

Seven Deadly Sins of Local Union Financial Recordkeeping

The following was reprinted with permission from Professor John Lund, PhD, School for Workers, University of Wisconsin-Extension. Professor Lund reviewed 522 Department of Labor CAP audit closing letters posted on the OLMS website for fiscal years 2006-2007. From his review of these closing letters, Professor Lund has identified the following top seven recordkeeping violations common to local unions.

Many of the issues mentioned below are often addressed in management letters to our labor union clients.

1. Inadequate documentation or missing receipts for income

- The union must retain the dues transmittal forms from the employers' regular payroll deduction of dues. This transmittal form itemizes the names of the members for whom dues are deducted and these records must be retained for a minimum of five years beyond the year for which the LM-2, -3 or -4 is filed.
- Duplicate numbered receipts should always be issued for "self-payers" (those members who do not participate in payroll deduction, such as retired or unemployed members), for initiation fees not included in payroll deduction, for fines and assessments, sale of supplies, rent, proceeds of vending machine sales and any other miscellaneous income, including the four "R's": raffles, reimbursements, refunds and rebates.
- Either the financial secretary or bookkeeper should check for the duplicate numbered receipt before making up the bank deposit slip(s); that way, if there is insufficient documentation (income source, date, purpose and amount), it will be rectified before the funds are deposited.

2. Inadequate internal controls (e.g. pre-signed checks)

- These sorts of problems can be easily resolved with policies that mandate all union checks must have a counter-signature by a currently-authorized signatory, that no rubber stamp signatures be allowed, that absolutely no checks be pre-signed and that where signature machines are used that the locking mechanism be very carefully safeguarded.
- It is also strongly recommended that audit committees or trustees check at least annually to make sure all signatories are current and that this policy is being complied with. In smaller local unions, particularly where officers may not be in the same town, it may be necessary to sign checks once a month, usually immediately following the union meeting.
- Finally, local unions should use vouchers, which are in effect "permission slips" to write a check: the treasurer cannot write a check unless and until they have a properly completed and signed voucher. Vouchers are needed for all electronic fund transfers as well.
- Another control used by at least one union is a requirement that monthly bank statements be mailed to the president of the local, not the treasurer, even where the local union has its own office.

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3. Inadequate documentation for reimbursed expenses (non credit card) for officers and employees

- Any time an officer or employee submits a claim for reimbursed expenses (other than a union credit card) they must produce an itemized receipt from the vendor—the hotel, airline, restaurant, office supply store, etc.
- No reimbursement will be made if there is no supporting documentation.
- Expense forms must always be used by officers and employees; the expense form must itemize each purchase and allow it to be traced back to the attached documentation. For each such purchase, the expense form must record the date, vendor, amount and union purpose.
- Audit committee members or trustees should routinely audit officer and employee claims for reimbursed expenses to ensure compliance with this policy and report any discrepancies to the governing body of their union.

4. Failure to maintain minutes or expense authorization records

- OLMS routinely requests minute books as part of its CAP audit programs. It is looking to see whether or not expenses have been properly authorized in accordance with the union's constitution, by-laws, policies and standing orders, as well as its minutes.
- It is recommended that local unions try to adopt expense authorization policies into their by-laws or standing orders (where permitted) so that there are blanket policies which cover most authorizations. These standing orders and their adoption need to be documented in the minutes.
- Failing that, unions may simply read all the bills at union meetings and record these bills in their minutes, then have a single motion to approve the bills as read. A list of the bills and the motion approving their payment must be included in the minutes.
- It is also recommended that the recording secretary highlight all motions which authorize expenses in highlighter pen.

5. Failure to maintain bank records (e.g. cancelled checks)

- Not only must the local union regularly reconcile its bank balance (bank statement) with its check register (book balance) but cancelled checks should be retained for the requisite five years. Voided checks must be retained for requisite five years, along with checkbook registers, monthly statements and other bank correspondence; they must not be discarded before then.
- If a local union receives a CAP letter and it does not physically receive cancelled checks from its bank(s) (e.g. "smart checks"), it should request that OLMS obtain those cancelled checks from the bank (OLMS has the necessary law enforcement powers to obtain these and this way, the local union is not charged for producing the cancelled checks).

6. Inadequate documentation for lost wages or salaries

- Any requests for lost wages must record at least four key elements, according to OLMS, besides the name of the individual claiming lost wages:
 - (a) the date(s) for which wage loss is claimed;
 - (b) the number of hours lost on that date;
 - (c) the applicable wage rate used to calculate wage loss on that date; and
 - (d) the union business purpose (simply putting down "union business" is insufficient, according to OLMS).

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- It is recommended that the beginning and ending times of the wage loss be included in the lost wage claim form, and that the member be required to sign a statement in which they certify that all wage loss claimed is for authorized union business, is true and correct.
- Increasingly, we are hearing reports of OLMS investigators independently obtaining company payroll records and comparing them with lost wage claims to verify that wages claimed were actually lost.

7. Inadequate or missing documentation for credit cards

- Regardless of whether the local union is required to maintain records of each vendor listed on the credit card bill or not (this is required for LM-2 filers), it is always good practice to have officers and employees of the local union who use either a union-paid credit card, or a their own individual credit card for which they seek reimbursement of eligible expenses, obtain an itemized register receipt which shows each purchase, as well as the vendor's name and address. In addition, officers or employees claiming reimbursement for these expenses need to write on the back of the itemized register receipt the names of any individuals who were included in a meal expenses, their titles and the nature of the union business discussed. Once again, it is not sufficient to simply write "Union Business"; more detail is required by OLMS.
- A summary receipt which only shows the total, without identifying the individuals included in the meal and the business purpose discussed, is simply insufficient documentation. As one CAP letter noted:
"Each officer is responsible for submitting original supporting documentation for all purchases he/she makes using their union-issued credit card. Those receipts must contain sufficient information, including names and purposes, to show union benefit and therefore justify union payment. A receipt or other supporting documentation (when an original receipt is not available) should accompany every charge on the union credit cards each month. The union is not responsible for payment of charges that are not supported by such documentation. In cases where no supporting documentation is presented by the responsible officer that officer is responsible for payment of such charges."
- Moreover, it is strongly recommended that local unions who issue credit cards to officers and employees adopt a credit card policy which prohibits personal use of credit cards, which spells out in detail what use is authorized and explains that it is the individual's responsibility to provide itemized register receipts with the proper information for each time the card is used. In addition, trustees or audit committees should closely examine all credit card and expense reports to ensure compliance with this credit card policy. If the above-described documentation is not provided, then there should be no reimbursement.

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