



February 1, 2024

Mr. Devin Gonzalez, Secretary/Treasurer
Fire Fighters Local 89-F
8711 Padiski Court
San Antonio, TX 78251

Case Number: 420-6027943()
LM Number: 502863

Dear Mr. Gonzalez:

This office has recently completed an audit of Fire Fighters Local 89-F under the Compliance Audit Program (CAP) to determine your organization's compliance with the provisions of the Civil Service Reform Act of 1978 (CSRA), 5 U.S.C. 7120, and the Department's regulations, 29 CFR 458. As discussed during the exit interview with you and President Avery Carter on January 25, 2024, 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 of the LMRDA and Title 29 of the Code of Federal Regulations (C.F.R.) Section 403.7 require, among other things, that labor organizations maintain adequate records for at least five years after reports are filed by which the information on the reports can be verified, explained and clarified. Pursuant to 29 C.F.R. Section 458.3, this recordkeeping provision of the LMRDA applies to labor organizations subject to the requirements of the Civil Service Reform Act of 1978 (CSRA) as well. Therefore, as a general rule, labor organization must retain 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 Local 89-F's 2022 records revealed the following recordkeeping violations:

1. General Expenses

Local 89-F did not retain adequate documentation for general union expenses and debit card expenses incurred by President Avery Carter and Secretary/Treasurer Devin Gonzalez totaling at least \$37,010. For example, the local did not maintain documentation to support the purchases of t-shirts, decals, meals, retirement plaques, shadow boxes, flags, certificate frames, watches, etc., totaling at least \$1,212.43.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principal officers) of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records.

2. Meal Expenses

Local 89-F did not require officers to submit itemized receipts for meal expenses totaling at least \$1,350. The union must maintain itemized receipts provided by restaurants to officers and employees and the union records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

3. Disposition of Property

Local 89-F did not maintain an inventory of t-shirts, polo shirts, decals, equipment, and other property it purchased, sold, or gave away. The union must report the value of any union property on hand at the beginning and end of each year Item 30 (Other Assets) of the LM-3. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 30. The union must record in at least one record the date and amount received from each sale of t-shirts and other items.

In addition, in the case of items given away to members, the union must retain records that identify the date the items were given away and the recipients of those items.

4. Failure to Retain Receipts Records

The audit revealed that Local 89-F did not maintain remittances and dues check off reports provided by the Defense Finance Accounting Service (DFAS) or records to verify proceeds received from t-shirt sales. All union receipts records must be maintained. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

5. Failure to Record Receipts

Local 89-F did not record in its receipts records any proceeds received from selling breast cancer awareness t-shirts to members totaling at least \$2,104. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

6. Lack of Authorization for Officer Expense Account Allowances

Local 89-F did not maintain records to verify that the allowances and other payments reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 was the authorized amount and therefore was correctly reported. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 89-F'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

Pursuant to 29 C.F.R., Section 458.3, the reporting requirement under 29 C.F.R. Section 403.2 (see Section 201(b) of the Labor-Management Reporting and Disclosure Act (LMRDA)) is made applicable to labor organizations subject to the requirements of the CSRA. This provision requires labor organizations to file annual financial reports that accurately disclose their financial condition and operations. The audit disclosed a violation of this requirement. The Labor Organization Annual Report Form LM-3 filed by Local 89-F for the fiscal year ended December 31, 2022, was deficient in the following areas:

1. Acquire/Dispose of Property

Item 13 (LM-3) (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered, "Yes," because the union gave away decals, watches, and polo shirts totaling more than \$285 during the year. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

2. Disbursements to Officers

Local 89-F did not include some reimbursements to officers totaling at least \$10,975 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48 (Office and Administrative Expense).

The union must report most direct disbursements to Local 89-F officers and some indirect disbursements made on behalf of its officers in Item 24. A "direct disbursement" to an officer is a payment made to an officer in the form of cash, property, goods, services, or other things of value. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An "indirect disbursement" to an officer is a payment to another party (including a credit card company) for cash, property, goods, services, or other things of value received by or on behalf of an officer. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel) or for transportation by a public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48 (Office and Administrative Expense).

3. Receipts

Local 89-F did not correctly report receipts from the sale of t-shirts, reimbursements, or refunds in Item 43 (Other Receipts). The audit revealed that during 2022, Local 89-F collected receipts totaling at least \$2,104 for t-shirts sold to members and received refunds/reimbursements from vendors and members totaling at least \$1,286. It appears the local failed to report proceeds received from t-shirt sales and erroneously reported refunds/reimbursements in Item 38 (Dues).

4. Cash Reconciliation

It appears that the cash figures reported in Item 25 (Cash) are not the figures according to Local 89-F's books after reconciliation to the bank statements. The instructions for Item 25 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements.

Local 89-F must file an amended Form LM-3 for the fiscal year ended December 31, 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-3 must be filed no later than February 8, 2024. Before filing, review the report thoroughly to be sure it is complete and accurate.

Other Violations

The audit disclosed the following other violation:

Inadequate Bonding

Pursuant to 29 C.F.R. Section 458.35, officers and employees of any labor organization subject to the CSRA are required to be bonded in accordance with Section 502(a) of the LMRDA. This provision requires that union officers and employees be bonded for no less than 10% of the total funds those individuals or their predecessors handled during the preceding fiscal year.

The audit revealed that Local 89-F's officers and employees were bonded for \$5,000 but should have been bonded for at least \$11,199. Local 89-F obtained adequate bonding coverage for its officers and employees and provided proof of bonding coverage to this office on January 29, 2024.

Other Issues

1. Expense Policy

As I discussed during the exit interview with you and President Carter, the audit revealed that Local 89-F does not have a clear policy regarding the types of expenses officers may claim for reimbursement and the types of expenses that may be charged to local's debit cards. OLMS recommends that unions adopt written guidelines concerning such matters.

2. Duplicate Receipts

Members of Local 89-F pay cash directly to the union for breast cancer awareness t-shirts. The officers and stewards collect cash from members but do not issue receipts to members. OLMS recommends that Local 89-F use a duplicate receipt system where the union issues original pre-numbered receipts to all members who make payments directly to the union and retains copies of those receipts. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable. If more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned.

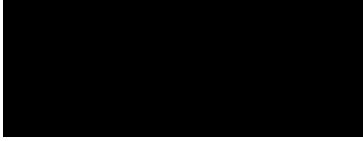
3. Two Signatures on Checks

Local 89-F's bylaws requires all checks be jointly signed by the president or vice president and the secretary/treasurer. The audit disclosed at least thirteen checks were only signed by Secretary/Treasurer Gonzalez. 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. OLMS recommends that Local 89-F review its disbursements procedures to improve internal control of union funds.

I want to extend my personal appreciation to Fire Fighters Local 89-F for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make sure this

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

Sincerely,



Senior Investigator

cc: Mr. Avery Carter, President