



March 31, 2005

Dear State and Local Officers and Executive Board Members:

As state and local leaders, you share the AFT's desire to protect our members and reaffirm the fundamental democratic values that the AFT has always embraced. Democracy is about more than simply holding elections; it means ensuring that our union operates in an open and transparent manner. When members are not aware of how their union is spending their dues, the core system of accountability that establishes trust and confidence in the union and its officers is undermined. As former AFT president Sandra Feldman explained during her testimony in June 2003 before the Senate Health, Education, Labor and Pensions Committee on Capitol Hill, the best insurance against financial wrongdoing is an "active, informed and involved membership." To that end, in July 2004, AFT convention delegates approved several changes to the AFT's constitution and bylaws.

One major change is the new affiliate audit requirements. An audit of your state and local union's financial records is a valuable tool in safeguarding the union's funds. In an ideal world, each local or state federation would contract with an independent outside accounting firm to perform an audit on an annual basis and issue a report of the findings. Unfortunately, such audits are expensive and beyond the means of many affiliates.

Reaffirming the importance of financial accountability while acknowledging the practical limitations for some affiliates, delegates to the 2004 AFT convention adopted amendments to the AFT bylaws that require outside audits of affiliates with more than 1,000 members and either an outside audit or a financial review for affiliates with fewer than 1,000 members. These changes are effective for your fiscal year's end in 2005:

**Article IX, Sections 1, 2 and 3**

**Section 1.** Effective January 1, 2005, AFT affiliates with 1,000 or more members, excluding retirees, are required to submit to the AFT annually, and within six months of the close of the affiliate's fiscal year, an audit of its financial statements—in accordance with generally accepted auditing standards—by an independent CPA whose firm that does not have responsibility for the affiliate's regular bookkeeping or for preparation of its routine financial statements. The audit must be prepared in accordance with generally accepted accounting principles. Appended to the audit submission must be a letter signed by the affiliate's principal officer and the auditor certifying that the audit has been presented at a specified regular or special meeting of the affiliate's governing body and published and made available to the members.

American Federation  
of Teachers, AFL-CIO

---

AFT Teachers  
AFT PSRP  
AFT Higher Education  
AFT Public Employees  
AFT Healthcare

---

555 New Jersey Ave. N.W.  
Washington, DC 20001  
202/879-4400  
[www.aft.org](http://www.aft.org)

---

Edward J. McElroy  
PRESIDENT

Nat LaCour  
SECRETARY-TREASURER

Antonia Cortese  
EXECUTIVE VICE PRESIDENT

---

VICE PRESIDENTS

Roger Benson  
Mary Bergan  
Barbara Bowen  
Kathy Chavez  
John Cole  
Paul F. Cole  
Edward Doherty  
James F. Dougherty  
Al Fondy  
Andy Ford  
Steven Frey  
Janna K. Garrison  
David Gray  
David Hecker  
Thomas Y. Hobart, Jr.  
Richard Iannuzzi  
Sandra C. Irons  
Loretta Johnson  
Ted Kirsch  
Alan Lubin  
Herb Magidson  
Louis Malfaro  
Jim McGarvey  
Tom Mooney  
Maria Neira  
Ruby Newbold  
Candice Owley  
Maria Portalatin  
Marcia B. Reback  
Laura K. Rico  
Pat Santeramo  
Judy Schaubach  
William Scheuerman  
Sandra Schroeder  
Marilyn Stewart  
Louise A. Sundin  
Ivan Tiger  
Ann Twomey  
Adam Urbanski  
Randi Weingarten

**Section 2.** Effective January 1, 2005, AFT affiliates with fewer than 1,000 members, excluding retirees, are required to submit to the AFT annually, and within six months of the close of the affiliate's fiscal year, an audit of its financial statements by an independent CPA in accordance with generally accepted auditing standards or a financial review of the affiliate's financial statements conducted by an internal audit committee in accordance with AFT guidelines for audit committees. Appended to the audit or financial review must be a signed certification by the affiliate's principal officer that the current audit or financial review has been presented at a specified regular or special meeting of the affiliate's governing body and published and made available to the members.

**Section 3.** Where a required audit or financial review has not been performed and received by the AFT within six months of the close of an affiliate's fiscal year, the AFT president is authorized to have the applicable audit or financial review, pursuant to Section 1 or 2 of this Article, conducted at the affiliate's expense. Such a review will include an examination of the financial records and a reporting of the results to the membership of the affiliate and to the AFT executive council.

To assist affiliates in meeting the requirements of a financial review, the AFT Financial Services Department has prepared "Guidelines for Financial Review Committees." This document gives affiliates' internal financial review committees step-by-step guidelines for conducting the financial reviews as outlined in Section 2 above. This document is posted on the AFT LeaderNet in the "Local Finances" section, under the "Local Toolkit" tab at [http://leadernet.aft.org/local\\_toolkit/local\\_finances/](http://leadernet.aft.org/local_toolkit/local_finances/). If you are not yet registered for LeaderNet, please go to <http://leadernet.aft.org/register>.

For those affiliates required to file an audit by an independent outside accounting firm, please remember to include the costs of the audit in your budget.

In addition to the new annual audit and financial review requirements, delegates approved new language in the bylaws regarding good standing. Article X, Section 1, states that for an affiliate to be in good standing, it must meet the following requirements:

- payment of per capita to the AFT on all members, with arrears not to exceed two months, and to the applicable state federation consistent with its constitution;
- current in submission of the affiliate's annual audit or financial review in keeping with Sections 1 and 2 of Article IX of the AFT bylaws;
- current in submission to the AFT of names and addresses for the principal executive and financial officers;
- current in submission to the AFT of the names and addresses of current members of the affiliate's executive board;
- current in submission of a membership roster; and
- current in submission of a copy of the affiliate's up-to-date constitution.

State affiliates must notify the office of the Secretary-Treasurer when locals are in bad standing with the state organization.

Failure to comply with any one of the requirements will result in your local or state federation going into bad standing. Article X, Section 2, states that only affiliates in good standing shall be eligible for:

- representation at the AFT convention;
- participation in the AFT Occupational Liability & AD&D Insurance programs;
- coverage under the AFT Militancy/Defense Fund; and
- participation in programs that include staff and financial assistance from the AFT.

For more detailed information and guidelines on affiliate financial requirements, go to the "Local Finances" section of LeaderNet under the "Local Toolkit" tab ([http://leadernet.aft.org/local\\_toolkit/local\\_finances/](http://leadernet.aft.org/local_toolkit/local_finances/)).

Please send current affiliate constitution and amendments to:

American Federation of Teachers  
Office of the Secretary-Treasurer  
555 New Jersey Ave. NW  
Washington, DC 20001

or e-mail a copy to [sectreas@aft.org](mailto:sectreas@aft.org).

If you have questions concerning these new requirements, please contact the following individuals:

- For per capita payments: [billinginquiry@aft.org](mailto:billinginquiry@aft.org) or 1-888-8PERCAP
- For audit and financial review requirements: Financial Services Department at: [finsvs@aft.org](mailto:finsvs@aft.org)
- For submissions of officers, executive board members and the membership roster: [billinginquirey@aft.org](mailto:billinginquirey@aft.org) or 1-888-8PERCAP
- For submitting a current constitution: Michele Holland, [mholland@aft.org](mailto:mholland@aft.org)

Thank you for your compliance and cooperation.

Fraternally,

Nat LaCour  
Secretary-Treasurer