International Association of Fire Fighters
General Secretary-Treasurer
Frank V. Líma
Senior Transition Team

Partial Report
August 2021

Contents

INTRODUCTION

Sisters and Brothers,

I am humbled and honored by the overwhelming support and trust that you, the members of the IAFF, have demonstrated by electing me as your General Secretary-Treasurer.

As promised during the campaign, I began working immediately to assemble a <u>Senior Transition Team</u>. This team, chaired by senior District Vice President **Danny Todd** from the 14th District, has been working hard to ensure a smooth transition as we chart the course for this great union collaboratively with General President Ed Kelly.

One of the first key decisions I made following my election was to appoint **Jim Brinkley** as my Chief of Operations (COO). Jim previously served as the Assistant to the General President for Technical Assistance and Information Resources. He is a strong, well-respected, and experienced leader with a proven track record of delivering for our members. His in-depth knowledge of IAFF programs, services and administrative and budgeting processes make him the right leader to have by my side during this critical time of transition for our union.

Jim and Senior Transition Team Chair Todd are reviewing all aspects of the General Secretary-Treasurer's constitutional, financial, legal and ethical responsibilities, ensuring that I fulfill my duties as promised when I took my oath on March 10, 2021.

COO Brinkley and I had extensive discussions about who I should have watching my back, keeping me on schedule, making sure I am on task, and helping administer the Office of the GST as my Executive Assistant. We agreed that the decision would be to have a fair and open process with a panel of transition team members. The process was led by District Vice President (DVP) Danny Todd. In addition to receiving several internal IAFF requests for interviews, we also posted the position externally through our Human Resource Department. Our panel reviewed dozens of resumes and interviewed a number of both internal and external candidates.

Following the interviews, the panel considered the criteria by which the selection should be made and agreed that we needed someone that we could trust to be loyal, who knows our headquarters operation inside and out, who knows our IAFF union, our leadership, our proper protocols, and who has a strong grasp on our union's budget and financial processes. The panel identified the one with the best qualifications and the ability to hit the ground running day one as I promised to do during my campaign. The panel agreed unanimously that there was one person that stood out amongst the other candidates, internal and external. That candidate was **Teresa Valenzuela**, and I proudly appointed Teresa to serve as my Executive Assistant effective April 9, 2021.

As all of you know, the respect Teresa has earned among IAFF leadership at every level for her professionalism, the quality of her work, her knowledge of our union, our programs and services, and her ability to always come through, no matter the task, is undeniable.

In addition to District Vice President Todd, COO Brinkley, and EAGST Valenzuela, we have assembled a strong, experienced and diverse team of leaders from the IAFF and the public and private sector to serve as the General Secretary-Treasurer Senior Transition Team:

Danny Todd   Frank Ramagnano   Darrell Roberts   Shon Buford   Ron Herrera

Betty Yee   Jimmy Blackman   Dixie Abramian   Preet Bassi

- **Frank Ramagnano, Assistant to the GST for Operations**
  Formerly the President, Toronto Professional Fire Fighters' Association Local 3888, AGST Ramagnano's experience serving on the National Conference on Public Employee Retirement Systems (NCPERS) Executive Board and serving as the chair of the Ontario Municipal Employees Retirement System (OMERS) and his knowledge and interests in pensions, policy, procurement and Canadian operations will serve our team well.

- **Darrell "Doc" Roberts, President, Chula Vista Local 2180**
  President Roberts brings the perspective of a young, new leader. His experience serving as a local president, District Field Service Representative (DFSR), IAFF Strategic Campaign Specialist and his organizing expertise adds value to a well-balanced and diverse team.

- **Shon Buford, President, San Francisco Local 798**
  As a long-time treasurer for Local 798, Shon knows the importance of transparency and trust when it comes to managing our members' hard-earned

dues. His senior leadership and fiduciary experience will be an asset for our team.

- **Ron Herrera, President, Los Angeles County Federation of Labor, AFL-CIO**
  President Herrera is also the secretary-treasurer for one of the most powerful locals in the U.S. – Teamsters Local 396. He brings the perspective of another labor organization, experience in organizing and the federal laws that set minimum standards for private sector retirement and health plans (Employee Retirement Income Security Act or ERISA).

- **Betty Yee, California State Controller**
  As a trustee on the board of two of the nation's largest public pension funds in the U. S. and the chief fiscal officer of the fifth largest global economy, Controller Yee understands the tremendous responsibility of protecting our unions finances, our pensions and implementing sound, ethical policies.

- **Jimmy Blackman, Chief Executive Officer, Jimmy Blackman & Associates**
  Mr. Blackman's vast experience in establishing and serving on both public and private sector transition teams that include a diverse set of views, along with his background in policy and budgets for labor unions, large organizations and companies, will allow us to get to work immediately.

- **Dixie Abramian, President and Chief Executive Officer, Firefighters First Federal Credit Union**
  As the CEO for the largest fire fighters credit union in North America, Ms Abramian is uniquely positioned to inform the team on ethical practices, fiscal policies and responsibility and asset management.

- **Preet Bassi, Chief Executive Officer, Center for Public Safety Excellence**
  An impressive educational background in public administration, economics and executive training, along with her proven track record in strategic planning and program management, makes Ms. Bassi a valued member of our team.

In addition to reviewing internal personnel, processes and resources, the Senior Transition Team is charged with fulfilling one of my key campaign promises – the development of a General Secretary-Treasurer Field Advisory Committee comprised of IAFF secretary-treasurers and leaders in the field. Additional details on the makeup of this team will be forthcoming.

As directed by me, this highly experienced and diverse Senior Transition Team has been working in collaboration with General President Ed Kelly and his Transition Team with integrity while making sure our union remains strong for decades to come as #OneIAFF.

As your General Secretary-Treasurer, my team and I will:

- **Build back trust in IAFF finances.** Each and every member of this IAFF deserves to have confidence that their hard-earned dues are spent in a fair, transparent and ethical manner. We are compiling the information needed to ensure our union's financial foundation is strong well into the future restoring the confidence of our membership.
- **Review all programs, services and overall financial operation.** We are continuing to evaluate efficiencies of all operations in the General Secretary-Treasurer's office and taking advantage of opportunities to increase performance to more effectively develop and implement Best in Class economic practices to protect your dues investment.
- **Unite. Fight. Organize**. Working collaboratively with General President Kelly's team, we will expand benefits and resources for all members – while ensuring non-collective bargaining states and Canada have equal access to all IAFF resources. Every decision made will focus on bringing our union closer, celebrating all that we have in common as professional fire fighters, EMS personnel and emergency dispatchers.

As we pass 120 days into my term, the Senior Transition Team and my staff, have already implemented several recommendations to ensure I fulfill my constitutional responsibilities, while also improving transparency through simplicity - one of my core tenets.

While our work is ongoing, I am providing you with this partial report on our progress prepared by our Senior Transition Team. Each section of the report contains an overview, findings and recommendations. Each recommendation will include the current status as ✓**Completed**, **In Progress**, or **Under Consideration.**

I want to thank our Transition Team Chair DVP Todd, my staff and the entire Transition Team for their continued hard work on this important project.

A final, more comprehensive report will be forthcoming.

In solidarity - Unite, Fight, Organize.

Frank Líma
General Secretary-Treasurer
International Association of Fire Fighters

BUDGET and FINANCE

OVERVIEW

The Budget Subcommittee is charged with reviewing the IAFF budget process, financial reporting, the impact on the operations and constitutional authority and responsibility of the office of the General Secretary-Treasurer (GST), and to make recommendations for compliance and/or improvement.

The Budget Subcommittee interviewed current and former IAFF employees, contractors and consultants for other non-profit organizations on best practices. Additionally, they reviewed Budget and Finance Executive Board Committee reports, IAFF Executive Board minutes, IAFF Executive Board policies, the IAFF Executive Board Ethical Practices Committee (EPC) recommendations and consultant reports.

FINDINGS

The IAFF has an annual budget of approximately $75 million separated into more than 110 budget lines. This budget includes grant funds, profits from an IAFF solely held company and members' dues contributions. The IAFF manages two pension plans, a principal officers' retirement plan, a 401(k) plan and the associated compliance requirements of the plans.

Key stakeholders including IAFF staff and IAFF Executive Board members reported that the time allocated for review of proposed budgets was not adequate and that the presentation of the proposed budget lacked clarity. Stakeholders also reported there was a lack of consistency in how positive variances, or "roll overs", are handled at the end of the fiscal year. In other words, there was no consistency in determining which lines had funds roll over to the next fiscal year versus those that would be absorbed by the General Fund.

The IAFF Executive Board reviews financial reports during the three Executive Board meetings held during the fiscal year. Several District Vice Presidents (DVPs) have requested that these reports be more intuitive and that they be provided on a more frequent basis.

Over the last several years, the Executive Board has had numerous discussions on interfund balances and how to handle the repayment of funds owed from the General Fund to designated funds. It was also noted that the balance owed from the general fund to some designated funds far exceed what is needed (Union Justice and PROP are examples).

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-2[1] and Internal Revenue Service Form 990[2] 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.

    These statements are now posted in the Financial Library. Now, for the first time ever, the Executive Board and Trustees are provided the monthly bank statements from all 28 accounts. It doesn't get more transparent than that.

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.

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[1] Required for labor organizations with $250,000 or more in total annual receipts
[2] United States Internal Revenue Service form that provides the public with financial information about a nonprofit organization

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.

AUDIT

OVERVIEW

The Audit Subcommittee is charged with reviewing current IAFF annual audit practices, financial reports, per capita reports and any additional reports that impact the operations, constitutional authority and responsibility of the office of the General Secretary-Treasurer (GST) and to make recommendations for compliance and/or improvement. The Audit Subcommittee was also charged with determining the content and scope of the change of office audit.

The Audit Subcommittee interviewed current and former IAFF employees, contractors, and consultants for other non-profit organizations on best practices. Additionally, they reviewed Budget and Finance Executive Board Committee reports, IAFF Executive Board minutes, IAFF Executive Board policies, Ethical Practices Committee recommendations and consultant reports including the change of office audit conducted by then General Secretary-Treasurer Kelly who took office in 2016.

FINDINGS

The change of office audit commissioned in 2016 by then GST Kelly included a review of the policies, procedures and related internal controls of the IAFF's activities. Part of that review included an evaluation of IAFF Executive Board Policies and authorization necessary to produce accounting control over assets, liabilities, revenue and expenditures.

The IAFF has contracted with Renner & Company, Certified Public Accountants, as selected by the IAFF Trustees to audit the consolidated financial statements of the IAFF, and its subsidiaries and the related consolidated statements of activities, functional expenses, and cash flows annually.

RECOMMENDATIONS

1. **Perform a hybrid change of office audit**   In Progress

   Given the scope of the change of office audit commissioned in 2016 by then GST Kelly, the audits performed annually by Renner & Company and subsequent work by the IAFF Executive Board Ethical Practices Committee (EPC) identified concerns with all processes and financial controls. The Audit Subcommittee recommended that this audit/review focus more on the current status of IAFF financial records and accounts. This would then be followed by a more extensive

audit to ensure the General Secretary-Treasurer is fulfilling his constitutional responsibility and following through on the Executive Board and EPC recommendations.

The Audit Subcommittee recommends the following scope of work:

- Verify that all financial documents, files, and electronic accounts have been transferred to the GST's Office
- Review the bank reconciliations for all cash and investment accounts as of March 31, 2021, and ensure they agree with the general ledger
- Review supporting documentation and appropriate approval for all payments during the three months ending March 31, 2021, that exceed $5,000 (based on individually significant balances)
- Additionally, review the expense allocation of those individually significant items (ISI) for reasonableness and accuracy
- Verify credit card payments are up to date
- Review status of accounts payable and accounts receivable
- Ensure all financial institution accounts have been transferred to the current GST
- Ensure no unauthorized individuals remain on financial institution accounts
- List all existing contractors, consultants, vendors, and suppliers
- Document all external financial submittal due dates (e.g., IRS 990, IRS 5500) and confirm status of submittals
- Document all internal financial due dates (e.g., budget approval) and confirm status

The office of the General Secretary-Treasurer and Chair of the Senior Transition Team, District Vice President Danny Todd, held interviews with three vendors/auditors: one from Alexandria, Virginia, another from Burbank, California and the selected one from Greenbelt, Maryland. The vendor selected by the team is Clifton Larsen Allen (CLA) LLP. CLA is a non-profit company with risk management capabilities which will allow for a thorough and transparent audit.

PROCUREMENT

OVERVIEW

The Procurement subcommittee has been charged with reviewing the IAFF procurement process and how the current process of requesting, approving and procuring goods and services impacts the operations and constitutional authority and responsibility of the office of the General Secretary-Treasurer (GST) and to make recommendations for compliance and/or improvement.

The Procurement subcommittee interviewed current and former IAFF employees and contractors, consultants for other non-profit organizations on best practices, reviewed Budget and Finance Executive Board Committee reports, IAFF Executive Board minutes, IAFF Executive Board policies, the IAFF Executive Board Ethical Practices Committee (EPC) recommendations and consultant reports.

FINDINGS

The need for a procurement policy has been documented in multiple meetings of the Executive Board and in analyses from outside contractors/consultants.

Throughout the course of business and to conduct the operations of the organization, the IAFF regularly purchases:
- Supplies (office and computer supplies and materials for event exhibit booths)
- Travel (staff/contractor/board travel as well as event expenses)
- Contractor services (e.g., instructors and field representatives)
- Consultant services (varies by project and need)
- Contracted services (e.g., legal or auditing)

Approximately 10% of IAFF expenditures are grant-related. A procurement policy with associated forms has been developed for grant-funded expenditures. This policy adheres to 2 CFR 200 Procurement Standards. Grant-related procurement appears to be efficiently run, well-documented, and allows for significant reporting of available and expended funds.

The following policies also govern and/or relate to IAFF procurement:
- IAFF Employee Handbook
  - 3.1 Business Credit Card
  - 3.2 Business Travel Expenses and Reimbursement
- IAFF Executive Board Policies
  - BF 005 Credit Card

- BF 006 Financial Delegated Authorities Policy
- BF 008 Discretionary Expenses
- BF 013 Reimbursable Expenses – Telephone
- BF 014 Reimbursable Travel Expenses
- BF 016 Reimbursable Travel Expenses for Principal Officers, District Vice Presidents and Trustees
- BF TBD Policy on Expenditures/Contracts with Outside Vendors, Consultants, and other Entities
- POP 004 – Code of Ethical Practices/Conflict of Interest
- POP 046 – Service Fee Policy

The IAFF uses five distinct software systems for procurement-related activities: Concur, ReQlogic, Great Plains, SharePoint, and Tableau. Figure 1 illustrates the current system usage.
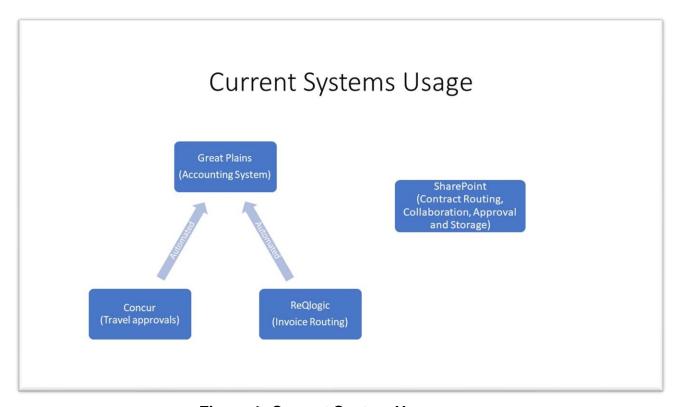

Figure 1: Current System Usage

Figure 2 illustrates the proposed system usage based on known systems capabilities.

Figure 2: Proposed System Usage

RECOMMENDATIONS

1. **Adopt a robust procurement process rather than merely a single procurement policy.** <mark>In Progress</mark>

   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.
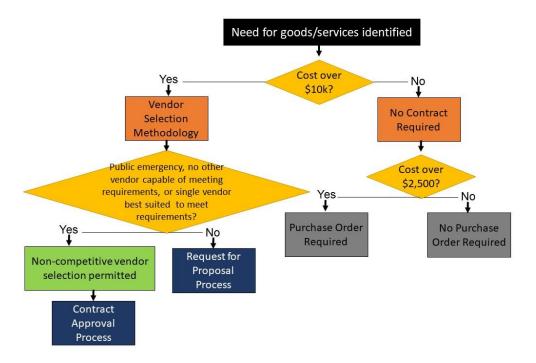
Figure 3: Procurement Process

2. **The procurement process should include:** <mark>In Progress</mark>

   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.

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 vendor because of the vendor's specific experience/expertise.

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/contractor 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 manager that chooses to discontinue using a particular contractor, should notify all other program managers 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.

3. **Revise the following Budget and Finance policies** ✅ **Completed**
   - **BF 014 Reimbursable Travel Expenses**
   - **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 have been reviewed, finalized and adopted by the Executive Board.

INFORMATION SYSTEMS

OVERVIEW

The Information Systems (IS) subcommittee of the GST's Transition Team is charged with reviewing IAFF IS operations and how all components of IS (staff, contractors, hardware, software, security and processes) impact the operations, constitutional authority, and responsibility of the office of the General Secretary-Treasurer (GST). The committee will also make recommendations for compliance and/or improvement.

The IS subcommittee interviewed current and former IAFF employees, contractors, and IS consultants for other non-profit organizations on best practices in addition to having reviewed IS Executive Board Committee reports, IAFF Executive Board minutes, IAFF Executive Board policies, and consultant reports.

FINDINGS

The IAFF IS Division is comprised of two departments: Database Administration and Information Systems. This partial report will focus only on Database Administration. Information Systems will be covered in a future report. The Information Systems Department is broken down further into Web Management as one function and Network & IT as another.

Database Administration

The IAFF has been using iMIS as our management software (AMS) for more than 16 years. This software is used to store, manage, organize, and communicate with members and is widely used by nonprofit organizations.

Personnel

The IAFF has three employee positions in the budget for database administration - one exempt staff member (Director of Database Administration) and two unionized Office Professional Employee International Union (OPEIU) - Local 2[3] staff members.

The IAFF also engages Intuitive Business Concepts (IBC) as a contractor to assist with implementing and upgrading all modules within iMIS. While the IAFF Constitution and By-Laws states that "*the General Secretary-Treasurer shall receive all moneys due the Association from whatsoever source, and shall be the custodian of the official seal and*

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[3] OPIEU Local 2 is the bargaining unit that represents non-exempt employees at the IAFF.

all records, books, papers and property of the Association" (IAFF CBL Article VI, Section 2*)*, the personnel assigned to maintain the very systems used for these responsibilities currently fall under the General President's authority.

Security

As part of the iMIS upgrade in March 2021, because this release of iMIS had newer system requirements, IAFF was able to upgrade the servers on which iMIS is installed. This included important upgrades to the Microsoft Operating system versions, Microsoft SQL server version (2016), and the underlying .Net framework[4]. These later versions of Microsoft include all the latest Microsoft security enhancements and patches.

In an effort to maintain Payment Card Industry Data Security Standard[5] (PCI DSS) compliance and strengthen overall security in iMIS, several security related updates were implemented in this release. Associated changes relate to passwords, encryption, multi-factor authentication, and credit card retention and storage.

IAFF uses the secure Identity Server[6] technology built into Organized Bits Single Sign-On iMIS plug-in solution to ensure the highest level of security and a single program to integrate unlimited secure web sites and microsites.

iMIS user logins and passwords are used for Single Sign-On solutions[7] to ensure security at the user level permeates all additional website offerings while providing for ease of use for the user. Depending on licensing and security roles, users have differing levels of access.

System administrators can enforce password expiration, password reuse, and session timeout requirements to all administrator and non-administrator users separately. These enhanced password security options comply with PCI 3.2 guidelines.

This upgrade also includes a tighter certificate validation policy for secure communication with the iMIS service. The certificate validation policy requires that the certificate is in date, has been issued by a recognized certificate authority and is for the domain by which the service is being accessed. Using a certificate that does not meet this validation policy results in application errors being logged on the server and displayed in the browser.

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[4] .NET is a developer platform made up of tools, programming languages, and libraries for building many different types of applications.

[5] The Payment Card Industry Data Security Standard (PCI DSS) is a set of security standards designed to ensure that ALL companies that accept, process, store or transmit credit card information maintain a secure environment.

[6] Identity Server implements authentication service and policy administration to regulate access to a company's information and applications. These features make it possible to verify that a user is who he says he is, and that the user is authorized to access web or application servers deployed within the enterprise.

[7] Single sign-on (SSO) is a session and user authentication service that permits a user to use one set of login credentials -- for example, a name and password -- to access multiple applications.

There are no concerns regarding the security of the software; however, the subcommittee is concerned that the staff charged with database administration and the security of the very system that performs all functions outlined in this report, which are constitutionally under the GST's authority, are currently under the General President.

The subcommittee sought input from multiple auditing firms who stated that the majority of the organizations for which they provide auditing services, the responsibilities of database administration lie within the finance and membership departments (or their general equivalents). In fact, Renner & Company, the firm contracted to audit the IAFF stated that having the database administration responsibilities under the finance and membership departments, which are responsibilities under the GST, is the most common segregation of database administration that they see with their non-profit organization clients.

User Interface

iMIS is available via the back-office client, the iMIS staff site, other websites such as the IAFF LODD and additional sites used for tracking IAFF training programs and convention credentialing.

The IAFF upgraded to the latest version of iMIS in March of 2021. This newer version will allow the IAFF to access a more secure, modern, user-friendly and intuitive interface and webtools. Additionally, there are several third-party integrations (Figure 1) and plug-ins (Figure 2) that work seamlessly with iMIS.

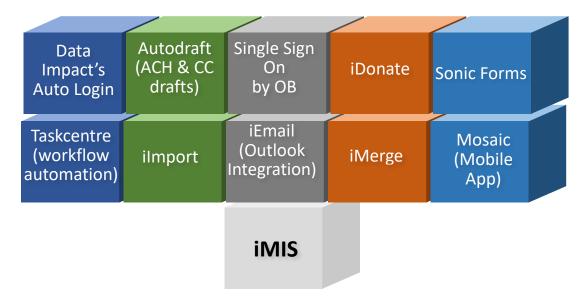**Figure 1: Third-Party Integrations Using iMIS or iMIS Data**

Figure 2: IMIS Plug-ins

Per Capita Dues

While many consider iMIS to be merely a database for storing information on individual members, it is important to understand the role iMIS plays in the accurate collection of per capita dues.

iMIS is responsible for:

- Monthly per capita statements
- Complex calculations that adjust per capita dues statements each month based on adjustments to membership reported by members
    - Adjustments are based on the rate in effect during the dates the adjustments cover (includes retroactive adjustments as needed)
- Managing the online form to sign up, edit, or discontinue automatic bank draft for per capita dues
    - The June 2021 automatic bank draft for per capita included approximately **2500 locals and $2,936,873.42 in dues collected.**

The management of member and affiliate records provides data that is far more involved than simply name, address, and email fields including:

- 51 demographic tables
- 800 demographic fields on the individual level
- 230 demographic fields on the organizational level

iMIS Financials

iMIS provides many crucial elements regarding IAFF financials, serving as the IAFF's subsidiary accounts receivable (AR) ledger and supporting multiple entities, multiple foundation funds, multiple currencies (Canadian and US dollars), and multiple credit card merchant accounts and gateways.

iMIS interfaces the journal transactions to Microsoft Dynamics (accounting software) at the push of a button, preventing duplicate data entry and ensuring accuracy in financial data exchanged.

Additional financial functions:

- Track Emergency Dispute Fund (EDF) and PROP Loans and payments from Locals
- Creation of Invoices for Candidate Physical Abilities Test (CPAT) licenses
- FIREPAC reporting/statistics
- Processing payments for Supplies/Orders (decals/onsite sales of coins/books at events)
- Ability to import data into iMIS (3rd party add-on) – examples: FIREPAC transaction import, importing financial data from Concur (Software used for travel reservations and expense report processes) and ReQlogic (procurement and invoice software).

IAFF Conventions

The role iMIS plays in credentialing, registration and payment processing for IAFF conventions is critical:

- Convention credentials program and convention event registration – online credentials program linked to membership counts and a calculated number of delegates for each convention
- The program adheres to all Constitutional By-laws regarding proxies and delegate selection
- The program also includes number security checks to ensure only specific officer types belonging to Locals in good standing are allowed access to the program
- Once delegates are approved, the officers can then register the delegate and any guests to the event and choose FIREPAC or non-FIREPAC payment/registration options
- iMIS also enables automated emails to the officers and approved delegates along with online/electronic credentials

IAFF Event Management

The IAFF uses iMIS to manage registration and payment processing for almost all IAFF events. iMIS automatically handles different payment methods, merchant accounts and

Canadian versus US dollar currencies. iMIS programming separates FIREPAC funds from operating funds to ensure the IAFF adheres to FEC regulations for PAC contribution collections.

FIREPAC

The IAFF uses an iMIS Add-On called Autodraft developed by enSYNC and is recommended as a best in breed plug-in by IBC to quickly and easily allow members to sign up to donate to FIREPAC with recurring monthly credit card drafts.

IAFF Foundation

The IAFF Foundation uses an iMIS Add-On called iDonate, developed by Computer System Innovations (CSI), and is recommended as a best in breed plug-in by IBC to quickly and easily create branded Disaster Relief donation pages when needed. The Foundation currently uses this page to collect donations for any of the current funds available for donations. The program allots the donations to the proper funds and bank accounts without user intervention.

SMART Integration

Integration from iMIS to SMART for locals using SMART at the local level has been implemented. It is bi-directional and iMIS and SMART share member data including information on member status such as when membership is initiated or if membership status changes.

It was noted that the reconciliation between iMIS and SMART has been problematic, requiring daily intervention by IAFF staff. The current changes related to retired and retired active status continue to be an issue and are corrected almost daily by IAFF staff to ensure proper billing for this category. No dues record is calculated in this instance, and without the intervention and correction by membership staff, this deletion from the local would go unnoticed.

There is no safeguard when it comes to allowing locals to enter effective dates of membership when using SMART. iMIS includes data integrity reports that catch this change and notify IAFF staff who are then able to make appropriate changes when these are identified to ensure proper credits and debits to our locals.

The IAFF engaged DelCor Technology Solutions (DelCor) to conduct a high-level assessment of the organization's current and planned technology environment, initiatives and overall use of technology to serve members and accomplish business goals. A draft report issued by DelCor noted limited system access by IAFF staff. In fact, in a staff survey conducted by DelCor, only 9 out of 112 staff members use SMART in any way.

RECOMMENDATIONS

1. **The General Secretary-Treasurer should continue to use iMIS as the association management system (membership database).** <mark>In Progress</mark> 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.** <mark>Under Consideration</mark>

   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 <u>shall be the custodian of the official seal and all records, books, papers and property of the Association</u>" (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.

<u>The database is our membership list in electronic form.</u> 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** <mark>**Under Consideration**</mark>

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.** <mark>Under Consideration</mark>
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.** <mark>In Progress</mark> **– 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

OVERVIEW

The Pension subcommittee is charged with reviewing the pension systems administered by the IAFF. These systems impact the operations of the organization and fall under the constitutional authority and responsibility of the office of the General Secretary-Treasurer (GST). The committee has made recommendations for compliance and/or improvements considering best practices. The committee identified short-and long-term concerns.

The Pension subcommittee interviewed current and former IAFF employees, contractors, and consultants for other non-profit organizations on best practices, reviewed Pension committee reports, IAFF Executive Board minutes, IAFF Executive Board policies, the IAFF Executive Board Ethical Practices Committee (EPC) recommendations, Claims Committee Report, and consultant reports.

FINDINGS

The IAFF is responsible for two pension plans and a principal officers retirement plan. The first is available to all non-exempt employees represented by OPEIU Local 2. It is known as the "Employee" plan. Personnel in management and elected roles are participants in the "Staff" plan. The third plan is for the principal officers only and is referred to as the "Officers" plan. All employees and elected officers also have access to an IAFF 401(k) plan.

RECOMMENDATIONS

1. **Move to Ad Hoc indexing <mark>Under Consideration</mark>**

   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** <mark>Under Consideration</mark>

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** <mark>Under Consideration</mark>

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** <mark>In Progress</mark>

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** <mark>In Progress</mark>

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** <mark>In Progress</mark>

   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** <mark>In Progress</mark>

   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** <mark>In Progress</mark>

   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** <mark>In Progress</mark>

   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.

APPENDIX A

TABLE of RECOMMENDATIONS

Budget and Finance Recommendations		
Item #	**Subject**	**Status**
1-a	Budget Training	✅ Completed
1-b	Additional time for budget development	✅ Completed
1-c	Executive Board involvement	✅ Completed
1-d	Intuitive budget presentation	✅ Completed
2	Intuitive financial reports	✅ Completed
3	Financial Library	✅ Completed
4	Post monthly bank statements	✅ Completed
5	Educate members on per capita allocations	✅ Completed
6	Report on designated funds	✅ Completed
7	Report on interfund balances	✅ Completed
8	Plan to pay down interfund balances	In Progress
9-a	Per Capita Policy – define one cent	✅ Completed
9-b	Convention cost factor	✅ Completed
9-c	CPI-W	✅ Completed
9-d	Designated Funds	✅ Completed
10	Operating cash	✅ Completed
Procurement Recommendations		
Item #	**Subject**	**Status**
1	Procurement Process	In Progress
2	Budget and Finance policy revisions	✅ Completed
Information Systems Recommendations		
Item #	**Subject**	**Status**
1	iMIS continuation	In Progress
2	Database Administration positions	Under Consideration
3	Staff Advisor to Exec BD IS Committee	Under Consideration
4	Detailed analysis of iMIS staff site	Under Consideration
5	Information session for Exec BD, Trustees and staff	In Progress
IAFF Internal Pension Systems Recommendations		
Item #	**Subject**	**Status**
1	Ad Hoc Indexing	Under Consideration
2	Early Retirement provision redesign	Under Consideration
3	Comparative cost evaluation	Under Consideration
4	Holistic plan review	In Progress
5	Record and index pension plan changes	In Progress
6	Policy on updating pension plans	In Progress
7	Fiduciary training	In Progress
8	Assign strategic responsibility to one office	✅ Completed
9	Open dialogue with membership on pension plans	In Progress
10	Legal and actuarial advice on plan changes	✅ Completed
11	Establish funding goals	In Progress
12	Evaluate all 3rd-party providers	In Progress
13	Evaluate liability costs	In Progress
14	Reaffirm position on defined benefit pensions	In Progress

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-2[8] and Internal Revenue Service Form 990[9] 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.

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[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.
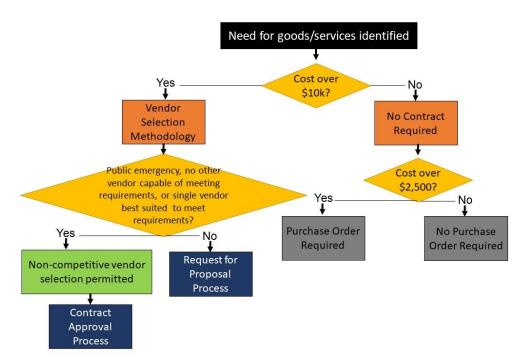
Figure 3: Procurement Process

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.** <mark>Under Consideration</mark>

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 <u>shall be the custodian of the official seal and all records, books, papers and property of the Association</u>*" (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.

<u>The database is our membership list in electronic form.</u> 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** <mark>Under Consideration</mark>

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. <mark>Under Consideration</mark>**

   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. <mark>In Progress</mark> – 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 <mark>Under Consideration</mark>**

   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 <mark>Under Consideration</mark>**

   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** <mark>Under Consideration</mark>

   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** <mark>In Progress</mark>

   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** <mark>In Progress</mark>

   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** <mark>In Progress</mark>

   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** <mark>In Progress</mark>

   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** <mark>In Progress</mark>

   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** <mark>In Progress</mark>

   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-