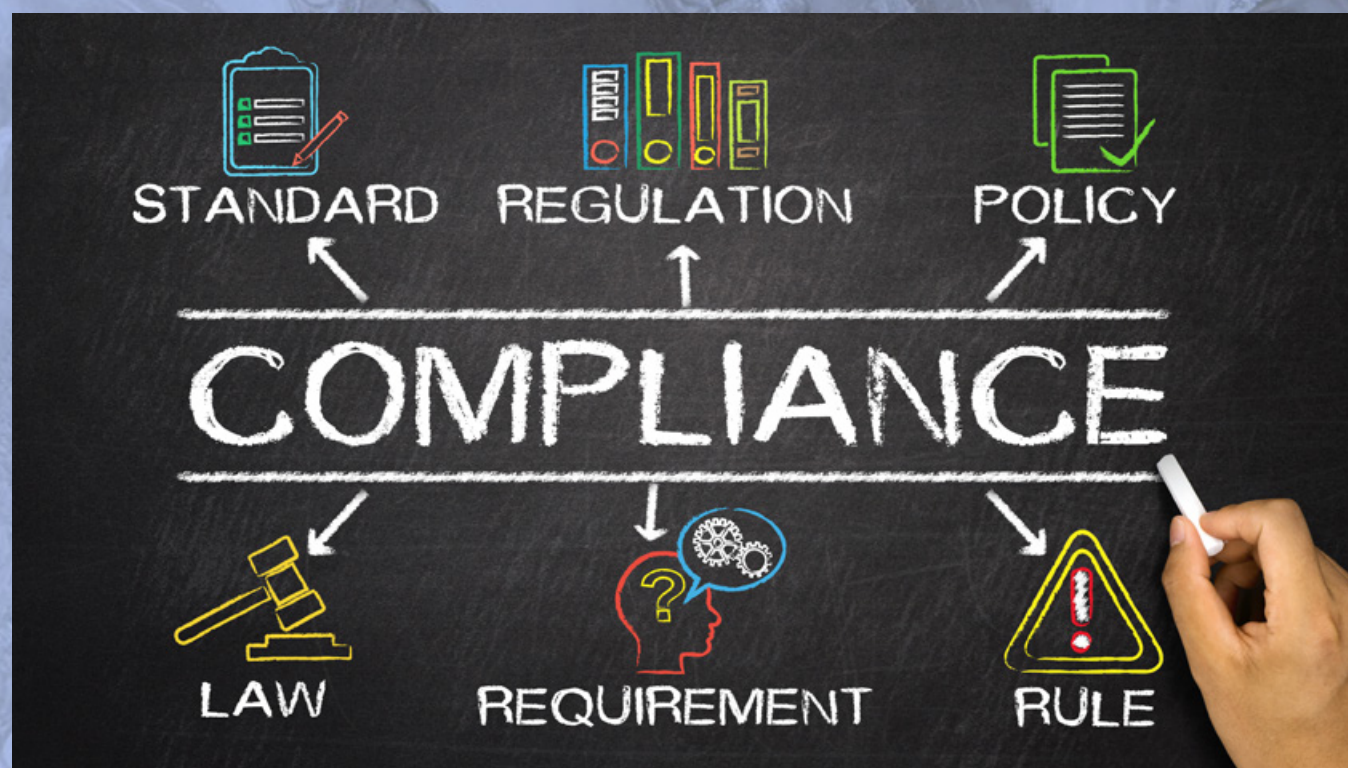




NST ADVISOR

“Are YOU Fiscally Compliant?”

Fall 2021 Edition



Message from National Secretary-Treasurer Eric Bunn, Sr.



A point that we continually stress in our Financial Officers Training is that local leaders handle some of the most regulated money in the United States. Consequently, there are several compliance requirements that must be met. The Department of Labor (DOL) requires the annual filing of the LM Report, and the Internal Revenue Service (IRS) requires the annual 990 filing. If that's not enough, the IRS has additional reporting requirements if certain payments are made to vendors or employees. Add to that, the requirements of reporting to the National Office and your membership, and the task can seem daunting.

When I look around the Federation, there are many issues concerning compliance. Currently, approximately 40% of AFGE affiliates do not file their annual LM Report timely; and as of August 13, 2021, 825 locals out of a total of 944 AFGE locals (87%) have not submitted their Annual Audit Certification (Form 41) and a copy of their LM filing to the National Office as required by the AFGE National Constitution. Additionally, in reviewing the audits performed from January 2019 to June 2021, there are significant instances in which affiliates are not maintaining proper supporting documentation for cash disbursements; not properly authorizing cash disbursements and not properly taking and maintaining meeting minutes. Many of these issues are leading to misfeasance and malfeasance among our locals and have caused a higher-than-normal rate of bond claims being filed. These issues must be addressed to ensure a financially strong AFGE from top to bottom.

This issue of the NST Advisor seeks to clear some of the possible confusion and set our affiliates on the correct path. It talks about the need and purpose of the new Random Compliance Audit Program initiated by the Office of the National Secretary-Treasurer (NST). It will also discuss the budget process and why it is critically important in ensuring a strong and viable financial management system. And, this issue will discuss the bond, why it is important and how locals can file bond claims.

As stated previously, AFGE must be financially strong from the National Office down to each local. This will ensure that our voices will continue to be heard in Congress, the White House, and State Houses across the country. I recently attended a meeting at the White House with President Biden wherein he thanked unions for the pivotal role they play in protecting labor workers' rights and jobs. Just as President Biden offered his thanks to the Local Leaders present, I am compelled to transfer that thanks to each of you for the work that you do to ensure your locals are fiscally sound. As financial officers' of AFGE part of accomplishing that goal is to stay compliant with the myriad of regulations affecting our locals and councils. This is a baton that must be picked up by each local and council officer to get AFGE, as a whole, across the finish line stronger and better than ever.

Eric Bunn, Sr.
National Secretary-Treasurer

NST ADVISOR

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The Annual Budget Process

What you need to know

by: Willie Hope, Jr., Special Assistant to the NST

Summer is about to end and the fall season, with its chilled air and beautifully colored leaves, is upon us. This is a critical time for locals as they begin to plan for another year. One important planning tool is the annual budget. It is important to begin the budget process early enough to ensure that it is completed and approved by membership for the beginning of the new fiscal year (provided your local has a 12/31 year-end). In this article, we will inform you of what a budget is, the importance of a budget and some helpful budgeting tips.

A budget is defined as a quantified financial plan for a forthcoming accounting period. Think of the budget as a financial roadmap. It lets the local know approximately how much money they will have to spend, and it allocates funds to the various expenditure categories. Used properly, the budget helps set financial goals for the local and provides the local with a tool to measure the accomplishment of those goals.

A budget is important for a couple of reasons. A budget assists financial officers in planning the actual operations of their locals. It allows the Executive Board to look at the estimated pool of resources for the local and allocate them for their best uses. Also, for AFGC locals, a budget is required. The Standard Local Constitution 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."* The Standard Local Constitution also states, *Expenditures by the Executive Board in excess of \$500 per month must have the 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."* Therefore, the budget allows the Executive Board to obtain a prior approval for the expenditure of local funds.

With that said, how should a local prepare its budget? The Office of the National Secretary-Treasurer has a Budget Template to help locals prepare their budget. This Budget Template is a *Microsoft Excel®* file which can be found on the NST Resources page of the AFGC website under the *Class Resources* tab. Even if you prefer not to use our template, it is strongly suggested that you use some type of spreadsheet program to create your budget. This allows for multiple calculations and quick and easy changes to evaluate multiple budget scenarios. Below are some tips to help locals prepare their budget.

Calculate the budget on an annual basis

While many businesses prepare their budgets on a monthly basis, most locals only need to have an annual budget. As stated above, one of the main reasons to prepare a budget is to obtain approval to spend funds. Therefore, locals may only need to review the budget v. actual on a year to date basis. This allows the local to determine whether additional funds should be requested from the membership.



Projecting cash receipts

Projecting the cash receipts for the local is the first thing that should be done. This not only tells the local how much money it's expected to receive during the upcoming fiscal year; but more importantly, it tells the local approximately how much it can spend for the upcoming fiscal year. To calculate the projected cash receipts, obtain the total membership numbers broken down by membership type and the dues rate for each membership type. The projected cash receipts are calculated by multiplying the number of members *times* the dues rate *times* the number of periods. For example, the local has 625 members and the local dues rate is \$25 per pay period. The estimated annual receipts are 625 members x \$25 per pay period x 26 pay periods which is \$406,250.

Please note that if the local has multiple dues rates, then a calculation should be done separately for each dues rate. For example, GS-7s pay \$18 per pay period, GS-9s pay \$20 per pay period and GS-12s pay \$25 per pay period. In this scenario, the projected cash receipts calculation is as follows:

Grade Level	Total Members	Dues Rate	No. of Pay Periods	Total Dues
GS-7	225	\$18	26	\$105,300
GS-9	250	\$20	26	130,000
GS-12	150	\$25	26	97,500
Total Estimated Dues				\$ 332,800

One question is, how do locals estimate their membership numbers? My answer is they don't. Just use the latest membership information from local records or *My Local 3* to estimate the projected cash receipts. If preferred, take a 3, 6 or 12-month average of the membership numbers and use it. Also, don't try to calculate any projected increases in the membership numbers. This can get messy and increase projected cash receipts to an unrealistic amount. Remember, a budget is meant to be conservative.

Don't forget to project all other reasonable sources of cash receipts. This may include interest income on savings or investment accounts; or planned fundraising events.

Calculate Per Capita Tax

Per Capita Tax (PCT) is the amount that each local pays per member to be affiliated with AFGE. The PCT helps to fund the National and District Offices and the programs that assist locals. To calculate PCT, obtain the total number of members and the PCT rate. The PCT rates, which can be found in the National Constitution, are as follows:

Type	Rate per month
Regular active members	\$20.91
Regular retired members	2.00
Insured active members	21.96
Insured retired members	3.05
NAF (>GS-4, Step 1)	10.46
Special retired affiliates	2.00

To calculate the PCT, multiply the number of members *times* the rate per month *times* 12. Also, remember to calculate the PCT for the various councils that the local belongs to. Depending on the structure of a local, it may belong to several councils.

Projecting cash disbursements

Projecting cash disbursements can be more of an art than a science. There are a couple of ways to project expenses and each will depend on the level of knowledge a local has at the time of preparing the budget. If there is sufficient knowledge of certain factors affecting the budget, then you can be more exact with the calculation of budgeted expenses. For example, the local bylaws state that the President will receive a \$200 per month stipend and the Treasurer and Secretary each will receive a \$150 per month stipend. With this information, the local can reasonably calculate the total amount of officer stipends for the year at \$6,000.

There are also times when locals don't have sufficient knowledge of circumstances affecting their budget. One of the best methods to use in these instances is prior experience. With prior experience, the local reviews the past expenses for a particular expense category to help project what future expenses might be. The local can take a 3 to 5-year average of these expenses to estimate the amount to budget for the upcoming year. For example, the local doesn't know how much to budget for office supplies. The local also doesn't know what office supplies it will need to purchase throughout the year. However, using prior experience, the local notes that in the last 3 years an average of \$1,500 a year was spent on office supplies. Therefore, \$1,500 is used as their budget amount for office supplies.

It is always a good idea to add 1 to 3% to the initial budget amounts. This will account for inflation. Don't significantly increase or decrease any budgeted amounts unless there is some prior knowledge of expected future events. For example, the local changed its bylaws to include a new officer to the Executive Board. Additionally, the local generally provides a laptop and business cards to all officers. This event will likely increase the office supplies budget significantly; therefore, the local may want to add the estimated increase to its budget. However, planning for all contingencies is nearly impossible so adding the 1 to 3% cushion across the board should help in that regard.

Zero the budget

After projections are made for both cash receipts and disbursements, the local will have either a surplus (more projected cash receipts than projected cash disbursements) or a deficit (more projected cash disbursements than projected cash receipts). It is recommended that the local zero the budget. If there is a projected surplus, then it should be added to the reserve cash. Likewise, if there's a projected deficit, it should be taken from the reserve cash to cover the deficit. However, if there is a deficit, but not enough in the reserve cash to cover it, the budget will need to be re-visited.

This is the only time in the budget process that existing cash balances should be considered. In the past, some locals have added the beginning cash balance to the projected cash receipts for the year. This is not a preferred method because it encourages spending all available cash for a local. From year to year, locals may need ready cash reserves to handle unexpected occurrences such as legal costs or travel. Therefore, locals are encouraged to project spending using the projected cash receipts for that period only; and if possible, add to its reserve cash fund.

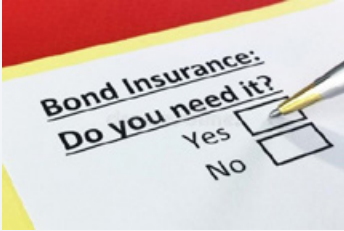
Once the budget is complete, it is ready to be presented to the membership for approval. Once approved, please keep in mind that the actual expenses should be compared to the budget, at least, once a month. This will allow the local sufficient time to request additional funds and make adjustments in the budget if necessary.

With these small tips, you should be ready to prepare the local budget.

Bond Insurance

Protect Your Local's Resources

By: Teya Bruce, Field Accountant/Trainer



Does our Local Need Bond Coverage? Why? How much Bond coverage do we need? How can we increase our Locals' Bond coverage? If you are unsure about the answers to any of these questions, no need to stress as this article will help steer you in the right direction; therefore, keep reading!

"We can't Predict the future, so let's Protect it" is a common phrase used to encourage someone to invest in the protection against life's uncertainties. This concept also applies when purchasing bond coverage. A bond is basically an insurance policy that protects your Local or Council's assets. AFGE locals are required to maintain compliance with the Labor Management Reporting Disclosure Act (LMRDA), Section 502(a), which states

"Every officer, agent, shop steward, or other representative or employee of any labor organization or of a trust in which a labor organization is interested, who handles funds or other property thereof shall be bonded to provide protection against loss by reason of acts of fraud or dishonesty on his part directly or through connivance with others."

This means that any person connected with a union or trust who handles funds or other property **must be bonded**. A person who is not bonded can have nothing to do with the handling or custody of union or union-affiliated trust funds or property. The bonds that AFGE purchases are a type of insurance agreement which guarantees reimbursement to the local for any financial losses caused by fraudulent or dishonest acts by officers or employees, such as theft, embezzlement, or forgery.

AFGE National secures a blanket bond that provides coverage for all offices, employees, and stewards of an affiliate who handle funds or property of the union. As required by the LMRDA, the local affiliates must be bonded for at least 10% of the funds handled by the local up to a maximum bond coverage of 500,000. However, the Office of the National Secretary-Treasurer (NST) recommends that local affiliates be bonded for, at least, 20% of the funds handled.

The simple calculation that can be done each year when completing the LM Report is [(beginning cash balance + total cash receipts) x 10%].

For example: Local 1974 in District 13 has \$13,000 in the bank at Jan 1, 2020. Deposits on their Bank Statements from Jan 2019-Dec 31, 2019 totaled \$50,000. The Bond Requirement for 2020 will be as follows...



Beginning Year Cash Balance	13,000.00
Total Deposits for Prior year	50,000.00
Total	63,000.00
10% of Total (Min. Bond Requirement)	6,300.00

If this amount is more than the face value of your bond, then the union will need to contact the NST to increase the bond coverage for the local. Any lapse of adequate coverage is a violation of the LMRDA. A local can find its current bond coverage amount by logging into MyLocal3, click the **Local Profile tab**, and click the **Election and Financial Detail Section**. Please note that only Local Presidents and Local Treasurers (Secretary-Treasurers) have access to MyLocal3. In order to increase/decrease your bond coverage, please call the National Secretary-Treasurer's Office at 202-639-6438. Also note that Bond insurance premiums are renewed every 3 years. AFGE last billed Locals and Councils for their bond premium in 2019; therefore, bonds will be renewed in January 2022.

If a local/council has a loss due to fraud or embezzlement, it should be immediately reported to the National Secretary Treasurer's Office. The NST's Office serves as a liaison between the Bond company and the Local/Council. Here are the steps to file a bond claim.....

- Call (202) 639-6438 to report the loss to the NST's Office
- NST's Office will then notify the bond company of the loss
- The bond company issues Proof of Loss (POL) forms
- The POL forms are mailed by the NST's Office to the local/council with instructions
- The local/council completes the POL forms and returns to the NST's Office
- The bond company assigns a claims attorney to investigate the case
- Once the claims attorney reaches a finding, a check for the loss is issued

If you'd like to get more detailed information regarding bond insurance, the Department of Labor has a publication entitled Bonding Requirements. This can be found on the DOL website at the following link: <https://www.dol.gov/agencies/olms/compliance-assistance/tip/bonding-requirements>

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



The Random Audit Program

Why it's here and how it works

By: Omar Arnold, Field Accountant/Trainer

Why is AFGE doing this?

In a letter sent in October 2020, the Department of Labor (DOL) informed AFGE that between 1998 and 2019, the Office of Labor Management Standards, the division of DOL that oversees the collection of LM reports and enforces the LMR-DA, recorded 196 criminal convictions of AFGE local union officers and employees who have embezzled money. This is an average of 9 criminal convictions per year, the second highest rate of convictions of all 52 international unions. This startling fact, combined with the fact that only 10% of AFGE locals provided copies of their LMs and annual audit forms to AFGE National, makes it clear that AFGE must do more to ensure that its affiliates are following Federal regulations. Therefore, AFGE has implemented a Random Audit Program.

Other than ensuring compliance with DOL and AFGE constitutional rules, the Random Audit Program seeks to assist AFGE Locals and Councils with improving their financial management practices. The work of AFGE members is vital to the functioning of this union and nation. To ensure that our affiliates act in the best interest of its membership, AFGE Locals and Councils must have consistent and reliable processes and sufficient financial resources to function. Therefore, the Random Audit Program allows those that are audited to identify inconsistent practices and act quickly and decisively to maintain honest and effective financial policies and procedures to ensure that your Local or Council is functioning in a transparent and efficient manner.

How does the Random Audit Program work?

Article XXIV, Section 8(d) of the AFGE National Constitution states that, *"In order for the bond to be effective, the affiliate must file within 90 days after the close of its fiscal year a copy of the AFGE form for the annual audit and a copy of the Department of Labor required form."* The annual audit form (Form 41) is a form that attests that a Local or Council has completed an audit of its financial records for the year. The information needed to complete an annual audit is the same information need to complete the Department of Labor form (the LM), as well as the 990, the tax form that the IRS requires all tax-exempt organizations to file annually. All affiliates that uploaded their LM report and Form 41 to AFGE via the MyLocal website or email to the Finance Department by July 25th or 90 days after their fiscal year end will be exempt from selection in the Random Audit Program this year. Locals and Councils who do not meet this deadline will be placed in the pool for selection of a random audit.

Under the authority of Article XXIV, Section 9 of the AFGE National Constitution, which states that, *"All books, records, and fiscal accounts of a local or council shall be open at all times to the inspection of the national officers or accredited representative of the NEC and any duly authorized and accredited representative of the local or council,"* the NST's Office can conduct random audits. A letter will be sent to your Local or Council to notify you that you are subject to a random audit, along with a list of documents and files needed to complete the audit for that year. Upon receipt of the letter, your local or council will have 14 days to either email the requested materials to NSTmailbox@afge.org or physically mail them to AFGE, Attention: Willie Hope, 80 F Street, N.W., Washington, DC 20001. If your local would prefer an in-person audit, this can be accomplished; however, the local or council will be responsible for the travel costs of the auditor. An in-person audit would be conducted by either a field accountant from the Office of the National Secretary-Treasurer's (NST) Office or a District Representative. Generally, the auditor will be onsite for approximately 5 days and will need to have access to the materials requested, workspace, and Local or Council officers for interviews. If your Local wishes to schedule an in-person audit, please contact Willie Hope at willie.hope@afge.org or (202) 639-6949 to discuss scheduling.

NST DEPARTMENT UPDATES

NEW HIRE



Teya Bruce

Field Accountant/Trainer
Teya.Bruce@afge.org

Ms. Bruce is responsible for independently performing financial and/or compliance audits of AFGE Locals and Councils. Additionally, Teya provides financial trainings to AFGE National Officers, local and council officers, & staff that will aid in the proper and timely reporting of the affiliates' financial activity to ensure compliance with regulations prescribed by DOL, IRS and AFGE.

DO YOU KNOW WHO YOU ARE SPEAKING WITH - SPOTLIGHT



Syed Faisal

Membership Data Integrity Manager - Data Processing

Syed Faisal started at AFGE in 2010 as Membership Data Integrity Manager in Data Processing under Finance Department. Prior to joining AFGE Syed worked at National Nurses United as Assistant Membership Director. He has extensive experience working in Membership databases and Accounting. Syed handles membership data including reconciling membership for proper PCT billing, Local profile updates and Local rebate reimbursement. He oversees the Customer Service team who provide support to Local officers and members. In addition, he also communicates directly with local officers and members responding to their inquiries and providing them technical assistance.

FINANCIAL OFFICERS TRAINING

The Office of the National Secretary-Treasurer (NST) continues its mission to educate AFGE Financial Officers on their fiduciary responsibilities with our Financial Officer Training series.

Although vaccinations are steadily increasing, COVID is still a concern. In 2022, the NST is proposing to return to in-person classes while still offering an on-line option.

Financial Officers Training is strongly encouraged for new officers to ensure they have the requisite knowledge to keep their locals in compliance with Department of Labor, Internal Revenue Service and AFGE laws and regulations. The Financial Officers Training is also encouraged for entire Executive Board as a refresher every two to three years.

The **proposed** training schedule for the 2022 is as follows:

- **Financial Officers Training Class** (Washington, DC)
 - January 24-27, 2022
 - February 14-17, 2022
 - April 25-28, 2022
 - July 25-28, 2022
 - September 26-29, 2022
- **Financial Officers Training Webinar**
 - January 18-20, 2022
 - February 22-24, 2022
 - March 22-24, 2022
 - August 23-25, 2022
 - October 25-27, 2022
- **IRS Form 990 Training Webinar**
 - April 19, 2022
- **LM-2 Training Webinar**
 - March 18, 2022
- **Audit Process for AFGE Affiliates Webinar**
 - January 21, 2022
 - February 18, 2022



If you should have any questions, please feel free to contact:

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