



March 28, 2023

Mr. Randall Smith, Treasurer
PAFCA American Airlines
PO Box 155428
Fort Worth, TX 76155

Case Number: 420-6025761()
LM Number: 545879

Dear Mr. Smith:

This office has recently completed an audit of Professional Airline Flight Control Association American Airlines (PAFCA AA) under the Compliance Audit Program (CAP) to determine your organization's compliance with the provisions of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). As discussed during the exit interview with President Donald Wright, Vice President Daniel Royal, and Member at Large Alexander Hart on March 27, 2023, the following problems were disclosed during the CAP. The matters listed below are not an exhaustive list of all possible problem areas since the audit conducted was limited in scope.

Recordkeeping Violations

Title II of the LMRDA establishes certain reporting and recordkeeping requirements. Section 206 requires, among other things, that labor organizations maintain adequate records for at least five years by which each receipt and disbursement of funds, as well as all account balances, can be verified, explained, and clarified. As a general rule, labor organizations must maintain all records used or received in the course of union business.

For disbursements, this includes not only original bills, invoices, receipts, vouchers, and applicable resolutions, but also documentation showing the nature of the union business requiring the disbursement, the goods or services received, and the identity of the recipient(s) of the goods or services. In most instances, this documentation requirement can be satisfied with a sufficiently descriptive expense receipt or invoice. If an expense receipt is not sufficiently descriptive, a union officer or employee should write a note on it providing the additional information. For money it receives, the labor organization must keep at least one record showing the date, amount, purpose, and source of that money. The labor organization must also retain bank records for all accounts.

The audit of PAFCA AA's 2022 records revealed the following recordkeeping violations:

1. Lack of Union Time Off Authorization Policy

PAFCA AA did not maintain an accurate and updated union time off policy, and have not updated their procedures. The current letter of memorandum does not accurately identify the currently used policy and procedures. The union must maintain an authorization policy to support all union disbursements authorized by the entity or individual in the union with the authority to establish procedures.

2. Lost Wages

PAFCA AA did not retain adequate documentation for lost wage reimbursement payments to American Airlines on behalf of President Donald Wright for 1053 hours. The union must maintain records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. The OLMS audit found that the newly created lost time log provided by President Donald Wright did not identify the purpose of the lost time taken, the exact dates and hours taken, or the union business conducted.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, that contained a sample of an expense voucher PAFCA AA may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file PAFCAA AA's LM report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person who caused the violations, not just the individuals who are responsible for filing the union's LM report.

Reporting Violations

The audit disclosed a violation of LMRDA Section 201(b), which requires labor organizations to file annual financial reports accurately disclosing their financial condition and operations. The Labor Organization Annual Report Form LM-2 filed by PAFCA AA for the fiscal year ended June 30, 2022, was deficient in the following areas:

1. Certificates of Deposit Reported As Investments

PAFCA AA improperly included the value of certificates of deposit as investments in Statement A (Assets and Liabilities). For LM reporting purposes, OLMS considers a certificate of deposit to be cash. The purchase or redemption of a certificate of

deposit is a transfer of cash from one account to another and, therefore, the union should not report these transactions as receipts or disbursements.

2. Disbursements to Officers

PAFCA AA did not include some reimbursements to President Donald Wright, Treasurer Randall Smith, Secretary Deborah Blackwell, and Vice President Christopher Ruhberg totaling at least \$2,615.33 in Schedule 11 (All Officers and Disbursements to Officers). The union also failed to report salary disbursements to President Donald Wright, Treasurer Randall Smith, Secretary Deborah Blackwell, and Vice President Christopher Ruhberg totaling at least \$35,314.32 in Schedule 11 (All Officers and Disbursements to Officers).

The union must report in Column F of Schedules 11 (Disbursements for Official Business) direct disbursements to officers for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedules 11 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union personnel incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business. The union must report in Column G (Other Disbursements) of Schedules 11 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

3. Lost Time Reimbursements

PAFCA AA did not report lost time reimbursement payments to American Airlines on behalf of officers totaling at least \$127,372.29 on the LM-2 Report. This indirect disbursement for lost time must be reported on Schedule 11 (All Officers and Disbursements to Officers).

4. Membership Dues Reimbursements

PAFCA AA failed to report membership dues reimbursements to the membership totaling at least \$301,286.20 on the LM-2 report. The union must properly report all disbursements to officers on Schedule 11 and 12. Additional disbursements should be reported on Line 52 (Contributions, Gifts, and Grants).

5. Per Capita Payments

PAFCA AA failed to report per capita tax disbursements totaling at least \$22,626.00 to PAFCA International and Airline Dispatch Federation on the LM-2 Report.

6. Membership Dues

PAFCA AA did not properly report individual membership dues rates. The dues reported was a monthly amount (\$40,000.00) on Line 21(a) of the LM-2 Report. That amount appears to be the approximate monthly amount of combined membership dues received by the union from the employer. The union needs to report the individual rate of dues per member.

7. Other Liabilities

PAFCA AA inaccurately reported totals of \$1,086,733 and \$1,446,274 on Lines 33(a) and 33b) as other liabilities. The union did not have any Other Liabilities.

PAFCA AA must file an amended Form LM-2 for the fiscal year ended June 30, 2022, to correct the deficient items discussed above. The report must be filed electronically using the Electronic Forms System (EFS) available at the OLMS website at www.olms.dol.gov. The amended Form LM-2 must be filed no later than April 14, 2023. Before filing, review the report thoroughly to be sure it is complete and accurate.

Other Violation

Inadequate Bonding

The audit revealed that the amount of PAFCA AA's bond is sufficient. However, the bond includes a \$10,000.00 deductible, which is a form of self-insurance that fails to meet the bonding requirements of the LMRDA. PAFCA AA should obtain a bond without a deductible. Please provide proof of bonding coverage without a deductible to this office as soon as possible, but not later than April 14, 2023.

Other Issue

Digitally Signed Checks

During the audit, President Donald Wright advised that it is PAFCA AA's practice for Treasurer Smith and President Wright to digitally sign all membership dues reimbursement checks. Article XVI of PAFCA AA's bylaws requires that checks be signed by the president and treasurer. The two-signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, the use of a digital signature for any signer does not attest to the authenticity of the completed check and negates the purpose of the two-signature requirement. OLMS recommends that PAFCA AA review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to PAFCA AA for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make sure this letter and

Mr. Randall Smith

March 28, 2023

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the compliance assistance materials provided to you are passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,



Investigator

cc: Mr. Donald Wright, President
Mr. Daniel Royal, Vice President
Ms. Deborah Blackwell, Secretary
Mr. Alexander Hart, Member at Large