

**U.S. Department of Labor**

Office of Labor-Management Standards  
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May 3, 2019

Mr. Neil Pavlov, President  
Firefighters Local 3878  
P.O. Box 15846  
Phoenix, AZ 85060

Case Number: 520-6015400  
LM Number: 543018

Dear Mr. Pavlov:

This office has recently completed an audit of Firefighters Local 3878 under the Compliance Audit Program (CAP) to determine your organization's compliance with the provisions of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). As discussed during the exit interview with you on March 29, 2019, 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 Local 3878's 2018 records revealed the following recordkeeping violations:

## 1. General Reimbursed and Check Card Expenses

Local 3878 did not retain adequate documentation for reimbursed expenses and check card expenses incurred by the union officers totaling at least \$7,978. For example, receipts were not maintained that were required to be filed with Local 3878 expense vouchers to verify legitimacy of the expense.

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 3878 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$3,012. The union must maintain itemized receipts provided by restaurants to officers and employees. 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.

Local 3878 records of meal expenses did not include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, there were no receipts that accurately documented the names of the members present at the meal, the purpose for disbursing funds for a meal, and the amount each member present at the meal incurred. 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.

## 3. Disposition of Property

Local 3878 did not maintain an inventory of t-shirts, stickers, 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 in 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 union hats, jackets, 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. Information not Recorded in Meeting Minutes

During the audit, Mr. DonDero advised OLMS that the membership must approve a budget for the upcoming fiscal year. Furthermore, all additional expenses over \$500 must receive membership approval. Expenses less than \$500 may be approved by the Local President and Treasurer. Article IX, Section F, notes that the local shall not disburse over \$500 (single purchase) not included in the annual budget without membership approval. Local 3878 union officers did not seek membership approval for single purchases over \$500 that totaled at least \$7,911.

Based on your assurance that Local 3878 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

### Reporting Violations

The audit disclosed violations 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 LM-3 filed by Local 3878 for the fiscal year ended December 31, 2018, was deficient in the following areas:

#### 1. PAC Funds

Local 3878 had its own PAC fund during 2018. As stated in the LM-3 report instructions, PAC funds kept separate from your union's treasury need not be included in your union's LM report if publicly available reports on the PAC funds are filed with a federal or state agency. However, the audit revealed that Local 3878's PAC funds were deposited to its general treasury and kept on deposit for several weeks before being transferred to the PAC account. Therefore, the financial activities of the PAC fund must be included in Local 3878's LM report.

#### 2. Disbursements to Officers

Local 3878 did not include some reimbursements to officers totaling at least \$3,012 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 54.

The union must report most direct disbursements to Local 3878 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).

I am not requiring that Local 3878 file an amended LM report for 2018 to correct the deficient items, but Local 3878 has agreed to properly report the deficient items on all future reports it files with OLMS.

#### Other Violations

The audit disclosed the following other violation:

##### Inadequate Bonding

The audit revealed that Local 3878's officers and employees were not bonded for the minimum amount required at the time of the audit. However, Local 3878 obtained adequate bonding coverage and provided evidence of this to OLMS during the audit. As a result, OLMS will take no further enforcement action regarding this issue.

#### Other Issues

##### 1. Expense Policy

As I discussed during the exit interview with the Local President and Treasurer, the audit revealed that Local 3878 does not have a clear policy regarding the types of expenses personnel may claim for reimbursement and the types of expenses that may be charged to union check cards. OLMS recommends that unions adopt written guidelines concerning such matters.

##### 2. Two-party Signatory for Checks

During the audit, Mr. DonDero advised that it is Local 3878's practice for the Local President and Treasurer to sign all union checks. Article VII, Section 6, of Local 3878'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. The audit disclosed that not all checks written during the audit period were signed by both the president and treasurer. OLMS recommends that Local 3878 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Firefighters Local 3878 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,

A large black rectangular redaction box covering the signature of the investigator.

Investigator

cc: Mr. David DonDero, Treasurer