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TRUSTEE’S
INFORMATION
Conducting Audits in Small Unions
A Guide for Trustees to a 10-Step Audit

$ 10-Step Audit

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U.S. Department of Labor
Office of Labor Management Standards
A Message To Trustees

This Guide features a 10-step audit designed to help Trustees from small unions carry out their duties. For purposes of this Guide, a small union is considered to be one with annual receipts of less than $50,000. Trustees from larger unions with more complex recordkeeping systems may also find this Guide helpful.

The Office of Labor-Management Standards (OLMS) has prepared this Guide to further the aims of the Labor-Management Reporting and Disclosure Act of 1959, as amended (LMRDA). More commonly known as the Landrum-Griffin Act, the LMRDA has several provisions designed to promote the financial integrity of unions, including those pertaining to financial reporting, recordkeeping, bonding, and loans. The LMRDA applies to unions which represent private sector employees and U.S. Postal Service employees. The Civil Service Reform Act of 1978 (CSRA) has similar provisions which apply to most unions which represent federal government employees.

Your Role

As an elected or appointed Trustee you will play a key role in making sure that your union’s funds and other assets are properly accounted for and used solely for the benefit of your union and its members. Few tasks could be more critical to the well-being of any organization.

Your specific duties and responsibilities may be outlined in your union’s constitution and bylaws or otherwise defined by your parent body. However, your primary task as a Trustee is to ensure that all union resources (money/assets) are used for legitimate union purposes as authorized by your membership in accordance with your constitution and bylaws. In addition, you should ensure that your union is properly submitting per capita taxes to its parent body and is complying with legal requirements for financial reporting, recordkeeping, bonding, and loans.

What’s in this Guide

This Guide is designed to be an easy-to-use reference based on the law and regulations as well as the knowledge and experience of OLMS staff. It will take you step by step through the audit process, help you identify your responsibilities during each step, and provide suggestions to make your job easier. Most of the seven chapters in the Guide refer to Figures (such as an audit planner, a financial records request, a questionnaire, worksheets, and an audit report) relating to the topics discussed. A fictitious union (Factory Workers Local 888) is used in several of the Figures to illustrate recommended procedures. A general overview of the way many unions maintain their financial records, a list of common financial terms and their meanings, and a four-page Checklist for Conducting Audits in Small Unions which summarizes the contents of this Guide are included as References at the end of this publication.
We realize that unions operate differently, using different constitutions and bylaws and audit procedures, and that Trustees and audit officials have varying degrees of responsibility. For example, some unions want a greater day-to-day financial role for Trustees (requiring that they sign all vouchers or co-sign checks) while others want only periodic reviews of financial records. Likewise, some unions have both Trustees and Audit Committees. Therefore, not all information in this Guide will apply to all unions. You should disregard the parts of the Guide that do not apply to you and consider the other parts as a supplement to the practices and procedures specified by your parent body.

Who Should Use this Guide

This Guide should be used by the union officials responsible for conducting audits (periodic examinations of local financial records). The general term “Trustee” is used in this Guide to refer to those individuals elected or appointed to serve in this capacity, or a similar capacity, whether for a full term or a specific record examination. Although the Guide covers the “basics” and is geared primarily to officials with little or no experience in conducting an audit, it can be helpful to more experienced officials as well.

How to Use this Guide

Trustees or other audit officials should become familiar with the contents of this Guide as soon as possible after being elected/selected. An initial review will provide an overview of the entire audit process and point out all the steps involved in conducting a meaningful examination of your union’s financial records.

You are not expected to remember all the procedures for conducting an audit after your first review of this Guide. Instead, before each step of your audit re-read the applicable chapter to refresh your understanding of what should be done. Refer to the Guide frequently during the audit process. Although we have tried to include all necessary information, the Guide does not specifically address every situation that may develop. Some record examinations may involve complex or unusual issues requiring you to seek further assistance.

Seeking Assistance

If you need advice or have questions about your responsibilities or provisions of your union’s constitution and bylaws, you should contact your union’s officers or parent body for help. In addition, OLMS staff in the field offices referred to at the end of this Guide can answer your questions about the LMRDA, related regulations, and this Guide.

Getting Started

Now that you are familiar with the purpose and contents of this Guide and how best to use it, it’s time to get started. Read Chapter 1 and begin preparing for your audit.
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### References
- Understanding Union Financial Records
- Union Financial Definitions
- Checklist for Conducting Audits in Small Unions
Chapter 1: Getting Ready

As you begin an audit of your union’s financial records your job as a Trustee may seem intimidating, particularly if you have never conducted an audit or are unfamiliar with your union’s books and records. However, if you think of the audit process as a series of separate steps and understand your responsibilities for each step, the entire process becomes more manageable. At this early stage preparation is very important since good planning and organization are key ingredients to conducting a meaningful audit. This chapter outlines the first steps you should take to prepare for your audit, including meeting with other Trustees to determine specific responsibilities, reviewing prior audit records and results, obtaining certain information from the principal financial officers of your union, and scheduling important audit activities.

Determining Responsibilities

The best way to get started is to review your union’s constitution and bylaws to determine your specific responsibilities as a Trustee. At least one week before the audit you should discuss your roles with the other Trustees either in person or by telephone and select a chairperson or team leader if one is not already designated. If none of the Trustees has ever conducted an audit, you should consider contacting members who have served as Trustees in prior years to discuss their experiences, both positive and negative. You may also wish to contact your parent body, as needed, to seek advice or information about your duties.

Gathering Materials

After determining your general responsibilities, you should obtain and review the following:

- Any forms, manuals, or handbooks issued by your parent body which pertain to your duties.
- Your union’s most recent constitution and bylaws, especially those provisions dealing with dues rates, officer salaries and expenses, lost time policies, officer duties, and procedures for approving the expenditure of union funds. Each Trustee should have a copy of relevant sections of these documents to refer to as necessary throughout the audit.
- Your union’s most recent audit report.
- Your union’s most recent LM-3 or LM-4 annual financial report filed with OLMS.

You should also review Figures 1-4 on pages 23-30, which may be adapted for use in your audit.

Meeting with Principal Officers

Before the audit begins, you and your fellow Trustees should meet with the principal financial officers of your union to:

- Seek their cooperation and support. Keep in mind that no one likes to have someone “looking over their shoulder.”
- Determine the person you should deal with to obtain access to the union’s financial records and explanations regarding how these records are maintained. Find out whether any of the union’s records are maintained on a computer. If so, make arrangements to obtain appropriate printouts of necessary financial information.
- Decide where your examination of records should take place and what equipment (calculators, photocopier, etc.) will be furnished by the union. Try to find a quiet place where you are unlikely to be disturbed and where you will have sufficient space to review the records.
Determine if and when “lost time” or other union payments will be made for your work. Recognize that it may be necessary to conduct some of this work on your “own time” in order to carry out your responsibilities.

It is important that you obtain this information early in the process and deal with the principal financial officers “up-front” in order to avoid any later misunderstandings or problems.

**Scheduling the Audit**

After talking to the principal financial officers, you should meet as a group to make some important decisions. First, decide the time frame (annual, semiannual, quarterly) that your audit will cover. This may be governed by your parent body constitution or local bylaws.

Next, decide when you want to begin the audit. If you have decided to review your union’s records for an entire year, then you may want to begin your audit shortly after your union’s annual financial report (LM-3 or LM-4) has been submitted to OLMS. This will ensure that your audit does not interfere with the ongoing operations of your union. You could also compare your own findings regarding the finances of your union with the information on the LM report.

Finally, develop a detailed plan which lists all the important phases of the audit or you may spend a lot of time and energy and still not get the job done right. This plan can be used to show your progress as you work your way through the 10-step audit and to identify specific responsibilities for each Trustee. A sample audit planner is provided as Figure 1 on page 23.

**Requesting Records**

Your next task will be to create a list of financial records needed for your 10-step audit and provide this to the principal financial officers of your union. Otherwise, certain records such as membership meeting minutes may not be available when needed. A sample letter requesting financial records is provided as Figure 2 on page 24. Feel free to modify this letter to conform with the records used in your union.

Financial records cannot be examined efficiently without some explanation of how they tie together. If you are not completely familiar with how your union’s financial records are maintained, consider creating a short questionnaire for the principal financial officers so that everyone has a common understanding. Figure 3 on pages 25-27 can be modified for this purpose. A completed version of this questionnaire is provided as Figure 4 on pages 28-30 to illustrate the type of information that should be obtained including any applicable constitutional provisions.

**NOTE:** Two references at the end of this guide should be reviewed by first-time Trustees before beginning an audit. *Understanding Union Financial Records* provides helpful illustrations of the types of financial records maintained by many unions and *Union Financial Definitions* provides easy to understand explanations of the financial terms used throughout this Guide. Use these References as needed during the audit.
Chapter 2: Audit Overview

Small unions may have hundreds of financial transactions every year. It would take a considerable amount of time to examine each of these transactions in detail. The next four chapters describe a 10-step audit which concentrates on reviewing key financial areas and is specifically designed to save you time, yet still provide for a meaningful, systematic review of your union’s financial books and records. The 10-step audit is not a “traditional” audit, but rather a limited, focused review of financial records that was developed for use by Trustees from small unions with little or no financial training or experience. It is modeled after techniques successfully used by OLMS.

Audit Objectives

The 10-step audit, summarized below, has four primary objectives:

- To ensure that your union’s funds and other assets are properly accounted for and used solely for the benefit of your union and its members.
- To confirm that your union is complying with legal requirements for financial reporting, recordkeeping, bonding, and loans.
- To determine whether the internal financial controls of your union are adequate or need to be improved.
- To ascertain whether your union is complying with the financial practices and procedures of your parent body.

Audit Design

The 10-step audit focuses on four major areas: disbursements, receipts, assets, and compliance with the requirements of the Labor-Management Reporting and Disclosure Act (LMRDA), as outlined below:

- Steps 1 and 2 (Chapter 3) will assist you in determining whether your union’s disbursements have been properly recorded and whether they were issued for approved, legitimate union purposes.
- Steps 3 and 4 (Chapter 4) will help you determine whether your union’s receipts have been properly recorded and deposited into your union’s bank accounts.
- Steps 5 and 6 (Chapter 5) will aid you in accounting for your union’s assets (cash and equipment) and calculating their approximate value.
- Steps 7-10 (Chapter 6) will help you determine whether your union is complying with the LMRDA’s requirements for financial reporting, recordkeeping, bonding, and loans.

Optional Steps

In addition to these ten audit steps, Chapters 3-5 include eight optional steps for disbursements, four optional steps for receipts, and three optional steps for assets. These optional steps were designed to give you the flexibility to tailor your audit to the specific circumstances of your union and to make your audit as meaningful as possible. They are particularly recommended for use by Trustees in larger unions.
10-Step Audit

Step 1 - Trace cancelled checks to the bank statements and disbursements journal.
Step 2 - Scan the disbursements journal and record unusual entries.
Step 3 - Trace employer dues checkoffs to the receipts journal and bank statements.
Step 4 - Confirm that receipts from all other sources have been properly recorded and deposited.
Step 5 - Identify all bank accounts, verify their ending balances, and review withdrawals/transfers.
Step 6 - Inventory fixed assets.
Step 7 - Confirm that the IM annual financial report for the latest completed fiscal year was filed on time.
Step 8 - Determine whether financial records were properly maintained.
Step 9 - Ensure that all officers and employees who handle funds are adequately bonded.
Step 10 - Confirm that no officers or employees were loaned more than $2,000 by your union.

Audit Tips

- Be fair and objective. Don’t jump to conclusions before you have gathered all the facts.
- Don’t be afraid to ask for help from your fellow Trustees and the principal financial officers.
- Be persistent and stay focused. Avoid long interruptions in your work.
- Make sure that all necessary records are available at the start of each audit step.
- Consider assigning each person a separate part of the audit. For example, one Trustee could audit disbursements, while another is reviewing receipts, and a third is examining assets.
- Work together as a team even if each Trustee has individual assignments.
- Consider devoting an entire audit to one area, such as disbursements, if audits are performed frequently (quarterly). Complete the other steps later in the year.
- Concentrate on the completion of the 10-step audit before beginning any optional steps or consider limiting optional steps to one part of the audit, for example, receipts.
- Take notes of the work done, unresolved issues that may require further work, preliminary findings, and recommendations for improvements. These notes will help you complete your audit report and be an invaluable resource for the next audit.
- Don’t write or make marks of any kind on the union records except as noted in this Guide.
- Keep the union’s records in an orderly fashion so that they can be returned the same way.
- Refer often to the four-page Checklist at the end of this Guide and check the appropriate boxes to ensure that you have properly completed the 10-step audit.

NOTE: You will probably issue an audit report to document your work. If your parent body requires that you submit a standard audit report form that outlines the financial condition of your union, you should collect necessary information for this report as you complete the audit steps described in Chapters 3-6 of this Guide.
Chapter 3: Disbursements

Like any organization, your union must spend money to operate. Most unions have a checking account which is used to make disbursements. Typical disbursements from your union’s checking account might include payments for per capita taxes, hall rentals, office supplies, and lost time to officers. Members expect that when their union spends money it will be for legitimate union purposes and that these expenditures will be properly authorized. Documents, such as your union’s constitution, minutes of meetings, bills, and vouchers, will help you determine why disbursements were made and whether they were authorized by your membership in accordance with your constitution and bylaws.

Confirming that established disbursement practices are being followed is essential to ensuring that your union’s funds are being handled responsibly on behalf of all members. Audit Steps 1 and 2 are designed to provide a simple but effective method for examining your local’s disbursements. They will assist you in determining whether payments were for approved, legitimate union business. In addition, they will enable you to determine if payments were properly recorded in your union’s records, allowing for accurate financial reporting to the members of your union, your parent body, and various government agencies.

To complete Audit Steps 1 and 2, as well as any optional steps you may select, you will need the following for the audit period: bank statements; cancelled checks; disbursements journal (or check stubs if a journal is not maintained); minutes of membership and Executive Board meetings; and all documents in support of disbursements such as bills, invoices, and vouchers. In addition, you will need any financial forms provided by your parent body. First-time Trustees may want to review the References “Understanding Union Financial Records” and “Union Financial Definitions” at the end of this Guide before beginning Audit Steps 1 and 2.

Step 1. Trace Cancelled Checks to the Bank Statements and Disbursements Journal

By completing Audit Step 1 you should be able to confirm the reliability and completeness of your union’s disbursements records.

- Select at least two months in your audit period. Your selection of months may be made for a variety of reasons, including an unusually large number of checks written during a specific month or payments for non-routine items such as convention expenses or a union-sponsored picnic.
- Obtain the bank statements and all of the corresponding cancelled checks for the period you have selected. Arrange the cancelled checks in numerical order. Keep the cancelled checks together with the bank statements on which they appear.
- Locate the cancelled checks for each of the entries on the bank statements. Place a check mark, in pencil, on the bank statements for each cancelled check. Make a list of any check numbers and amounts appearing on the bank statements for which you cannot find a cancelled check.
- Compare the amounts on each cancelled check with the corresponding entries on the bank statements. Make sure that the amounts on the cancelled checks are the same as on the bank statements. Watch for amounts which may have been changed after the checks were returned from the bank.
(Step 1 continued)

- Compare the information on these checks with the corresponding entries in your union’s disbursements journal. Make sure that the payee, the amount, the date, and the purpose on each cancelled check are properly recorded in the journal. Look for any discrepancies between the journal entries and the checks. Turn the checks over and examine the endorsements, making sure they match the payees on the front of the checks.

If no discrepancies are noted during Audit Step 1, proceed to the next step. However, if you find any questionable items or have some areas of concern, refer to “Common Problems and Solutions” and “Significant Discrepancies” on the next page.

Step 2. Scan the Disbursements Journal and Record Unusual Entries

By completing Audit Step 2 you should be able to determine whether the checks issued from your union’s bank account were for legitimate union purposes.

- Review the disbursements journal for the entire audit period. Look at the type and frequency of your union’s disbursements. You will probably see recurring payments for per capita tax, hall rental, and officer salaries and expenses. Approval for these disbursements should be found in the constitution and bylaws or the membership meeting minutes. Make a list of any entries which appear to be questionable or out of the ordinary, such as:
  - checks for unusually large amounts
  - checks for unusual purposes
  - large checks to unfamiliar payees
  - checks payable to cash
  - checks where no purpose is recorded
  - checks written out of sequence
  - duplicate payments for salaries or expenses to the same individual
  - checks identified as loans (refer to Chapter 6)

- Review the supporting bills, vouchers, invoices, and membership meeting minutes for all of the checks you have listed. Determine whether they were for legitimate union purposes and whether they were properly authorized.

If you find any questionable items or have some areas of concern while conducting Audit Step 2, refer to “Common Problems and Solutions” and “Significant Discrepancies” at the end of this chapter.

Optional Steps

As time allows, consider conducting one or more of the following optional steps or proceed to Audit Step 3. Some of these optional steps may be required by your parent body.

- Reconcile total disbursements entered in your union’s disbursements records for the audit period with the total charges shown on your union’s bank statements for the audit period. This will further verify the accuracy of the entries recorded in your union’s disbursements records. Figure 5 on page 31 shows how to reconcile disbursements.

- List all salary and expense payments to selected union officials. Review all supporting documents to verify that correct amounts have been paid.

- Examine selected claims for lost time to verify that appropriate amounts and purposes have been documented.

- Examine credit card use and payments. Look for personal or excessive charges and charges without supporting documents.
(Optional Steps continued)

Confirm that no checks listed as “void” in the disbursements journal have been cashed.

- Examine signatures of authorizing officials on checks. Look for unsigned checks or signatures on checks which appear to be different from a known signature.

- Review strike fund payments. Confirm that proper documents exist to support these payments.

- List per capita tax payments to your parent body and ensure that all required payments were made in a timely manner.

This is not an exhaustive list of optional audit steps. Based on your union’s recordkeeping system and any parent body requirements, you may choose to review other areas of disbursements.

Common Problems and Solutions

Even the best maintained disbursements records may have some problem areas. Frequently encountered problems are listed below with suggestions on how to resolve them:

**Problem:** Cancelled checks are not available.

**Solution:** Ask officers to obtain copies from the bank.

**Problem:** Bank statements indicate checks have been returned for non-sufficient funds (NSF).

**Solution:** Determine when the first NSF (“bounced”) check was returned by the bank. Look for delayed deposits during the period. Ask officers for an explanation of the NSF checks and, if necessary, suggest that the disbursements records be properly noted.

**Problem:** The disbursements journal entries do not match the corresponding information on the bank statements or on the cancelled checks.

**Solution:** Determine the reason for the discrepancies. Ask officers for an explanation, such as failure to reconcile the disbursements journal with the related monthly bank statements and, if necessary, suggest that the principal financial officers correct the records.

**Problem:** No records to support disbursements exist.

**Solution:** Review minutes for approval and, if necessary, ask officers about the payments.

**Problem:** The union does not maintain a disbursements journal.

**Solution:** Review check stubs and/or check register.

Significant Discrepancies

The situations listed below may suggest that your union’s financial records are unreliable or that union funds have been misused:

- Basic disbursements records have not been maintained.

- Serious discrepancies in the records have been detected which cannot be easily resolved.

- Missing disbursements records, such as cancelled checks, bills, or vouchers, are not produced as promised and an adequate explanation is not provided.

- Alterations have been made on cancelled checks.

- Your union’s checking account has a negative balance or frequently reflects “bounced” checks.

If you detect a serious problem in your union’s records or a possible misuse of union funds, contact your parent body or the nearest OLMS office for assistance.
Parent Body Requirements

Note any additional audit procedures or standard audit forms relating to disbursements which your parent body requires you to use:
Chapter 4: Receipts

Local unions receive most of their money from their members in the form of dues payments. A common method of paying union dues is through dues checkoff. In this arrangement the employer periodically withholds the amount of dues from members’ wages and sends the money collected to the union or its parent body. In other instances, members pay their dues directly to the union. Generally these payments are deposited into the union’s checking account. Members entrust their dues money to the responsible union representatives and expect that the funds paid in will be available for the union to draw upon for authorized union activities. Ensuring that all of the money received by your union has been deposited into your union’s bank account is a key component to a successful audit. Audit Steps 3 and 4 will help you trace the receipts of your union into your union’s bank account and verify that receipts from all sources have been recorded and deposited.

NOTE: To complete Audit Steps 3 and 4, as well as any optional steps you may select, you will need the following for the audit period: bank statements; deposit slips; receipts journal (or other records if a journal is not maintained); all documents which identify the source of your union’s receipts, such as employer checkoff statements; individual dues receipts; and member ledger cards. In addition, you will need any financial forms provided by your parent body. First-time Trustees may want to review the References “Understanding Union Financial Records” and “Union Financial Definitions” at the end of this Guide before beginning Audit Steps 3 and 4.

Step 3. Trace Employer Dues Checkoffs to the Receipts Journal and Bank Statements

By completing Audit Step 3 you should be able to confirm that employer checkoff receipts are properly recorded in your union’s receipts records and deposited into your union’s bank account.

• Gather all of your union’s checkoff receipts records for the entire period including checkoff statements from your employer or parent body.
• Compare, for each month in your audit period, the amounts posted on all the checkoff statements with the corresponding entries in the union’s receipts journal. Look for any discrepancies.

• Select at least two months from your audit period. Trace the checkoff receipt entries from the journal to related entries on your union’s bank statement. Make a note of any discrepancies.

NOTE: The following Alternate Step 3 must be substituted for Step 3 above only if all members’ payments to the union (for dues, working dues, fees, etc.) are made directly to union officers or employees and not through employer checkoff.

Step 3. Trace Direct Dues Payments (Alternate) to the Receipts Journal and Bank Statements

By completing Alternate Step 3 you should be able to confirm that cash and checks for dues paid directly to the union by members are properly recorded in your union’s receipts journal and deposited into your union’s bank account.

• Select five or ten members’ names at random and choose at least two months from your audit period.
(Alternate Step 3 continued)

- Compare payments shown on individual dues receipts or member ledger cards for these members to individual entries or combined member totals in your union’s receipts journal.
- Trace the receipt entries from the journal to related entries on your union’s bank statements. Make a note of any discrepancies.

If no discrepancies are noted during Audit Step 3 or Alternate Audit Step 3, proceed to the next step. However, if you find any questionable items or have some areas of concern, refer to “Common Problems and Solutions” and “Significant Discrepancies” at the end of this chapter.

Step 4. Confirm That Receipts from All Other Sources Have Been Properly Recorded and Deposited

By completing Audit Step 4 you should be able to determine whether non-dues money coming into your union has been properly recorded in your union’s receipts records and deposited into your union’s bank account.

- Review the receipts journal for the entire audit period. Look for the type and frequency of non-dues money coming into your union, such as proceeds from:
  - the sale of jackets, hats, and other items
  - interest or dividends earned on your union’s bank accounts
  - checks identified as loan repayments (refer to Chapter 6)
  - income from hall rentals
  - vending machine receipts or rebates
  - union-sponsored raffles
  - parent body payments for conventions, strike fund assistance, or per capita tax rebates

Make sure the amounts and frequency of these entries seem appropriate.

- Select at least two months from your audit period in which non-dues receipts were recorded. Trace these receipts from the union’s receipts journal to the corresponding entries on the union’s bank statement. (You may find the bank deposit slips to be helpful if several receipts were deposited at the same time and only the total amount of deposit appears on the bank statements.)

If you find any questionable items or have some areas of concern while conducting Audit Step 4, refer to “Common Problems and Solutions” and “Significant Discrepancies” at the end of this chapter.

Optional Steps

As time allows, consider conducting one or more of the following optional steps or proceed to Audit Step 5 on page 13. Some of these optional steps may be required by your parent body.

- Reconcile total receipts entered in your union’s receipts records for the audit period with the total deposits shown on your union’s bank statements for the audit period. This will further verify the accuracy of the entries recorded in your union’s receipts records. Figure 6 on page 32 shows how to reconcile receipts.

- Review the original initiation fee records for a one or two month period. Confirm that these fees, which may be paid either through checkoff from the employer or by direct pay from the member, have been properly recorded and deposited into your union’s bank account.
(Optional Steps continued)

- Complete Alternate Step 3 on page 9 if some, but not all dues are collected directly from members.
- Make a list of any non-dues receipts that appear to be out of the ordinary, such as recurring receipts that cease for no apparent reason, receipts from unusual sources, receipts where no source is identified, and receipts for unusual purposes or amounts. Examine supporting documents to confirm that all such receipts have been properly recorded and deposited into your union’s bank account.

This is not an exhaustive list of optional steps. Based on your union’s recordkeeping system and any parent body requirements, you may choose to review other areas of receipts.

Common Problems and Solutions
As with your union’s disbursements records, you may have encountered some difficulties while completing Audit Steps 3 and 4. Even the best kept receipts records may have some problem areas. Frequently encountered problems are listed below with suggestions on how to resolve them:

**Problem:** Bank records are not available.
**Solution:** Ask officers to obtain copies from the bank.

**Problem:** Original checkoff records are not available.
**Solution:** Ask officers to obtain copies from the employer.

**Problem:** Other original receipt records are not available.
**Solution:** Ask officers for an explanation.

**Problem:** The receipts journal entries do not match corresponding information on the bank statements or deposit slips.

**Solution:** Determine the reason for the discrepancy. Ask officers for an explanation, such as failure to reconcile the receipts journal with the related monthly bank statements, and, if necessary, suggest that the principal financial officers correct the records.

**Problem:** The entire amount of the checkoff check is not deposited into your union’s primary account.
**Solution:** Look at the other bank accounts for deposits of the remainder of these funds. Ask officers for an explanation of the disposition of these funds.

Significant Discrepancies
As with the review of your union’s disbursements records, you might have reasons to doubt the accuracy of the union’s receipts records. The situations listed below may suggest that your union’s financial records are unreliable or that union funds have been misused:

- Basic receipts records are not maintained.
- Serious discrepancies in the records have been detected which cannot be easily resolved.
- Missing receipts records, such as employer checkoff statements, are not produced as promised and an adequate explanation is not provided.
- Bank deposits are less than monies received for the same period.
- Undue delays occur between receipt dates and bank deposit dates.
- Cash receipts are frequently received but little or no cash is deposited into the union’s bank account.
- Your union’s checking account has a negative balance.

If you detect a serious problem in your union’s records or a possible misuse of union funds, contact your parent body or the nearest OLMS office for assistance.
Parent Body Requirements

Note any additional audit procedures or standard audit forms relating to receipts which your parent body requires you to use:
Chapter 5: Assets

When auditing assets, keep in mind that your union not only has money in its bank accounts, which may be in the form of a checking account, a savings account, or a certificate of deposit (liquid assets), but it may also own various types of equipment, such as a computer, a photocopier, or a file cabinet (fixed assets). The value of these assets must be included and accounted for during your audit. Both liquid assets and fixed assets might be overlooked during your audit unless your union keeps accurate and reliable records. Audit Steps 5 and 6 will help you identify, account for, and determine the total value of your union’s liquid and fixed assets. By completing these audit steps you will ensure that your union has an accurate, current inventory of all your union’s liquid and fixed assets, which can easily be updated as the need arises.

**NOTE:** To complete Audit Steps 5 and 6, as well as any optional steps you may select, you will need the bank statements, receipts and disbursements journals for the audit period (or check stubs if journals are not maintained), any inventory of fixed assets prepared prior to your audit, and any forms provided by your parent body.

**Step 5. Identify All Bank Accounts, Verify Their Ending Balances, and Review Withdrawals/Transfers**

By completing Audit Step 5 you should be able to identify the bank accounts maintained by your union during the audit period, determine the total amount of money in these accounts, and verify that withdrawals from these accounts were used for legitimate union purposes.

- Make a list of the name, location, type of account, and account number for each of your union’s bank accounts. Determine what happened to the proceeds from any union accounts closed during the audit period. Determine whether the initial deposit into any accounts opened during the audit period can be traced from one of the union’s other bank accounts.
- Prepare a liquid assets inventory, as illustrated in Figure 7, which shows the ending balances for each of your union’s bank accounts.
- Determine that all withdrawals from your union’s savings, money market, or certificate of deposit accounts during the audit period were used for legitimate union purposes as approved by your membership.

If no discrepancies are noted during Audit Step 5, proceed to the next step. However, if you find any questionable items or have some areas of concern, refer to “Common Problems and Solutions” and “Significant Discrepancies” at the end of this chapter.

**Step 6. Inventory Fixed Assets**

By completing Audit Step 6 you should be able to identify the fixed assets owned by your union and verify the location of these assets.

- Determine if your union prepared an inventory of fixed assets prior to your audit period and, if so, verify the existence of all items on the list. Confirm that any missing items were properly disposed of as approved by the membership. Suggest that principal financial officers add or delete items to update the inventory as appropriate.
(Step 6 continued)

• Assist the principal financial officers in creating an inventory of fixed assets if one was not previously prepared. Use Figure 8 on page 34 as a guide and list each item; the approximate date of purchase; either the original cost, the estimated current value, or the value carried in your union’s books for the asset (cost less depreciation); and the location of each asset.

If you find any questionable items or have some areas of concern while conducting Audit Step 6, refer to “Common Problems and Solutions” and “Significant Discrepancies” at the end of this chapter.

Optional Steps

As time allows, consider conducting one or more of the following optional steps or proceed to Audit Step 7 on page 16. Some of these optional steps may be required by your parent body.

• Reconcile the ending balances for each union bank account. This will establish the amount of the ending cash in banks for the audit period. Figure 9 on page 35 shows how to calculate this amount.

• Inspect the contents of any union owned safe or safe deposit box. Determine if any assets such as certificates of deposit, stock certificates, or old passbooks are missing, or if any assets not previously identified are found. Confirm union ownership of these assets.

• Review signature cards for union bank accounts. Confirm that only current officers are signatories on your union’s accounts. Suggest that principal officers have any outdated signature cards removed.

This is not an exhaustive list of optional steps. Based on your union’s recordkeeping system and any parent body requirements, you may choose to review other areas of your union’s assets.

NOTE: Because small unions typically do not incur significant liabilities (debts), the 10-step audit does not address this area. However, if your union has significant liabilities such as delinquent taxes or unpaid bills, you may want to review them as time permits.

Common Problems and Solutions

You may encounter some obstacles as you inventory your union’s assets. These may range from poor recordkeeping to a question on how best to record the value of an asset. Two frequently encountered problems are listed below with suggestions on how to resolve them:

Problem: Bank statements are not available.
Solution: Ask officers to obtain copies from the bank.

Problem: The entire amount of a withdrawal from the union’s savings account is not deposited into your union’s checking account.
Solution: Look at the other bank accounts for the deposit of the remainder of these funds. Ask officers for an explanation of what happened to these funds.

Significant Discrepancies

It is easy to lose track of a fixed asset, or sometimes even a bank account, if accurate records are not maintained. The situations listed below may suggest that your union’s financial records are unreliable or that union funds or assets have been misused:

• A union bank account was closed or a withdrawal was made from an existing account with no indication of what happened to the money.
(Significant Discrepancies continued)

- Unexplained differences exist between a previous inventory of fixed assets and your current inventory of fixed assets, such as a missing computer or photocopier.
- Missing records, such as savings passbooks or stock certificates, are not produced as promised and an adequate explanation is not provided.

- Assets such as stocks, bonds, and bank accounts are held in the name of individuals instead of the union.

If you detect a serious problem in your union’s records or a possible misuse of union funds or assets, contact your parent body or the nearest OLMS office for assistance.

Parent Body Requirements

Note any additional audit procedures or standard audit forms relating to assets which your parent body requires you to use:
Chapter 6: LMRDA Compliance

In 1959, Congress passed the Labor-Management Reporting and Disclosure Act, as amended (LMRDA). The LMRDA has at least ten provisions designed to promote the financial integrity of unions which are outlined in Figure 10 on page 36. Four of these provisions will require special attention during the course of your audit. Essentially, they require that unions file annual financial reports with OLMS, maintain records that are sufficient to clarify or support the information shown on these reports, secure adequate bonding to provide protection against losses due to fraudulent or dishonest actions, and restrict the amounts of loans made to officers and employees. Audit Steps 7 through 10 will help you determine whether your union is complying with the LMRDA’s requirements for financial reporting, recordkeeping, bonding, and loans.

Step 7. Confirm That the LM Annual Financial Report for the Latest Completed Fiscal Year Was Filed on Time

The LMRDA requires unions to submit an annual financial report (an LM report) to OLMS within 90 days after the end of their fiscal year. Unions with annual receipts more than $200,000 must file an LM-2 report. Unions with annual receipts less than $200,000 may file a shorter LM-3 report. Unions with annual receipts less than $10,000 may file an abbreviated LM-4 report.

- Locate your union’s LM report for the latest completed fiscal year.
- If the LM report was filed but your union did not keep a copy, contact the nearest OLMS office to obtain a copy of the report. Determine whether this report was filed on time, and if not, remind the principal financial officers that it must be filed on time in the future.
- If the LM report for the latest completed fiscal year was not filed, advise the principal financial officers to complete and submit the report to OLMS as soon as possible or contact OLMS for assistance.

Step 8. Determine Whether Financial Records Were Properly Maintained

The LMRDA requires unions to keep financial records for five years after the applicable LM reports are filed which are sufficient to clarify or verify the information shown on these reports, as explained in Figure 11 on page 37.

- Make a list of any significant financial records which you identified (during Audit Steps 1-6) that were not maintained by your union, such as employer checkoff statements, bank statements, bills, vouchers, and invoices. Advise the principal officers of your union that these records must be maintained for a period of at least five years, as required by the LMRDA.

Step 9. Ensure That All Officers and Employees Who Handle Funds Are Adequately Bonded

The LMRDA requires that all unions with property and annual receipts greater than $5,000 secure a bond for at least 10% of the receipts and assets handled by union officers and employees during the prior fiscal year.
to ensure against losses resulting from fraudulent or dishonest acts. If bonding is required, your union should have a bonding certificate, or other proof of bonding, which indicates the total amount recoverable if a loss of union funds occurs. Many parent bodies obtain coverage for their affiliate unions.

- Verify that your union is covered by a current bond.
- Confirm that the amount of the bonding coverage is at least 10% of the receipts and assets handled during the prior fiscal year. You may use Figure 12 on page 38 to calculate the approximate amount of coverage required by the LMRDA. If your union does not have a bond or the bond coverage is not adequate, you should suggest that the principal financial officer contact your parent body for assistance. In addition, OLMS can provide the names of companies on the U.S. Treasury Department list of approved bonding companies.

Step 10 Confirm That No Officers or Employees Were Loaned More than $2,000 by Your Union

The LMRDA places certain restrictions on the type and amount of loans that can be made by a union. The law provides that loans made to a union officer or union employee may not exceed $2,000 in total indebtedness at any time, and all loans must be reported on the appropriate LM report. Your parent organization may also have restrictions or prohibitions regarding loans.

- Verify that any loans made by your union to officers and employees did not exceed $2,000 in total indebtedness at any time. If any loan exceeded this amount, advise the principal officers that this is prohibited by the LMRDA and appropriate repayments should be sought.

Parent Body Requirements

Note any additional audit procedures or standard audit forms relating to financial reporting, recordkeeping, bonding, and loans which your parent body requires you to use:
Chapter 7: Wrapping Up

By now you have spent a lot of time and energy examining your union’s books and records to complete your 10-step audit. Your fellow members and your parent body will be very interested in what you found. But first you must review your findings, resolve any loose ends, decide how to document your work, and report your findings. In many respects, wrapping up is the most important part of your audit.

Taking Stock

Until now, you and the other Trustees may have been looking at your union’s receipts, disbursements, and assets on an individual basis rather than as a group. Now you must get together to:

- Review and organize your audit materials.
- Confirm that the 10-step audit and any selected optional steps have been completed.
- Determine whether changes are needed to comply with LMRDA requirements for financial reporting, recordkeeping, bonding, and loans.
- Make a list of any internal financial control weaknesses (for example, officers signing blank checks) or “problem areas” (for example, late or incomplete payment of per capita taxes, failure to record receipts and disbursements on forms provided by the parent body, etc.) and recommendations for improvements. For further information about internal financial controls see Figure 13 on page 39.
- Decide the best way to handle any unresolved issues.

Meeting with Principal Officers

Unless significant discrepancies have been detected in the union’s records and parent body or other assistance has been requested to help resolve these issues, you should meet with the principal financial officers of your union to discuss your preliminary findings, resolve any remaining concerns, and recommend changes to improve compliance with LMRDA requirements and adherence with sound internal financial controls and with parent body financial practices and procedures.

Reporting Your Findings

At this point, your union’s members and parent body probably want to know what the general financial condition of your organization is, whether your audit disclosed any problems and, if so, how they were resolved. If your union has standard forms to document your work and report your findings to the membership, fill them out. Otherwise, you may want to review the sample audit report shown as Figure 14 which can be modified to better suit your situation.

Completion of the 10-step audit allows you to make some broad statements about the financial books and records of your union. For example, if no significant problems for the audit period were uncovered, you can say your audit indicates:

- The union’s disbursements were accurately reflected in the records and made for legitimate purposes.
(Reporting Your Findings continued)

- The union's receipts were accurately reflected in the records and deposited to your union's bank accounts.
- The union’s assets were properly accounted for.
- The union appears to be complying with the LMRDA's provisions for financial reporting, recordkeeping, bonding, and loans.
- The union appears to be using good internal financial controls to safeguard its assets.
- The union appears to be complying with the financial practices and procedures of your parent body.

Any additional findings or recommendations can be incorporated in your report as shown in Figure 14 on pages 40 and 41. If the 10-step audit has verified the accuracy of your union's books and records it should also be relatively easy to create a balance sheet like that found in this figure to report the general financial condition of your union.

Once you have decided what to say and how to say it, you should probably select a spokesperson to respond to any questions. Your audit report should then be submitted to your Executive Board, membership, and parent body, as applicable. Copies of your report could also be posted on union bulletin boards or cited in your union's newsletter.

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A Final Word from OLMS

Now that you have completed your audit, we would like to say “thanks.” In your role as a Trustee, you have helped to ensure that your union's funds and other assets are safeguarded and expended appropriately for the benefit of your union and its members.

As a final step, you should place a copy of your audit report and all related work papers, notes, etc., in a folder for use by your union's Trustees when the next audit is conducted. Be sure to include a copy of this publication which we hope you found helpful in fulfilling your important responsibilities as a Trustee.
– Figures –
# Audit Planner

<table>
<thead>
<tr>
<th>Date Completed</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Chairperson selected. (Chapter 1)</td>
</tr>
<tr>
<td></td>
<td>Constitution/bylaws and other governing documents reviewed. (Chapter 1)</td>
</tr>
<tr>
<td></td>
<td>Latest audit report and LM annual financial report reviewed. (Chapter 1)</td>
</tr>
<tr>
<td></td>
<td>Initial meeting with principal financial officers to make arrangements for audit held. (Chapter 1)</td>
</tr>
<tr>
<td></td>
<td>Time frames for audit determined. (Chapter 1)</td>
</tr>
<tr>
<td></td>
<td>Principal financial officers notified of audit starting date and records needed. (Chapter 1)</td>
</tr>
<tr>
<td></td>
<td>Financial Questionnaire prepared if necessary. (Chapter 1)</td>
</tr>
<tr>
<td></td>
<td>Disbursements reviewed. (Chapter 3)</td>
</tr>
<tr>
<td></td>
<td>Receipts reviewed. (Chapter 4)</td>
</tr>
<tr>
<td></td>
<td>Assets examined. (Chapter 5)</td>
</tr>
<tr>
<td></td>
<td>Latest LM annual financial reporting confirmed. (Chapter 6)</td>
</tr>
<tr>
<td></td>
<td>Recordkeeping reviewed. (Chapter 6)</td>
</tr>
<tr>
<td></td>
<td>Bonding coverage confirmed. (Chapter 6)</td>
</tr>
<tr>
<td></td>
<td>Loan analysis completed. (Chapter 6)</td>
</tr>
<tr>
<td></td>
<td>Audit Report completed. (Chapter 7)</td>
</tr>
<tr>
<td></td>
<td>Audit Report to parent body and membership submitted. (Chapter 7)</td>
</tr>
</tbody>
</table>

*Figure 1*
Letter Requesting Access to Financial Records

January 10, 2001
Treasurer Richard Roe
Factory Workers, Local 888
2210 Elm Street
West Falls, VA 21521

Dear Mr. Roe:

As you know, the Trustees plan to start our quarterly audit of Local 888's financial books and records on Saturday, January 20, 2001 at the union hall at 8:00 a.m. Please make available the latest Trustee Audit Report, the latest LM annual financial report, and the following records for the period October 1, 2000 - December 31, 2000:

- Recording Secretary's Minutes Book
- Receipts Journal
- Bank Deposit Slips
- Disbursements Journal
- Savings Account Passbook
- Certificates of Deposit
- Checking Account Bank Statements
- Cancelled Checks
- Check Stubs
- Vouchers
- Receipts
- Invoices
- Member Ledger Cards
- Dues Checkoff Statements
- Fixed Assets Inventory

If we need any additional records or information, we will let you know. Your cooperation is greatly appreciated.

Sincerely,

John Smith
Trustee

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Figure 2
Financial Questionnaire

1. What sources of receipts does the union have?
   - Dues/initiation fees by checkoff
   - Dues/initiation fees paid directly by members
   - Member assessments (building corporation, death benefit, etc.)
   - Interest (savings, certificates of deposit, etc.)
   - Rent
   - Other Receipts:
   - Yes □ No □
   - □ □
   - □ □
   - □ □
   - □ □

2. How is this money recorded in the union’s financial records?

3. Who is responsible for making these entries in the union’s financial records?

4. What kinds of receipts records are maintained?
   - Employer Checkoff Statements
   - Individual Receipts
   - Member Ledger Cards
   - Receipts Journal
   - Deposit Slips
   - Check Stubs
   - Bank Statements
   - Savings Passbook
   - Other Receipts Records:
   - Yes □ No □
   - □ □
   - □ □
   - □ □
   - □ □
   - □ □
   - □ □

Figure 3
5. Where is the union’s money kept on deposit?

<table>
<thead>
<tr>
<th>Type of Account</th>
<th>Bank</th>
<th>Account Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Checking Account</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Savings Account</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Certificate of Deposit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money Market</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other:</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

6. Does the union have any investments such as stocks or bonds? If so, list.

7. Does the union have an inventory of fixed assets showing date of purchase and cost?

8. Does the union have a safe or safe deposit box? If so, specify location/contents.

9. Are all disbursements made by check?

10. What kinds of disbursements records are maintained?

   Yes | No
   ---|---
   Check Stubs |  |  |
   Cancelled Checks |  |  |
   Bank Statements |  |  |
   Savings Passbook |  |  |
   Savings Withdrawal Slips |  |  |
   Disbursements Journal |  |  |
   Vouchers |  |  |
   Payroll Records |  |  |
   Bills/Invoices |  |  |
   Other Disbursements Records: |  |  |

---

Figure 3 (continued)
11. How are disbursements approved, made, and recorded in the union's financial records?

12. Did any special situations occur (salary increases, convention expenses, financial support from parent body, office break-in and related insurance claims, etc.) during the audit period?

Key Constitutional Provisions

Officer Duties:

Officer Entitlements:

Spending Authorization:

Other:

Figure 3 (continued)
1. What sources of receipts does the union have? 
   - Dues/initiation fees by checkoff 
   - Dues/initiation fees paid directly by members 
   - Member assessments (building corporation, death benefit, etc.) 
   - Interest (savings, certificates of deposit, etc.) 
   - Rent 
   - Other Receipts: *Proceeds from 50/50 raffle at union meetings.*

2. How is this money recorded in the union’s financial records?
   
   *Individual receipts are issued for all money received except checkoffs. Copies of receipts are maintained in bound books. All receipts (including bank interest) are recorded once a week in receipts journal. At end of month all receipts deposited to checking account.*

3. Who is responsible for making these entries in the union’s financial records?

   *Treasurer Richard Roe*

4. What kinds of receipts records are maintained? 
   - Employer Checkoff Statements
   - Individual Receipts
   - Member Ledger Cards
   - Receipts Journal
   - Deposit Slips
   - Check Stubs
   - Bank Statements
   - Savings Passbook
   - Other Receipts Records:

---

*Figure 4*
5. Where is the union’s money kept on deposit?

<table>
<thead>
<tr>
<th>Type of Account</th>
<th>Bank</th>
<th>Account Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Checking Account</td>
<td>National City</td>
<td>2215607</td>
</tr>
<tr>
<td>Savings Account</td>
<td>National City</td>
<td>2215608</td>
</tr>
<tr>
<td>Certificate of Deposit</td>
<td>First Federal</td>
<td>1607126</td>
</tr>
<tr>
<td>Money Market</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Other:</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>

6. Does the union have any investments such as stocks or bonds? If so, list.

   *Six shares of employer stock so we get company reports.*

7. Does the union have an inventory of fixed assets showing date of purchase and cost?

   *Yes. Copy obtained. No changes during audit period.*

8. Does the union have a safe or safe deposit box? If so, specify location/contents.

   *No. Important papers locked in Treasurer’s desk. Cash receipts also locked in Treasurer’s desk until deposited.*

9. Are all disbursements made by check?

   *Yes. We never make disbursements from undeposited cash. We do not have a petty cash fund.*

10. What kinds of disbursements records are maintained?

    | Yes | No |
    |-----|----|
    | Check Stubs | X  |   |
    | Cancelled Checks | X  |   |
    | Bank Statements | X  |   |
    | Savings Passbook | X  |   |
    | Savings Withdrawal Slips | X  |   |
    | Disbursements Journal | X  |   |
    | Vouchers | X  |   |
    | Payroll Records |   | X  |
    | Bills/Invoices | X  |   |
    | Other Disbursements Records: |   | X  |

*Figure 4 (continued)*
11. How are disbursements approved, made, and recorded in the union’s financial records?

All checks are recorded sequentially in the disbursements journal and on the check stubs. President and Treasurer must sign all checks. All disbursements for month read to members for approval at monthly membership meetings. All bills/invoices kept in separate folders and marked to show check number/date paid.

12. Did any special situations occur (salary increases, convention expenses, financial support from parent body, office break-in and related insurance claims, etc.) during the audit period?

Officer salaries increased in November. See bylaw change approved by International in October. In December the International began sending per capita rebate (from surplus in their accounts). See entries in receipts journal and related correspondence kept in monthly receipts folders.

---

Key Constitutional Provisions

**Officer Duties:** Article 40, Section 1-12 -- The President shall sign all vouchers and countersign all checks issued by Treasurer. Recording Secretary will sign all vouchers and keep minutes of meetings. Treasurer will receive all income, issue receipts, make deposits, write checks, maintain a property inventory, and prepare monthly financial report for membership meetings. The Trustees shall audit the records quarterly using forms provided by the International. They will confirm that all funds are deposited and that the financial officers are bonded. They will issue a report to the local with a copy to the International. If inaccuracies appear the General Secretary Treasurer has the authority to conduct an audit and, if necessary, schedule a hearing.

Officer Entitlements: Article 50, 51 -- Lost time will be paid only when official union business requires that a member forfeit salary from his employer. Travelers are entitled to reimbursement for the actual cost of lodging and transportation and a meal allowance of $30/day. Officers are entitled to salaries specified in the local bylaws.

Spending Authorization: Article 46 -- All disbursements must be approved by the membership.

Other: Article 6, 48 -- Per capita taxes will be paid on the fifteenth of each month. The International will provide bonding coverage for all local officers and employees who handle funds.

---

Figure 4 (continued)
Disbursements Reconciliation Worksheet
Factory Workers Local 888
Audit Period Ending 12/31/00

<table>
<thead>
<tr>
<th>Month</th>
<th>Disbursements Per Union(1)</th>
<th>Disbursements Per Bank(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>October</td>
<td>$2,397.22</td>
<td>$2,614.82</td>
</tr>
<tr>
<td>November</td>
<td>2,056.19</td>
<td>2,731.53</td>
</tr>
<tr>
<td>December</td>
<td>3,199.32</td>
<td>2,680.32</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$7,652.73</strong></td>
<td><strong>$8,026.67</strong></td>
</tr>
</tbody>
</table>

(3) Plus Service Charges + 88.20 N/A
(4) Less Outstanding Checks at Beginning of Audit Period N/A - 312.09
(5) Plus Outstanding Checks at End of Audit Period N/A + 526.35
(6) Less Transfers N/A - 500.00
(7) Adjusted Total $7,740.93 $7,740.93

Notes:

(1) If your union maintains check stubs rather than a journal, you will have to add the amounts posted on each check stub for the month to arrive at the total monthly disbursements.
(2) This amount will generally be shown on the first page of the monthly bank statement.
(3) Normally, monthly service charges and fees for check printing, “bounced” checks, etc., will be included in the total disbursements per bank. If your union records do not include these charges, add the total amount for your audit period to the total “Disbursements per Union.”
(4) Checks are considered to be outstanding when they are written during a designated period but do not clear the bank until a later period. Like service charges, an adjustment must be made for outstanding checks. To adjust for outstanding checks at the beginning of the period you will have to subtract the total amount of outstanding checks from the total “Disbursements per Bank.”
(5) To adjust for outstanding checks at the end of the period, you will have to add the total amount of outstanding checks to the total “Disbursements per Bank.”
(6) Funds transferred from one of your union’s accounts into another of your union’s accounts are not considered to be union disbursements and should not be included in the calculation of total disbursements. The bank statement will reflect the amount of the transfer as a disbursement. To adjust for a transfer of funds, subtract the amount of the transfer from the total “Disbursements per Bank.”
(7) The adjusted totals posted in each column should agree. If significant discrepancies are detected, double-check the accuracy of the amounts posted in your union’s disbursements records. If you have not done so already, use an adding machine tape to confirm the totals.

Figure 5
## Receipts Reconciliation Worksheet

Factory Workers Local 888  
Audit Period Ending 12/31/00

<table>
<thead>
<tr>
<th>Month</th>
<th>Receipts Per Union (¹)</th>
<th>Receipts Per Bank (²)</th>
</tr>
</thead>
<tbody>
<tr>
<td>October</td>
<td>$2,796.50</td>
<td>$2,938.55</td>
</tr>
<tr>
<td>November</td>
<td>2,566.80</td>
<td>2,832.45</td>
</tr>
<tr>
<td>December</td>
<td>2,724.35</td>
<td>2,602.25</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$8,087.65</strong></td>
<td><strong>$8,373.25</strong></td>
</tr>
<tr>
<td>(³) Plus Interest</td>
<td>+ 37.60</td>
<td>N/A</td>
</tr>
<tr>
<td>(⁴) Less Outstanding Checks</td>
<td>N/A</td>
<td>- 398.00</td>
</tr>
<tr>
<td>at Beginning of Audit Period</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(⁵) Plus Outstanding Deposits</td>
<td>N/A</td>
<td>+ 650.00</td>
</tr>
<tr>
<td>at End of Audit Period</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(⁶) Less Transfers</td>
<td>N/A</td>
<td>- 500.00</td>
</tr>
<tr>
<td><strong>(⁷) Adjusted Total</strong></td>
<td><strong>$8,125.25</strong></td>
<td><strong>$8,125.25</strong></td>
</tr>
</tbody>
</table>

### Notes

(¹) If your union maintains check stubs rather than a journal, you will have to add the amounts posted as receipts on each check stub for the month to arrive at the total monthly receipts.

(²) This amount will generally be shown on the first page of the monthly bank statement.

(³) The bank will frequently include interest in the total receipts per bank. If your union records do not include interest, add the total amount for your audit period to the total “Receipts per Union.”

(⁴) Outstanding deposits (also called deposits in transit) are deposits made to the bank and entered in the union records during a designated period which do not appear on the bank statement until a subsequent period. Like interest, an adjustment must be made for outstanding deposits. To adjust for outstanding deposits at the beginning of the period, you will have to subtract the total amount of the outstanding deposits from the total “Receipts per Bank.”

(⁵) To adjust for outstanding deposits at the end of the period you will have to add the total amount of the outstanding deposits to the total “Receipts per Bank.”

(⁶) Funds transferred from one of your union’s accounts into another of your union’s accounts are not considered to be union receipts and should not be included in the calculation of total receipts. The bank statement will reflect the amount of the transfer as a deposit. To adjust for a transfer of funds, subtract the amount of the transfer from the total “Receipts per Bank.”

(⁷) The adjusted totals posted in each column should agree. If significant discrepancies are detected, double-check the accuracy of the amounts posted in your union’s receipts records. If you have not done so already, use an adding machine tape to confirm the totals.

---

**Figure 6**
Liquid Assets Inventory  
Factory Workers Local 888  
Audit Period Ending 12/31/00

Calculation of Ending Cash in Banks - All Accounts

<table>
<thead>
<tr>
<th>Account No. 1</th>
<th>Name of Account</th>
<th>Location of Account</th>
<th>Type of Account</th>
<th>Account Number</th>
<th>Balance per Bank Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>General Fund</td>
<td>National City</td>
<td>Checking Account</td>
<td>2215607</td>
<td>$1,378.11</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Account No. 2</th>
<th>Name of Account</th>
<th>Location of Account</th>
<th>Type of Account</th>
<th>Account Number</th>
<th>Balance per Bank Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>General Fund</td>
<td>National City</td>
<td>Savings Account</td>
<td>2215608</td>
<td>$2,510.50</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Account No. 3</th>
<th>Name of Account</th>
<th>Location of Account</th>
<th>Type of Account</th>
<th>Account Number</th>
<th>Balance per Bank Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>General Fund</td>
<td>First Federal</td>
<td>Certificate of Deposit</td>
<td>1607126</td>
<td>$1,500.00</td>
</tr>
</tbody>
</table>

**Total Ending Balance**  
$5388.61

---

Figure 7
# Fixed Assets Inventory

Factory Workers Local 888  
Audit Period Ending 12/31/00

<table>
<thead>
<tr>
<th>Item</th>
<th>Location</th>
<th>Purchase Date</th>
<th>Cost or Current Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Filing Cabinet</td>
<td>Office</td>
<td>1/7/75</td>
<td>$150.00</td>
</tr>
<tr>
<td>2. Typewriter</td>
<td>Recording Secretary's Home</td>
<td>8/16/95</td>
<td>$250.00</td>
</tr>
<tr>
<td>3. Desk</td>
<td>Office</td>
<td>1/7/75</td>
<td>$241.00</td>
</tr>
<tr>
<td>4. Chairs(4)</td>
<td>Office</td>
<td>11/5/91</td>
<td>$295.00</td>
</tr>
<tr>
<td>5. Photocopier</td>
<td>Office</td>
<td>2/12/94</td>
<td>$300.00</td>
</tr>
</tbody>
</table>

**Total** $1,195.00

*Note: No fixed assets were sold, donated, or otherwise disposed of during the audit period.*

---

Figure 7
Ending Bank Balance Reconciliation Worksheet

Factory Workers Local 888
Audit Period Ending 12/31/00

General Fund Checking
National City #2215607

Ending Balance Per Bank: $1,378.11

Plus Outstanding Deposits:
Christmas Raffle + 650.00
$2,028.11

Less Outstanding Checks:
1701  50.10
1704  450.00
1709  26.25
- 526.35

Adjusted Bank Balance: $1,501.76*

* This amount should agree with the figures shown in the union records. If significant discrepancies are detected, double-check the figures and, if necessary, seek an explanation from the principal financial officers.
LMRDA Requirements Relating to Union Funds

The Labor-Management Reporting and Disclosure Act of 1959, as amended (LMRDA), establishes a number of requirements relating to the handling and reporting of union funds:

**Reports** - Unions must file annual financial reports with the Office of Labor-Management Standards (OLMS) on one of three forms depending on the reporting union’s total annual receipts. Unions with $200,000 or more in receipts and those in trusteeship must file the Form LM-2. Unions with less than $200,000 in total annual receipts which are not in trusteeship may file the shorter Form LM-3 and unions with less than $10,000 in total annual receipts which are not in trusteeship may file the abbreviated Form LM-4. The reports are public information and are available from OLMS for any person to examine or purchase copies.

**Records** - Unions must retain the records necessary to verify the annual financial reports (Form LM-2/3/4) for at least five years after the reports are filed and must permit members to examine the records for just cause.

**Bonding** - In unions with more than $5,000 in property and annual receipts, officers and employees who handle union funds or property must be bonded to provide protection against losses by acts of fraud or dishonesty on their part.

**Fiduciary Responsibility** - Union officers have a duty to manage the funds and property of the union solely for the benefit of the union and its members in accordance with the union’s constitution and bylaws.

**Embezzlement** - A union officer or employee who steals or otherwise misappropriates union funds or other assets commits a federal crime punishable by a fine and/or imprisonment.

**Loans** - A union may not have outstanding loans to any one officer or employee at any time that in total exceed $2,000.

**Fines** - A union may not pay the fine of any officer or employee convicted of any willful violation of the LMRDA.

**Elections** - Union funds or other assets may not be used to promote the candidacy of any candidate in an election of union officers.

**Trusteeships** - If a union is in trusteeship, no funds of the union can be transferred to its parent body other than the normal per capita tax and assessments payable by subordinate bodies not in trusteeship.

**Office Holding/Employment Prohibition** - Persons convicted of certain crimes may not hold union office or employment for up to 13 years after conviction or after the end of imprisonment.

If you have any questions about the LMRDA, contact the nearest OLMS office for assistance.

---

Figure 10
LMRDA Recordkeeping Requirements

Section 206 of the Labor-Management Reporting and Disclosure Act of 1959, as amended (LMRDA), outlines the general recordkeeping requirements for unions. The Office of Labor-Management Standards (OLMS) finds that about thirty-five percent of the unions audited by OLMS failed to maintain adequate records. The overwhelming majority of these violations were unintentional; the responsible union officials often did not understand what specific records had to be kept for the required five-year period. However, because of the wide diversity of recordkeeping systems used by international and national unions and their affiliates, it is not possible for OLMS to precisely define what records must be maintained by every union.

As a general rule, all types of records used in the normal course of doing business must be maintained by unions for five years. This includes such financial records as receipts and disbursements journals, cancelled checks and check stubs, bank statements, dues collection receipts, per capita tax reports, vendor invoices, and payroll records. OLMS has found that, for the most part, unions do maintain these types of basic financial records but often fail to keep other records which help explain or clarify financial transactions such as:

- credit card slips and itemized receipts for each credit card charge
- member ledger cards for former members
- the union’s copy of bank deposit slips
- bank debit and credit memos
- vouchers for union expenditures
- internal union financial reports and statements
- minutes of all membership and Executive Board meetings
- accountant’s work papers and other internal worksheets used to prepare financial statements

All types of financial records and other related records that clarify or verify financial transactions must be maintained for five years after the applicable LM reports are filed. If the principal financial officers or Trustees have any questions about recordkeeping responsibilities, the union records in question should be retained or advice from the nearest OLMS field office should be sought.

Figure 11
LMRDA Bonding Requirements

Section 502(a) of the Labor-Management Reporting and Disclosure Act of 1959, as amended (LMRDA), establishes bonding requirements for certain union officers and employees. Every union covered by the LMRDA is subject to these bonding requirements except for unions whose property and annual receipts do not exceed $5,000 in value.

Essentially the law provides that any person who “handles” union funds or property must be bonded for at least 10% of the funds handled during the union’s preceding fiscal year up to a maximum of $500,000. An individual is considered to be “handling” funds or other property of a union if the union could suffer a loss if the individual performed his/her duties fraudulently or dishonestly. Handling funds is not limited to physical contact with money but is based on various factors. For example, a person who receives dues, fees, etc., from members clearly handles union funds. Also, however, any officer or employee who has authority to sign checks or make withdrawals from a savings account is handling union funds even if he/she has no physical contact with the funds. Individuals who typically handle funds include union officers (both elected and non-elected), employees such as business agents, trustees, key administrative and professional staff, and clerical personnel. The required bond must be obtained from a company on the U.S. Treasury Department list of approved bonding companies.

An easy way to compute the approximate amount of bonding coverage required using information from your union records or from your union’s most recently completed LM report follows:

\[
\begin{align*}
\text{Cash on hand and on deposit at the start of the year} & \quad \$ \quad \text{__________} \\
+ \quad \text{Plus total receipts for the year} & \quad \text{__________} \\
= \quad \text{Equals total funds handled} & \quad \text{__________} \\
\times \quad \text{Multiply by 10%} & \quad 0.10 \\
= \quad \text{Equals amount of coverage required} & \quad \$ \quad \text{__________}
\end{align*}
\]

If you have any questions about the bonding requirements or their application to your union, contact the nearest OLMS office and request copies of an explanatory pamphlet, “Bonding Requirements Under the LMRDA and CSRA,” which includes a checklist to more accurately calculate the amount of coverage required by the LMRDA. Copies of the LMRDA bonding regulations, 29 CFR Part 453, are also available from OLMS.

Figure 12
Internal Financial Controls

Section 501 of the LMRDA outlines the general fiduciary responsibilities for officers and employees of unions. Union officials occupy positions of trust and therefore must ensure that the union’s funds and other assets are used solely for the benefit of the union and its members. Unfortunately, if a union or other organization does not have an adequate system of internal financial controls, some individuals may use or be tempted to use some of the organization’s funds for their own purposes or become careless and mix the organization’s money with their own.

To prevent, or at least deter, the misuse or embezzlement of their funds, most organizations including corporations, banks, international unions, etc., establish internal controls over the handling of their finances. Adequate and effective internal controls require a separation of functions and responsibilities among a number of individuals who are actively involved in handling the union’s finances and who provide a system of “checks and balances” over each other’s activities. An entirely adequate system of internal controls is not always possible in small unions which employ no more than one full-time or part-time officer or employee to handle the union’s financial affairs and cannot afford the services of an independent accountant. However, some effective internal controls can usually be established even in one-person operations. For example, union executive boards or other governing bodies should consider taking the following actions to safeguard union funds by requiring that:

- the union’s financial officer issue pre-numbered receipts to members for all money collected from them and maintain records showing the dues payment status of each member.
- the union’s financial officer make regular, frequent deposits of dues and other union funds to the union’s bank account.
- the union’s financial officer maintain receipts and disbursements journals (or similar records) to record all monies received and spent by the union.
- there are constitutional provisions or membership or executive board meeting authorizations for the level of salary, allowances, and expenses, if any, to which the union’s officers are entitled.
- prior authorization be obtained for large or unusual financial transactions.
- signature stamps not be used on checks and that checks be signed only after they are completely filled out and the cosigner knows the purpose and legitimacy of each transaction.
- all checks drawn on the union’s bank account have a second signature.
- the financial officer give a report of the union’s finances at each membership or executive board meeting.
- Trustees or Audit Committees conduct periodic audits and provide reports to the membership.

Although establishment of internal financial controls will not absolutely prevent misuse or embezzlement of union funds, internal controls such as those listed above will deter most individuals from misusing union funds. Trustees and other union officers who have further questions about internal financial controls should seek the advice of their parent body or the nearest OLMS field office.

Figure 13
Completed Audit Report

Factory Workers Local 888
Period: 10/1/00 - 12/31/00

On 2/3/01 the undersigned Trustees completed an examination of the books and records and certify that to the best of our knowledge the information in this report is true and correct:

Primary Findings

1. Disbursements were accurately reflected in the union's records and issued for legitimate purposes.

2. Receipts were accurately reflected in the union's records and deposited to the union's bank accounts.

3. Assets (cash and equipment) were properly accounted for.

4. The union appears to be complying with the Labor-Management Reporting and Disclosure Act's provisions for financial reporting, recordkeeping, bonding, and loans with the following exceptions:

   Checkoff statements for the period were not initially available. Copies were obtained from the employer and the Treasurer has promised to retain future copies received.

   The bank statement and cancelled checks for October 2000 were not available. Copies were obtained from the bank and placed with other records.

   Original bills for the Christmas party were not retained. The Treasurer said he will tell the committee chairman to keep and turn over all Christmas party bills next year.

   Our LM-3 report for fiscal year ending 12/31/99 was timely submitted to OLMS. The Treasurer is working on our LM-3 report for fiscal year ending 12/31/00 and will file it before the March 31, 2001 deadline.

Figure 14
5. The union appears to be using good internal financial controls with the following exception:

*The President has been pre-signing checks. He has agreed to sign them only after they have been fully completed.*

6. The union appears to be complying with the financial practices and procedures of our parent body with the following exceptions:

*Per capita tax payments were usually submitted 1-2 months late. The Treasurer has promised to submit them on time in the future.*

*We have not been using all the forms (receipts, vouchers, journals) required by our parent body. New forms have been ordered and will be used in the future.*

**Financial Condition Statement**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Balance (Last Audit Report)</td>
<td>$5,004.29</td>
</tr>
<tr>
<td>Plus: Total Receipts</td>
<td>$8,125.25</td>
</tr>
<tr>
<td>Less: Total Disbursements</td>
<td>$7,740.93</td>
</tr>
<tr>
<td>Cash Balance (This Audit Report)</td>
<td>$5,388.61</td>
</tr>
<tr>
<td>Members at End of Period</td>
<td>201</td>
</tr>
</tbody>
</table>

**Attachments**
1. Fixed Assets Inventory
2. Ending Bank Balance Reconciliation Worksheet

**Signatures**

_John Smith 2/8/01_

_Mary Brown 2/8/01_

_Frank Miller 2/8/01_

*Figure 14 (continued)*
FINANCIAL OFFICER
DUTIES/ LM & 990
FINANCIAL OFFICER DUTIES

The duties and responsibilities of a local Treasurer include the following:

Protecting the funds and assets of the Local is the fundamental job of the Treasurer. Treasurers must carry out their duties and make sure they comply with:

- Federal Law
- CWA Constitution
- Local Bylaws
- Union and Local Policies

It is the Treasurer's responsibility to:

- verify that all expenses have been properly authorized.
- verify that there is adequate documentation of expenses on file.
- ensure that all expenditures are explained.

Other duties and responsibilities include:

- Prepare budget in consultation with other officers.
- Maintain financial records:
  - Receive funds due to the Local, including dues payments from the International, cash dues, initiation fees, etc.
  - Handle expenditure of funds. Secure authorization, documentation and explanation.
  - Keep bank account records.
- Report on finances to Local.
  - Report to membership.
  - Furnish financial statement to International.
- Maintain records on employees.
  - Prepare Forms 1099, 1096.
- Prepare Journal Ledger.
- Meet Federal report requirements.
  - LM reports
  - Form 990
  - Unemployment compensation Form 940.
  - Quarterly tax return Form 941.
- Meet state, county, city report requirements.
- Arrange for annual audit.
- Handle bonding coverage.
- Manage Local's assets.
- Invest Local funds consistent with sound accounting practices and policies of the Local.
- Share in responsibility of internal and external organizing (The H-166 can be particularly helpful in internal organizing efforts).
- Make worksite visits (All officers should talk with the members at different worksites occasionally).
- Provide communication link between members and President.
- Perform all duties as required by the CWA Constitution and Local Bylaws.

The Treasurer's Checklist of Documents (next page) will help you identify the documents you will need to perform your duties.
CWA/IUE-CWA Treasurer's Checklist of Documents

When you take office, review this list to make certain that you have the following documents. Make them part of your permanent records. Some of these items may not apply to your Local.

DATE RECEIVED ITEM

_________________ CWA Constitution (most current one)

_________________ IUE-CWA Division Rules

_________________ Local Union Bylaws (most current one)

_________________ Local Operating Practices or Standing Rules

_________________ The Uniform Operating Practices Manual (UOPM)

_________________ Local Union Employer Identification Numbers

EIN: ____________________________

_________________ Local Union LMSA File Number with the Department of Labor

LMSA File Number: ____________________________

_________________ Copy of the Blanket Tax Exemption IRS Letter

_________________ Local Union Checkbook(s)
  Account Number(s): ____________________________

_________________ Local Union Savings Account(s)
  Account Number(s): ____________________________

_________________ Money Market Certificates
  Account Number(s): ____________________________

_________________ Vouchers (for past five years)

_________________ Local Budget (most current and previous years if available)

_________________ Financial Report(s) To Membership (most current)

_________________ Annual Local Financial Statements

_________________ Key to Local Safety Deposit Box

_________________ Fixed Asset Inventory

_________________ Current Fiscal Year General Ledger (And/or financial software and password)

_________________ Past Years' General Ledgers (for past five years)

_________________ Current Fiscal Year Journals (which include):

  • Cash Receipts
DATE RECEIVED  ITEM

Past Years' Journals:
- Cash Receipts
- Disbursements
- Petty Cash

Past Years' Payroll Cards

Current Fiscal Year Cancelled Checks and Bank Statements

Past Years' Cancelled Checks and Bank Statements
(for past five years)

Current Fiscal Year Payments

Current Fiscal Year Bills

Past Years' Bills

Insurance Policies:

Workers Compensation

Liability

Casualty and Liability

Other:

Fidelity Bond—Amount: $ ___________

Copy of the Mortgage/Lease

Copies of ALL Audit Reports

All IRS Reports of W-2’s W-3’s W-4’s 990’s
990-T’s 940’s 941’s 1096’s 1099’s

Department of Labor Reports (either LM-2 or LM-3’s)*

All State and Local Tax Bills and Receipts of Payments

A copy of Labor-Management Reporting and Disclosure Act,
(LMRDA) As Amended 1959

Other:

Other:

Other:

* Locals comprised entirely of public employees are not required by law to file LM reports.
IRS Filing Requirements for Small Local Unions

ALL Locals must file with the IRS – there are NO exceptions

Annual Electronic Filing Requirement for Small Exempt Organizations
Form 990-N (e-Postcard)

Most small tax-exempt organizations whose annual gross receipts are normally $50,000 or less are required to electronically submit Form 990-N, also known as the e-Postcard, unless they choose to file a complete Form 990 or Form 990-EZ instead. If you do not file your e-Postcard on time, the IRS will send you a reminder notice. There is no penalty assessment for late filing the e-Postcard, but an organization that fails to file required e-Postcards (or information returns – Forms 990 or 990-EZ) for three consecutive years will automatically lose its tax-exempt status. The revocation of the organization’s tax-exempt status will not take place until the filing due date of the third year.

Due Date of the e-Postcard

The e-Postcard is due every year by the 15th day of the 5th month after the close of your tax year. For example, if your tax year ended on December 31, the e-Postcard is due May 15 of the following year. If the due date falls on a Saturday, Sunday, or legal holiday, the due date is the next business day. You cannot file the e-Postcard until after your tax year ends.

How to File

Type or paste the following address into your Internet browser: http://epostcard.form990.org. When you access the system, you will leave the IRS site and file the e-Postcard with the IRS through their trusted partner, Urban Institute. The form must be completed and filed electronically. There is no paper form.

Information You Will Need to File the e-Postcard

The e-Postcard is easy to complete. All you need is eight items of basic information about your organization.

1. Employer Identification number (EIN), also known as a Taxpayer Identification Number (TIN).
2. Tax year
3. Legal name and mailing address
4. Any other names the organization uses
5. Name and address of a principal officer
6. Web site address if the organization has one
7. Confirmation that the organization’s annual gross receipts are $50,000 or less
8. If applicable, a statement that the organization has terminated or is terminating (going out of business)
IRS Filing Requirements for Form 990 and 990-EZ

The following information is condensed from the instructions provided by the Internal Revenue Service and is subject to change as IRS Regulations change. This information should be used for guidance BUT to complete Form 990, Form 990-EZ or Form 990-N (e-Postcard) visit the IRS website at www.irs.gov//form990.

In general, IUE-CWA Local Unions qualify as tax-exempt organizations but they must file an annual information return (Form 990 or 990-EZ) or submit an annual electronic notice (Form 990-N), depending upon the organization’s gross receipts and total assets.

Form 990-EZ can be filed by Local Unions with gross receipts of less than $200,000 and total assets of less than $500,000 at the end of their tax year.

Form 990 must be filed by Local Unions with gross receipts of $200,000 or more. However, a local with total assets of more than $500,000 is required to file Form 990 even if their annual gross receipts are less than $200,000.

Gross Receipts are the total amounts the Local Union received from all sources during its annual accounting period, without subtracting any cost or expenses.

Reminder: Do Not Include Social Security Number on Public Disclosed Forms

Because the filing organization and the IRS are required to publicly disclose the organization’s annual information returns, Social Security numbers should not be included on this form. By law, with limited exceptions, neither the organization nor the IRS may remove that information before making the form publicly available. Documents subject to disclosure include schedules and attachments filed with the form. For more information, see Appendix D, Public Inspection of Returns. (See instructions at www.irs.gov//form990.)

When, Where, and How to File

File Form 990 or Form 990-EZ by the 15th day of the 5th month after the organization’s accounting period ends (May 15 for a calendar-year filer). If the regular due date falls on a Saturday, Sunday or legal holiday, file on the next business day.
Send the return to the:

Department of the Treasury
Internal Revenue Service Center
Ogden, UT 84409

**Electronic filing.** Local Unions can file Form 990 or Form 990-EZ electronically by going to [www.irs.gov/form990](http://www.irs.gov/form990) for the related instructions and about the latest information and developments related to Form 990, 990-EZ, such as legislation enacted after they were published. For additional information on the electronic filing requirement, go to [www.irs.gov/efile](http://www.irs.gov/efile).

**Extension of Time to File**

Use Form 8868, Application for an Extension of Time to File an Exempt Organization Return to request an automatic 3-month extension of time to file. Use Form 8868 also to apply for an additional (not automatic) 3-month extension if the original 3 months was not enough time. To obtain this additional extension of time to file, the organization (Local) must show reasonable cause for the additional time requested.

**Failure-to-File Penalties**

**Against the organization.** Under section 6652 (c)(1)(A), a penalty of $20 a day, not to exceed the smaller of $10,000 or 5% of the gross receipts of the organization for the year, can be charged when a return is filed late, unless the organization can show that the late filing was due to reasonable cause.

**Against responsible person(s).** If the organization does not file a complete return or does not furnish correct information, the IRS will send the organization a letter that includes a fixed time to fulfill these requirements. After that period expires, the person failing to comply will be charged a penalty of $10 a day. The maximum penalty on all persons for failures for any one return shall not exceed $5,000.

**Automatic revocation for non-filing for three consecutive years.** The law requires most tax-exempt organizations, other than churches, to file an annual Form 990, Form 990-EZ, or 990PF with the IRS, or submit a Form 990-N e-Postcard to the IRS. If an organization fails to file an annual return or submit an annual notice as required for 3 consecutive years, its tax-exempt status is automatically revoked on and after the due date for filing its third annual return or notice. Organizations that lose their exemption may need to file income tax returns and pay income tax, but may apply for reinstatement of exemption. For details go to [www.irs.gov/eo](http://www.irs.gov/eo).
Local Union Requirements to file Department of Labor Information Reports and Financial Reports

Every Labor Organization subject to the Labor-Management Reporting and Disclosure Act, as amended (LMRDA), the Civil Service Reform Act (CSRA), or the Foreign Service Act (FSA) must file Form LM-1 with the Office of Labor-Management Standards (OLMS) of the U.S. Department of Labor's Employment Standards Administration. These laws cover labor organizations that represent employees who work in private industry, employees of the U.S. Postal Service, and most Federal government employees.

Exclusion From Filing LM Reports
Only those Locals comprised entirely of public employees (state, county or municipal employees) are excluded from filing an LM financial report.

FOR ALL OTHERS:

Initial LM Filing, Form LM-1

Every labor organization subject to the LMRDA, CSRA or FSA is required to adopt a constitution and bylaws and file two copies together with an initial Form LM-1 with OLMS. The initial Form LM-1 must report certain information concerning the structure, practices, and procedures of the labor organization.

OLMS will acknowledge receipt of your organization's initial Form LM-1 and advise you of the 6-digit identifying file number that has been assigned to your organization. This file number MUST be entered on the annual financial reports (Form LM-2, LM-3, or LM-4) which your labor organization is also required to file with the Department of Labor.

Amended Form LM-1

A labor organization is required to file an amended Form LM-1 to update the information on file with OLMS if there are any changes in the practices and procedures listed in its most recent Form LM-1.

When to file

Form LM-1 must be filed within 90 days after the date on which your organization becomes subject to the LMRDA, CSRA, or FSA. Also, subsequent to filing Form LM-1, you must file annual financial reports (Form LM-2, LM-3, or LM-4) within 90 days after the end of your organization's fiscal year.
Yearly Reports. Which Labor Organization Annual Report Form Do I Use (Form LM-2, LM-3, or LM-4?)

The answer to the following questions determine which form must be used!!!

1. Were your local’s total annual receipts $250,000 or more?

   Labor organizations with total annual receipts of $250,000 or more are required to file Form LM-2. To prepare the LM-2 the public reporting burden for this collection of information is estimated to average 536 hours per response. For filers who have subsidiary organizations, as defined in Section X of these instructions, an additional public reporting burden is estimated to average 88 hours per response. These estimates include the time for reviewing instructions, searching existing data sources, gathering and maintaining data needed, and completing and reviewing the collection of information.

2. Were your local’s total annual receipts $10,000 or more but less than $250,000?

   Labor organizations with total annual receipts of less than $250,000 may file the simplified annual report Form LM-3. To prepare the LM-3 the public reporting burden for this collection of information is estimated to average 116 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

3. Were your Local’s total annual receipts less than $10,000?

   Labor organizations with total annual receipts of less than $10,000 may file the LM-4. To prepare the LM-4 the public reporting burden for this collection of information is estimated to average 10 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

TOP DOWN vs. BOTTOM UP

Do you know that your local may have the ability to affect the total annual receipts by the way your local pays dues?

Locals that pay dues “top down” reduce their annual receipts considerably because per capita and MRF payments are taken prior to becoming income to the local. However, locals that pay dues “bottom up” receive all the dues first and then pay per capita, thus the full amount of dues apply as annual receipts.

Example #1 Consider that a local with an average pay rate of $20.00 per hour and approximately 750 members will have approximately $405,000 dues income, requiring the local to file Form LM-2. However, if that same local paid dues “top down” their estimated dues income would be about $240,000 permitting a Form LM-3, saving hours in prep time.

The DOL estimates that it take 536 hours to prepare the LM-2 compared to 116 hours to complete the LM-3.
Example #2  Similarly, consider a local with an average pay rate of $20.00 per hour and approximately 30 members would have a total annual income of about $16,200. That requires the local to file Form LM-3. However, it that same local paid dues “top down” their estimated annual income would be approximately $9,800, permitting the local to file Form LM-4 saving hours in prep time.

The DOL estimates that it takes 116 hours to prepare the LM-3 compared to 10 hours to prepare the LM-4.

WHEN TO FILE

Forms LM-2, LM-3 and LM-4 must be filed within 90 days after the end of your organization’s fiscal year (all CWA locals have a fiscal year ending September 30). The law does not authorize the U.S. Department of Labor to grant an extension of time for filing reports for any reason.

If your organization went out of existence during its fiscal year, a terminal financial report must be filed within 30 days after the date it ceased to exist. See Section XII of the instructions provided on the DOL website for information on filing a terminal financial report.

HOW TO FILE LM 3 and LM 4

Form LM-3 and LM-4 may be filed on a paper form as explained later in this section but using the OLMS Electronic Forms System (EFS) is the fastest, most accurate way to complete and file Forms LM-3 or L-M-4. Information about EFS can be found on the OLMS Web site at www.olms.dol.gov. The system accesses your labor organization’s identifying information from our database and enters it on your form. The software performs calculations for you, and runs an error check.

It also permits unions that keep records electronically to import financial data from their accounting programs into the electronic form.

After you have completed Form LM-4 in EFS, you electronically sign and submit the form. If you have difficulty navigating EFS, or have questions about its functions and features, call the OLMS Help Desk at (866) 401-1109. You may also email questions to olms-public@dol.gov.

If you are not using the EFS version of Form LM-3 or LM-4, you can download and print a non-interactive version of the Form LM-3 PDF or Form LM-4 PDF, manually complete it in blue or black ink, and mail the completed signed form to OLMS at:

Office of Labor-Management Standards
200 Constitution Ave., NW, Room N-1519
Washington, DC 20210-0001

The PDF version of Form LM-3 and/or LM-4 can be found on the OLMS Website at www.olms.dol.gov. Note that this version of the form(s) does not pre-fill your labor organization’s identifying information, perform calculations for you, or run an error check.
Alternately, you can order paper copies of the form(s) and instructions by calling OLMS at 202-693-0123 (not a toll-free number) or by emailing your request to olms-public@dol.gov.

HOW TO FILE LM 2

Form LM-2 must be submitted electronically to the Department of Labor.

Form LM-2 filers will be able to file reports in paper format only if they assert a temporary hardship exemption or apply for and are granted a continuing hardship exemption.

If you have difficulty navigating the software, or have questions about its functions and features, call the OLMS Help Desk at: (866) 401-1109. You may also send questions via e-mail to OLMS-Public@dol.gov.

HARDSHIP EXEMPTIONS

A labor organization that must file Form LM-2 may assert a temporary hardship exemption or apply for a continuing hardship exemption to prepare and submit the report in paper format.

TEMPORARY HARDSHIP EXEMPTION:

If a labor organization experiences unanticipated technical difficulties that prevent the timely preparation and submission of an electronic filing, the organization may file Form LM-2 in paper format by the required due date. An electronic format copy of the filed paper format document shall be submitted to the Department within ten business days after the required due date. Indicate in Item 3 (Amended, Hardship Exempted, or Terminal Report) that the labor organization is filing under the hardship exemption procedures. Unanticipated technical difficulties that may result in additional delays should be brought to the attention of the OLMS Division of Interpretations and Standards, which can be reached at the address below, by email at OLMS-Public@dol.gov, by phone at 202-6930123, or by fax at 202-693-1340.

Note: If either the paper filing or the electronic filing is not received in the timeframe specified above, the report will be considered delinquent.

CONTINUING HARDSHIP EXEMPTION:

(a) A labor organization may apply in writing for a continuing hardship exemption if Form LM-2 cannot be filed electronically without undue burden or expense. Such written application shall be received at least 30 days prior to the required due date of the report(s). The written application shall contain the information set forth in paragraph (b).

The application must be mailed to the following address:

U.S. Department of Labor
Office of Labor-Management Standards
200 Constitution Avenue, NW
Room N-5609
Washington, DC 20210

Questions regarding the application should be directed to the OLMS Division of Interpretations and Standards, which can be reached at the above address, by e-mail at OLMSPublic@dol.gov, by phone at 202-693-0123, or by fax at 202-693-1340.
(b) The request for the continuing hardship exemption shall include, but not be limited to, the following: (1) the justification for the requested time period of the exemption; (2) the burden and expense that the labor organization would incur if it was required to make an electronic submission; and (3) the reasons for not submitting the report(s) electronically. The applicant must specify a time period not to exceed one year.

(c) The continuing hardship exemption shall not be deemed granted until the Department notifies the applicant in writing. If the Department denies the application for an exemption, the labor organization shall file the report(s) in electronic format by the required due date. If the Department determines that the grant of the exemption is appropriate and consistent with the public interest and the protection of union members and so notifies the applicant, the labor organization shall follow the procedures set forth in paragraph (d).

(d) If the request is granted, the labor organization shall submit the report(s) in paper format by the required due date. The filer may be required to submit Form LM-2 in electronic format upon the expiration of the period for which the exemption is granted. Indicate in Item 3 (Amended, Hardship Exempted, or Terminal Report) that the labor organization is filing under the hardship exemption procedures.

Note: If either the paper filing or the electronic filing is not received in the timeframe specified above, the report will be considered delinquent.

PUBLIC DISCLOSURE

The LMRDA requires that the U.S. Department of Labor make labor organization financial reports available for inspection by the public. Reports for the year 2000 and later may be viewed and downloaded from the OLMS Online Public Disclosure Room at www.unionreports.gov. Copies of reports and union constitutions and bylaws can be ordered at the same Web site. Reports may also be examined and copies purchased at the OLMS Public Disclosure Room at:

U.S. Department of Labor
Office of Labor-Management Standards 200 Constitution Avenue, NW
Room N-1519
Washington, DC 20210-0001
Telephone: 202-693-0125

OFFICER RESPONSIBILITIES AND PENALTIES

The president and treasurer or the corresponding principal officers of the labor organization required to sign Form LM-2, LM-3, or LM-4, are personally responsible for its filing and accuracy. Under the LMRDA, officers are subject to criminal penalties for willful failure to file a required report and for false reporting. False reporting includes making any false statement or misrepresentation of a material fact while knowing it to be false, or for knowingly failing to disclose a material fact in a required report or in the information required to be contained in it or in any information required to be submitted with it.

The reporting labor organization and the officers required to sign Form LM-2, LM-3 or LM-4 are also subject to civil prosecution for violations of the filing requirements. Section 210 of the LMRDA (29 U.S.C. 440) provides that “whenever it shall appear that any person has violated or is about to violate any of the provisions of this title, the Secretary may bring a civil action for such relief (including injunctions) as may be appropriate.”
Under the CSRA and FSA and implementing regulations, false reporting and failure to report may result in administrative enforcement action and litigation. The officers responsible for signing Form LM-3 are also subject to criminal penalties for false reporting under Sections 1001 of Title 18 and 1746 of Title 28 of the United States Code.

RECORDKEEPING

The officers required to file Form LM-2, LM-3 or LM-4 are responsible for maintaining records which will provide in sufficient detail the information and data necessary to verify the accuracy and completeness of the report. The records must be kept for at least 5 years after the date the report is filed. Any record necessary to verify, explain, or clarify the report must be retained, including, but not limited to, vouchers, worksheets, receipts, and applicable resolutions, and any electronic documents, including recordkeeping software, used to complete, read, and file the report.

LABOR ORGANIZATIONS IN TRUSTEESHIP

Any labor organization which has placed a subordinate labor organization in trusteeship is responsible for filing the subordinate’s annual financial report. A trusteeship is defined in section 3(h) of the LMRDA as “any receivership, trusteeship, or other method of supervision or control whereby a labor organization suspends the autonomy otherwise available to a subordinate body under its constitution or bylaws.”

Annual financial reports filed for any labor organization in trusteeship must be filed on Form LM-2 rather than Form LM-4. The report must be signed by the president and treasurer or corresponding principal officers of the labor organization which imposed the trusteeship and by the trustees of the subordinate labor organization. Form LM-2 can be downloaded from the OLMS Website at www.olms.dol.gov. For additional information contact any of the offices listed at the end of these instructions.

State Reports

Several states require Local unions to file financial data with the State Department of Labor. It is the responsibility of the appropriate Local officer to become familiar with such state regulations. If you have any questions in this respect, contact your State Department of Labor which is generally located in the capital city.

It is the policy of IUE-CWA Division and the policy of CWA that Locals forward a copy of each of the following to the IUE-CWA Division and to the CWA Secretary-Treasurer’s office:

- A copy of the Local’s LM-2, LM-3, or LM-4 report.
- A copy of your IRS Form 990.
- A copy of your Local’s financial report/audit.

Please either mail a copy of your completed reports to the office of the Secretary-Treasurer or email it to cwamail@cwa-union.org.

Mail a completed copy of your reports to IUE-CWA Division, 2701 Dryden Rd., Dayton, Ohio 45439

NOTE: CWA and IUE-CWA Division do not require a copy of any state reports your Local may be obligated to file.
CHECKLIST FOR FILING LM’s and FORM 990’s

- Copy of previous year audit, 990 and LM Report
- Copy of Local Constitution and/or bylaws
- Copy of Local meeting minutes
- Bank statements from previous fiscal year
- Copies of all deposit receipts, vouchers
- Ledger book, journal or preferably your electronic record of all recorded financial transactions for fiscal year
- Copies of statements for all Financial Assets held, such as CD’s, Money Market Accounts
LOCAL EXPENSE VOUCHER
Communications Workers of America

Local # ______  No._____
Name ______  Date ______
Address ______  Social Security
______  Or Unemployment Tax #_____
______  Exemptions____

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Total

Attach necessary receipts – Explain reason for expense:

_____

This is to certify that amounts shown on this statement were incurred by me on behalf of CWA.

Signature____________________  Signature____________________  Paid by

Expense Incurred By

Approved By

Check No._____

H-100
# LOST TIME VOUCHER

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<th>Date</th>
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<th>Explanation of Lost Time</th>
<th>Fed W/H</th>
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**Totals**

I Certify that Lost Time was necessary on behalf of Local _____ activities.

Signature

Amt: FICA/Soc Sec: _______________________ Gross Total: _______________________ 
W.Tax: _______________________ 
City Tax: _______________________ 
State Tax: _______________________ 
Total _______________________ 

Amount of Check: _______________________ 

Net Total: _______________________ 

Check#: _______________________
LOCAL UNION QUARTERLY AUDIT REPORT

Local Union No. _____________ District Council No_____________ Date_____________

In accordance with Section B, Article XVI, of the IUE-CWA International Constitution, this is to certify that Local _________ has had its books and records audited by the Trustees of the Local, for the three month period ending ________________.

The books and records were found to be in good order ( )

A shortage appeared in the records ( )

NOTE: If a shortage appeared please state the reasons.

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

Local Seal

Local President ________________

Local Secretary ________________

Trustees

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

Send original to the International and retain copy for Local records.
IUE-CWA Yearly Local Audit Report

Local Union Number ____________ Date ____________

In accordance with Article VIII, Section 9 of the CWA Constitution and Article VIII, Section B of the IUE-CWA Division Rules, Locals must have an annual audit of the financial records of the Local, make financial statements available to the membership at least annually, and furnish the International CWA and IUE-CWA an annual financial statement.

This is to certify that Local _______________ has had its books and records audited by the Trustees of the Local for the fiscal year ending _________________.

Please mark the appropriate box below:

The books and records were found to be in good order ........................................... ☐

A shortage or discrepancy appeared in the records .......................................................... ☐

If a shortage or discrepancy appeared, please explain: ________________________________

______________________________________________________________________________

______________________________________________________________________________

______________________________________________________________________________

(If you need more space, attach additional information)

If the Local books were also audited by a Certified Public Accountant, attach a copy of the audit report to this document before mailing.

Local President ______________________

Local Secretary-Treasurer ______________________

Witnessed by:

_________________________ (Local Trustees)

_________________________

_________________________

Please send the original form to IUE-CWA Headquarters at 2701 Dryden Rd. Dayton, OH 45439. Keep a copy for your records.
DUES
Each Member of the Union shall pay the membership dues established by the member’s local. 
(Section 1(a) CWA Constitution)

**Per Capita/Dues:** Union dues are collected from each member through payroll deduction and the International’s portion is called Per Capita. IUE merged with CWA in 2000 and the current dues structure was established by CWA at the 1979 Convention and later modified at the 1990 Convention.

**DUES CONTACT PERSON**

The CWA has a District Dues Coordinators within each District, but President Clark wanted a person exclusively for the IUE-CWA members to go to for their dues issues and questions, so now the IUE-CWA Division has a Dues Coordinator assigned to work with the IUE-CWA locals. The Dues Coordinator acts as a liaison between the locals and the CWA so any dues questions or concerns can be addressed and resolved more expediently.

**Dues Basic Calculation**

Dues are based upon 2 ¼ hours pay of your base rate (i.e. person making $10.00 per hour – their monthly dues would be $22.50). Dues are withdrawn from your paycheck either weekly, bi-weekly or monthly, depending on how your specific payroll is set up. Dues are then calculated at the end of each month and submitted to CWA along with a membership dues report either by the company or by the local.

Local’s portion of monthly dues is 60% (minus Member’s Relief Fund).

**Collection of Local Dues**

**Company Remitting Dues Payment (commonly referred to as “Tops Down”)**

Under this program, the Employer deducts the member’s dues through payroll deductions and at the end of each month, the entire dues are sent to CWA along with a membership report for CWA Dues Department to process the dues and then the CWA sends the local their portion of
the monthly dues either through a paper check or via direct deposit into the local’s bank account. All local dues reports can be retrieved through the CWA Local Union Website (address listed below).

**Local Collection of Dues (commonly referred to as “Bottoms Up”)**

Under this program, the Employer deducts the member’s dues through payroll deductions and at the end of each month, a check and dues report is sent directly to the local. The local then has the responsibility of calculating the International’s portion (CWA) and completing the dues report form online and submitting it to CWA electronically utilizing the CWA Orion Dues System.

**Flat Dues Rate**

IUE-CWA Locals also have the option of having their member’s dues deducted utilizing a Flat Dues Rate. In order to have this occur, the local officers must submit a Flat Dues Rate Request Form to the CWA in October of each year along with their membership’s hourly rates. Once the form is completed, it is to be sent to the IUE-CWA Dues Department along with a printout of the local member’s hourly rates. After reviewing the information, we will forward the request to the CWA, who will then review the forms and let the local know their findings. If the Flat Dues Rate is approved, it will go into effect the following January. (See attached form)

If you have any questions when completing the Flat Dues Rate Form, please contact the IUE-CWA Dues Coordinator at 937-298-9986 for assistance.

**Remittance of Dues**

Dues payments are to be mailed to:

CWA Dues Dept.
PO Box 79176
Baltimore, MD 21279-0176

**IMPORTANT ADDRESS and PHONE NUMBERS**

CWA Headquarters
501 Third St., NW
Washington, DC 20001
202-434-1100 (main number)
IUE-CWA Main Headquarters

James D. Clark, President
IUE-CWA
2701 Dryden Road
Dayton, OH 45439
937-298-9984 (main number)
937-298-2636 (Fax)
937-298-9986 (Dues Dept.)

Dues Checks from CWA

Locals may either receive a paper check from CWA or have their monthly dues deposited into the local’s bank account via Direct Deposit.

UNDERSTANDING IMPORTANT NUMBERS

Local Union Number - Each local has a five digit number within the CWA structure. The 5 digits are broke down as follows – first digit means that your local is part of the Industrial Division (IUE) of CWA, second digit identifies which CWA District your local falls under and last three digits identifies your local number (which is the old IUE number you had unless your old local number was 4 digits)

(i.e.) 84755 - 8 means part of IUE division
4 means local is part CWA District 4
755 (generally is old IUE local number)

Anytime you are contacting the CWA, you must use all 5 digits for your local number as that is how you are identified in the CWA.

Per Unit Number for Dues – commonly called PU #

Some IUE-CWA locals have more than one shop and they are referred to as amalgamated locals (meaning they are one local union with multiple locations). Each shop within each local has their own per unit number (PU#) that identifies the dues associated with that location. This helps both the CWA and the local union when working on the dues as it breaks down each location. In the CWA Dues System, each local is identified by their local number and their PU number(s) and when contacting the CWA concerning your dues, you need to have that information on hand so they can look up your information.
CWA ONLINE DUES SYSTEM

CWA does not issue paper dues reports. They are available online. You can go online to view your local’s dues at - https://orionxe.cwa-union.org/orionxe/#/Home

Attached is a copy of the home page for logging in. In the upper right hand corner, you will click on the login in the grey box. When you log in - you enter cwa and then your 5 digit local number (all lower case with no spaces). You have a six digit password and you enter the # symbol immediately following the six digits (with no spaces) (i.e. 000-000#)

It would be in your best interest to take some time to learn how to navigate through this website as you will be utilizing it a lot.

If you do not know your password, please contact the IUE-CWA Dues Department at 937-298-9986. You may also call if you have any questions or would like to set up a time for training on the dues system with our IUE-CWA Dues Coordinator.

UNDERSTANDING DUES REPORTS

The Orion dues system has a variety of reports that are easily accessible online (attached are some samples). These reports can be very beneficial to you. You can access these reports by clicking on the Reports box. Listed below are a few of the reports available:

**Transaction Report** – Reports shows all dues transactions for the specific timeframe that you choose (i.e. one month, two months, six months, etc.) This can be very beneficial when preparing for a membership meeting.

**Settlement Check Detail Reports** – Report gives you a report of the breakdown of specific payments made to the local from CWA. It shows the dues received, the specific dues deductions and the amount that the local paid. If this is an amalgamated local with more than one shop, it will break down each location or unit and then give a total.

**Dues Summary Reports** – Report gives you a breakdown of the dues, wages, international calculations, membership counts, local split and the amount due to the local for each month. (For amalgamated locals, there is a separate report for each location)

**Membership Reports** – Several different reports can be accessed showing the member’s current status, wages, dues payments, demographic information, etc. These reports can be very beneficial to locals when making certain the member’s information and dues status is correct.

Under the Reports Section, the local can also have the capability to print out mailing labels for local membership mailings.
LOCAL INFORMATION

You can also access the local’s information online using the Orion system. You can select Local Information box and check the employer information, number of pay periods for each employer, banking information for your local if you have direct deposit and local officer information, bond information for your local and local charter information for your local.

The Local Information section is also where you need to go to make any changes in the status of your local officers or local officer’s contact information. Keeping the local officer information updated in the Orion system is very important as CWA uses this data to contact the local when necessary.

Local bond information can be verified for your local in the Local Information section of Orion.

LOCAL MEMBERSHIP

You can also utilize the Local Membership box when looking up a member or changing a member’s address or changing a member’s status (i.e. active, layoffs, retired, etc.). It is very important to make certain that the membership’s status is up to date as this information is used by CWA when calculating your local’s dues. (i.e. If a person is no longer an active member and the status code has not been changed, the local will continue to be charged for that person’s dues and the local dues payment will be calculated incorrectly)

Listed below are some common tasks that can be accomplished under the Local Membership section:

✓ Changing member’s address
✓ Adding new member
✓ Changing and/or correcting Member’s status (i.e. active, pending, etc.)
✓ Verifying dues payment history for a member

Frequently Used CWA Forms

CWA requires a form to be completed if there is a change in a company name or if there is a deletion of a company. The form needs to be completed and sent to CWA either via regular mail or via email.

Form 9A Change in employer name or deletion of an employer

CWA has forms available on the CWA Secretary-Treasurer website under Local Forms section.

For any questions or concerns regarding your dues, please contact the IUE-CWA Dues Department at 937-298-9986.
When you click on login, this screen will come up for you to login for our local as follows:

Enter CWA followed by your local number (no spaces) by user name
Enter your 6 digit password followed by # (i.e. 000-000#) by password
IUE-CWA Administrative Option
for Flat Rate Dues Structure
Application/Instructions Form  (Due in 12/2013)

Please indicate:

Local Number
PU Number
PU/Company Name
Effective Year  2014

Please calculate and indicate:

Average Wage Rate from October payroll
*October hourly rate listing must be attached*

Minimum Monthly Dues Rate for 2012
*October average hourly rate X 2.25*

Proposed Monthly Dues Rate
*Includes additional dues over minimum*
*Additional amounts must have Local approval*

- This option applies to Local Collection (bottom-up) as well as Direct Pay from company (top-down) processing.
- Application must be received by CWA Secretary-Treasurer by December 20, 2013.
- October hourly rate listing must be provided in an electronic format (excel) sent to phumphries@cwa-union.org
- Upon returned approval by CWA Secretary-Treasurer, Local is responsible for advising company of the flat dues rate for members.
- Important! Wage reports must be received with each monthly Dues Report/Payment. Failure to comply may negate approval for future applications.
- Application for this dues option must be made annually for each processing unit/company.

Submitted, the _____ day of _____, _____

__________________________________________  ____________________________
Local President                                Local Financial Officer

Approved, the _____ day of _____, _____

__________________________________________,  IUE-CWA Office.

Approved, the _____ day of _____, _____

__________________________________________,  CWA Secretary-Treasurer’s Office.

Form – IUEFRD (12/2013)
1. Effective Date: ____

2. Employer (unit) number: ____

3. A. Employer: ____
   B. Bargaining Unit (if applicable): ____
      (Describe Work Force)
   C. Subsidiary of (if applicable): ____

4. A. Employer’s HQ Location: (City and State) ____
   B. Bargaining Unit Location: (City and State) ____

5. Local Number: ____

6. Form 9A prepared by: (Name and Date) ____

7. A. Received by Membership & Finance Section: (Name and Date) ____
   B. Processed by Membership & Finance Section: (Name and Date) ____

8. CHANGE
   A. Employer Name ____
      From: ____
      To: ____
   B. Location (HQ/BU)
      From: ____
      To: ____
   C. Other (explain fully): ____

9. DELETE
   A. Employer ____
      OR
      Bargaining Unit (describe workforce): ____
   B. Reason: (explain fully): ____

FOR Membership & Finance SECTION USE ONLY

DISTRIBUTE TO:
Organizing
Compliance
Membership Dues
District VP
Labor Management Pension Fund

And, if applicable to:
Sector Vice Presidents

Form 9A Revised 3/2012
LOCAL REIMBURSEMENT PROCEDURE
IUE-CWA Lost Time and Travel Reimbursements

When the IUE-CWA has approved Local members to travel on behalf of the International, our policy is for the local union to pay the member any lost time and/or expenses and the International to reimburse the local upon receipt of the appropriate materials. Locals will send all reimbursement requests to IUE-CWA Headquarters, 2701 Dryden Rd., Dayton, OH 45439. If you are requesting reimbursement under a SIF (SCA members, Mentorship program, e.g.), the check your locals receives will come from CWA HQ in Washington, DC.

REQUEST FORMAT
Requests for reimbursement for approved lost time and/or travel expenses should include copies of all receipts/substantiating materials stapled to a subtotal sheet which lists the travel and lost time amounts the local is requesting for each member (one subtotal sheet with receipts attached for each member). Also include a brief cover letter to the International asking for the total amount to be reimbursed to the local and naming the persons we approved to travel. (See attached examples)

LOST TIME
Each time the local sends a request for lost time for a member who has traveled to an IUE-CWA Event or done work on our behalf, the International needs two things in order to reimburse the local for lost time.

1) We need either a photocopy of the actual check or a copy of the local payroll voucher showing the check number, date, and Gross and Net amounts of the lost time check written to the member. (REMEMBER—lost time MUST be paid as payroll. Locals cannot write members a non-payroll check for lost time.) The International will reimburse the Local for the Gross amount of the payroll check written to the member.

2) We also need either a lost time report from the company showing that the member “lost” the time or a copy of the member’s paystub from the employer which shows that they “lost” the hours from their normal pay. The paystub also substantiates the hourly rate of the employee.

*Note—Per CWA policy, we do not reimburse for lost overtime. We also do not pay “lost time” for travel on weekends.

TRAVEL EXPENSES
Per CWA regulations, receipts are required for ALL meal and travel expense reimbursements. Also, meal reimbursements for any given day may not exceed the IRS Per Diem amount for the city traveled to. Also, please note that per diem for travel days is LESS than per diem for days spent at the destination city (see the example and chart on the attached sheet). For more information, go to http://gsa.gov/portal/content/104877. If the Local pays per diem in advance to the member for travel on behalf of the International, the member may need to reimburse the local part of that per diem amount upon return from the trip. When meals are provided by the International (and some meals almost always are), if members received per diem for that day, the per diem amounts for those
provided meals must (by Federal Law) be reimbursed by the local member to the local. Members cannot keep per diem amounts for meals they did not pay for and the International will not reimburse locals for per diem amounts for meal we provided to members at our expense. How can you avoid paying members too much per diem prior to the trip? First, you can carefully read the call letter. We generally note on the call letter which meals will be provided to the members. You can back the IRS Per diem amount for those meals out of the per diem you pre-pay the member prior to the trip.

For example, the trip is to Las Vegas for four days (including two travel days) and the daily per diem amount is $53.20 for the two travel days and $71 for the two days in Las Vegas. Per the call letter, the international is providing breakfast, lunch, and dinner on one day in Las Vegas, just breakfast and lunch on the second day, and no meals on the two travel days. Using the attached chart, you would take the per diem amount for four days (71X2=$142 and $53.20X2=$106.40) which totals $248.40 and subtract one full day of meals ($66) and one day of breakfast and lunch ($30). You would then write the per diem check to the member for $152.40.

*Note that the International will NOT automatically reimburse that final amount to the Local. The International will only reimburse to the Local the amount of the actual meal receipts the member turns in. Does the member owe the Local back the difference between the IRS Per diem amount allowed and the amount of the actual meal receipts? No, but the Local will incur the cost of the difference. If the local is not willing to incur the cost difference between IRS Per diem allowed and actual meal receipts turned in—the local can simply have the member use his/her own money upfront for travel on behalf of the International and can reimburse the member for receipts turned in after the trip up to the IRS per diem amounts allowed (the same exact amount the International will reimburse the local).

**INCIDENTALS**
The IRS Allowed Per diem amount includes $5 a day for incidentals without a receipt. The International will also reimburse the $5 for incidentals with no receipts, but an explanation of the expense must show on the summary sheet the local submits to the International for reimbursement. (For example: $3 tip to maid and $2 tip to the baggage handler).

**AIRFARE POLICY**

On some occasions, the International IUE-CWA will set up a procedure for members to call AAA Travel, and in that instance, the International will directly pay for the airfare. When that is not an option, the member/local will purchase their own reasonable airfare and be reimbursed by the local. The International will only reimburse for coach airfare, and every effort must be made by the local/member to keep the cost of the airfare down. The International will not reimburse for airfare that is deemed unreasonable. The International will also pay for one checked bag per member each way. Taxi fares to and from the airport are NOT included in per diem and will be reimbursed with a receipt.

Note: We do not require members to fly on prop airplanes even if a regional jet is slightly higher.
DRIVING

If the cost of mileage is equal to or less than the cost of a typical/reasonable airline ticket to the destination, the member may choose to drive to the location and be reimbursed mileage (56.5 cents per mile). The mileage amount reimbursed includes fuel and wear and tear on the vehicle. Gas receipts showing that the member drove must be submitted when the local requests reimbursement for the mileage amount. The International reserves the right to require members to drive to destinations that are within a reasonable distance from the member's home.

*Important—If two or more members drive together to a destination, only the person actually driving their personal vehicle will get mileage reimbursement. Requesting or receiving mileage payments for riding as a passenger in someone else's car is against the law.

IRS Per Diem Amount Breakdown by meal

Most major cities have IRS daily per diem amounts between $46 and $71. You can look up a city's IRS Per Diem amount at [http://www.gsa.gov/portal/category/100120](http://www.gsa.gov/portal/category/100120)

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**Example:** Member traveled to Chicago for a three day meeting with a travel day on either side. (Total of five days). Per the call letter, the International will provide breakfast and lunch on all three days in Chicago, and dinner on one of the days. The IRS daily per diem amount for Chicago is $71 per day. The travel day per diem is $53.20. The total per diem before reduction for meals provided would be $(71 \times 3 = $213$ plus $53.20 \times 2 = $106.40$) $319.40. You should reduce the per diem paid to the member by $90 for the three days of breakfast and lunch provided and by an additional $36 for the one dinner provided. The total you should pay the member in per diem prior to the trip is $193.40.

**REMEMBER:** CWA requires actual meal receipts for reimbursement, so even though you may legally pay the member the $193.40, the International will only reimburse the local for the amount the member actually spent up to the IRS allowed amount(per the receipts the member turned in) plus the incidental amount of $5 for each day.
IUE-CWA Lost Time and Travel Reimbursement Checklist:

GENERAL

☐ I have included a coversheet for each member with that member’s subtotal of expenses and lost time;

☐ I have included a brief letter to the International asking for the total amount (for all members).

LOST TIME

☐ I have included a copy of the check or local payroll voucher showing check #, date, gross and net amounts of lost time paid to each member;

☐ I have included a lost time report from the employer or the employee’s paystub from the employer showing that she actually “lost” the time.

TRAVEL EXPENSES

☐ I have included receipts for all meals and travel expenses, even for those who received per diem;

☐ The receipts I am submitting do not exceed the IRS per diem amount for the city traveled to (see http://www.gsa.gov/portal/content/104877);

☐ I am not requesting reimbursement for meals that were provided by the International;

☐ I have subtracted the appropriate amount from the IRS per diem amount for travel days and meals provided by the international (see http://www.gsa.gov/portal/content/101518).

☐ Summary sheet provides explanations for any incidentals up to $5 without a receipt.

AIRFARE (If flying)

☐ I have requested reimbursement for only reasonable coach fares (call if in question);

☐ I have requested reimbursement for only one checked bag per member;

MILEAGE (If driving)

☐ I have submitted requests for mileage for only one member per car;

☐ I have submitted 56.6 cents per mile actually driven;

☐ I have submitted gas receipts to show that members actually drove to destination.
# LOST TIME VOUCHER

Signature: ____________________  Date: ______  Exemptions: ______  Office Held: ______
Address: ____________________  SS#: ______  Earnings Per Hour: $

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Totals

I certify that Lost Time was necessary on behalf of Local _____ activities.

Amt:  FICA/Soc Sec: ______  Gross Total: ______
W.Tax: ______
City Tax: ______
State Tax: ______
Total %

Signature

Amount of Check: ______  Net Total: ______
SAMPLE REIMBURSEMENT REQUEST

June 12, 2013

International IUE-CWA
2701 Dryden Rd.
Dayton, OH 45439
Attn: L. Hagan

Please find enclosed summary sheets totaling $1,820.94 for lost time and travel reimbursements owed Local 822 for travel by John Smith, Joe Green, and Lisa Johnson to the training meeting in Chicago on May 3-6 of this year.

All receipts for each member and copies of their Local lost time payroll vouchers and paystubs showing time lost are attached to the summary sheets.

John Smith's total is $602.40
Joe Green's total is $590.13
And Lisa Johnson's total is $628.41

Total: $1,820.94

If you have any questions, please contact our financial secretary, Greg Jones at (777)555-2222.

In Solidarity,

President Jill Simmons
Local 820
Local Reimbursement Summary Sheet

John Smith, Travel to Chicago Training: May 3-6, 2013

Lost time (see attached payroll voucher and copy of employee paystub)
   2 days \times \$210 = \$420.00

Meals for three days of travel (amount equals receipts attached) \hspace{1cm} \$167.40

Incidental amount for three days of travel = (no receipts required) \hspace{1cm} \$15.00

Total to reimburse the Local for John Smith: \hspace{1cm} \$602.40
AGENCY FEE PAYER
Q. What is the average non-chargeable?
A. The average non-chargeable for the International is about 25%.

Q. Is objector status permanent or do objectors have to renew each year?
A. The agency fee objector year runs from July to June. Agency fee objector status is good for that one year and must be renewed. There are exceptions for certain workers organized under the RLA.

Q. How are agency fee payers notified about their right to object?
A. New employees covered by union security agreements are sent a brochure entitled Your Rights with Respect with Union Representation, Union Security Agreements and Agency Fee Objections within a month of their hire date. The objector period for these new workers runs from the hire date to the following June. Additionally, the International publishes the Notice Regarding Union Security Agreements and Agency Fee Objections from the brochure in the March issue of the CWA News annually for the upcoming July through June objector year.

Q. Where are the objections sent and what happens when they are received?
A. Objections are sent to the CWA’s Agency Fee Administrator in Washington. The Agency Fee Administrator reviews the applications for eligibility. If the objector applicant appears to be eligible, the Local is contacted for final approval. If the objector applicant appears to be ineligible, he is notified by letter with the Local copied in. If objector applicants send their letters to the Local, the Local should forward them to the International.

Q. What is an advance reduction and how is it calculated?
A. An advance reduction is calculated by multiplying the projected fees to be paid by the objector for the upcoming year by the International’s non-chargeable percentage. A lump-sum check for the amount is issued in July for the July through June objector year.

Q. Does the advance reduction cover both the International’s per capita and local dues?
A. Yes. It is a reduction of all the fees paid by the worker. The International bills the local for its share of the reduction.

Q. So objectors get the money upfront. What if they leave during the year? Can we get the money back?
A. Regrettably, no. While the advance reduction system is not perfect, it is the only practical way to reduce the fees of objectors on a large scale.

Q. Who should the Local contact with questions about the agency fee objector policy?
A. The Local should contact the Agency Fee Administrator at CWA, 501 Third Street, NW, Washington, DC 20001-279 (202)434-1346
AGENCY FEE OBJECTOR POLICY DEFINITIONS

*Union Security/Agency Fee Agreements*
These agreements require workers to pay membership dues or an agency fee equal to normal Union dues as a condition of employment. Regardless of the wording of the agreement, no one can be required to do more than pay an agency fee to retain employment, as the union cannot require workers to join the Union and become members.

Certain states have “Right-to-Work (for Less)” laws that prohibit unions and employers from negotiating these agreements that require discharge but can otherwise permit collection of dues or agency fees.

*Member*
A member is a worker who has signed a union membership card. This status is in effect until worker resigns in writing. Regardless of what the local bylaws might say, membership is voluntary and the only legal requirement for resignations is that it be put in writing.

*Non-Member*
A non-member is a worker who has chosen not to join the Union and who does not have to pay agency fees because there is no agency shop/union security agreement in the contract.

*Agency Fee Payer*
An agency fee payer is a worker who has chosen not to join the Union (or has resigned his membership) but who must pay agency fees (dues equivalents) as a condition of employment.

This is the initial status for those working under a union security agreement, thus all newly hired workers are agency fee payers. This status is in effect unless the worker signs a membership card.

Agency fee payers must be represented by the union under the contract; however, they are not members and have no rights in the affairs of the union. They may not attend union meetings, participate in the election of officers, vote for contract acceptance or have any other members-only rights and privileges.

*Fair Share/Fair Share Payer*
These are terms sometimes used in the public sector for agency shop/union security agreement/agency fee payer.

*Agency Fee/Beck Objector*
An objector is an agency fee payer who objects to paying for more than the costs of collective bargaining, contract administration and grievance adjustment. Generally this status is in effect only during current objector year. Beck refers to the Supreme Court ruling permitting this reduction in the agency fee.

*Chargeable/Non-chargeable Expenditures*
Expenses that are germane to collective bargaining, contract administration and grievance adjustment are called chargeable expenditures because we can charge an objecting fee payer for them. Non-chargeable expenses are those not germane to collective bargaining, contract administration and grievance adjustments. The single largest non-chargeable expense is organizing.

*Political Objector*
This is a misleading term because it implies that all non-chargeable expenditures go for politics. This is not a legal category for objection.

*Financial Core Member*
This is an ambiguous term not used by CWA. It is sometimes mistakenly used to refer to agency fee objectors.
Q. **What is the agency fee objector policy?**

A. The agency fee objector policy is the Union’s means of complying with various Supreme Court and lower court rulings regarding the rights of non-members to pay agency fees pursuant to agency shop/union security agreements. The primary rulings for the private sector are *Ellis* (for RLA-organized workers) and *Beck* (for NLRA-organized workers).

Q. **What are agency shop/union security agreements?**

A. These agreements require workers to pay an agency fee equal to normal Union dues as a condition of employment. Regardless of the wording of the agreement, none requires more than the payment of this agency fee to retain employment. None can require workers to join the Union and become members.

Certain states have “Right-to-Work (for Less)” laws that prohibit unions and employers from negotiating these agreements. The laws do not apply to unions organized under the Railway Labor Act, which for CWA, means our airline employers.

Q. **What are the rights of non-member agency fee payers?**

A. *Ellis* and *Beck* require the Union to permit non-member agency fee payers to object to being charged for more than the cost of expenses germane to collective bargaining, contract administration and grievance adjustment. These expenses are called “chargeable.” Those that are not germane are called “non-chargeable” and objectors have their agency fees reduced by the non-chargeable percentage.

Q. **How is the reduction handled? Do objectors have their payroll deduction or billing statements changed?**

A. No. Payroll deductions or billing statements are not changed. Objectors have their agency fees reduced by means of a lump-sum, advance reduction check.

Q. **How does the Union determine what percentage of expenditures are chargeable and non-chargeable?**

A. The International has an independent CPA perform an audit of the expenditures and activities each fiscal year.

Q. **Does the Local also have to prepare such a report?**

A. No, because CWA does not factor in the Local’s chargeable and non-chargeable expenses when calculating the agency fee reduction. Experience has shown that locals spend less on non-chargeable expenditures. By not using the local’s figures, the objector gets a slightly larger reduction, but the local saves the expense of preparing annual chargeable expenditure reports. However, Locals with objectors must have one such report on file.
RIGHT TO WORK
"Right to Work" (for less!)

Because many IUE-CWA members now work in states with Right to Work laws, we have provided the following FAQ for local officers. Should you have questions or concerns about Right To Work or its impact on your local, please contact the IUE-CWA Legal Department at (937) 298-9985.

Frequently Asked Questions

What is “right to work”?

So-called “right-to-work” laws have nothing to do with helping anybody find a job or providing anyone with job security. “Right-to-work” laws (which should be called “right-to-work-for-less,” because average wages decline in states with these laws) prohibit “union security clauses” (also known as union shop, agency shop or “fair share” agreements). These laws mean that employees cannot be required, as a condition of obtaining or retaining employment, to:

- become or remain a member of a union, or
- pay union dues, fees, assessments, or other charges or expenses or provide anything of value to a union.

These laws prohibit union security agreements that require non-members to pay a service fee or fair share as a condition of continued employment. If the union tries to enforce a prohibited union security agreement, these laws typically provide that a non-member could bring a court action for damages and an injunction. If successful they may be able to receive reimbursement from the local for their attorney’s fees and costs.

Can current members drop their membership?

Those who no longer wish to be members may drop their membership at any time by notifying the local that they no longer wish to be members. However, dues checkoff agreements are not tied to membership and are usually revocable only at certain times. (See next question). These agreements are legally enforceable by their own terms, even in Right to Work states. However, if your contract is covered by a Right to Work law, you cannot have an employee fired, but would instead have to go to small claims court to enforce the agreement.

Can we still have dues checkoff?

Yes. The NLRB has ruled that checkoff authorization gives the union an independent contractual basis for the collection of dues.

We recommend that your checkoff language not tie the collection of dues to union membership, but instead should clearly set forth an obligation to pay dues “irrespective of
union membership.” You should specify exactly **when and how** a member can revoke their checkoff authorization (e.g. checkoff is irrevocable for one year, or until termination of the union contract, etc.). The language should clearly and unmistakably indicate whether checkoff is to remain in effect during layoffs or after separation and resumption of employment. The Legal Department can review your current authorization language and/or provide you with model checkoff language.

**Is a union required to represent all employees covered by a contract (non-members as well as members)?**

Yes. Under federal labor law, unions have the duty to fairly represent all workers covered by a contract. That means non-members as well as members get the same wages, hours and working conditions established by the contract. Unions must bargain for everyone and enforce the contract terms for everyone in a fair, honest, and nondiscriminatory manner. Unions cannot refuse to pay the costs of arbitrating a grievance simply because it involves a non-member. A union that violates this duty of fair representation can be sued. This duty of fair representation applies whether or not the state has a right to work law.

**Can we refuse to arbitrate cases for non-members? Can we treat their grievances differently from those filed on behalf of members?**

No. Decisions regarding whether or not to arbitrate (as well as decisions on how to approach grievances) must be made based on the merit of the grievance. Keep in mind that when we grieve or arbitrate unfair treatment and contract violation, we are enforcing the contract. While the immediate benefit might go to the non-member, it benefits all members when the company knows we will enforce the contract uniformly. Failure to zealously enforce our contract for non-members could result in bad past practice for our members, and it can result in local resources being wasted defending against a legal action under the duty of fair representation.

**Can we require non-members to pay the cost of handling their grievance or arbitration?**

No. Non-members cannot be required to pay for grievance handling. Dues-paying union members will be forced to pay not only their own share of representation costs, but also the full costs of those who do not pay their fair share of dues and still receive all of the benefits of union representation.

**Do the new laws require unions to give non-payers any rights as union members?**

No. The new law does not force the union to give any membership rights to those who elect to become non-members. This includes voting on contracts, attending union meetings, running for office and voting in officer elections. The right of union members to control the shape and direction of their organization is key to both union democracy and union power.
Can unions attempt to persuade employees to join the union or pay a fair share?

Yes. The best way to attract members and build union strength is by delivering results. We should do our best to make it clear how important active union membership is for winning strong contracts. However, these laws prohibit anyone from using force, intimidation or unlawful threats to compel or attempt to compel an employee to become or remain a member of a union, or to pay union dues, or to provide anything of value to a union. The terms “intimidation” and “unlawful threat” are not defined by the law, but should be given their common sense meanings. As an incentive to stay in the union, it may be permissible to institute a special fee to rejoin the union once someone has dropped their membership. Contact the legal department for advice on how to write membership rules for your local.

Does the law allow a unionized employer to decertify the union?

No. Right to Work laws do not change the legal process of decertification, which is still controlled by the National Labor Relations Board.

Can the company encourage people to drop their membership or reward those who do?

No. Although these laws are designed to undermine unions, they do not change workers’ rights under NLRA Sections 7 and 8. That means employers cannot legally:

- Promise benefits to employees who drop their membership.
- Threaten employees with loss of jobs or benefits if they join or do not drop their membership.
- Threaten to close the plant if employees stay in the union.
- Question employees about their union sympathies or activities in ways that tend to interfere with or coerce employees in the exercise of their rights under the Act.
- Transfer, lay off, terminate, or assign employees more difficult work tasks, or otherwise punishing employees because they choose to be members.

Please contact your chief steward and/or staff representative or the Legal Department if you see management engaged in any of these activities.

Are there any new contract provisions we should try to include in our next contract?

We recommend including a clause in your contract (if you do not have one already) that gives the union access to new hires at their orientation or in their first week of work. For example, your clause could read: “During the course of any employment orientation program for a new employee or employees, or in the event a current employee is reassigned into an IUE-CWA represented unit, a representative of the Union shall be provided ample opportunity to address such new employee(s).”