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## Audits

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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 was the 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 and 2010 AFT conventions adopted the following amendments to the AFT bylaws. Under the new requirements, all locals with a year-end after July 9, 2010 (date the new requirements were approved by convention delegates) are subject to the change.

**These changes became effective for your fiscal year's end July 31 and later:**

Article IX, Sections 1, 2, 3 and 4

**Section 1.** AFT affiliates with 2,500 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 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.

**Section 2.** AFT affiliates with 1,000 but fewer than 2,500 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 or a review of its financial statements in accordance with generally accepted auditing standards by an independent CPA whose firm does not have responsibility for the affiliate's regular bookkeeping or for preparation of its routine financial statements. The audit or the review must be prepared in accordance with generally accepted accounting principles. Appended to the audit or the review submission must be a letter signed by the affiliate's principal officer and the CPA certifying that the audit or the 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. If financial irregularity or financial misfeasance is indicated, the three full-time AFT officers may require an affiliate to submit an audit, rather than a review. If an affiliate is notified that it must submit an audit, the requirement to do so shall remain in place until the three full-time AFT officers inform the affiliate that it is no longer required.

**Section 3 .** 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 4.** Where a required audit, independent CPA review 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, independent CPA review or financial review, pursuant to Section 1, 2, or 3 of this Article, conducted at the affiliate's expense. Such an analysis 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 reviews as outlined in Section 3 above. 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.

Please send your local's current audit to:

American Federation of Teachers  
Financial Services Department  
555 New Jersey Avenue, NW  
Washington, DC 20001

**American Federation of Teachers, AFL-CIO** F 555 New Jersey Ave. N.W. F Washington, DC 20001 F 202-879-4400

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