



February 27, 2006

Mr. O.V. Delle-Femine
National Director
Aircraft Mechanics Fraternal Association
67 Water Street, Suite 208A
Laconia, NH 03246

Dear Mr. Delle-Femine:

On January 26, 2006 the staff of the International Compliance Audit Program (I-CAP), Office of Labor-Management Standards (OLMS), discussed with representatives of the Aircraft Mechanics Fraternal Association (AMFA or National Union) AMFA's progress in resolving deficiencies identified in the compliance audit that OLMS had conducted last year. The audit and this follow-up review were conducted pursuant to the Labor-Management Reporting and Disclosure Act of 1959, as amended (LMRDA). This meeting was conducted with you and Mr. Doug Butz, AMFA Treasurer. The purpose of the meeting was to review the amended Form LM-2 report submitted by the National Union for fiscal year 2003 and your letter of August 26, 2005 responding to the findings of the audit. As a result of this review we have determined the amended 2003 Form LM-2 corrected the deficiencies earlier identified; however, recommendations regarding internal controls to combat potential fraud and embezzlement have not been entirely implemented. The deficiencies identified during the initial audit, which were conveyed to the union in the I-CAP closing letter dated July 26, 2005, are summarized below. This letter and the previous closing letter do not purport to be an exhaustive list of all possible problem areas since the compliance audit was limited in scope.

Reporting Requirements – LMRDA Section 201

1. The AMFA amended Form LM-2 for the audit period correctly reports individual officer meals in Column (F) of Schedule 9, rather than in Schedule 15.

2. The AMFA amended Form LM-2 correctly reports the National Union's payment of legal expenses for local unions as Professional Fees in Item 62 of Statement B and repayments from the locals as Other Receipts in Item 54 of Statement B, rather than as loans.
- 3./4. There were several items on the Form LM-2 during the audit period that did not disclose the level of detail required by the Form LM-2 instructions. Records must provide in sufficient detail the information and data from which the reports may be verified, explained or clarified and checked for accuracy and completeness. AMFA has agreed to include a sufficient level of detail on all transactions listed on the Form LM-2 for fiscal year 2005.
5. The supplies inventory, and purchase and sale of supplies were not correctly reflected on the Form LM-2 for the audit period. AMFA has amended its QuickBooks accounting program to ensure that the inventory and sales of those items will be correctly reflected on the Form LM-2 for fiscal year 2005.

Recordkeeping - LMRDA Section 206

6. To assess recordkeeping adequacy in this follow-up, the I-CAP team reviewed five months of officer disbursements during fiscal year 2005. On the records reviewed, AMFA provided an adequate business purpose for disbursements, and itemized receipts were provided to support the union business purpose as requested in the I-CAP closing letter.
7. Further, a sample of professional fee disbursements during fiscal year 2005 were reviewed. On those items reviewed, the National Union has provided an adequate business purpose and there is evidence of approval of the disbursements by a union officer as requested in the I-CAP closing letter.
8. Regarding payment for services relating to national elections handled under its contract with the McCormick Group, AMFA will clarify what is included in its base contract when it is renegotiated later this year. The National Union will provide the base contract to OLMS when it is renewed.

Bonding Requirements - LMRDA Section 502

9. As requested in the audit closing letter, the National Union did obtain a bond with no deductible and included the McCormick Group on the bond. However, the bond had no endorsement to cover non-compensated persons, such as trustees or part-time officers. AMFA has requested that a CR-2515 endorsement clause be added to their bond to cover these individuals. A copy of the new bond will be provided to OLMS as soon as it is received by AMFA.

Internal Financial Controls

10. Inadequate internal financial controls relating to the separation of duties for handling receipts and disbursements, identified in the initial audit, had not been resolved at the time of the follow-up. AMFA has indicated in discussions in connection with the follow-up, that the I-CAP recommendations regarding internal control will be reviewed and, to the extent possible based on the small staff size, will be implemented. Below is a summary of the recommendations provided to AMFA to reduce the risk of fraud and embezzlement and better safeguard union funds.

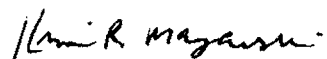
The I-CAP team recommends separating the duties pertaining to funds: their receipt, their custody (deposit), and their entry into the accounting system. The I-CAP team also recommends that an additional staff member be assigned to list the funds that are received and then reconcile the list to the canceled deposit slips.

Regarding the disbursement of funds, checks are currently endorsed by having one staff member stamp the check using two separate officer signature stamps. The I-CAP team recommends two original signatures to endorse checks. If stamps are used, they should be individually secured by two separate staff members. These staff members should not have additional disbursement duties such as preparing checks for signature. Further, one staff member currently has the ability to prepare checks and mail the checks. The I-CAP team recommends a separation of duties between staff who prepare the checks and staff who retain custody (mail) of the checks.

11. The I-CAP team also reviewed telephone, postage, and copier disbursements during fiscal year 2005. On the records reviewed, the National Union did review and approve invoices submitted by McCormick Group before expenditures were paid, as recommended in the I-CAP closing letter.
12. As recommended in the closing letter, AMFA has obtained reimbursement from the McCormick Group for the monthly lease of a computer that could not be located by the National Union.

If we can be of further assistance in the future please do not hesitate to contact us. Thank you again for the cooperation and courtesy extended by you and your staff during this compliance audit.

Sincerely,

A handwritten signature in black ink that reads "Kim R. Marzewski". The signature is written in a cursive style with a prominent initial "K".

Kim R. Marzewski, Chief
Division of International Union Audits