

NST ADVISO R

AFGE



Fall

in

Line...

A photograph of a paved path winding through a forest in autumn. The path is covered with fallen orange and yellow leaves. The trees are tall and thin, with some still having green and yellow leaves. The atmosphere is misty and soft, with a light glow. The text "Preparing for the New Year" is overlaid in the center in a blue, italicized serif font.

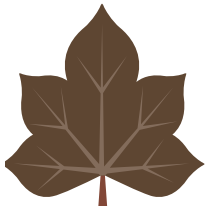
*Preparing for the
New Year*



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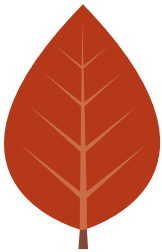
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FROM THE NATIONAL SECRETARY TREASURER



Many people don't like the fall season. The days get shorter, and the temperatures get colder. However, I feel an excitement in the air as the calendar hits Fall. The football season begins, the foliage burst with colors and the Holiday Season is around the corner. This is a time to look forward and begin preparations.

As we look back over the past couple of years, AFGE members have been asked to re-imagine AFGE as a stronger, more accountable union financially; and, the Federation has responded. The Federation has had positive net gains in the last couple of years, as well as, shown improvement in our cash flow. While there is still more work to be done, AFGE is moving in the right direction. This was due to the many AFGE Stakeholders planning and working diligently to improve the financial picture for AFGE.

As stated above, the fall season is a time of preparation. What, you may ask, are we preparing for? In our personal lives, we are preparing to host and/or visit family for the holiday season. In our union lives, we are preparing for a new and improved union experience. A new union experience? What does that mean? It means that as the new year approaches, each AFGE Affiliate must continue to plan and work diligently to ensure the stable financial footing of the Federation as a whole. It means that we must ensure that the funds we are spending benefit the needs of our members. And it means that we must be transparent and accountable to our members regarding the union finances.

To accomplish this, we need to ensure that each AFGE Affiliate, as well as the Federation, has a solid financial plan moving forward. Therefore, this edition of the NST Advisor examines ways that our membership can reach these goals. We discuss how to properly prepare a budget which provides the financial roadmap for the local in the upcoming year. We also discuss the auditing process, which allows unions to assess their financial practices and make the necessary improvements. Lastly, we discuss the mechanism that gives financial officers the knowledge and tools to perform their duties, the Financial Officers Training.

With all this information, we want our AFGE Affiliates to Fall in Line. Fall in Line with sound financial practices that continue to grow our union stronger with each passing year. In this way, we can continue the gains we have made and move this Federation to new heights.

A handwritten signature in blue ink, appearing to read "Eric Bunn, Sr.", written in a cursive style.

ERIC BUNN, SR.

NATIONAL SECRETARY-TREASURER

~ NST STAFF ACCESSIBILITY ~

NST staff are here to assist wherever needed. The **NST's Office** can assist with bond related matters; and charter requests. The **Compliance Department** can aid with audits; QuickBooks; LM filings; and completing 990s. The **Finance Department** can assist with MyLocal concerns and processing 1187s.

NST Bunn and his staff welcome the opportunity to speak to members and potential members of AFGE. Here is what will help review a request for a speaker. As soon as your date has been set, send an invitation to NST Bunn's Executive Confidential Secretary, Wanda Manson • Wanda.Manson@afge.org with the following information:

WHAT DATE(S) ARE THE MEETING/EVENT?

- The sooner the better to ensure a hold can be placed on the calendar
- If your meeting/event is over a couple of days which date/time would NST Bunn or member of the NST staff to be presenting/speaking?
- Provide a tentative agenda as soon as one available

WHERE IS THE MEETING/EVENT?

- If outside the Washington, DC area
 - ◊ Provide the closes airport to the venue?
 - ◊ Is there a recommended hotel or block of rooms for participants?

WHAT TOPIC WOULD YOU LIKE US TO ADDRESS?

- Is there a "theme" for your meeting/event?

HOW LONG WOULD YOU LIKE NST BUNN OR HIS STAFF TO SPEAK/PRESENT ON THE AGENDA?

- If you are requesting a presentation, will a laptop be available?



Audits: Painful, But Necessary

by: Teya Bruce, Compliance Officer

“Hooray! It’s audit day,” said no one, ever!

No matter how generally motivated you are, all of us have some tasks that we don’t want to do. Things that you “have to” do, that you truly don’t want to do, and that you secretly suspect you don’t really have to do. The cost of not doing them is evident: if you don’t walk the dog, he’ll do his business on the rug; if you don’t go to work, you’ll lose your job; if you don’t floss, you’ll lose your teeth. Like flossing, Audits are a necessary, not very fun, fact of life for many individuals. In this article, we will attempt to take the pain out of the audit process by giving you the tools to prepare for your next audit.

An audit is an official inspection of an individual’s or organization’s accounts, typically by an independent body. The audit should confirm for the local officers that their fiduciary responsibilities are being performed as prescribed by applicable laws and regulations. Despite the title of this article, audits do not have to be painful. Knowledge is Power! The more one knows, the more one will be able to control events. Performing certain tasks and maintaining certain documentation throughout the year can help to ensure a seamless and rewarding audit experience.

Did you know.....

Annual Audits are required. Article XIX, Section 5 of the AFGE National Constitution states, “each local shall conduct an audit at least once a year and a certification made to the NST that such an audit has been done.” Although this is ample reason to get an annual audit, there



is more to the importance of an audit. Audits provide recommendations on ways to make improvements or corrective actions and to prevent future deficiencies or nonconformities. Audits review for effectiveness to determine the number of compliant versus non-compliant processes. Audits also help locals/councils to stay in compliance with frequently changing federal regulations. An audit can also help the local uncover fraudulent acts by officers or members.

Did you know.....

There are three ways to be audited. The local can have an internal audit committee perform the audit. If this option is chosen, the president can appoint 3 to 5 members to the audit committee. To ensure independence of the audit committee, none of the members should be from the Executive Board of the local. If the members prefer, the audit committee can be elected, unless the bylaws specifically state otherwise. The Office of the National Secretary-Treasurer (NST) offers several Audit Process training classes that will give the audit committee members the knowledge and skills to properly perform their functions as auditors.

The audit can be conducted by an outside CPA firm. This option is usually the least preferred because it is the most expensive option. However, with the right accounting firm, this option can provide the highest quality work. Please make sure, however, that the accounting firm you hire has some knowledge of labor union finances.

Lastly, the local can request that the AFGE District or National Office perform the audit. Locals can send a request to their District National Vice President (NVP) to perform the audit. The NVP can then elect to forward the request to the NST. Please note, that some districts have National Representatives or other personnel that can perform audits. The NVP can choose to have that personnel perform the audit instead of forwarding the request to the NST. Also, please keep in mind that the Compliance staff of the NST is not large; therefore, audit requests can take longer to be addressed.

Did you know.....

The Annual Audit is due 90 days after the end of the fiscal year. All locals with a fiscal year-ending December 31st must submit their audit report by March 31st. After completion of the audit, Form 41 must be completed, signed by the appropriate parties, and submitted to the National Office. If an outside CPA performs the audit, request that the Form 41 be included as a supplemental schedule to their audit report.

Did you know.....

An Audit Checklist is available for Locals. The NST has posted an Audit Checklist to the NST Resources page of the AFGE website. This checklist denotes the documents that will be reviewed during the audit process. Some of the major documents that will be examined during the audit are the Constitution & Bylaws, the Meeting Minutes, the Financial Policies & Procedures, the Bank & Credit Card Statements, the Annual Budget, the LM reports, the 990 reports, and the Bond Certificate. Knowing what we look for beforehand allows the Local to adjust its practices now so they will be prepared when an audit does take place.

Creating a good system right now gives you the peace of mind to know that you don't have to dread a potential audit in the future. Following these suggestions won't make you cheer for audit day, but you could look back on the time your auditors spent in your office and say, ***"Well, that wasn't so bad!"***

If you'd like to get more detailed information regarding a union audit, the Department of Labor has a publication entitled Conducting Audits in Small Unions - A Guide for Trustees. This is a 10-step audit guide which can be found on the DOL website at the following link: <https://www.dol.gov/agencies/olms/regs/compliance/union-audit-guide>

As always, if you have any questions on conducting local audits, please feel free to contact the Office of the National Secretary-Treasurer at (202) 639-6949.

Random Compliance Audit Process

by: Willie Hope, Jr., Compliance Director

The Office of the National Secretary-Treasurer has selected the locals that will be audited per the AFGE Random Compliance Audit Program (CAP). 15 locals and 1 council were chosen to be audited for the rest of fiscal year 2022. This is a prorated number of locals based on our goal of 60 locals per year. The proration this year was because the AFGE 42nd National Convention required a great deal of time from the Compliance Staff.

There are a total of 786 delinquent locals (83% of total locals) as of September 30, 2022, which are included on the Random Selection List. A delinquent local is one that failed to submit both their Annual Audit Certification (Form 41) and latest LM Report. This is down from 825 delinquent locals in 2021.

The top 15 locals were selected. A weighted system was implemented for each district based on the total number of delinquent locals in that district to the total number of delinquent AFGE locals Federation-wide. Please see the table below.

Calculation of Weighted Averages			
District	No. of Delinquent Locals	% of Delinquent Locals	Number of Locals to Audit
District 02	92	11.70%	2
District 03	37	4.71%	1
District 04	48	6.11%	1
District 05	100	12.72%	2
District 06	50	6.36%	1
District 07	54	6.87%	1
District 08	49	6.23%	1
District 09	45	5.73%	1
District 10	105	13.36%	2
District 11	73	9.29%	1
District 12	76	9.67%	1
District 14	57	7.25%	1
Total	786		15

If a local that requested an extension was selected, then it was removed from the audit list. Also, if a local was up to date on their audits and we could verify, through the OLMS website, that the local is current on its LM filings, they were removed from the audit list. Additionally, if an audit has already been performed in 2022 or is scheduled to be performed for a local, then they were removed from the audit list.

2021 Audit Results

The Office of the NST also performed 26 Compliance Audits from October 2021 to August 2022. Based on our audits, we noted total questioned costs of \$204,788. Questioned Costs are transactions made by the local that may signal financial malfeasance or misfeasance. The questioned costs mainly result from ATM withdrawals made by officers or checks made payable to cash.

Our audits also noted major findings. A major finding is an instance in which the local was not in compliance with AFGE National Constitution, Local Constitution & Bylaws, and applicable laws as prescribed by Department of Labor and Internal Revenue Service. The top 5 major findings noted are as follows:

1. No meeting minutes
2. Improper filing of LM and/or 990
3. Lack of approved budget
4. Lack of supporting documentation for expenditures
5. Form 41 not submitted



The Local Annual Budget: Why You Need It and How to Make One

By: Omar Arnold, Compliance Officer

As children start going back to school and temperatures retreat from the 80s and 90s, locals should begin to plan for next year. As with any household, corporation, or country, a local needs to have some idea of how much money that it has coming in to deal with all the possible challenges and exciting opportunities that it foresees for the coming year.

The formal way of doing this is by preparing an annual budget. A budget is defined as a quantified financial plan for a forthcoming accounting period. This plan considers the money that you receive monthly from dues, recruitment rebates and other revenue streams to see if you have enough money to handle all your per capita requirements, representational responsibilities, and organizing goals for your upcoming year. This should be done at a point prior to your local spending money in the next fiscal year.

So, why must a local go through the formal process of creating an annual budget instead of a monthly one? One reason is Article VIII, Section 4 of the AFGE Standard Local Constitution which states, "The Executive Board shall prepare an annual budget subject to the membership's approval, which shall ensure at a minimum that the local's revenues are sufficient to meet its financial obligations." Another reason is that Article VIII, Section 3 of the AFGE Standard Local Constitution states, "Expenditures by the Executive Board in excess of \$500 per month must have prior approval of the local's members either as authorized by the budget approved by the local or by separate vote of the local's members." Since AFGE Locals are required to abide by the National Constitution and their Local Constitution, there is no reason for a local to not create an annual budget.



So, what is the process for making an annual budget? First, visit the NST Resources section of the AFGE website. Under the Class Resources section, there is a file available for download entitled [Sample Budget Template \(Excel Format\)](#). This file is arranged in such a way that all reasonable Local expense and revenue streams are accounted for, allowing the built-in computational power of Excel to help you come up with accurate figures. However, please feel free to add new accounts, if necessary.

Once you have the file open, you will need to project your Local revenue. This is done by looking at your membership numbers throughout the current year to establish a baseline number for what your local membership will be in the coming year. To stay conservative with your revenue estimate and minimize the possibility of overspending, consider using a membership number that is either at or below the current membership level.

Next, you will need to figure out what your expenses will be for the year. Start by having a record of your spending from the last 3-5 years to use as a basis for projecting what you are going to spend next year. Consistent bills, such as utility bills or copier leases, can be

annualized within the spreadsheet. Other expenses, such as arbitration spending or Lunch & Learns, would be calculated based on the historical data.

Once you have entered in all your revenue and expenses in the spreadsheet, you will see whether your local has enough revenue to cover its expenses and still have funds left over. If your local is in a deficit, you will have to go back and trim some of your expenses or decide to use money already in the local's bank account, Reserve Funds, to make up the difference. Regardless of whether your budget gives you a net gain or loss, you must zero out your budget. That means, if your local has a surplus, you would indicate on the budget that the local will add this surplus to its Reserve Funds. Conversely, if your local had a deficit even after trimming expenses, you would indicate on the budget how much Reserve Funds the local intends to use.

Once your budget committee has gone through this exercise, present your budget to the membership for their input and approval. Once approved, use the budget as a guide for your spending throughout the year and go back to the membership when your allocations from certain line items are insufficient. This level of transparency will help engender trust from your membership and can help lead to growth.



Financial Officers Training

By: Willie Hope, Compliance Director

When I began working at AFGE, I was able to meet two remarkable women that taught me the “ropes” with the Financial Officers Training. One, Sandy Williams, displayed a knowledge, energy and passion for the subject that simply amazed me! And, Yvonne Wheeler, who broke it down with two simple questions. Whose money, is it? (The members money!) and You too? (Can go to jail!) Both women, each in their own way, taught me and solidified for me the importance of the job that financial officers have in the union.



Union officers handle some of the most regulated money in the United States of America. Financial Officers of the local union are required to comply with laws and regulations of the Department of Labor (DOL) and the Internal Revenue Service (IRS). Not following these laws and regulations can lead to fines, prison, or both. The Financial Officers Training class will give officers the knowledge and skills to properly perform their functions as a financial officer of the local union.

Apparently, the members of AFGE agree! At the 42nd AFGE National Convention, the delegates voted to require that all Presidents and Treasurers take the Basic Financial Officers Training Class. The revised constitutional requirement will be in the Standard Local Constitution, Article VI, Section 8. It will state as follows:

The President and Treasurer (or Secretary-Treasurer) of the local are required to attend the Financial Officers Training class within 60 days of assuming office, whether elected or appointed, or the first available Financial Officers Training class if one is not available within 60 days of assuming office. Also, after taking the initial Financial Officers Training class, the President and Treasurer (or Secretary-Treasurer) are required to take the Financial Officers Training class every two years while holding office.

We are excited to release the 2023 Schedule of Classes! In the Financial Officers Training Class participants will learn about their responsibilities as required by the Labor Management Reporting and Disclosure Act (LMRDA) and IRS regulations. The class also gives the financial officers tools which assists them in complying with these laws and regulations. In addition, we will have classes on the audit process, to teach locals how to perform a proper internal audit; and on the credentials process, to help ensure that locals are able to fully participate in the decision-making process for AFGE.

Since the beginning of the pandemic, the online classes and the In-person classes held at the National Headquarters are offered free of charge. However, with the In-person classes, we have had a problem with individuals registering for the class and not showing up. This is an issue because we have many individuals that desire to take the class, but limited space for In-person classes. To address this issue, the local will be charged if an individual registers for the In-person class and is a no-show. The corresponding local will be charged \$175 for everyone



registered that is a no-show. For individuals that need to cancel, they may do so at least 5 days before the beginning of the training by emailing the Office of the National Secretary-Treasurer.

In the Office of the National Secretary-Treasurer, we are constantly looking for ways to assist the financial officers of this great union in performing their duties more efficiently and effectively. Therefore, if you have any suggestions or wishes of programs/classes that you would like to see, please feel free to contact us.

Basic Financial Officers Training Class Schedule

*The **In-person** classes will be held in the AFGE Headquarters Building at 80 F Street, NW, Washington, DC 20001. We are tentatively planning the March and October 2023 classes in Las Vegas and Chicago, respectively.*

<u>In-Person</u>	<u>Online</u>
January 23-26, 2023	January 17-19, 2023
February 14-17, 2023	February 21-23, 2023
March 27-30, 2023	March 21-23, 2023
April 24-27, 2023	April 18-20, 2023
<i>No Trainings due to District Caucuses</i>	
June 20-23, 2023	June 6-8, 2023
July 24-27, 2023	July 18-20, 2023
August 21-24, 2023	August 29-31, 2023
September 25-28, 2023	September 19-21, 2023
October 23-27, 2023	October 17-19, 2023

LM Classes - Online

LM-2	February 24, 2023	March 10, 2023
LM-3	March 3, 2023	March 17, 2023

IRS Form 990 Classes – Online

990	April 21, 2023	April 28, 2023
990-EZ	May 5, 2023	May 12, 2023

Audit Process Class

January 20, 2023	February 17, 2023
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Credentials Process Classes - *The Credentials class will be offered during the evening because of issues with Official Time*

January 31, 2023	February 16, 2023
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A photograph of a paved path winding through a forest in autumn. The path is covered with fallen orange and yellow leaves. The trees are tall and thin, with some still having green and yellow leaves. The atmosphere is misty and soft. The text is overlaid on the image.

In Solidarity,

Until

next

time