex calculations that adjust per capita dues statements each month based on adjustments to membership reported by affiliates.

iMIS serves as the IAFF's subsidiary accounts receivable (AR) ledger and supports multiple entities, multiple foundation funds, multiple currencies (Canadian and US dollars), and multiple credit card merchant accounts and gateways.

iMIS is the software used for IAFF Convention Credentialing and Convention Event Registration software. With the 56th IAFF Convention just over a year away, deviating from the use of iMIS for Convention purposes would jeopardize the IAFF's ability to ensure a smooth and accurate credentialing and registration process.

2. Relocate the positions budgeted for the Director of Database Administration, Database Administrator (Grade 8) and Database Assistant (Grade 6), including all budget lines related to the maintenance and management of the database, to the office of the General Secretary-Treasurer. Under Consideration

The IAFF Constitution and By-Laws is clear and unambiguous. "*The General Secretary-Treasurer shall receive all moneys due the Association from whatsoever source and shall be the custodian of the official seal and all records, books, papers and property of the Association*" (IAFF CBL Article VI, Section 2). It is impossible to interpret that the GST is the "custodian of all records" if control of the system that stores the records is not under his authority.

It is impossible for the General Secretary-Treasurer to fulfill his constitutional obligation of charge or control of all funds of the Association if the very systems that grant access to these funds are not under the charge of the General Secretary-Treasurer.

The database is our membership list in electronic form. While the employees responsible for working with affiliates to reconcile their membership lists with the

IAFF and for receiving all moneys due are in the GST's office, the employees who control access to and who are responsible for implementing changes to the system necessary to protect, secure, and accurately take in and report our membership and financial information are not, which is in direct conflict with IAFF Constitution and By-Laws.

The previous GST (Ed Kelly) made the strong argument that he needed the capability under his authority to control the data going in and coming out of the membership database and for the backend of the accounting systems - and the IAFF Executive Board agreed to enable him to pursue doing that. The subcommittee agrees with the premise that the GST needs that capability under his control. In fact, it is impossible to provide the proper ethical and financial separation, checks and balances, security and the ability to ensure a clean audit going forward without the GST having full control of the database, accounting, and finance applications.

3. Add a representative from the office of the General Secretary-Treasurer as staff advisor to the IAFF Executive Board Information Systems Committee Under Consideration

Below is the charge and jurisdiction for the IAFF Executive Board Information Systems Committee which clearly demonstrates the need for collaboration with the office of the General Secretary-Treasurer as several of these items fall under the GST's constitutional authority.

*The Information and Technology Systems Committee is charged with reviewing, considering and making recommendations **to the General Officers** and the Executive Board concerning organizational policies, programs, and services, relating to access, updating and reporting of organizational information.*

The committee's jurisdiction includes:

- *Review current implementation of a **centralized information database** and network system infrastructure supporting the departmental business practices and the IAFF Web*
- *Evaluate the opportunities for increased communications and accessibility by officers, affiliates, and members to information, including various delivery methods of manuals and forms*
- *Evaluate what data (economic and statistical, contract language, salary and benefit comparisons, etc.) may be **stored in an Information Warehouse** and how much access to this information affiliates and members will have available*
- ***Recommend what limits (read/query, update, add) are placed on affiliates and members using the IAFF database***
- *Evaluate a possible "Small Locals (less than 100 members) Pilot Program" to analyze digital technologies to support IAFF communications and reporting*

- *Recommend various technological component options to support in person meetings, website training programs, interactive collaboration, and direct broadcast distributions*

4. **Budget for and perform a detailed analysis to determine what functionality and staff utilizing the iMIS back-office client can be moved to the iMIS staff site to better leverage the more modern, user-friendly, and intuitive interface and webtools available following the recent upgrade to the latest version of the software. **Under Consideration****

The recent upgrade to the iMIS software will allow the IAFF to implement tools that will improve functionality and reduce the time, effort, and costs for future upgrades.

5. **Intuitive Business Concepts (IBC) should conduct an information session with the IAFF Executive Board, Trustees, and senior staff so that all are aware of the security, wide utilization across the IAFF and integration with other systems in use by the IAFF. **In Progress** – Date to be determined**

Increased awareness on the value and benefit of iMIS will allow for IAFF officers and senior staff to make informed decisions on future investments to ensure the software remains secure, up to date, efficient and effective for IAFF business operations.

IAFF INTERNAL PENSION SYSTEMS RECOMMENDATIONS

1. **Move to Ad Hoc indexing **Under Consideration****

The current design of the employee and staff plans gives retirees an annual increase of 3% on their pension benefits. Average inflation was 1.73% over the last 10-year period. While inflation is an important benefit to have contained in the plan, it is the most expensive benefit contained within the IAFF pension plans. As past earned benefits cannot be changed, sharing risk with employees is difficult to do. One area it can be achieved is changing to Ad Hoc indexing. A policy can be put in place allowing the IAFF executive board to decide any yearly increase.

2. **Redesign Early Retirement provision for the Staff plan **Under Consideration****

The second most expensive benefit of the staff plan is the early retirement provision which has recently been at the center of debate. All scenarios should have liability implications assessed. There seems to be a wide mix of interests trying to be achieved. Perhaps removing the early retirement provision and moving to an additional retirement component would allow a plan participant to retire at normal age 64 or after meeting a factor, for example. The factor is determined by adding the participant's age and years of service. This process

helps to create flexibility when considering the different age categories that participants join the plan. If a member retires but does not meet the factor required, their age continues while the service time is frozen. They would then reach the factor in retirement or when they reach age 64. This is easy for participants to understand and to plan for.

3. Evaluate the costs of the pension plans to a consistent comparable **Under Consideration**

Contributions for the pension plans are 100% employer paid and liabilities change on an annual basis. It would be beneficial to have a matrix that compares the pension to a set variable. It can be the IAFF budget, overall salary costs or anything that makes yearly analysis consistent.

4. The plans should be viewed in a holistic manner as part of total compensation **In Progress**

The pension plans are a large part of the overall employee compensation package which involves many moving pieces. Any changes to pension plan benefits should be viewed by analyzing the impact on the total employee compensation plan. For example, if you increased the 401(k) provisions, which are jointly shared, it may then make it easier to reduce pension plan benefits that are the sole responsibility of the IAFF.

5. Develop a policy on/enhance how to record and index pension plan changes **In Progress**

There has been a lot of discussion recently over changes that were made to the plan historically that were not well known. To avoid confusion and dissention going forward, the official plan documents should have an appendix that lists the revisions and the dates they were implemented. Methods to file changes should be looked at for enhancements. A historical review should also be undertaken to ensure captured changes have been properly recorded and archived.

6. Develop a policy on both timing and procedure on the methods used to update pension plans **In Progress**

There should be a set period when the staff and employee pension plans and principal officer's retirement plan get evaluated in terms of design and sustainability. While the plan is evaluated annually in terms of funding, historically, evaluation seems to only occur when it becomes an issue with the IAFF Executive board. A policy that creates a review every four years regarding plan design would establish a disciplined approach. Additionally, allowing third party/staff recommendations to the Board can help alleviate any conflict concerns.

7. Provide education and training to board members from a fiduciary aspect
In Progress

Fiduciary duty requires board members to stay objective, unselfish, responsible, honest, trustworthy, and efficient. Board members, as stewards of public trust, must always act for the good of the organization, rather than for the benefit of themselves. They need to exercise reasonable care in all decision making, without placing the organization under unnecessary risk. These are complex considerations, and training in that area would show good governance.

8. Consider giving strategic responsibility of the various IAFF pension systems to one office **Completed**

There currently does not seem to be a focus at the strategic level on the IAFF pension plans and how they work in combination with other compensation benefits. Having an office working at a high level looking at all plans and benefits will ensure nothing falls through the cracks and the pension plans are viewed as they affect the organization.

9. Evaluate a more open dialogue with the membership on the IAFF pension plans and include appropriate updates **In Progress**

The IAFF pension plans have been openly discussed both within and outside the IAFF membership. Regular and transparent communication with the membership should be evaluated. There should be some frequency in communicating with IAFF members about the health of the plans.

10. Ensure all potential plan changes are considered with information from both a legal and an actuarial liability perspective **Completed**

While the IAFF Legal Department is consulted and helps develop the language on changes, the IAFF needs to better understand the ramifications of such adjustments. IAFF actuaries should be front and center on any changes to pension benefits. It should be clearly shown what the liability ramifications and impact are for the plan.

11. Establish funding goals for each plan in relation to point number 3 considering the comfortable liability of each plan **In Progress**

The IAFF should create and maintain a policy for the level of funding with which the organization is comfortable. Setting a goal of percentage of payroll set to pension obligations and total funding for the pension plans will allow for better planning and a more consistent experience for the IAFF.

12. Evaluate all current 3rd party providers in terms of pension services **In Progress**

Staff should be consulted regarding their experiences with all current providers. The structure of each contract should also be evaluated. A policy on reviewing the providers should be developed with reviews performed in offsetting years. Changing all providers in the same year should be avoided to create consistency over the long term and avoid turmoil in any one year.

13. Evaluate the liability costs of the current final year salary benefit in relation to other terms **In Progress**

Final year salary calculations for pension purposes can create issues. If an employee goes through any increment increases, they can then choose to leave that year. It makes it more difficult to maintain a consistent work force. Final year calculations also create greater liabilities. This committee recommends that pension benefits be calculated on a two-to-five-year final average salary to create consistency and reduce plan liabilities.

14. The IAFF reaffirms that only Defined Benefit Pension plans are the proper vehicle for employee pension plans **In Progress**

It should be clearly communicated and understood that maintaining a defined benefit pension plan is the fundamental value behind any discussions of the IAFF pension plans.

-end of report-