

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Washington, D.C. 20210



September 30, 2008

Mr. Cary R. Nelson
President
American Association of University Professors
1012 14th Street, N.W.
Washington, D.C. 20005

RE: International Compliance Audit Program (I-CAP)
American Association of University Professors (AAUP)
LM File Number 000-325

Dear President Nelson:

The Office of Labor-Management Standards (OLMS) within the Department of Labor recently completed a compliance audit of the American Association of University Professors (AAUP) to assess its compliance with the provisions of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). The audit was conducted under the OLMS International Compliance Audit Program (I-CAP).

On September 18, 2008, the I-CAP Team conducted an exit interview with you and Howard Bunsis, Secretary-Treasurer, via telephone; Ernest Benjamin, Executive Director; Ann Franke, Legal Consultant; and Rachael Levinson, Senior Legal Counsel. During the exit interview, the I-CAP Team reviewed audit findings, specified actions that the AAUP must take to correct the deficiencies identified, and recommended actions to enhance the union's internal controls. This letter captures the audit's findings as generally discussed during the exit interview. It does not purport to be an exhaustive list of all possible problem areas, since the audit was limited both in scope and duration.

Reporting Violation - LMRDA Section 201(a)

Section 201(a) of the LMRDA requires that every labor organization that amends its constitution and bylaws file a copy of the revised documents when the union files its next annual financial report with OLMS.

1. The AAUP's most recent constitution, amended on June 10, 2006, had not been filed with OLMS at the start of the audit. Copies of this constitution have now been filed. The Form LM-2 instructions require that if the AAUP's constitution and bylaws were changed in the reporting period (other than rates of dues and fees), a dated copy of the new constitution and bylaws must be submitted to OLMS with the Form LM-2 for that reporting period (and as an electronic attachment to the Form LM-2). The I-CAP Team informed the AAUP of its responsibility to submit all future changes to its constitution to OLMS as an electronic attachment to its next Form LM-2.

Reporting Deficiencies - LMRDA Section 201(b) - 2006 Form LM-2

Section 201(b) of the LMRDA requires that every labor organization file with OLMS an annual financial report that accurately discloses the union's financial condition and operations. The following deficiencies were noted on the AAUP Form LM-2 for the fiscal year ending December 31, 2006. The deficiencies identified in this section must be corrected in an amended Form LM-2 for the report period ending December 31, 2006. Further, subsequent Form LM-2 filings must be prepared so as not to contain these deficiencies.

2. The AAUP incorrectly answered "No" to Item 13 (Losses or Shortages). The audit revealed that the AAUP wrote off \$289 in missing petty cash at the end of the fiscal year ending December 31, 2006. The Form LM-2 instructions require the union to answer "Yes" to Item 13 if the union experienced a loss, shortage, or other discrepancy in its finances during the reporting period and describe the shortage in detail in Item 69 (Additional Information). The AAUP must answer "Yes" and describe the shortage in detail in item 69 (Additional Information).
3. The AAUP reported beginning balances in Items 22 (Cash), 23 (Accounts Receivable), 25 (U.S. Treasury Securities), 26 (Investments), 27 (Fixed Assets), 28 (Other Assets), 30 (Accounts Payable), and 33 (Other Liabilities) on the Form LM-2 for fiscal year ending December 31, 2006 that were different than the ending balances on the Form LM-2 for fiscal year ending December 31, 2005. For example, the beginning balance in Item 23 (Accounts Receivable) on the 2006 Form LM-2 report was reported as \$1,681, 210, whereas the ending balance in Item 23 on the 2005 Form LM-2 was reported as \$1,071,211, a difference of \$609,999. The AAUP reported in Item 69 (Additional Information) of the 2006 Form LM-2 that the balances were "adjusted to 2005 audit". This is not an

adequate explanation as to the reason for the adjustments. These changes must be explained in greater detail in Item 69.

4. The \$1,681,210 amount reported by the AAUP as the beginning balance in Item 23 (Accounts Receivable) included a \$32,022 net reduction as an "allowance for doubtful accounts". The AAUP described this amount as adjustments for the difference between amounts billed versus the amounts actually owed and received. The AAUP, however, was unable to provide documentation to support the validity and accuracy of this account or these adjustments. The LM-2 instructions for Item 23 require that if accounts receivable are carried on the union's books as net (gross accounts receivable less the allowance for doubtful accounts), the union should report the allowance for doubtful accounts in Item 69 (Additional Information). Further, the LM-2 instructions for Schedule 1 (Accounts Receivable Aging Schedule) require that all accounts receivable that were liquidated, reduced or written off during the reporting period be itemized in Schedule 1 and further detailed in Item 69 (Additional Information).
5. The AAUP did not itemize on Schedule 1 (Accounts Receivable Aging Schedule), Lines 1 through 24, all accounts receivable of \$5,000 or more that were more than 90 days past due at the end of the report period. LM-2 instructions require the reporting in Schedule 1 of all individual accounts receivable of \$5,000 or more that were 90 days or more past due at the end of the reporting period or that were liquidated, reduced or written off during the reporting period. The audit revealed approximately \$265,753 of accounts receivable that should have been itemized on Schedule 1. The AAUP must itemize these receivables on Schedule 1.
6. The AAUP did not report all loans receivable on Schedule 2 (Loans Receivable). The audit revealed that the AAUP made two loans, \$4,000 to the Lincoln University chapter and \$10,000 to the Akron University chapter that were outstanding during the audit period and were not reported on the Form LM-2. The LM-2 instructions require the reporting in Schedule 2 of all direct and indirect loans owed to the union at any time during the report period by individuals, business enterprises, benefits plans, and other entities including labor organizations.
7. The AAUP reported \$1,184,078 in sales of investments in Schedule 3 (Sale of Investments and Fixed Assets) and \$1,081,143 in purchases of investments in Schedule 4 (Purchase of Investments and Fixed Assets), but failed to report any amounts in Line 14 ("Less Reinvestments") of Schedules 3 and 4. The AAUP

reported the full amount of sales and purchases of investments as net sales and purchases in Item 43 (Sale of Investments and Fixed Assets) and Item 60 (Purchase of Investments and Fixed Assets). The audit determined that significant amounts of these sales and purchases were actually "reinvestments." The Form LM-2 instructions for Schedules 3 and 4 require unions to enter on Line 14 the total amount from the sale or redemption of U.S. Treasury Securities, marketable securities, or other investments that was promptly reinvested (i.e., "rolled over") in the U.S. Treasury Securities, marketable securities, or other investments during the reporting period.

Generally, "prompt" means reinvesting (or "rolling over") the funds in a week or less without using the funds for any other purpose during the period between the sale of the investment and the reinvestment. The AAUP must therefore report the amount of "reinvestments" in Line 14 of Schedule 3 and 4 and report only the net sales and purchases of investments in Items 43 and 60.

8. The AAUP failed to report the value of its investments at book value in Schedule 5 (Investments) and Item 26 (Investments). The Form LM-2 instructions require the union to report the value of its investments at book value, which is defined as the lower of cost or market value. The AAUP inaccurately reported an amount higher than cost. The AAUP must report the investments at book value.
9. The AAUP incorrectly reported \$142,078 of "money market funds" as marketable securities in Schedule 5 (Investments) and Item 26 (Investments). The Form LM-2 instructions require the total of all the union's cash, including savings accounts, certificates of deposits, and money market accounts, to be reported in Item 22 (Cash).
10. The AAUP incorrectly "netted" the difference between interest income received by the AAUP and broker fees paid by the AAUP in Item 40 (Interest Income). The LM-2 instructions require the reporting of all cash receipts and all cash disbursements. The LM-2 instructions do not permit "netting" which is described as the offsetting of receipts against disbursements. The AAUP must accurately report all interest income as cash receipts in Item 40 and all broker fees paid as cash disbursements in Schedule 18 (General Overhead).
11. The AAUP incorrectly reported \$149,160 of "corporate notes" in Line 25 (U.S. Treasury Securities). Corporate notes are not U.S. Treasury Securities and are instead reportable as "Marketable Securities" in Schedule 5 (Investments) and Item 26 (Investments).

12. The I-CAP Team could not confirm the accuracy of the amounts reported on Schedule 6 (Fixed Assets) because all assets could not be identified and located or the cost and value could not be verified. More specifically, certain office furniture and equipment reported as fixed assets could not be identified or located. The audit revealed that three Xerox copiers, the value of which had been included in the AAUP's balance of fixed assets in Schedule 6, had actually been disposed of prior to the end of the report period. Additionally, the cost and date of purchase of certain assets on the AAUP's depreciation list could not be established. The Form LM-2 instructions require that the labor organization accurately report details of all fixed assets, such as land, building, automobiles and other vehicles, and office furniture and equipment owned by the labor organization. In order to satisfy the reporting requirements for fixed assets and report accurate and verifiable amounts in Schedule 6, all fixed assets must be identified and located; a physical inventory must be conducted; and all asset costs and values must be determined and accurately reported.
13. The AAUP incorrectly answered "No" to Item 15 (Acquisition or Disposition of Assets in a Manner other than Purchase or Sale). The audit determined that AAUP returned three obsolete Xerox machines to the vendor. As noted in the above reporting deficiency, the AAUP still incorrectly included the value of these assets in Schedule 6 (Fixed Assets). The AAUP must remove these balances from Schedule 6, answer "Yes" to item 15, and report the details of the disposition in item 69 (Additional Information) in order to accurately report fixed assets.
14. The audit revealed that AAUP operates a store for the online purchase of merchandise by members at cost. The AAUP purchases, maintains, and sells this union-related merchandise at cost. The AAUP, however, did not report the purchase of this merchandise for resale in Item 59 (Supplies for Resale); or receipts from the sale of this merchandise in Item 39 (Sale of Supplies); or the value of its inventory of merchandise as an asset in Schedule 7 (Other Assets). The AAUP must report these receipts, disbursements, and assets in accordance with the LM-2 instructions.
15. The AAUP reported "Prepaid Other" as a description of assets in Column (A) of Schedule 7 (Other Assets). This description is not sufficient to identify the type of assets, as required. The LM-2 instructions require that other assets must be described in Column (A) and may be classified by general groupings or bookkeeping categories, such as utility deposits or inventory of supplies for

resale, as long as the description is sufficient to identify the type of assets. More detailed descriptions in Column (A) of Schedule 7 are required.

16. The AAUP did not properly report accounts payable to Cadmus and MKTG Services in Schedule 8 (Accounts Payable Aging Schedule). The individual lines (Lines 1 through 24) of Schedule 8 should be used to report individual accounts payable valued at \$5,000 or more and that are 90 days or more past due at the end of the reporting period or that were liquidated, reduced or written off during the reporting period. The AAUP did not report the accounts payable to Cadmus and MKTG Services even though both invoices were older than ninety days and over \$5,000, and therefore should have been itemized in Schedule 8. These accounts payable must be reported on an individual line in Schedule 8 and must be properly categorized by age, as required in the Form LM-2 instructions.
17. The AAUP failed to report an additional \$8,829 of account payables in Schedule 8 (Accounts Payable Aging Schedule) and Item 30 (Accounts Payable) that were subsequently identified by the AAUP's accountant and noted by the I-CAP Team. The AAUP must accurately report and categorize by age all accounts payable in Schedule 8 and Item 30 as required in the LM-2 instructions.
18. The AAUP reported "Other Liabilities" as a description of other liabilities in Column (A) of Schedule 10 (Other Liabilities). This description is not sufficient to identify the type of liabilities, as required. The LM-2 instructions require that other liabilities must be described in Column (A) and may be classified by general groupings or bookkeeping categories, as long as the descriptions are sufficient to identify the type of liabilities. More detailed descriptions in Column (A) of Schedule 10 are required.
19. The AAUP reported the names of its officers and employees in order of first name, last name, and middle initial in Column (A) of Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees). The LM-2 instructions require the union to enter the last name, first name, and middle initial of each officer and employee in Schedules 11 and 12, as appropriate.
20. The AAUP did not accurately report disbursements on Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). The Form LM-2 instructions require that direct and indirect disbursements to each officer and employee that were necessary for conducting official business of the labor organization be reported in Column (F). Specifically, disbursements to one officer and one employee were overstated by approximately \$555.69 and

\$1,792.52 respectively in Column (F). Additionally, at least one employee's credit card expenses totaling at least \$2,438.92 were not included in the total expenses reported in Column (F).

21. The AAUP reported \$1,013,707 in Item 67a (Withholdings Taxes and Payroll Deductions - Total Withheld) which does not agree with the \$1,021,253 total amount for withheld taxes and all payroll deductions reported in Schedules 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). These figures should agree pursuant to the LM-2 instructions.
22. The AAUP did not report receiving any per capita tax in Item 37 (Per Capita Tax). The AAUP reported receiving \$4,768,635 in Item 36 (Dues and Agency Fees). The audit disclosed that a portion of this \$4,768,635 was actually reportable as per capita tax in Item 37. The LM-2 instructions require including in Item 37 the per capita tax portion of dues received directly by your organization from members of affiliates, per capita tax received from subordinates, either directly or through intermediaries, and the per capita tax portion of dues received through a check-off arrangement whereby local dues are remitted directly to an intermediate or parent body by employers.
23. Several itemization pages in support of Schedules 15 (Representational Activities), 18 (General Overhead), and 19 (Union Administration) disbursements contain inadequate descriptions of the type of business or job classification in Column (B) and of the disbursement purpose in Column (C). In several instances, the type of business or job classification in Column (B) was inadequately described as "Professional Services", "Individual", "Consultant", or "Vendor". In a few instances, the disbursement purpose in Column (C) was inadequately described as "Professional Services". The Form LM-2 instructions require reporting descriptions in Column (B) sufficient to adequately identify the type of business or job classification of the entity or individual receiving payments, such as printing company, office supplies vendor, lobbyist, think tank, marketing firm, legal counsel, etc. The Form LM-2 instructions require reporting in Column (C) a brief statement or description of the reason the disbursement was made, such as preparing organizing campaign pamphlets, staffing a help desk, litigation regarding representation issues, etc. The AAUP must provide more descriptive business types, job classifications, and purposes in Columns (B) and (C) of Schedules 15, 18, and 19.

Reporting Deficiency - LMRDA Section 201(b) - 2007 Form LM-2

Although the I-CAP Team did not audit AAUP's fiscal year ending December 31, 2007, we noted the following deficiency on the AAUP Form LM-2 for the fiscal year ending December 31, 2007. This deficiency must be corrected in an amended Form LM-2 for the report period ending December 31, 2007. Additionally, if your union's 2007 Form LM-2 contains any of the reporting deficiencies noted above with respect to the 2006 Form LM-2, then those deficiencies must also be corrected in your amended 2007 Form LM-2. Further, subsequent Form LM-2 filings must be prepared so as not to contain these deficiencies.

24. In 2007, the AAUP experienced a loss of funds involving misappropriated checks. The AAUP's bank reimbursed the AAUP for the misappropriated funds and the AAUP did not file an insurance claim. The AAUP incorrectly answered "No" to Item 13 (Losses and Shortages) and failed to describe the loss of funds in Item 69 (Additional Information). The Form LM-2 instructions require Item 13 to be answered "Yes" if the union experienced a loss, shortage, or other discrepancy in its finances during the period covered. The Form LM-2 instructions further require that the loss or shortage be described in detail in Item 69, including such information as the amount of the loss or shortage or a description of the property that was lost, how it was lost, and to what extent, if any, there has been an agreement to make restitution or any recovery by means of repayment, fidelity bond, insurance, or other means.

Inadequate Recordkeeping - LMRDA Section 206

Pursuant to Section 206 of the LMRDA, every person required to file any report under this title shall maintain records on the matters reported that will provide in sufficient detail the necessary information from which the reports filed may be verified, explained, or clarified and checked for accuracy and completeness. All required records must be maintained for at least five years following the date the report is filed. Records over five years must be maintained if necessary to verify reports filed within the last five years. Records, such as meeting minutes that note approval for officer salary increases, must be maintained for as long as they remain necessary to verify current financial activities of the union. There were instances noted during this audit where the AAUP did not comply with the recordkeeping requirements of Section 206. During the exit interview, you were informed that adequate records necessary to document all financial transactions, regardless of the amount, must be maintained for a minimum of five years.

25. The AAUP did not maintain sufficient documentation to verify the accuracy of the beginning and ending asset and liability balances reported in Items 22 through 35 on Statement A of the Form LM-2. The LM-2 instructions require the union to retain complete records which sufficiently detail all necessary information from which the reports filed may be verified, explained or checked for the accuracy and completeness.
26. The AAUP did not maintain sufficient documentation to verify the accuracy of the reported accounts receivable balance in Schedule 1 (Accounts Receivable Aging Schedule) and Item 23 (Accounts Receivable). For example, the AAUP reported an unidentified accounts receivable difference of \$4,936.51 and a miscellaneous accounts receivable in the amount of \$2,030. For both of these accounts receivable balances, the AAUP did not have sufficient supporting documentation.
27. The AAUP did not maintain sufficient documentation necessary to differentiate amounts received for dues and agency fees (reportable in Item 36) from the amount received for per capita tax (reportable in Item 37). The AAUP receipt records must include an adequate identification of all monies the AAUP receives. The records should show the date, amount received, and the source of the monies.
28. The AAUP did not maintain documentation in sufficient detail to verify the accuracy and completeness of the membership figures reported in Item 20 (Number of Members) and Schedule 13 (Membership Status) on the Form LM-2.
29. The AAUP did not maintain documentation in sufficient detail to verify, explain, or clarify the source of all receipts reported in Items 36 through 49 on the Form LM-2. Further, with respect to the \$436,826 reported in Schedule 14, Line 3 (All Other Receipts), the AAUP's supporting documentation did not identify all sources of receipts, particularly those receipts that could have potentially totaled more than \$5,000 from any one individual source. The AAUP aggregated deposits and did not always keep a separate record of individual receipts. The AAUP records must include an adequate identification of all monies the AAUP receives. The records should show the date, amount received, and the source of each receipt of money.
30. The AAUP did not retain at least 15 voided checks, which should be retained to verify non-payment.

31. The AAUP did not maintain signed copies of loan agreements documenting AAUP loans to the Lincoln University chapter and the Akron University chapter. The AAUP must maintain adequate backup documentation supporting any loan disbursements, including signed loan agreements.
32. The AAUP failed to maintain documentation for reimbursed expenses and credit card expenses in 2004 and 2005, as well as 2006. Labor organizations must retain original receipts, bills, and vouchers for all disbursements pursuant to Section 206. In certain instances, receipts, bills and vouchers were not retained for officer and employee lodging, airfare, telephone bills, taxi, and meal expenses. Also, employee expense vouchers did not include proper authorization signatures prior to disbursement. The AAUP expense policy states that original receipts and other supporting documentation should be maintained and submitted with the employee expense report.
33. The AAUP records pertaining to meal expenses sometimes did not include the full names and titles of all persons incurring those meal charges. In order to comply with LMRDA Title II, union records pertaining to meal expenses must include the full names and titles of all persons incurring the restaurant charges as well as written explanations of union business conducted.
34. In most instances, officers and employees did not submit itemized receipts for meal expenses. Itemized receipts provided by restaurants to officers and employees must be maintained by the AAUP. These itemized receipts are necessary to determine if such disbursements are for AAUP business purposes and to fulfill the recordkeeping requirement in LMRDA Section 206.
35. AAUP officers and employees who received mileage reimbursement for business use of their personal vehicles did not retain adequate documentation to support those mileage reimbursements. In one case, the mileage rate was incorrectly noted, and resulted in an overpayment of AAUP funds. The AAUP must maintain records which identify the dates of travel, locations traveled to and from, number of miles driven, and business purpose of each use.

Inadequate Bonding – LMRDA Section 502

Section 502 of the LMRDA requires that every person who handles funds or other property of the union shall be bonded for no less than ten percent of the total funds

handled by those individuals or their predecessors during the preceding fiscal year, but in no case more than \$500,000. The audit disclosed a violation of LMRDA Section 502.

36. At the start of the audit, the AAUP had a blanket bond policy covering officers and employees for up to \$500,000. Coverage was through a commercial crime policy that included a self-insurance deductible in the amount of \$5,000. This \$5,000 deductible was improper as any type of self-insurance of union funds, in whole or in part, fails to meet the requirements of Section 502. The AAUP's bond policy was also deficient in that failed to define "employee" broadly enough to cover non-compensated officials of the organization who handle funds. During the audit, the AAUP retained a new commercial crime policy that no longer has a deductible and covers all non-compensated dues collectors, shop stewards, and shop chairman. However, the AAUP's bonding coverage still does not meet the requirements of Section 502. In order to fully comply with Section 502, the AAUP must amend its coverage to include computer fraud and funds transfer fraud, and from per occurrence recovery to per person recovery.

Office Holding Prohibitions - LMRDA Section 504

Section 504 of the LMRDA prohibits persons convicted of certain offenses from holding labor organization office or employment for a period of thirteen years from the date of conviction or release from prison, whichever is later. It is also a violation of Section 504 for another person to willfully and knowingly hire, retain, employ or otherwise place the barred person in a prohibited capacity

37. The AAUP does not conduct criminal background checks of officers or employees. In order to ensure that individuals do not hold office or employment in violation of LMRDA Section 504, the I-CAP Team recommends that the AAUP establish a system for determining whether any officers or employees have disqualifying criminal records. During the exit interview, the I-CAP Team emphasized the importance of verifying background information.

Internal Controls

Adequate internal financial controls are essential to prevent the misuse of union funds and to support financial responsibility and other obligations under Title II and Title V of the LMRDA. Title V of the LMRDA stipulates, among other things, the fiduciary responsibility of officers of labor organizations. As a general rule, weaknesses in financial controls can lead to violations of Section 501 of the LMRDA.

38. The audit revealed several of the accounts payable invoices did not contain approval documentation. The I-CAP Team recommends that the AAUP improve procedures to document approvals of all invoices.
39. The AAUP does not have a detailed inventory of furniture, equipment, and other assets that identifies all assets on hand. It is recommended that a physical inventory be conducted and recorded to identify, locate, describe, and document all fixed assets on hand and better safeguard these assets.
40. The AAUP did not have written procedures for handling petty cash. Although the AAUP was able to articulate procedures, the AAUP should develop and implement formal written policies and procedures to ensure petty cash funds are adequately safeguarded and used strictly for the AAUP's purpose.
41. AAUP policy requires two signatures on all checks for \$1,000 and over. However, the sample of canceled checks examined by the I-CAP Team included several checks over \$1,000 with only one signature. The two signature requirement is an effective internal control of AAUP funds. The I-CAP Team recommends that AAUP adhere to the two signature requirement, not only on checks for \$1,000 and over, but on all checks.
42. The audit revealed that no AAUP officer reviews or approves AAUP bank transfers. The Chief Financial Officer, an AAUP employee, regularly initiates and completes AAUP banks unilaterally and on his own authority. Neither the AAUP nor the bank requires any additional approval prior to transfers. Internal controls should be improved over bank transfers to ensure the propriety of all fund transfers. The I-CAP Team recommends that an AAUP officer approve all fund transfers in advance and in writing.
43. The AAUP check request form requires the signature approval the Director of Finance and the Department Head for the department from which the check is requested. A sample review of the check request forms and supporting documentation revealed that 74% of the sample did not have the Director of Finance's signature approval and 61% did not have the Department Head's signature approval on the check request form. The I-CAP Team recommends that AAUP follow its procedures and require that all check request forms have the signatures of both the Director of Finance and the appropriate Department Head before the disbursement is executed. The I-CAP Team recommends that Department Heads also review, initial and date the source documents to ensure that all AAUP funds are being used only for AAUP purposes.

44. The audit revealed that AAUP procedures for voiding checks were not being followed. The I-CAP Team recommends that the AAUP follow its own procedures for voiding checks, remove the approving signature lines, properly identify and record voided checks in the general ledger, and maintain all voided checks within the accounting department for future reference.
45. The AAUP did not have written procedures for processing cash receipts and cash disbursements during the fiscal year ending December 31, 2006. In 2007, the AAUP developed and implemented written procedures for processing cash receipts. The I-CAP Team recommends that the AAUP develop and implement written policies and procedures for processing cash disbursements.
46. The audit revealed that no AAUP principal officer is involved in any aspect of the "receipt" process, i.e., the process involved from the time money is received until it is deposited by the organization. In order to improve internal controls, the I-CAP Team recommends that, at a minimum, the AAUP National Secretary-Treasurer review the monthly bank reconciliations performed by the Staff Accountant.
47. The AAUP does not have any written policies or procedures for the capitalization of fixed assets. In order to better safeguard assets and improve recordkeeping and reporting, the I-CAP Team recommends that the AAUP develop and implement written policies procedures for the capitalization of fixed assets.
48. The I-CAP Team conducted a petty cash count and discovered that \$344.65 could not be accounted for and was missing from the AAUP petty cash fund. Section 501 of the LMRDA contains civil and criminal provisions with regard to use of labor union money and property.
49. As noted above in issue #24 of this closing letter, the AAUP experienced a loss of funds involving misappropriated checks in 2007. Section 501 of the LMRDA contains civil and criminal provisions with regard to use of labor union money and property.

As discussed during the exit interview, the AAUP must submit, within thirty days from the date of this letter, a response letter to this closing letter, an amended Form LM-2 for the fiscal year ending December 31, 2006, and an amended Form LM-2 for the fiscal year ending December 31, 2007. The response letter should identify the corrective actions

implemented by the AAUP based on the results of this compliance audit. We will schedule an on-site follow-up in approximately six months to review corrective actions taken, to discuss the amended Form LM-2 reports filed by the AAUP, and to continue cooperative efforts to prevent and correct LMRDA deficiencies.

Please accept my appreciation for the cooperation and courtesy extended by you and your staff during this compliance audit. If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script, reading "James D. Devine".

James D. Devine, Chief
Division of International Union Audits

cc: Howard Bunsis, Secretary-Treasurer