

Secretary-Treasurer Educational Workshop



**AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL
EMPLOYEES, AFL-CIO**

SECRETARY-TREASURER EDUCATIONAL WORKSHOP

Please **PRINT** the required information on the form. The information will be used as a registration sheet for those who attend the workshop.

DATE: _____

LOCAL NUMBER: _____ **COUNCIL NUMBER:** _____

NAME: _____

ADDRESS: _____

City State Zip Code

HOME PHONE : _____ **CELL PHONE* :** _____

EMAIL ADDRESS: _____

Number of members in local: _____

What position do you hold in your local? _____

How long have you held this position? _____

Is this your first Secretary-Treasurer Workshop? YES NO

If “no,” when did you last attend a workshop? _____

*By providing your cell phone number you consent to receive calls (including recorded or autodialed calls, or texts) at that number from AFSCME and its affiliated labor, political and charitable organizations on any subject matter. Your carrier’s rates may apply. You may modify your preferences at: <https://www.afscme.org/tcpa>.

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FINANCIAL DUTIES OF OFFICERS

INTRODUCTION

The Secretary-Treasurer of a local union performs many financial duties. Whether the individual is depositing a check, reconciling a bank statement or completing IRS forms, each duty is extremely important. The President and Executive Board also have financial responsibilities. The President, often a second signatory, verifies that payments are for approved expenses only and that supporting documentation is maintained for all payments. The Board approves expenses, adopts policies, and monitors the union's financial condition.

This manual, together with the course lecture, is designed to aid in these tasks. Through detailed explanation and examples, the union's financial officers should be able to easily understand and carry out the most necessary functions of their office. Ideally, though one profits the most from using the manual after attending an educational workshop; the manual is also geared towards self-instruction.

The International Union's Constitution and Financial Standards Code establish specific requirements that all AFSCME affiliates must follow. The duties listed in this section allow officers to accomplish these mandates. The International Union intends that this manual be used as a reference guide. The manual may also be updated as new financially oriented mailings are received from the International Union.

We hope that the Secretary-Treasurer Educational Workshop Manual makes the job easier not only for the Secretary-Treasurer, but for all the union's financial officers. Should further questions arise, please contact the International Auditing Department at (202) 429-5032.

FINANCIAL DUTIES OF ALL OFFICERS AND MEMBERS
WITH ACCESS TO FINANCIAL DATA

- A. Article X of the Financial Standards Code requires the following procedures for the release of information:
1. Limit requests for and use of information to that required for legitimate union business purposes.
 2. Restrict access to records to those with proper authorization and legitimate union business needs.
 3. Do not disclose confidential information unless specifically authorized to do so.
 4. Do not use any confidential information for any personal gain or in any manner which would be contrary to law or detrimental to the welfare of the union.
 5. Keep all documents containing personal information of members and employees properly secured.
- B. The International Union's Constitution provides that:
1. All members have a full and clear accounting of all union funds.
 2. Periodic financial reports are issued to the membership.
- C. Federal Regulations require that:
1. IRS Form 990 be available for public review.
 2. DOL Form LM (if applicable) be available for public review.

FINANCIAL DUTIES OF THE SECRETARY-TREASURER

The duties of the Secretary-Treasurer include:

1. Receive money for the union.
2. Deposit money in bank(s) selected by the Executive Board.
3. Write checks as required by constitution or authorized by the membership or Executive Board. Always have authorization, documentation, and explanation before issuing a check.
4. Prepare bank reconciliations for each account each month.
5. Sign checks with President or other authorized cosigner **only after** determining that proper documentation for expenditure is on hand and that expenditure is for appropriate and necessary union business.
6. Send monthly membership report to the International Union Secretary-Treasurer, except for Local Unions whose Council performs this function for its Locals.
7. Send per capita tax payment to International Union Secretary-Treasurer, except for Local Unions whose Council performs this function for its Locals.
8. Keep financial records.
9. Report monthly financial affairs to Executive Board and membership on a regular basis.
10. Act as custodian of union property.

11. Obtain surety bond coverage at the expense of the union through the International Union. Submit by March 1 of each year “a statement of assets handled during the previous calendar year for the purpose of computing the amount of the bond” (International Constitution, Article IX, Section 30).
12. File the Local Union Annual Financial Report with the International Union as required by the International Constitution (Article VI, Section 12).
13. See that the required governmental reports are filed on a timely basis.
14. Make records available to and assist Trustees/CPAs in completing the required audits.
15. Conduct the fiscal affairs of the affiliate in a responsible manner.

Note: For larger affiliates, some of the Secretary-Treasurer duties may be delegated to affiliate employees.

FINANCIAL DUTIES OF THE PRESIDENT

The financial duties of the President include:

1. Sign checks **only after** determining that proper documentation for expenditure is on hand and that the expenditure is for appropriate and necessary union business.
2. Initiate appropriate actions to maintain financial stability of the affiliate.
3. Review financial reports to be submitted to the Executive Board and the membership.
4. Review financial reports required to be submitted to the International Union.
5. Determine that all required governmental reports are filed on a timely basis.
6. Review bank statements and canceled checks each month to determine that all checks clearing the bank are for legitimate union purpose.
7. Perform other duties as required by the affiliate constitution.

FINANCIAL DUTIES OF THE EXECUTIVE BOARD

The financial duties of the Executive Board include:

1. Oversee and provide advice regarding financial transactions of the affiliate.
2. Approve only those expenditures that are for appropriate and necessary union business for the exclusive benefit of union's members.
3. See that prudent guidelines exist and are followed for any major purchase or commitment of union funds, including multiple vendor bids.
4. Ensure that financial stability of the affiliate is maintained. Expenditures should not exceed income. A short-term deficit may be acceptable if there is a plan to eliminate the deficit in a timely manner.
5. Review and approve financial reports submitted by the officers of the affiliate.
6. Determine that all required governmental and International Union reports are filed on a timely basis.
7. Perform other duties as required by the affiliate constitution.

FINANCIAL DUTIES OF THE TRUSTEES

The financial duties of the Trustees include:

1. Determine that an audit of all funds of the affiliate is performed either by a CPA or by the Trustees themselves at least once each year, or more often if required by the affiliate's constitution.
2. Report audit findings to the membership and the Executive Board. If there are significant findings, follow-up with the Executive Board to ensure corrections are made.
3. Determine that all governmental and International Union reports are filed on a timely basis.

EMPLOYER IDENTIFICATION NUMBER
INFORMATION

All affiliates of the American Federation of State, County and Municipal Employees are required to obtain an Employer Identification Number from the Internal Revenue Service and to advise the International Union of this number. Failure of an affiliate to obtain an Employer Identification Number and/or to place it on file with the International Union jeopardizes the affiliate's status as a non-profit organization.

The Employer Identification Number is the property of the affiliate. It remains the same throughout the affiliate's existence, regardless of the identity of the officers. For this reason, it is suggested that the number be kept on file in the office of the local, council, retiree chapter or sub-chapter.

Please follow these steps regarding the Employer Identification Number (EIN):

1. If the affiliate was organized prior to being chartered as an AFSCME affiliate, you may already have an EIN. If so, the EIN should be located in the affiliate's financial records. Check these records for your EIN.
2. A newly chartered affiliate should apply for an EIN online at <https://sa.www4.irs.gov/modiein/individual/index.jsp> in order to receive your EIN faster. You may also obtain an EIN by filling out the IRS SS-4 form that can be found at www.irs.gov.
3. The IRS will forward an EIN to your affiliate. Once you receive this number, notify the International of your affiliate's EIN by completing the attached EIN Authorization Letter or by contacting AFSCME Auditing at (202) 429-5032.

ELECTRONIC INSTRUCTIONS TO APPLYING FOR A NEW EMPLOYER IDENTIFICATION NUMBER (EIN)

On the IRS website to submit an online SS-4 to apply for a new EIN. After you complete the submission, you will be provided with the number immediately.

<https://sa2.www4.irs.gov/modiein/individual/index.jsp>

In the online version (EIN assistant), start by clicking the following items:

“Begin Application”

“View additional types”

“Other Non-Profit/Tax Exempt Organizations”

“Continue”

“Started a New Business” or “Banking Purposes”, as appropriate

“Continue”

“Individual”

Then give a Contact Name (with Social Security # - yes, this IS required) and indicate the first button:

“I am a responsible and duly authorized member or officer having knowledge of this organization's affairs”

Continue by entering information for the local's address, contact name, legal name, and start date. You will then be asked a series of other questions relating to vehicle ownership, gambling, Form 720, alcohol, tobacco, firearms and whether you have employees who receive Forms W-2. The answers to these questions are likely “no” except for the last question which might be “yes” if your local has employees that are normally issued W-2's.

You will then be asked “What does your business or organization do”. Answer “Other”. On the next screen you will be asked your primary business activity. Answer “Other” and type “Labor Union” in the blank.

You will then be asked how you would like to receive your EIN Confirmation letter. Receiving it online is the most convenient since you will be able to save and print it out immediately. After that you will be given a chance to review all of the data entered so far before final submittal.

Once you have obtained the new EIN please complete and return the attached EIN Authorization Letter to the International, or contact AFSCME Auditing at (202) 429-5032 and provide the EIN along with the local's preferred contact name and address so that we may contact the IRS to add the local to AFSCME's Group Exemption.

FINANCIAL STANDARDS CODE

FINANCIAL STANDARDS CODE

ARTICLE I Purpose and Scope

Section 1.

Every affiliate of the American Federation of State, County and Municipal Employees, whether chartered or not, is required to meet the standards established by and set forth in this Code, including the standards established by and set forth in the appendices to this Code.

Section 2.

The purpose of this Code is to establish minimum standards to be met by affiliates in the handling of their funds and other assets and in the maintenance of their financial records. The establishment of these standards is not intended to prohibit the use of more complex or additional safeguards which may be established by any affiliate. It is not the intent of this Code nor shall it be interpreted in such a manner that relieves an affiliate of any duty or responsibility which is placed on it by the constitution of the International Union or of the affiliate.

Section 3.

Nothing contained in this Code prohibits the use of electronic equipment for the record keeping functions herein set forth -- properly developed and administered computerized accounting and record keeping programs are recommended for all AFSCME affiliates. If such equipment is used and essentially accomplishes the purposes of the manual operations described in this Code, the minimum standards set herein shall, to that extent, be considered met.

ARTICLE II Custody of Funds

Section 1.

All money received by an affiliate must be placed directly into accounts insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA). The accounts must be in the name of the affiliate. No monies other than funds belonging to the affiliate may be placed into any affiliate bank or investment account. Please refer to Article IV, Section 5 and Appendix E for additional information on the various types of affiliate accounts.

Section 2.

Checking and savings accounts may be maintained in any of the following:

- A. Banks in which deposits are insured by the Federal Deposit Insurance Corporation (FDIC).
- B. Savings and loan associations in which deposits are insured by the Federal Deposit Insurance Corporation (FDIC).
- C. Credit Unions chartered by the Federal Government or by the state in which the affiliate is located and in which shares are insured by National Credit Union Administration (NCUA).

If the affiliate elects to use a credit union account, the affiliate must be sure the credit union can honor dual signature requests and provide front and back copies

of canceled checks.

Section 3.

Investments may be made if they are consistent with provisions of the constitution of the affiliate. The signers on the investment accounts should be the same officers who are authorized to sign checks. It is suggested that any investments with greater than federally issued limits or with other than federally insured institutions be closely monitored.

Affiliates should establish an investment policy and this policy should be approved by the Executive Board. Officers and employees have a fiduciary responsibility to manage and invest union funds prudently, in accordance with the affiliate's constitution and established investment policies for the exclusive benefit of the affiliate and its members. Investments in instruments that have the potential for loss of principal (e.g. stocks) should be avoided. Great care should be taken when deciding where and how to invest union funds. Generally, the safest form of investments includes treasury bills, certificates of deposit, and notes and bonds of government agencies. Other forms of investments, such as money market accounts, can also be used, provided that risk to principal is minimal.

Evidence of each investment should be stored in a safety deposit box or other secured location. The safety deposit box shall be rented in the name of the affiliate, and access to such deposit box or secured storage location shall be available only to authorized representatives of the affiliate jointly. Unless the constitution of the affiliate provides otherwise, those representatives should be the same as those who are authorized to sign checks for the affiliate.

Investment certificates may also be placed with a bank, brokerage or investment manager acting as custodian.

Ownership of investments made through banks or brokerages are normally evidenced by monthly or quarterly statements. All investment reports and/or statements evidencing ownership of investments, dividends, activity or summary status reports must be retained in the affiliate's files.

Section 4.

It is recommended that petty cash funds established for affiliates, other than Councils and large locals, not exceed \$100.00. Councils and large locals should not exceed that amount considered necessary for normal operations. Expenditures from petty cash funds must be supported by original receipts.

Petty cash funds shall be replenished by check and only for the amount expended since the previous reimbursement. The receipts, vouchers, and listings of expenditures supporting the replenishment shall be submitted to the principal financial officer of the affiliate and retained as support of the check. No payments received should ever be placed directly in any petty cash fund.

All checks issued to replenish the petty cash fund are to be made payable to the custodian of the petty cash. Checks are to be made out only in the amount of the funds being replenished for which proper documentation has been submitted as support for the reimbursement. The petty cash custodian is responsible for accounting for the balance of petty cash as well as all funds disbursed from that account.

ARTICLE III

Maintaining Records

Section 1.

The following records must be maintained or caused to be maintained by the Secretary-Treasurer or other financial officer. For Affiliates with bookkeeping or accounting staff, many of the tasks outlined may be delegated to those staff. All records listed below must be retained for a minimum of seven (7) years:

- A. Automated accounting system output, if any. See Appendix D for further information regarding automated systems.
- B. Cash Book or Cash Receipts/Disbursements Journal. -- Information required to be entered in the Cash Book must be recorded and totaled monthly. Those affiliates using automated accounting systems that provide comparable information as is found in the Cash Book need not maintain a manual Cash Book. Spreadsheets are an alternative for handwritten cash books.
- C. Bank receipts for all deposits.
- D. All documentation for receipts. -- Each item deposited into a bank account should be clearly identified and supported by a remittance advice, dues deduction roster, dues rebate transmittal or other supporting documentation. A copy of that support must be kept on file. Affiliates should also retain a photocopy of the actual check received.
- E. All bank statements and canceled checks. -- The canceled checks that are returned with any statement must be kept with that statement, regardless of the date or number appearing on the check. If the affiliate's bank or credit union does not normally return canceled checks, the affiliate must either arrange with the bank or credit union to obtain front and back copies of their canceled checks, or change its account(s) to an institution that can provide actual or copies of their canceled checks. Canceled checks are an essential part of the audit trail; used to verify the accuracy of the affiliate's financial records.
- F. Bank reconciliations. -- Bank reconciliations should be prepared upon receipt of each statement and a copy of the reconciliation report attached to the bank statements. Timely reconciliation of the bank accounts may prevent losses due to errors or misuse of funds. Most bank statements have a bank reconciliation form that can be followed.
- G. All check stubs and voided checks. -- The signature block should be removed from all voided checks, which are to be clearly marked as "void" in large bold letters. Voided checks should not be destroyed and are a part of the affiliate's financial records and should be retained in a secure place.
- H. All paid bills or invoices.
- I. Copies of all International Union and Council per capita tax reports.

- J. All expense reports and all receipts for expenses reimbursed.
- K. All records of expenditures from any petty cash fund.
- L. All payroll records, including copies of filed IRS Form 941s, 940s and W-2s, as well as any other required state and local payroll reporting. See Appendices for additional information.
- M. All financial reports -- Prepared for the membership or Executive Board; all federal reports including attachments (Form 990, Form 990-EZ, Form 1099, Form 1120-POL, LM-2, LM-3 or LM-4) filed with the Internal Revenue Service or the U. S. Department of Labor; all reports or tax filings required by state agencies and all financial reports filed with the International Union. The copies maintained in the union's records should include signatures and dates for all forms filed. See Article IX, Reporting, and the Appendices for additional information.
- N. Surety Bond Certificate of Coverage.
- O. All mortgages, loan agreements, lease agreements, lease-purchase or time-payment contracts, and all other contracts of any nature which involve financial obligations on the part of the affiliate.
- P. All documents constituting evidence of ownership by the affiliate of any property or equipment of any nature.
- Q. Signed and dated copies of the Local Union Annual Financial Report (LUAFR) filed with the International Union.
- R. Signed and dated copies of annual Surety Bond Report filed with the International Union.
- S. Copies of any statements or transaction advice for any investment accounts maintained for the affiliate.
- T. Signed and dated copies of all affiliate officer or employee collective bargaining agreements, fringe benefits policies, and any policies regarding vacation, sick leave, severance, allowances, lost time, per diem, mileage, reimbursed dues, along with copies of records reflecting the accrued vacation, sick leave and severance of all officers and employees covered by such policies.
- U. Magnetic media (e.g., HDD, floppy drive), optical storage, (e.g., CD, DVD, Blu-ray), or solid state drive, (e.g., flash drive, SSD, SD cards) of all data files.
- V. Copies of the minutes of any Executive Board, membership, or committee meetings at which any financial decisions were made, approved or rejected.
- W. Correspondence from government agencies.

Section 2.

The following records must be maintained or caused to be maintained regularly

by the Recording Secretary or other recording officer of the affiliate for a minimum of seven (7) years:

- A. Minutes of all membership meetings, conventions, or other delegate assemblies.
- B. Minutes of all Executive Board meetings.
- C. Copies of all attachments to minutes including: financial reports, annual audits, annual budgets, mortgages, loan agreements, lease agreements, lease-purchase or time-payment contracts, and all other contracts of any nature which involve financial obligations on the part of the affiliate.

Section 3.

When a new financial or recording officer is elected, the outgoing officer must give all such records to the incoming officer, as quickly as possible.

A list of records being given to the incoming financial officer should be prepared and signed by both the outgoing and the incoming financial officers. Copies of this records inventory list should be kept by both outgoing and incoming officers.

ARTICLE IV
Income

Section 1.

The principal financial officer must maintain, or cause to be maintained, documentation for all funds received including copies of any transmittal, remittance advice or membership documents received

with the payment. This documentation must indicate the date of receipt of the funds, the source of funds, the purpose and the amount received. This documentation should be retained and filed by date of receipt, or by payer in date order. Affiliates should also retain copies of all checks received.

Section 2.

A Cash Book (or, in some cases, Cash Receipts Journal) must be maintained. A separate page or pages shall be used for each month's receipts. The same information shall be entered in the Cash Book or automated accounting system, as is shown on the supporting documentation: the date, source, purpose, and amount of funds received. When recording dues or per capita tax receipts, the cash book should also indicate the number and type of units and the month for which the funds were received. If the affiliate has more than one bank account, the Cash Book must indicate the account into which the funds were deposited. Affiliates using an automated accounting system must record equivalent information in the automated system.

Section 3.

Copies of all bank deposit slips must be made and attached to applicable bank deposit receipts. These documents shall be retained by the financial officer and filed by date of deposit.

Section 4.

Each time money is deposited, the amount and date of deposit shall be entered in the Cash Book, Cash Receipts Journal or automated accounting system and in the appropriate checkbook or bankbook of the affiliate.

Section 5.

Any dues checks received directly by an affiliate that may contain amounts payable to other affiliates, (International Union, Council, and Local), and/or other entities (PEOPLE, Insurance programs, etc.) must be deposited into a separate “Dues Trust” bank account. This Dues Trust Account is used to isolate dues dollars and make payments to each entity (International, Council, etc.) entitled to a portion of the members’ deductions. Only amounts equal to the affiliate’s share should be transferred to the affiliate’s general operating account(s), leaving amounts payable to others in the Dues Trust Account until paid to them. Affiliates may **not** advance themselves funds or otherwise borrow against the money in the Dues Trust Account that is owed to other affiliates or vendors. Payments to these other organizations must be made in a timely manner, as specified by constitution or regulatory requirements. See Appendix E for additional information on dues trust and other types of affiliate accounts.

Section 6.

All funds received, whether cash or check, that are the property of the affiliate, must be promptly deposited **in full** in a bank account in the name of the affiliate. Checks must be deposited into accounts owned by the payee shown on the check. If checks have been drawn to an incorrect payee, the affiliate should cause the check to be reissued. Checks payable to the union must not be converted to cash, in part or in whole. Any cash received must be promptly deposited into the affiliate’s bank account, **not** added to the affiliate’s petty cash fund. (See **Article II, Section 4 on replenishing the petty cash fund**)

ARTICLE V

Expenditures - Authorization

Union money can only be spent with proper authorization. Authorization should be given only for expenditures that serve a legitimate union purpose. It is the duty of all union officers, including the Executive Board, to exercise adequate monitoring of all authorizations to ensure that funds are spent only for legitimate union purposes. Officers and employees have a fiduciary responsibility to ensure that the union’s assets are managed prudently and all expenditures are for the exclusive benefit of the affiliate and its members. Proper authorization is accomplished by the following methods:

Section 1.

Payments required by law need no further authorization. Examples include taxes on property owned by the union, payroll taxes withheld from salaries and allowances of union officers and employees, fines and/or penalties assessed against the affiliate or other payments required by government or regulatory agencies.

Section 2.

Payments required by a union constitution (constitution may be the International, Council or Local Union Constitution) to which the affiliate is subject need no further authorization by either the Executive Board or membership. Examples include International Union and Council per capita taxes, and payment of fees for bonding of officers and employees as required by the International Constitution. (This may also be a requirement of federal law.)

Section 3.

Payments to meet contractual obligations, provided proper advance authoriza-

tion of the original contract or policy was obtained from the membership (or delegate assembly) or the Executive Board, may be made without further authorization. Examples include payments made pursuant to leases on office or meeting space, automobiles, and equipment; salaries for employees covered by a collective bargaining agreement or other contract; payment of fringe benefits or employee salary deferrals into a retirement fund covered by terms of a contract; and payments being made on a time-payment contract for property of any nature.

Section 4.

Payments may be authorized by vote of the membership, Executive Board, a committee of the Executive Board, or other delegate assembly as outlined in the constitution of the affiliate. Examples include:

- A. By motion properly made and carried authorizing the expenditure of a specific amount (or “not to exceed a specific amount) for a specific purpose. The motion in its entirety should be entered in the minutes.
- B. By motion properly made, carried and entered in the minutes, authorizing regular payment of recurring obligations (example: rent for a meeting hall once each month). Having been made, such authorization will stand unless canceled by motion made, carried, and entered in the minutes at a subsequent meeting. Recurring obligations must be authorized at the beginning of each fiscal year.

Long-term obligations such as mortgages, rental agreements,

equipment rental and other extended time period agreements should be reviewed annually and upon change of officers. Short-term contract obligations should be reviewed quarterly or monthly to ensure compliance, accuracy and agreement to terms.

- C. By motion properly made, carried, and entered in the minutes, authorizing the officers to enter into a purchase or service contract. Once signed, the contract becomes a recurring obligation, and required payments may be deemed authorized. A copy of the contract must be attached to the minutes of the meeting at which it was approved and must also be made a part of the financial officer’s records.
- D. By motion properly made, carried, and entered in the minutes approving a budget for the coming year. This budget shall set forth the anticipated income and the sources thereof, and the anticipated expenditures and their purposes. While it is recommended that all AFSCME affiliates adopt annual budgets, all Councils and any local having 2,000 or more members are required to adopt an annual budget in advance of their fiscal year. Affiliates should avoid deficit based budgets.

By itself, a budget does not authorize any particular expenditure. No payment should be made or costs incurred until the proper approvals for the expenditure have been made. Some affiliate constitutions may authorize certain offic-

ers to spend up to the budgeted amount for line items. Other constitutions may require specific Executive Board approval for each expenditure.

Budgeted versus actual income and expenses should be monitored monthly to ensure the affiliate stays within spending targets.

In general, financial officers have authority to reasonably reallocate amounts between budget line items as long as the bottom line remains unchanged. Any such changes should be presented to the Executive Board. Should the bottom line of the income or expense budget require modification, the revised budget must be submitted to the Executive Board for review and approval. All changes to the budget must be clearly recorded in the minutes.

The budget must be attached to the minutes of the meeting at which it is presented and approved, or revised and approved, and made a permanent part of the affiliate's records. All Councils and those locals having 2,000 or more members are required to file a copy of the affiliate's adopted budget, and any major modification or revision to such budget, with the International Secretary-Treasurer within ten days after its adoption.

Since all such budget authorizations are entered in the minutes, the minutes themselves are to be considered a part of the financial records and must be retained for a period of seven (7) years.

ARTICLE VI

Expenditures - Procedures

Section 1.

All authorized expenditures must be made by check or electronic funds transfer. See Section 9 of this article for further information regarding electronic transfers. Except for the limited exceptions set forth in Article II, Section 4, no cash payments shall be expended for any purpose under any circumstances. Cash withdrawals from affiliate bank accounts are strictly prohibited.

Section 2.

All checks drawn on any of the union's accounts must be signed by two officers (usually the President and Secretary-Treasurer), as authorized by the constitution of the affiliate. The use of a substitute officer is permissible when one of the primary signatory officers is temporarily unavailable, providing the designation of the substitute officer has been approved in advance by the officer and by the Executive Board of the affiliate, documented in the minutes, and provided the constitution of the affiliate permits such substitute signatures.

Section 3.

Under no circumstances may any officer or authorized substitute sign any check before the date, the name of the payee, and the amount have been entered on the check. **No check may be pre-signed.**

Section 4.

Rubber stamps shall not be used for check-signing purposes.

Section 5.

Use of a check-signing machine and electronic signature is permitted (for large

affiliates only), provided the signature plates are adequately secured and the electronic signatures are protected by password or manual key access. Signatories should review all checks and supporting documentation for checks signed in such a manner.

Section 6.

At the time a check is issued, the date, amount, payee, and purpose of the check must be entered on the check stub and in the check register. The same information must be entered in the Cash Book or automated accounting system. Before signing checks, officers should verify that adequate documentation exists and that the expenditure has proper authorization and a proper union purpose.

Section 7.

Checks may not be made out to “cash.” Checks must be made payable to either an individual, who is responsible for providing a complete and proper accounting as to how those funds were spent, or to a vendor, who must submit receipts, invoices or other appropriate documentation. Checks used to replenish any petty cash fund must be made payable to the individual who is the custodian of petty cash, not to “cash.”

Section 8.

Payments shall be made from original documents rather than a copy or facsimile. In paying any bill, the check number, the date, and the amount of the check should be written on the face of the bill, which shall then be filed and retained in the affiliate’s records. This will safeguard against double payments.

Section 9.

Electronic transactions (e.g., payroll transfers, Electronic Funds Transfers

(EFTs), IRS wire transfers), pensions and 401K wire transfers, even routine transfers within the same institution, must be authorized by a document signed by the authorized signatories of the accounts involved. Additionally, all electronic transactions must be properly recorded in the appropriate journals.

Section 10.

Bank Debit Cards, Check Cards and/or Automated Teller Machine (ATM) Cards may not be used for expenditures or withdrawals under any circumstance. Any such cards issued by a bank must be returned to the bank, with notice that no such cards are to be issued in the future. Use of these cards for expenditures or withdrawals is prohibited because they circumvent the requirement that two officers sign all disbursement checks, and because these cards do not provide a verifiable audit trail.

Section 11.

AFSCME strongly recommends against the use of union-owed credit cards as they circumvent the requirement that two officers sign all disbursement checks.

ARTICLE VII
Expenditures – Documentation

Section 1.

Receipts, invoices and/or other documentation must be maintained to support **all** disbursements.

Section 2.

Expense reports must be used to document all reimbursements to officers, members and employees. Each item to be reimbursed must be documented to indi-

cate its date, amount and specific union purpose. Original receipts must be attached. All expense reports should be filed timely.

Officer expense reports must be approved by the Executive Board or a designated officer selected for that purpose, **employee** expense reports must be approved by the employee's supervisor.

Expense reports must account for all expenses reimbursed as well as those incurred costs that are to be paid directly by the affiliate (e.g., direct hotel billings, charges incurred on the affiliates' credit card). Expense reports for any meal or entertainment item must list the name(s), title and union relationship of the person(s) entertained and provide an explanation of the specific union business discussed. The detailed receipt of food and beverage consumed should also be provided.

Section 3.

The affiliate must not pay the credit card company for any charges incurred on a union-owned credit card without all of the charges adequately documented. Any individual authorized to use the affiliate's credit card must provide an itemized expense report accounting for each and every charge, as well as provide an explanation of the union purpose of each charge. The actual credit card receipt and the itemized sales slip must be attached to the expense report.

Personal charges on the affiliate's credit card are strictly prohibited and under **no** circumstances should the affiliate make a payment directly to a credit card company for an individual's personal credit card.

Section 4.

Care should be taken to comply with all appropriate IRS requirements for documentation and reporting, including:

- A. Expense reports - see Section 2 above and Appendix F.
- B. Credit Cards - see Section 3 above and Appendix F.
- C. Payroll Taxes - taxable per diem, lost time, auto allowances, officer allowances, stipends, non-accountable expense advances, etc. must be treated as wages subject to withholding and require payment of payroll taxes and preparation of IRS Form W-2s and other applicable tax returns - see Appendix F.
- D. Leased/Owned cars - if provided to officers and/or employees, require that contemporaneous usage logs are maintained. The value of personal usage (including commuting) must be included as taxable income to the officer and/or employee and reported on their W-2 form. See Appendix F.

ARTICLE VIII

Minutes of Meetings

Section 1.

The Recording Secretary is normally the officer responsible for maintaining the minutes of all affiliate meetings, including Executive Board meetings and membership meetings. Minutes should also be kept for all committee meetings, including meetings of any finance committees, budget committees, Insurance or Benefits

Trusts, etc. Normally one of the committee members is designated to keep such minutes. In such instances a final copy of the approved minutes should be forwarded to the affiliate's Secretary-Treasurer.

Section 2.

Minutes are a record of the proceedings of the meeting. The minutes should note the date and time of the meeting, who attended the Executive Board meeting or which officers were present at the membership meeting, and identify who presided at the meeting.

The minutes must note what motions were made, including any and all financial authorizations, who made the motions, who seconded the motions and whether the motions passed. It is not necessary to write down everything that was said by the members. The minutes should document whether a quorum was present during the meeting. The minutes should also state whether the minutes of the previous meeting were read and approved and should note the time of adjournment. Sample format for minutes may be found in the back of the International Constitution.

Section 3.

Copies of the Secretary-Treasurer's financial report must be attached to the minutes of the meeting at which the report is given. Copies of the affiliate's budget, audit report, other financial reports, and any contracts or policies approved, must also be attached to the minutes at which they are adopted and therefore made a part of the financial records of the union.

Section 4.

Minutes must be signed by the Recording Secretary or the officer or member who wrote them. All minutes must be approved

by the appropriate body -- e.g. Executive Board approves Executive Board minutes, membership approves membership meeting minutes, etc. Minutes are normally read and approved at the next meeting of the body.

Section 5.

As the minutes are considered to be a part of the financial records of the union, they must be retained for seven (7) years.

ARTICLE IX

Reporting

The "Bill of Rights of Union Members" of the International Constitution ensures every member's right to have a "full and clear accounting of union funds at all levels" including "periodic reports to the membership by appropriate fiscal officers..." It is the responsibility of all elected officers to ensure that members receive timely and accurate reports regarding the finances of their affiliate and to ensure that required reports are properly prepared and filed timely. The following reports, required by law or by constitution, serve to keep the members informed.

Section 1.

A monthly financial statement must be prepared at the end of each month, by, or under the supervision of the financial officer. Regular financial reports must be made to the Executive Board and to the membership. Monthly financial reports must be completed and available to the Executive Board and/or membership no later than thirty calendar days following the end of each month. A copy of this report should be attached to the minutes and a copy provided to all of the

signatories.

Section 2.

The monthly financial statement must include a listing of income showing separately, and at a minimum, the following items:

- A. Income from dues and/or per capita tax.
- B. Income from initiation and/or reinstatement fees, if any.
- C. Income from any other sources, identifying the source and the purpose of the funds received.

[Note: The International Constitution prohibits the issuance or sponsorship of any publication which is financed (in whole or part) through the sale of advertising without advance approval of the International Executive Board.]

- D. Total income for the month.

Section 3.

The monthly financial statement must include a listing of expenditures, showing separately, and at minimum, the following items:

- A. Amounts paid for per capita taxes and other affiliation fees.
- B. Totals by category of amounts paid to individuals in the form of salary, lost time, allowances, reimbursed expenses, and/or convention expenses.
- C. Totals by significant category of amounts paid for other operating

and administrative costs of the affiliate.

- D. Total expenditures.

Section 4.

The monthly financial statement must show the excess (or the deficit) of income over (or under) expenditures. It must also include, as a part of the report, a balance sheet or a statement of cash assets as of the end of the month and a listing of all unpaid bills and any contractual obligations which have not been paid. The monthly financial report must be presented at the next regular membership meeting and attached as a permanent part of the affiliate's minutes.

All Councils and any Local Union having 2,000 or more members must prepare a monthly report showing actual income and expenses versus budgeted income and expenses for the month and the year-to-date.

Section 5.

The affiliate may be required to file various governmental reports such as an IRS Form 990 Series, IRS Form 1120-POL, DOL Form LM-2/3/4, etc. Failure to file any required government report could cause a penalty to be imposed on the affiliate. For that reason, all affiliates are directed to the following topics in the Appendices:

- Tax Exempt Status
- Payroll and Payroll Taxes
- Reports to Governmental Agencies.

Section 6.

Every Local Union is required to file with the International Union the Local

Union Annual Financial Report, (LUAFR), on a form supplied by the International Union. This report must be reviewed and signed by both the President and chief financial officer.

This annual financial report has been designed to comply with AFSCME's reporting requirements and to permit the officers of the Local Union to evaluate their financial practices and records as the report is being completed. The previous year's financial statements should be used when completing the LUAFR. This report must be filed by May 15 of each year, or four and one-half months after the fiscal year end.

Section 7.

All officers and employees of affiliates are covered by a Surety Bond which is obtained for each affiliate through the International Union. The minimum coverage required is "not less than ten percent of the assets handled by an affiliate, except that no bond shall be required in an amount greater than \$500,000."

The International Union's Surety Bond covers affiliate officer positions (e.g., President, Vice President, Recording Secretary, Secretary-Treasurer, Executive Board Member) and all employees of the affiliate. Newly elected officers are automatically covered under the affiliate's existing Surety Bond.

Every affiliate is required to submit to the International Secretary-Treasurer a Surety Bond Report, a "statement of assets handled during the previous calendar year." The information contained on the Surety Bond Report allows the International Union to determine the minimum bond coverage needed by each affiliate and

provides essential data needed for negotiating the terms and cost of the bond. This report must be filed by March 1st of each year, regardless of the affiliate's fiscal year end.

Section 8.

All Councils and those Local Unions having 2,000 or more members are required to prepare quarterly financial statements, which must include a balance sheet and an income statement. Copies of all such quarterly financial statements are to be submitted to the International Secretary-Treasurer in a timely manner.

ARTICLE X

Confidentiality of Financial Records

Union Executive Board, officers, Trustees, members and employees must be prudent in the use of information acquired in the course of their duties and therefore must:

- A. Limit requests for and use of information to that required for legitimate union business purposes.
- B. Restrict access to records to those with proper authorization and legitimate union business needs.
- C. Not disclose confidential information unless specifically authorized to do so.
- D. Not use any confidential information for any personal gain or in any manner which would be contrary to law or detrimental to the welfare of the union.

- E. Keep all documents containing personal information of members and employees under lock and key.

ARTICLE XI

Audits

Section 1.

At least once each year or semi-annually or more if required by the affiliate's constitution, an audit of the affiliate must be conducted by officers elected for that purpose (Trustees) or by an independent Certified Public Accountant, (CPA), not otherwise connected with the union, its officers or its staff. Affiliates may also perform an audit of the financial records whenever there is a change in the financial officers. Audits may also be performed at other times should a need be determined by the officers, members or Trustees.

Many affiliates utilize Trustees to perform the required audits. Although elected officers, Trustees are **not** voting members of the Executive Board; Trustees may have neither voice nor vote in the deliberations of the Board. The sole purpose for Trustees is to audit or to see that an audit is performed. An arms-length relationship between the Trustees and the Executive Board must be preserved to ensure the most objective possible audit.

All Councils and any Local Union having 2,000 or more members must have an annual audit prepared by a Certified Public Accountant, (CPA), performed in accordance with Generally Accepted Auditing Standards. All other affiliates are encouraged to use a CPA to perform an audit, review or compilation of the financial records.

Whether performed by Trustees or a CPA, the audit must include an examination of the records required to be maintained by this Code and a written report must be made to the Executive Board and to the membership. Trustees may follow the procedures outlined in the *Trustees Audit Guide* when performing an audit.

Upon completion of an engagement performed by a CPA, officers and/or Trustees must obtain copies of the CPA's Engagement Letter, Statement on Auditing Standards 115 letter (correspondence in which any internal control problems are discussed) and the Management Letter (letter where operational or other issues that may require remedial action to be taken are noted by auditors.)

If the audit is performed by a CPA, the findings must be reported to the general membership, either by the financial officer or by a committee designated by the union for that purpose. If the audit is performed by the Trustees, the findings must be reported to the Executive Board and to the general membership by the Trustees.

Section 2.

The CPA or the Trustees must make a written report of any material deviation from the Financial Standards Code found in the course of their audit. The officers must report to the Executive Board and to the membership the action taken to correct any discrepancies noted in the audit.

Section 3.

The audit report must be attached to the minutes of the meeting at which it was presented and maintained as a permanent record in the affiliate's files.

AFSCME FINANCIAL STANDARDS CODE - APPENDIX A

TAX-EXEMPT STATUS

All AFSCME affiliates are exempt from federal income tax under the provisions of Section 501(c) (5) of the Internal Revenue Code. This exemption applies only to income taxes. AFSCME affiliates are not exempt from sales tax, payroll taxes or personal property taxes.

When an affiliate is chartered, it must apply for an Employer Identification Number (EIN) as soon as possible by applying online at www.irs.gov or completing a paper IRS Form SS-4. The IRS assigns each affiliate a unique nine-digit number which will be used to identify the

affiliate on reports required by the federal government.

Banks also ask for the affiliate's EIN for their records. Never use the Social Security number of an officer in place of the affiliate's EIN, as this could lead to tax consequences for the officer involved.

Upon receipt of the EIN from the IRS, notify the International Union of the number. Your affiliate will be added to the roster identifying AFSCME affiliates and submitted to the IRS. AFSCME's Group Exemption Number is **1381**.

AFSCME FINANCIAL STANDARDS CODE - APPENDIX B

PAYROLL AND PAYROLL TAXES

THE UNION AS AN EMPLOYER

The wage and payroll tax area is very complex and is ever changing. To the extent that any affiliate pays wages and withholds taxes, it has the responsibility to stay abreast of laws affecting the payment of wages.

For payroll tax purposes, a labor organization is treated as any other business entity and is subject to all payroll tax filing requirements. If an affiliate employs one or more individuals (regardless of the number of hours worked), the affiliate is subject to a number of state and federal employment tax and labor laws. This section provides an overview of those requirements. Further information can be found in the Internal Revenue Service Circular E, Employer's Tax Guide.

The employer or person controlling the wage payments must generally withhold federal income, Social Security and Medicare tax, state income and local income taxes imposed upon employees. Income tax withholding is a "pay-as-you-go" method of collecting the estimated tax due from employees on wages paid to them.

THE OFFICER AS AN EMPLOYEE

Allowances (e.g., auto allowance, officer allowance, and stipends), reimbursed dues and lost time paid to officers are considered wages. Federal income, Social Security and Medicare taxes, state income tax and local income taxes must be withheld from the above payments. The withholding, deposit and filing require-

ments are discussed below.

WITHHOLDING FORMS AND FILING REQUIREMENTS

Form I-9

The Department of Homeland Security requires that employers have a valid Form I-9 on file for all employees. Please see the instructions to Form I-9 for retention requirements.

Form W-4

A Form W-4 must be on file for each officer or employee (including any member receiving lost time payments) who receives compensation or taxable payments from the affiliate. The amount to withhold from each employee is determined by the number of withholding exemptions claimed on the employee's W-4. (If an employee claims more than 10 withholding exemptions, a copy of the W-4 must be sent to the IRS.)

FEDERAL INCOME TAX WITHHOLDING

Federal income taxes must be deducted from the paychecks of employees to the extent that those payments constitute wages. Withholdings are based on the number of exemptions and the applicable withholding tables or rates.

SOCIAL SECURITY AND MEDICARE TAXES

Social Security and Medicare taxes

must be deducted from all employees' paychecks until the maximum Social Security limit is reached. The percentage of wages withheld and/or the base wages may change from year to year. This information is contained in IRS Circular E.

DEPOSIT REQUIREMENTS

The Internal Revenue Service requires the employer to deposit federal withholding and Social Security and Medicare taxes when undeposited taxes reach certain prescribed balances set by the IRS. In certain cases, these deposits must be made by electronic funds transfer. Deposits, other than the electronic funds transfers, are made at authorized commercial banks or to the Federal Reserve Bank in the employer's geographic area. Send one check covering both Social Security and Medicare and federal withholding taxes, payable to the bank where the affiliate's deposits are made. The deposit due dates and deposit requirements are outlined in Circular E.

Use of a payroll service is recommended as an efficient way to handle such requirements, reduce errors and ensure compliance with applicable federal and state regulations.

FORM 941, EMPLOYER'S QUARTERLY RETURN

By the last day of April, July, October and January following the close of the calendar year, Form 941 must be filed with the IRS. The 941 is used to reconcile tax deposits made throughout the quarter and to pay any undeposited taxes due. The IRS Form 944 is used for the Annual Employment Tax Filing for the liability of social security, Medicare and Federal income

taxes of \$1,000 or less.

FEDERAL UNEMPLOYMENT TAXES

This tax applies to every covered employer who, during the past or current year, pays wages of \$1,500 or more in any calendar quarter or has one or more employees at any time in each of 20 calendar weeks. Unemployment is a tax paid entirely by the employer rather than withheld from the employees' wages. Payments are made in the same manner as federal and Social Security and Medicare taxes and are due on the last day of the calendar month following each quarter (April 30, July 31, October 31, and January 31). A deposit is not necessary if the tax due for the quarter plus the tax due but not deposited from previous quarters is \$100 or less. See IRS Circular E for rates.

FORM 940, EMPLOYER'S ANNUAL FEDERAL UNEMPLOYMENT (FUTA) TAX RETURN

An annual return that's due on or before January 31, following the calendar year to which it relates. This return reconciles federal unemployment tax deposits with total wages subject to tax.

STATE INCOME TAX WITHHELD

Most states impose income taxes and withholding requirements similar to those of the federal government. Affiliates unfamiliar with the requirements of their state should contact the state Department of Revenue or the Department of Taxation.

STATE UNEMPLOYMENT TAX

All states require that their unemployment taxes be paid by the employer. For

information as to whether and how payments are subject to tax, contact the Department of Employment Security (or its equivalent) in your state.

WORKERS' COMPENSATION INSURANCE

Most states require Workers' Compensation Insurance. Workers' Compensation Insurance can be obtained through a private insurance carrier or from a state-operated fund. Any coverage purchased must meet the state's minimum requirements.

WAGE AND TAX STATEMENT, FORM W-2

Each employer must provide each employee with a Form W-2 showing total wages, federal income tax withheld, Social Security and Medicare taxes withheld, state taxes withheld and other pertinent information as required on the form. This form must be provided to the employee on or before January 31. On or before February 28, these forms must be mailed (or electronically transferred) to the Social Security Administration, along with a Form W-3, Transmittal of Income and Tax Statements.

MISCELLANEOUS INCOME, FORM 1099-MISC

Amounts paid to individuals, other than salaries and wages, must be reported on Form 1099-MISC if those payments equal or exceed \$600 for the year. These amounts would include payments to individuals for services. For example, if the union paid \$600 or more to an accountant for professional services and the accountant is an individual practitioner or a partnership, Form 1099-MISC must be provided to the accountant and to the IRS. If the accountant's firm is a corporation, however, Form 1099-MISC is not required. Also Form 1099-MISC does not need to be provided for the purchases of goods or expense reimbursements -- only services are subject to Form 1099-MISC reporting. If the total amount paid to the individual is less than \$600, Form 1099-MISC is not required but it is advisable to notify the payee in writing of the amount and that it is taxable.

This form must be provided to individuals on or before January 31. On or before February 28, these forms must be mailed (or electronically transferred) to the IRS, along with Form 1096, Annual Summary and Transmittal of U.S. Information Returns.

AFSCME FINANCIAL STANDARDS CODE - APPENDIX C

FINANCIAL DUTIES OF OFFICERS

FINANCIAL DUTIES OF THE SECRETARY-TREASURER

The duties of the Secretary-Treasurer include:

1. Receive money for the union.
2. Deposit money in bank(s) selected by the Executive Board.
3. Write checks as required by constitution or authorized by the membership or Executive Board. Always have authorization, documentation, and explanation before issuing a check.
4. Prepare bank reconciliations for each account each month.
5. Sign checks with President or other authorized cosigner **only after** determining that proper documentation for expenditure is on hand and that expenditure is for appropriate and necessary union business.
6. Send monthly membership report to the International Union Secretary-Treasurer, except for Local Unions whose Council performs this function for its Locals.
7. Send per capita tax payment to International Union Secretary-Treasurer, except for Local Unions whose Council performs this function for its Locals.
8. Keep financial records.
9. Report monthly financial affairs to the Executive Board and membership on a regular basis.
10. Act as custodian of union property.
11. Obtain surety bond coverage at the expense of the union through the International Union. Submit by March 1 of each year "a statement of assets handled during the previous calendar year for the purpose of computing the amount of the bond" (International Constitution, Article IX, Section 30).
12. File the Local Union Annual Financial Report with the International Union as required by the International Constitution (Article VI, Section 12).
13. See that the required governmental reports are filed on a timely basis.
14. Make records available to and assist Trustees/CPAs in completing the required audits.
15. Conduct the fiscal affairs of the affiliate in a responsible manner.

Note: For larger affiliates, some of the Secretary-Treasurer duties may be delegated to affiliate employees.

FINANCIAL DUTIES OF THE PRESIDENT

The financial duties of the President include:

1. Sign checks **only after** determining that proper documentation for expenditure is on hand and that expenditure is for appropriate and necessary union business.
2. Initiate appropriate actions to maintain financial stability of the affiliate.
3. Review financial reports to be submitted to the Executive Board and the membership.
4. Review financial reports required to be submitted to the International Union.
5. Determine that all required governmental reports are filed on a timely basis.
6. Review bank statements and canceled checks each month to determine that all checks clearing the bank are for legitimate union purpose.
7. Perform other duties as required by the affiliate constitution.

FINANCIAL DUTIES OF THE EXECUTIVE BOARD

The financial duties of the Executive Board include:

1. Oversee and provide advice regarding financial transactions of the affiliate.
2. Approve only expenditures that are for appropriate and necessary union business for the exclusive benefit of union's members.
3. See that prudent guidelines exist and are followed for any major purchase or commitment of union funds, including multiple vendor bids.
4. Ensure that financial stability of the affiliate is maintained. Expenditures should not exceed income. A short-term deficit may be acceptable if there is a plan to eliminate the deficit in a timely manner.
5. Review and approve financial reports submitted by the officers of the affiliate.
6. Determine that all required governmental and International Union reports are filed on a timely basis.
7. Perform other duties as required by the affiliate constitution.

FINANCIAL DUTIES OF THE TRUSTEES

The financial duties of the Trustees include:

1. Determine that an audit of all funds of the affiliate is performed either by a CPA or by the Trustees themselves at least once each year, or more often if required by the affiliate's constitution.
2. Report audit findings to the membership and the Executive Board. If there are significant findings, follow-up with the Executive Board to ensure corrections are made.
3. Determine that all governmental and International Union reports are filed on a timely basis.

AFSCME FINANCIAL STANDARDS CODE - APPENDIX D

AUTOMATED ACCOUNTING SYSTEMS

Computerized accounting systems, properly developed and administered, are required for AFSCME's larger affiliates and recommended for all affiliates. Electronic record-keeping, when utilized, will more efficiently accomplish the purposes of the manual operations described in this Code.

A printout, (hard copy), of the current primary financial records maintained on an automated accounting system must be made each month. The following reports must be printed and maintained:

1. Balance sheet
2. Income statement
3. Reconciliation reports of ALL accounts

Those affiliates with automated accounting and/or membership systems should back up files, using a systematic procedure for updating the back-ups to include prior data as well as new transactions since the last back-up. Failure to regularly back up files can lead to loss of

data, which may require having to recreate and reenter the affiliate's financial transactions.

Affiliates may also use the following reports to aid in their financial decision making:

1. Detailed cash transactions by bank account
2. Detailed general ledger
3. Detailed accounts payable vendor transaction history
4. Detailed accounts receivable customer transaction history
5. Payroll transaction reports
6. Any other basic system report necessary to provide a comprehensive audit trail

These printouts must be retained in the affiliate's records in lieu of the Cash Book and other manually maintained records

AFSCME FINANCIAL STANDARDS CODE - APPENDIX E

CUSTODY OF FUNDS

All banking and investment accounts of the affiliate are subject to the provisions of Article II, Custody of Funds, of the Code. These accounts include, but are not limited to the following:

- Dues Trust Account
- General Operating Account, including Payroll, Savings and Escrow Accounts
- Health and Welfare (Insurance) Funds
- PEOPLE Account
- Special Political Action Account
- Special Grant Account
- Strike Assistance Account
- Other Accounts

All money received by affiliates must be placed into accounts insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration.

Maximum FDIC or NCUA insurance coverage is limited to \$250,000, (effective as of 2013), per banking institution, **not per account**. Check with your bank institution to confirm the maximum coverage amounts.

Affiliates depositing in excess of this limit should consider opening accounts at more than one institution or opening an account with a bank that places funds with more than one institution based on maximum coverage amounts.

DUES TRUST ACCOUNT

All checks received directly from the employer must first be deposited into the

Dues Trust Account. Payments of per capita tax to the International Union and the Council and rebates to the Local Union are to be made from this account. At no time is a payment to be made to the International Union, Council or Local Union for an amount in excess of that entity's share of funds in the Dues Trust Account

If any other funds are included in the check from the employer, payment to that entity must also be made from the Dues Trust Account in an amount not in excess of that entity's share of the funds. Examples of these other funds include PEOPLE check-off and premiums for insurance, legal and other benefit programs.

GENERAL OPERATING ACCOUNT, INCLUDING PAYROLL, SAVINGS AND ESCROW ACCOUNTS

The General Operating Account is the account from which the affiliate makes its normal operating expenditures. The account is funded by either: 1) a check from the affiliate's Dues Trust Account for its share of dues, or 2) the local's rebate of its share of dues from a council receiving employer dues check-off on behalf of its affiliated locals. All disbursements to fund payroll accounts, savings accounts and/or escrow accounts are to come directly from the General Operating Account.

HEALTH AND WELFARE (INSURANCE) FUNDS

Affiliates use Health and Welfare Funds to collect premiums for insurance or legal

assistance benefits on behalf of members. Premiums normally come in one of two ways:

1. Premiums are deducted from members' pay and are transmitted to the affiliate, either by separate check or "piggy-backed" onto the dues deduction, or
2. Premiums are paid by the employer on behalf of members and a separate check is transmitted to the affiliate from the employer.

In either instance, the Funds received **are not** the property of the affiliate and are only held by the affiliate in Trust until the funds are transmitted to the provider of the benefit. The funds are to be deposited into the Dues Trust Account (or an Insurance Trust Account). A check is then written directly from the Trust Account to the provider of the benefit. At no time are the insurance premiums to be commingled with the affiliate's general account or are the funds to be used for the affiliate's operations.

The affiliate must obtain professional advice before establishing any sort of member insurance program. Because the funds are held in Trust by the affiliate for the member, there are reporting requirements of both the U. S. Department of Labor and the Internal Revenue Service which must be met. Included with these is the requirement that the Health and Welfare Fund be audited and have an opinion issued by a Certified Public Accountant each year.

PEOPLE ACCOUNT

A PEOPLE Account is created for the

voluntary contributions from members, with the understanding that the funds are to be used for political contributions. These voluntary member contributions are generally referred to as "hard" money. The PEOPLE Account should be maintained as a Separate Segregated Fund (see "Form 1120-POL" in the Glossary of Terms). The account is funded in two ways:

From the affiliate's Dues Trust Account. This represents funds received from the employer for members' PEOPLE check-off.

From the affiliate's fund raising activities. These activities include raffles, pass-the-hat, sales of items and members' direct, non-check-off contributions.

The affiliate must be aware of the Federal and state regulations concerning the use of PEOPLE money. These regulations govern the candidates for whom contributions can be made and also limit the amount of the contribution. There are also Federal and state reporting requirements for these accounts.

The PEOPLE Account must be disclosed on the financial statements of the affiliate, either as a separate entity with its own set of books or as part of the affiliate's books. The affiliate's Certified Public Accountant can advise as to the best way to accommodate this obligation.

SPECIAL POLITICAL ACTION ACCOUNTS

A Special Political Account, as distinguished from the "hard" money PEOPLE Account, is made up of members' dues dollars. These funds are commonly

referred to as “soft” money.

Funds should be transferred directly into this account from the Dues Trust Account, but counted against the affiliate’s share of funds from the Trust. The total of the “soft” money transfer, plus the general account transfer, will equal the total of the affiliate’s share from the Dues Trust Account.

Grant checks from the International Union or other affiliates which are specifically designated for Political Action and which are paid to the order of the Political Action Account may be deposited directly into the Political Action Account.

Restrictions and limitations on the use of “soft” money vary from state to state. It is recommended that the establishment and use of this account be coordinated with the International Union’s Political Action Department. There may be state or other reporting requirements for the activity in these accounts.

The funds in a Special Political Action Account are treated as funds of the affiliate and must be reflected in the financial statements of the affiliate as well as reports submitted to the IRS and DOL, as applicable.

SPECIAL GRANT ACCOUNT (NON-POLITICAL ACTION)

A Special Grant Account may be established as a separate bank account to track organizing grant income vs. organizing grant expenses. The funding for this account must come from the General

Operating Account in the same manner as the payroll, savings and escrow accounts. Checks from the International Union or other affiliates which are specifically designated for Organizing or other non-Political Action Grants which are paid to the order of the Grant Account, may be deposited directly into the Grant Account. If checks are received for the Grant but are not so designated, the check should be deposited into the General Account with a subsequent transfer to the Grant Account.

The funds in a Special Grant Account are treated as funds of the affiliate and must be reflected in the financial statements of the affiliate. The account must also be included in the affiliate’s IRS Form 990 and DOL Form LM where applicable.

STRIKE ASSISTANCE ACCOUNT

A Strike Assistance Account may be established as a separate bank account. The manner in which this account is funded and the affiliate’s reporting requirements are the same as those for the Special Grant Account.

OTHER ACCOUNTS

Other special accounts may be needed from time to time. As a general policy, any account which spends the affiliate’s share of its per capita tax or rebate must be funded from the General Account.

Fund limits, disbursement criteria and a detailed summary of the application process, review and consideration criteria and process should be drafted, and adopted by the Executive Board prior to execution.

AFSCME FINANCIAL STANDARDS CODE - APPENDIX F

POLICIES AND PROCEDURES

Affiliates, particularly larger affiliates with more complex operations, should establish clearly defined written policies and procedures. These should be consistent with legal and Financial Standards Code requirements, be approved by the Executive Board and should at a minimum address the following:

- Taxable Compensation
- Hiring of Employees
- Wage Rates
- Benefits
- Paid Employee Absences
- Employee Severance Payments
- Credit Cards
- Leased/Owned Automobiles
- Expenditures
- Expense Reimbursements
- Audits

TAXABLE COMPENSATION

If the affiliate makes any of the following payments, a formal policy, adopted by the Executive Board and/or the membership should exist to authorize the payment:

Officer Allowances/Stipends

Allowances/stipends cover out-of-pocket expenses incurred while conducting affiliate business. Receipts are not required to document these payments. Allowances/stipends must be reported as taxable income to the recipient, subject to withholding, payroll taxes and preparation of IRS Form W-2.

The policy should indicate the purpose

of each allowance/stipend paid, and the types of costs it is intended to cover should be specifically defined. Officers are not to be reimbursed for any expenses that are covered by an allowance/stipend.

Policy must require the identification of individuals and amounts authorized for officer and Executive Board allowances/stipends. Allowances/stipends must be approved by the membership or the Executive Board and such approval must be reflected in the minutes of the membership or Executive Board meetings.

Lost Time Payments

These are payments made to officers or members as compensation for taking uncompensated leave from their job or who use vacation leave to perform union duties. Payments for lost time constitute taxable income to the recipient and must be reported as wages subject to withholding, payroll taxes and preparation of IRS Form W-2.

Payments for lost time can be based on the actual salaries lost by an individual, or at a rate that is approved by the Executive Board. It should be noted that some government agencies consider payment of lost time, where the individual was also actually paid by his or her employer, to be illegal and could subject the individual to criminal charges.

Policy must clearly identify the union positions which qualify for lost time payments. Policy must require payments to be supported by adequate records showing

purpose, approval, calculation method, and documentation to verify that the individual suffered a loss of income (or vacation benefits) that is being made up by the affiliate as lost time. Authorized lost time payments must be documented in the minutes of the membership or Executive Board meetings.

Reimbursed Dues

Reimbursed dues compensate officers, Executive Board members and/or stewards for union related services. Reimbursed dues must be reported as taxable income to the recipient, subject to withholding, payroll taxes and preparation of IRS Form W-2.

Policy must clearly identify the union positions which qualify for reimbursement of dues and establish requirements (e.g. attendance at meetings, etc.), if any, which limit eligibility for reimbursement.

Policy must require payments to be supported by adequate records showing approval and tracking of pay periods reimbursed. Authorized dues reimbursements must be documented in the minutes of the membership or Executive Board meetings or in the affiliate's approved constitution.

Per Diem Payments

In-Town per diem payments are general daily allowances to cover incidental costs, for which no accounting is required, constitute taxable income to the recipients and must be reported as wages subject to withholding, payroll taxes and preparation of IRS Form W-2. Out-of-town per diem paid in excess of the allowable federal rate is also taxable income to the recipient.

Per diem payments should be supported by authorization, purpose, and basis for

amount paid.

Meal allowances paid for overnight out-of-town union-related business are non-taxable per diem payments as long as they do not exceed the maximum daily non-taxable rates authorized to be paid by the federal government. An expense report must be filed to allow these payments to be treated as "accountable" and therefore non-taxable. Documentation to support overnight travel and lodging, such as a hotel folio should be attached to the expense report.

Policy must clearly identify the types of union activities which qualify for per diem payments and must state the authorized amount to be paid. Policy must require payments to be supported by expense reports showing union activity performed and containing appropriate approvals. Authorized per diem payments must be documented in the minutes of the membership or Executive Board meetings.

Mileage

If your affiliate decides to reimburse mileage to officers and/or members, your Executive Board and/or membership should approve a mileage reimbursement policy that covers the situations where mileage can be reimbursed.

All reimbursements for mileage should be submitted on an expense report to include the following:

- Starting and ending locations for each trip
- Number of miles for each trip
- Specific union business purpose for each trip

Remember, you cannot reimburse

commuting mileage. If you are traveling to your primary work site and do union business at your primary work site, you cannot be reimbursed for that mileage as it is considered to be commuting mileage. On the other hand, if you are called in on your regularly scheduled day off to handle a grievance or other union business, you could be reimbursed for that mileage.

With the proper documentation, mileage at the federal rate is considered non-taxable and you should reimburse mileage at the current federal rate or below. If mileage is paid in excess of the federal mileage rate, the excess mileage payment becomes taxable W-2 income.

Approvers of mileage expense reports should check the amount of mileage submitted for each trip and make sure the union business purpose stated is adequate. They should also verify that the correct mileage rate is used, the mileage payment was approved by the Executive Board and/or membership, and the mileage calculation is correct. IRS mileage rates typically change once or twice a year. The current Federal mileage rate can be verified at:

www.irs.gov/tax-professionals/standard-mileage-rates.

Auto Allowances

Auto allowance payments provide compensation for the business use of officers' and/or employees' personal vehicles. Auto allowance payments are taxable wages subject to withholding, payroll taxes and preparation of IRS Form W-2.

Policy must clearly identify the individuals and amounts authorized for auto allowance payments. Authorized auto

allowance payments must be documented in the minutes of the membership or Executive Board meetings stating amounts as well as individuals who are authorized to receive auto allowance payments. Officers or employees who use a personal vehicle for conducting union business should provide evidence of adequate insurance to protect the affiliate.

Expense Advances

Expense advances are payments made to an individual for affiliate expenses that have not yet been incurred. Advances should subsequently be accounted for by submission of expense reports, original invoices and other documentation required for expense reimbursement. Any advance amount in excess of actual costs incurred and reported on expense reports must be returned to the affiliate and deposited to the appropriate bank account.

Policy must clearly identify when the affiliate can issue advances (e.g., conventions, conferences, etc.) and how recipients must account for advances. Authorized advances must be documented in the minutes of the membership and/or Executive Board meetings.

HIRING OF EMPLOYEES

Authority for hiring and firing must be established. Policy must clearly identify the staffing positions that qualify for permanent employment. Appropriate procedures must be developed to determine necessary qualifications for positions. Policy must also require a process for obtaining applications, conducting interviews, obtaining and maintaining all documentation required by law, etc.

WAGE RATES

Policy must establish authority for the initial setting of wages and rates and for approvals and changes. It should include how wage rates are to be determined and should establish who has authority for approvals and changes.

Payment of salaries causes the affiliate to be liable for payroll taxes, withholdings and payroll tax returns. Failure to file such reports may result in tax penalties and subject the financial officers to personal liabilities. Therefore the policy must require compliance with all applicable filing requirements.

BENEFITS

Policy should include procedures to determine types of benefits to be provided, eligibility requirements, and documentation to be maintained.

PAID EMPLOYEE ABSENCES

If the affiliate has employees, policies should be established for the following:

Vacation and Sick Leave

The policy must state the number of vacation and sick leave days earned each year and if those days are carried forward from one year to the next, with or without limitation. The policy must also state any advance and/or buy-out arrangements and the conditions under which one form of leave can be converted to cash or another form of leave. The affiliate must keep accurate records of leave earned, taken and accumulated balances. The value of vested leave balances, at current pay rates, should also be reflected as liabilities in the affiliates' financial statements at the end of the year.

Holidays

The policy must specify all paid holidays and the conditions required to qualify (e.g. Do part-time or only full-time employees qualify? How long must individuals be employed to qualify?).

Other Paid Absences

The policy must clearly identify the type of absences that will be paid, conditions required to qualify, how balances are accumulated, when payments will be made, and under what circumstances accumulated balances expire.

EMPLOYEE SEVERANCE

PAYMENTS

The affiliate must have a policy which addresses any payments required to be made in the event of employee severance from service. The policy must state the conditions necessary to qualify for any payments due to severance (e.g., required years of service, part-time vs. full-time, no payment if terminated for cause). It must clearly identify how the amount of severance is to be calculated, identify the maximum allowable, if there is a maximum, and state when it is to be paid. The value of the vested severance balance should be reflected as a liability in the affiliates' financial statements at the end of the year

CREDIT CARDS

AFSCME strongly recommends against the use of union-owned credit cards. Adequate procedures for prompt reimbursement of authorized expenditures eliminate the need for the use of a credit card that creates exposure of the union to potentially excessive liabilities.

If an affiliate chooses to provide officers

and/or employees with credit cards that are billed directly to the union, the written policy or procedures manuals must clearly identify the union positions which qualify for use of a card and define the types of authorized expenditures. The policy must also clearly state that personal charges on the affiliate's credit card are strictly prohibited.

To ensure that the affiliate does not pay the credit card company for any charges incurred on the union-owned credit card without proper documentation the policy must require all authorized users to provide an itemized expense report detailing each and every charge made as well as its specific union purpose. The actual credit card receipt and the itemized sales slip must be attached to the expense report.

Credit cards of individuals (employees or officers) are the responsibility of that person. Costs incurred by individuals must be submitted on an expense report for reimbursement to the individual. Under no circumstances should the union make a payment to a credit card company for a card that is owned by an individual.

LEASED/OWNED AUTOMOBILES

Should an affiliate opt to provide its officers and/or employees with automobiles, written policy or procedures manuals must explain the authorized use of the automobile. The establishment of auto allowances or prompt reimbursement of mileage for union business use of a personal automobile generally eliminates the need for affiliates to lease or own cars.

The policy should provide details of the types of both authorized and prohibited usage. Approval of individuals authorized

to use a union-leased or owned automobile should be clearly documented in the minutes of the membership or Executive Board meetings.

Policy must require the employee to maintain contemporaneous usage logs. The value of any personal usage (including commuting) must be reimbursed to the affiliate or if such usage is authorized by the membership or the Executive Board to be union-paid, the value must be included as taxable income to the employee and reported on the employee's W-2 form.

Union leased or owned automobiles may not be provided to any officer or employee who receives an auto allowance.

EXPENDITURES

In general, policies for expenditures should encourage adherence to the requirements of the Financial Standards Code, applicable laws, and other sound business practices.

Policy must require that expenditures be properly authorized by one of the methods identified in the Financial Standards Code and must be for legitimate union business purposes. Extravagant and/or unnecessary expenditures should be prohibited. Larger expenditures require the use of appropriate purchasing procedures such as competitive bidding to ensure that the best price and terms are obtained.

EXPENSE REIMBURSEMENTS

Policy must clearly identify the types of union activities for which expenditures will be reimbursed. It must require the use of expense reports to document all reimburse-

ments to officers, employees and members. Each item to be reimbursed must be documented to indicate its date, amount and union purpose. Original receipts must be attached and each expense report must be approved.

The policy must also identify the union positions authorized to approve the reports. In the case of employee expense reimbursements, approval must be from the employee's supervisor; for officer expense reimbursements, expense reports should be approved by the Executive Board or a designated officer selected for that purpose.

AUDITS

Policy should indicate the frequency of which audits are to be performed and whether audits are to be performed by a Certified Public Accountant or by Trustees elected for that purpose in accordance with the provisions of the affiliate's constitution.

All Councils and any Local Union having 2,000 or more members must have an annual audit prepared by a Certified Public Accountant, performed in accordance with Generally Accepted Auditing Standards. All other affiliates are encouraged to use a CPA to perform an audit, review or compilation of the financial records.

AFSCME FINANCIAL STANDARDS CODE - APPENDIX G

REPORTS TO INTERNATIONAL UNION

<u>Report Name</u>	<u>Who Must File</u>	<u>Information Required</u>	<u>Due Date</u>
CPA Audit Report	All Councils and any Local Union having 2,000 or more members	Copy of CPA Annual Audit Report, SAS 115 letter and Management Letter	Following acceptance by membership or Executive Board
Annual Budget	All Councils and any Local Union having 2,000 or more members	Budget should be approved By Executive Board in advance of its fiscal year	10 days after adoption plus prompt notification of any modifications
Quarterly Financial Statement	All Councils and any Local Union having 2,000 or more members	Balance Sheet and Income Statement	Following acceptance by membership or Executive Board
Local Union Annual Financial Report	All Local Unions	Complete the form sent to the financial reporting officer which includes a balance sheet and income statement.	Due by May 15 or four and one-half months after fiscal year end
Surety Bond Report	Councils, Local Unions, Retiree Chapters and Retiree Sub-Chapters	Complete the form sent to the financial reporting officer reporting assets which include cash and investments balances at the end of the previous calendar year and receipts handled during the previous calendar year.	March 1

AFSCME FINANCIAL STANDARDS CODE - APPENDIX H

REPORTS TO GOVERNMENTAL AGENCIES

<u>Report Name</u>	<u>Who Must File</u>	<u>Due Date</u>
IRS Form 990-N	Affiliates must file a 990-N “e-postcard” with the IRS online at www.irs.gov/990n , if their gross receipts are normally \$50,000 or less.	May 15 or four and one-half months after fiscal year end.
IRS Form 990-EZ or 990	Affiliates must file IRS Form 990-EZ if their gross receipts are over \$50,000 and less than \$200,000, and total assets are less than \$500,000. Affiliates with gross receipts \$200,000 and over or total assets of \$500,000 or more are required to file IRS Form 990. Failure to file IRS Forms 990-EZ or 990 carries a penalty to the affiliate of \$20.00 per day until filed with a maximum penalty of the lesser of \$10,000 or 5% of the gross receipts for the year. Failure to file a 990 series form with the IRS for three (3) consecutive years will result in the IRS automatically revoking the affiliate’s tax exempt status.	May 15 or four and one-half months after fiscal year end.
IRS Form 990-T Exempt Organization Business Income Tax Return	Tax form required of not-for-profit organizations who are involved in taxable activities.	May 15 or four and one-half months after fiscal year end
IRS Form 1120-POL U.S. Income Tax Return for Certain Political Organizations	Affiliates with investment income in excess of \$100 for the tax year which also made political contributions in excess of \$100 for the tax year. May not apply to affiliates having a qualified “Separate Segregated Fund” for use in making political contributions	March 15 or two and one-half months after fiscal year end
Department of Labor Form LM-1	Any newly chartered affiliates that have private sector employees or any established affiliates that gain private sector employees must file a LM-1 to apply for a File Number from the DOL	Within 90 days after the charter date or when the affiliate gains private sector employees.

<u>Report Name</u>	<u>Who Must File</u>	<u>Due Date</u>
Department of Labor Form LM-2, LM-3, or LM-4	The Department of Labor requires annual reports to be filed electronically by unions who represent private sector members. Affiliates with cash receipts of \$250,000 or more must file the LM-2; affiliates with cash receipts of \$10,000 or more but less than \$250,000 must file the LM-3; and affiliates with cash receipts less than \$10,000 must file the LM-4.	90 days after fiscal year end
DHS Form I-9 Employment Eligibility Verification	Affiliates must have a Form I-9 on file to document that each employee is authorized to work in the United States.	
IRS Form SS-4 Application for Employer Identification Number	All newly chartered affiliates must file for an Employer Identification Number (EIN) with the IRS immediately.	As soon as possible after being chartered
IRS Form W-2 Wage and Tax Statement	Affiliates paying wages, allowances, stipends, reimbursed dues, lost time payments and any other taxable payments to officers or employees must file IRS Form W-2 summarizing payments and withholding made to each officer and/or employee.	To officer and/or employee by January 31.
IRS Form W-3 Transmittal of Wage and Tax Statements	Affiliates filing IRS Form W-2s must transmit the W-2s to the Social Security Administration with IRS Form W-3.	February 28.
IRS Form W-4 Employee's Withholding Allowance Certificate	Affiliates must have a W-4 on file for all individuals receiving wages, allowances, stipends, reimbursed dues, lost time payments, and other taxable payments to allow for the correct amount of federal income tax withholding.	
IRS Form 940 Employers Annual Federal Unemployment Tax Return	Affiliates must file IRS Form 940 annually to report all wage payments, including lost time, allowances and reimbursed dues payments.	Due by January 31.
IRS Form 941 Employers Quarterly Federal Tax Return	Affiliates must file quarterly IRS Form 941 payroll tax returns for all wage payments, including lost time, allowances and reimbursed dues payments.	Quarterly as follows: April 30 July 31 October 31 January 31
IRS Form 1096 Annual Summary and Transmittal of U.S. Information Returns	Affiliates filing 1099-MISC Forms must transmit those forms to the IRS using IRS Form 1096.	February 28.

Report Name

Who Must File

Due Date

IRS Form 1099-MISC
Miscellaneous Income

Affiliates making taxable non-salary payments of \$600 or more to individuals during the calendar year must report those payments on IRS Form 1099-MISC. A 1099 cannot be issued for wages (e.g., lost time, allowances and reimbursed dues).

To individuals by
January 31.

IRS/Labor Department Form
5500

Affiliates who sponsor employee benefit plans subject to ERISA.
NOTE: Affiliates with any involvement with provision of benefits to members (e.g. insurance trusts) should seek professional advice to determine filing requirements.

End of the 7th
month after the plan year
ends.

GLOSSARY OF TERMS

Affiliate	Subordinate body (for example, Council, Local, Chapter, Retiree Chapter, Retiree Sub-Chapter, Organizing Committee and any entity managed by one or more affiliates.)
Allowances	Payments made to officers for out-of-pocket expenses incurred while conducting affiliate business. These payments are also known as stipends. Receipts are not required to document these payments. W-2s must be issued to all officers who are paid allowances/stipends during the calendar year and filed with the IRS. Payroll taxes must be withheld and payroll tax forms must be filed for all allowance payments to officers.
Audit	Examination of the affiliate's financial records conducted by Trustees or Certified Public Accountant(s) (CPA).
Bank Debit Card or ATM Card	Cards issued by a bank allowing an individual to draw cash out of an Automatic Teller Machine (ATM) or make purchases that are charged directly to bank account. Bank Debit and ATM Cards are prohibited and may not be used by AFSCME affiliates.
Bank Reconciliation	Reconciliation upon receipt of each statement of the balance on the bank statement to the balance in the check register.
Budget	Projection of income and expenses for the coming year.
Cash Book	Financial record book used to record all receipts and disbursements. Recorded amounts should be totaled monthly.
Commuting Mileage	The distance between your home and your place of work is your commuting mileage, no matter how far.
Constitution	Document that governs an affiliate's structure and system of governance.
Dues Rebate	Portion of local union dues remaining from the union dues that were collected by the Council on behalf of the local union after International and Council per capita taxes (PCT) have been deducted.

EIN	Employer Identification Number. This is also known as TIN (Taxpayer ID Number). Every union affiliated with AFSCME must have an EIN issued by the IRS and that number must be on file with the Auditing Department of the International Union. Failure to have an EIN or to place it on file with the Auditing Department jeopardizes the affiliate's status as a non-profit organization.
Expenditure Authorization	Approval of all disbursements by the affiliate. All expenditures must be authorized by constitution, law, contract or vote.
Expense Advance	Payment made to an individual for affiliate expenses that have not yet been incurred. If the individual receives an advance against expenses (e.g., for the convention), the individual must submit an expense report and receipts for all expenses other than per diem incurred. If the expenses exceed the amount of the original advance, a check may be issued to the individual for the additional cost. If the expense is less than the amount of the advance, the difference must be collected from the individual immediately and deposited in the affiliate's account.
Expense Report	Document explaining each expenditure made by an individual for which reimbursement is to be made by the union. Each item to be reimbursed will require supporting documentation, such as receipts, and adequate explanation of the union purpose for the costs incurred.
File Number (DOL)	6-digit identifying number assigned by the Department of Labor that must be entered on the annual financial reports (Form LM-2, LM-3 or LM-4).
Financial Standards Code	Minimum bookkeeping standards, rules and procedures established to ensure that all affiliates fairly and fully account for the finances of the affiliate. All affiliates are required to comply with the provisions of the Code.
Financial Statement	A listing of income and expenses as well as a statement of assets owned and bills owed. Should be prepared by all affiliates each month.
Form I-9 (DIS)	Form used by employers to demonstrate that each employee is a U.S. citizen or legal resident.
Form LM-1 (DOL)	An information report that must be filed by newly chartered affiliates with private sector employees or established affiliates that gain private sector employees to receive a DOL file number.

Form LM-2, LM-3 or LM-4 (DOL)	Department of Labor annual financial report that must be filed electronically by affiliates with private sector employees. Due within 90 days after the end of the affiliate’s fiscal year. LM-2 - annual cash receipts \$250,000 or more; LM-3 - annual cash receipts \$10,000 or more but less than \$250,000; LM-4 - annual cash receipts less than \$10,000.
Form SS-4 (IRS)	Application for Employer Identification Number. The preferred method of applying however is online at www.irs.gov . The application should be filed by affiliate with the IRS immediately upon being chartered.
Form W-2 (IRS)	Wage and Tax Statement. Summary of all wages, allowances, reimbursed dues and lost time payments. W-2 must show total wages or payments, federal income taxes withheld, Social Security and Medicare taxes withheld and state taxes withheld.
Form W-3 (IRS)	Transmittal of Income and Tax Statements (W-2s) to the Social Security Administration due by February 28th each year.
Form W-4 (IRS)	Employee’s Withholding Allowance Certificate. Completed by all individuals receiving wages, allowances, reimbursed dues and lost time payments to allow for the correct amount of federal income tax withholding.
Form 940 (IRS)	Annual Federal Unemployment Tax Return due on or before January 31st each year. All lost time, allowance/stipend and reimbursed dues payments must be included as wages.
Form 941 (IRS)	Quarterly Payroll Tax Return which must be filed for all wage payments, including lost time, allowance/stipend and reimbursed dues payments.
Form 990-N “e-postcard” (IRS)	Annual electronic filing requirement for small exempt organizations. Affiliates are required to file a Form 990-N if their normal gross receipts averaged \$50,000 or less over the last three (3) years.
Form 990 & 990-EZ (IRS)	Informational Return of Organizations Exempt from Income Tax. Affiliates not eligible to file Form 990-N “e-postcard” are required to file IRS Form 990-EZ if they have prior year gross receipts totaling over \$50,000 and less than \$200,000 and prior year total assets totaling less than \$500,000. Affiliates with annual receipts of \$200,000 or more or total assets of \$500,000 or more are required to file IRS Form 990.

Form 990-T (IRS)	Tax form required of not-for-profit organizations who are involved in taxable activities.
Form 1096 (IRS)	Annual Summary and Transmittal of Forms 1099-MISC to the IRS due by February 28th each year.
Form 1099-MISC (IRS)	Form used to report all taxable non-salary payments of \$600 or more made to all individuals during the calendar year. A 1099 cannot be issued for wages (e.g., allowances, stipends, reimbursed dues and lost time payments).
Form 1120-POL (IRS)	U.S. Income Tax Return for Certain Political Organizations. Affiliates are required to file IRS Form 1120-POL if they have investment income in excess of \$100 for the tax year and also make political contributions in excess of \$100 for the tax year. Does not apply to affiliates having a qualified “Separate Segregated Fund” for use in making political contributions.
Lost Time	Payment made to an officer or member as compensation for taking uncompensated leave from their job to perform union duties. Lost time is considered to be payment of wages. Federal income, Social Security, Medicare and state income taxes must be withheld and payroll tax forms must be filed for all lost time payments.
LUAFR	Local Union Annual Financial Report submitted to report the financial activity for the previous fiscal year and to assist the International in evaluating the financial practices of the Local Union.
Minimum Dues	Minimum monthly fee charged to all members of AFSCME International to participate in and benefit from services provided by the International, Council and Local Union. The Minimum Dues rate, established by the International Constitution, increases each January based on the average wage increase received by AFSCME members over the 12 month period ending the preceding July 31st.
Officer	Elected official of the affiliate who is a member of the Executive Board that governs and has decision-making authority on behalf of the affiliate.
PCT	Per Capita Tax. The portion of union dues paid to the International Union and Councils to service the membership on a national and state or council level.

**Per Diem
Non-Taxable**

Meal allowance for overnight out-of-town union-related business, up to the maximum federal rate allowed. The maximum daily non-taxable rates authorized to be paid by the federal government depend on the city of the overnight stay. An expense report with documentation of overnight stay must be filed to allow these payments to be treated as “accountable” and therefore non-taxable.

**Per Diem
Taxable**

General daily allowance to cover incidental costs, for which no accounting is required. Also, out of town per diem in excess of the allowable federal rate is taxable to the extent that the payment exceeds the federal guidelines. All taxable per diem payments must be included in the recipients annual W-2.

**Reimbursed
Expenses
Accountable
Plan**

Payment(s) made to an individual for charges incurred on behalf of the affiliate. If the payment represents reimbursement to the individual for actual expenses paid, documented and submitted to the affiliate, the payment to the individual is treated as a non-taxable reimbursed expense. The individual must submit paid receipts for all expenses incurred. By submitting paid receipts to the affiliate, the individual has accounted for expenses and neither the individual nor the affiliate is required to report the payments or the expenses to the IRS.

**Reimbursed
Expenses
Non-Accountable
Plan**

Payment(s) made to an individual as compensation for costs incurred or expected to be incurred in performing union services for which no expense report or other accounting for these funds is required. All payments made under the “Non-Accountable Plan” are considered compensation and are treated as taxable income to the recipient. Examples of these payments include auto allowances, officer allowances, stipends and convention advances for which no accounting is required or expected.

**Surety Bond
Certificate of
Coverage**

Certificate issued by the bond underwriter that states the coverage level of the affiliate based on the total assets and receipts reported on the Surety Bond Report. The Certificate of Coverage can be obtained from the Auditing Department upon request.

**Surety Bond
Premium**

Amount each affiliate is charged for their surety bond coverage.

**Surety Bond
Report**

Report to be completed by each affiliate listing the total of all bank accounts and investments as of the prior calendar year end plus all cash receipts of the affiliate during the prior calendar year. All affiliates must file a Surety Bond Report with the International Union as required by the International Constitution.

Trustees

Trustees are elected “Officers” but are not members of the Executive Board. They have neither voice nor vote on matters before the Executive Board. Trustees are responsible for conducting the annual or more frequent audits of the affiliate’s financial records required by the affiliate’s constitution, or for seeing that outside experts are employed to conduct such audits.

RECORDKEEPING

MAINTAINING RECORDS

RECEIPTS

DISBURSEMENTS

EXPENSE REPORTS

CREDIT CARD PROCEDURES

MONTHLY FINANCIAL STATEMENTS

RECEIPTS/DISBURSEMENTS JOURNAL

**CONSTITUTION OF THE AMERICAN FEDERATION OF
STATE, COUNTY AND MUNICIPAL EMPLOYEES,
AFL-CIO**

ARTICLE VI, SECTION 12

The International Secretary-Treasurer is authorized, with the approval of the International Executive Board, to improve the bookkeeping system of the Federation and to prescribe minimum standards for the maintenance of financial records for subordinate bodies, including financial records concerning any health and welfare, pension, insurance or other benefit programs covering members of such subordinate bodies. Whenever any such minimum standards have been adopted and approved, subordinate bodies shall be obliged to meet such standards. The International Secretary-Treasurer shall require an annual report from each subordinate body, on forms to be supplied by the International Secretary-Treasurer's office. Such report shall be in sufficient detail as to indicate whether or not the prescribed minimum standards are being met.

AFSCME FINANCIAL STANDARDS CODE

ARTICLE I, SECTIONS 1 AND 2

Every affiliate of the American Federation of State, County and Municipal Employees, whether chartered or not, is required to meet the standards established by and set forth in this Code, including the standards established by and set forth in the appendices to this Code. The purpose of this Code is to establish minimum standards to be met by affiliates in the handling of their funds and other assets and in the maintenance of their financial records...It is not the intent of this Code nor shall not be interpreted in such a manner that relieves an affiliate of any duty or responsibility which is placed on it by the constitution of the International Union or of the affiliate.

MAINTAINING RECORDS

Article III, Section 1 of the Financial Standards Code states that the following records must be maintained by the Secretary-Treasurer or other financial officer:

- A. Computerized accounting system printouts (if applicable):**
 - 1. Balance Sheets**
 - 2. Income Statements**
 - 3. Reconciliation reports of all accounts**
 - 4. Detailed transactions by bank account**
 - 5. Detailed general ledgers**
 - 6. Detailed accounts payable vendor transaction histories**
 - 7. Detailed accounts receivable customer transaction histories**
 - 8. Payroll transaction reports**
 - 9. Any other basic system reports necessary to provide a comprehensive audit trail**

Maintain back-up files, electronic or flash drives.

- B. Check Book and/or Receipts/Disbursements Journal.**
- C. Bank receipts for all deposits.**
- D. All documentation for receipts including remittance advice, dues deductions rosters or dues rebate transmittals.**
- E. All bank statements and canceled checks.**
- F. Bank reconciliations.**
- G. All check stubs and voided checks.**
- H. All paid bills or invoices.**
- I. Copies of International Union/Council per capita tax reports (if applicable).**
- J. All expense reports and all detailed receipts for expenses reimbursed.**

- K. All records of expenditures from any petty cash fund.**
- L. All payroll records, including copies of IRS Form 941s, 940s and W-2s**
- M. All financial reports prepared for the membership or Executive Board; all federal reports filed with the IRS or Department of Labor; all financial reports filed with the International Union.**
- N. Surety Bond Certificate of Coverage.**
- O. All mortgages, loan agreements, lease agreements and all other contracts of any nature which involve financial obligations on the part of the affiliate.**
- P. All documents constituting evidence of ownership by the affiliate.**
- Q. Signed and dated copies of the Local Union Annual Financial Report (LUAFR) filed with the International Union.**
- R. Signed and dated copies of annual Surety Bond Report filed with the International Union.**
- S. Copies of any statements or transaction advice for any investment accounts maintained for the affiliate.**
- T. Signed and dated copies of all affiliate officer or employee collective bargaining agreements, fringe benefits policies as well as any other employee related policies.**
- U. Back-up of all data files if using a computerized accounting system.**
- V. Copies of the meeting minutes at which any financial decisions were made, approved or rejected.**
- W. Correspondence from government agencies.**

RECEIPT PROCEDURES

Article IV of the Financial Standards Code provides that when receiving money, the local union treasurer should:

- 1. Enter the amount in the check book or receipts journal, using a different page for each month's receipts. If using a computerized accounting system, it is not necessary to also maintain manual journals.**
- 2. Retain a copy of all checks received.**
- 3. Fill out a deposit slip and deposit the money into the appropriate affiliate account.**
- 4. Any check received must be deposited in full. Cash should never be withdrawn when depositing a check.**
- 5. Retain a copy of the deposit slip.**
- 6. Obtain a receipt for the deposit from the bank. Attach this to the copy of the deposit slip.**
- 7. Record the deposit on the check stub (if using a manual system).**
- 8. Record the deposit in the check book and/or receipts journal.**
- 9. Retain monthly statements received from the bank.**

NOTE: Dues checks received directly from employers or containing amounts payable to other affiliates and/or other entities must be deposited in a separate "Dues Trust" account.

AFSCME Local No. _____

**Receipts Journal
For the Month of February YYYY**

Date MM/DD/YY	Received From	Total Amount Received	DUES RECEIVED			Interest Income	Other Income	Explanation
			Dues for Month of	Units	Amount			
02/15/yyyy	Council 100	2,000.00	January	500	2,000.00			January Dues Rebate
02/15/yyyy	Unionville Bank	20.00				20.00		January Interest
02/20/yyyy	Fundraiser	350.00					350.00	Convention Fundraiser
February	Total	\$ 2,370.00			\$ 2,000.00	\$ 20.00	\$ 350.00	
January	Total	\$ 2,020.00			\$ 2,000.00	\$ 20.00	\$ -	
YTD	Total	\$ 4,390.00			\$ 4,000.00	\$ 40.00	\$ 350.00	

DISBURSEMENT AUTHORIZATION

Article V of the Financial Standards Code indicates the following are acceptable forms of authorization for expenditures:

1. Payments required by law.

**Examples: A. Payroll Tax Deposits and related payments.
(FICA, Unemployment Taxes, etc.)**

**B. Possible fines and/or penalties imposed by the
IRS for late filing of IRS Form 990.**

**2. Payments required by Local, Council and/or International
Constitution.**

Examples: A. International and Council Per Capita Tax

B. Surety Bond Premiums

**3. Payments to meet contractual obligations, provided proper
advance authorization was obtained from the membership or
executive board.**

**Examples: A. Lease on office, meeting hall, office
equipment, etc.**

B. Salaried employees under union contract

**4. Payments authorized by vote of the membership, Executive Board
or delegate assembly approving specific items, contracts, or the
affiliate's budget (See Financial Standards Code for details).**

DISBURSEMENT AUTHORIZATION EXAMPLES

Minutes of the Meeting of October 1, YYYY

Page 2

New Business

Jane Smith moved that \$50.00 be spent every month for rental of a conference room at ABC Hotel. The room would be utilized for Executive Board meetings. The motion was seconded and carried.

John Johnson moved that \$100.00 be used to purchase a two drawer file cabinet from XYZ Office Supply. The motion was seconded and carried.

Jane Smith moved that the local buy a photocopier and recommended four choices and finance options. After discussion, the board approved purchase of a \$6,000.00 copier. Payments will be \$800.00 per month until paid in full. This resolution approves the purchase of the copier and all subsequent monthly payments. The motion was seconded and carried.

DISBURSEMENT PROCEDURES

Article VI of the Financial Standards Code establishes the following as the correct procedure for making disbursements:

- 1. All payments must be made by check or electronic funds transfer.**
- 2. Checks must be signed by two authorized officers.**
- 3. Checks should NEVER be signed before the date, name of payee, and amount have been entered on the check. NO CHECK MAY BE PRE-SIGNED.**
- 4. Rubber stamps shall not be used for check-signing purposes.**
- 5. Use of a check-signing machine is permitted (for large affiliates only), provided the signature plates are adequately secured.**
- 6. At the time a check is issued, the date, amount, payee and purpose of the check must be entered on the check stub, the check register, the disbursements journal and/or computerized accounting system.**
- 7. CHECKS MAY NEVER BE MADE OUT TO “CASH.”**
- 8. The check number, date and amount of check should be written on the face of any bill, invoice or expense report paid.**
- 9. Electronic transactions must be authorized by a document signed by both officers who normally sign checks.**
- 10. Bank Debit Cards, Check Cards and/or Automated Teller Machine (ATM) Cards may not be used for expenditures or withdrawals under any circumstances.**
- 11. AFSCME strongly recommends against the use of union-owned credit cards as they circumvent the requirement that two officers sign all disbursement checks.**

AFSCME Local No. _____
 Disbursements Journal
 For the Month of February, YYYY

Date	Payee	Check #	Amount	Rent	Utilities	Mileage	Postage	Newsletter	Per Diem	Explanation
02/02/yyyy	ABC Realty	801	400.00	400.00						February Office Rent
02/05/yyyy	Union Bell	802	80.00		80.00					January Office Telephone
02/05/yyyy	VOID	803	-							Void Check
02/10/yyyy	Bob Jones	804	231.00			117.00			114.00	ST Workshop expenses - Pres.
02/10/yyyy	Alice Snow	805	231.00			117.00			114.00	ST Workshop expenses - S-T
02/10/yyyy	Sandra Black	806	231.00			117.00			114.00	ST Workshop expenses - VP
02/10/yyyy	Dave Green	807	231.00			117.00			114.00	ST Workshop expenses - Rec. Sec.
02/15/yyyy	US Postmaster	808	235.00				235.00			Postage - Newsletter mailing
02/15/yyyy	Copies, Inc.	809	200.00					200.00		Newsletter printing
02/15/yyyy	Zap Electric Co.	810	100.00		100.00					January Office Electricity
February	Total		\$ 1,939.00	\$ 400.00	\$ 180.00	\$ 468.00	\$ 235.00	\$ 200.00	\$ 456.00	
January	Total		\$ 689.00	\$ 400.00	\$ 180.00	\$ 109.00	\$ -	\$ -	\$ -	
YTD	Total		\$ 2,628.00	\$ 800.00	\$ 360.00	\$ 577.00	\$ 235.00	\$ 200.00	\$ 456.00	

NOTE: Column headings will change to reflect expense categories of individual locals.

EXPENSE REPORT PROCEDURES

Article VII of the Financial Standards Code states the following:

- 1. Expense reports are required to document all reimbursements to officers, members, and employees.**
- 2. Each item to be reimbursed must be documented to indicate the date, amount, and specific union purpose. Original receipts must be attached. All expense reports should be filed timely.**
- 3. Employee expense reports must be approved by the employee's supervisor.**
- 4. Officer expense reports must be approved by the Executive Board or designated officers selected for that purpose.**
- 5. Expense reports must account for all reimbursed expenses as well as those incurred costs that are paid directly by the affiliate.**

NOTE: Officer and employee reimbursement policies should clearly identify the types of union activities for which expenditures will be reimbursed and who may incur these types of costs.

AFSCME LOCAL 9876 EXPENSE REPORT SOLUTION

Name: Treasurer Alice Snow **Signature:** Alice Snow, Treasurer

Address: 1234 Union Road **Date:** 2/06/yyyy

Washington, DC 20036

City State Zip

(202) 123-4567

Area Code Telephone No. **Approval:** Executive Board

Date	Place and Purpose	Mileage *		Per Diem	Lodging (Attach Receipt)	Other Explain & Attach Receipts	Other Amount
		Miles	Cost				
1/23/yyyy	Travel to Uniontown for S-T Workshop	100	\$ 58.50	\$ 76.00	\$ 100.00		
1/24/yyyy	Travel home from S-T Workshop	100	\$ 58.50	38.00			
TOTALS			\$ 117.00	\$ 114.00	\$ 100.00		\$ -

Explanation/Comments:

Mileage reimbursed at 2022 federal rate of 58.5 cents per mile.

Lodging paid in advance by Local in January.

For Treasurer's Use Only

Date Paid: 2/10/yyyy

Check Number: 805

Treasurer's Initials: _____

Total Expense:	\$ 331.00
Less Advance:	-
Less Amount Pd by Local:	(100.00)
Reimbursement:	\$ 231.00

CREDIT CARD PROCEDURES

Per Article VII of the Financial Standards Code, procedures for credit card usage are as follows:

- 1. Any individual authorized to use a union credit card must provide an itemized expense report to the union, accounting for each and every charge, as well as provide an explanation of the specific union business purpose of each charge.**
- 2. The actual credit card receipt and the itemized sales slip must be attached to the expense report.**
- 3. Expense reports for direct billed items should be submitted and approved prior to payment of any bills.**
- 4. Personal charges are strictly prohibited. Any items charged that are not approved by the appropriate officer(s) or supervisor must be paid back to the union immediately.**
- 5. Under no circumstances should the union make a payment to a credit card company for an individual's personal credit card.**

NOTE: Written credit card policies or procedures manuals must clearly identify the union positions that qualify for use of a union-owned card and define the types of authorized expenditures.

CREDIT CARD EXAMPLE

Minutes of the Meeting of February 1, YYYY

Page 2

New Business

Jane Smith proposed the following credit card policy. The use of Local 9999's credit card is restricted to President John Johnson and Secretary-Treasurer Sally Brown, and each individual is limited to \$250.00 per month in charges. Allowable charges are limited to minor office supplies and food expenses directly related to union business. Unless specifically pre-approved, charges that do not fall under the approved categories are not allowed and immediate re-payment will be required from the officer. Personal charges are strictly prohibited. If an emergency situation arises causing the officer to use the card without prior approval, the officer must immediately take a telephone poll of officers. This approval must be reaffirmed at the next board meeting.

Semi-monthly expense reports must be completed to document all charges. Receipts documenting the charges including both the credit card receipt and the itemized sales receipt must be attached to the expense report. Should no receipts be submitted, re-payment by the officer is required.

Any charges made that are not properly reported or not approved must be repaid to the union immediately. All expense reports are due within ten days from the end of each semi-monthly period.

Any expenses not approved by the above general policy must be approved in advance by the Executive Board or Membership. No one other than John Johnson or Sally Brown is authorized to use the local's credit card. Any changes to the credit card policy must be clearly documented in meeting minutes.

The motion to adopt this policy statement was made by Fred Jones, seconded and carried.

MONTHLY FINANCIAL STATEMENT PROCEDURES

According to Article IX, Section 1 of the Financial Standards Code, a monthly financial statement must:

- 1. Be prepared at the end of each month, by, or under the supervision of the financial officer**
- 2. Be completed and available to the Executive Board and/or membership no later than thirty calendar days following the end of each month and include the following:**
- 3. Include the following categories of Income:**
 - A. Income from dues and/or per capita tax**
 - B. Income from initiation and/or reinstatement fees, if any**
 - C. Income from any other sources**
 - D. Total income for the month**
- 4. Include the following categories of Expenses:**
 - A. Amounts paid for per capita taxes and other affiliation fees**
 - B. Totals by category of amounts paid to individuals in the form of salary, lost time, allowances, reimbursed expenses, and/or convention expenses**
 - C. Totals by significant category of amounts paid for other operating costs of the affiliate**
 - D. Total expenditures**
- 5. Show the excess (or the deficit) of income over (or under) expenditures.**
- 6. Include a statement of cash assets as of the end of the month.**
- 7. Include a listing of unpaid bills or any contractual obligations which have not been paid. If the unpaid bills are zero, a notation indicating this should be made at the bottom of the report.**

**AFSCME LOCAL _____
MONTHLY FINANCIAL REPORT**

**Statement of Receipts and Disbursements
For the Month Ending February 28, YYYY**

Receipts

Dues Rebate	\$ 2,000
Interest Income	20
Other Income- Fundraiser	<u>350</u>
Total Receipts	\$ 2,370

Disbursements

Rent	\$ 400
Utilities	180
Mileage	468
Postage/Newsletter	435
Per Diem	<u>456</u>
Total Disbursements	\$ <u>1,939</u>

Excess (Deficit) Receipts Over (Under) Disbursements **\$ 431**

Add: Checking Account Balance at February 1, YYYY **15,000**

Checking Account Balance at February 28, YYYY **\$15,431**

**Statement of Cash Assets
As of February 28, YYYY**

Unionville National Bank Account No. _____	\$15,431
Money Market Fund	<u>10,000</u>

Total Cash Assets **\$ 25,431**

**Schedule of Unpaid Obligations
As of February 28, YYYY**

Name/Vendor	Date of Invoice	Amount
Zap Electric Co.	February 28, YYYY	\$ 100
Union Bell	February 28, YYYY	<u>80</u>
Total Unpaid Obligations		<u>\$ 180</u>

RECEIPTS/DISBURSEMENTS JOURNAL PROCEDURES

Affiliates using a manual system of recordkeeping can use the blank receipt, disbursement and expense report forms provided separately in the Sample Forms and Reports packet. Use the procedures described previously for maintaining each transaction type in the journal. The following procedures are recommended to maintain a useful journal:

- 1. Copies should be made of these forms and inserted into a three-ring binder.**
- 2. Record each transaction in the Receipts/Disbursements Journal immediately after the transaction occurs.**
- 3. When processing an expense report, verify that all required information is present.**
- 4. The Journal should be reconciled monthly when bank statements are received.**
- 5. Use the monthly totals on the Journal when preparing the monthly financial report.**
- 6. The Journal should contain monthly as well as year-to-date totals for all categories.**
- 7. You may change the categories on the blank journals to reflect the actual receipts and disbursements of your affiliate.**

ANNUAL FINANCIAL REPORT

LOCAL UNION ANNUAL FINANCIAL REPORT

The purpose of the Local Union Annual Financial Report (LUAFR) is to aid in the compliance of Article VI, Section 12 of the International Constitution by:

- 1. Improving the bookkeeping system of the local union.**
- 2. Assisting the local in identifying and complying with the minimum prescribed standards for maintaining records.**
- 3. Providing sufficient data to the International Union to indicate that the local union is operating in compliance with the Financial Standards Code.**

AMERICAN FEDERATION OF STATE, COUNTY
AND MUNICIPAL EMPLOYEES, AFL-CIO
1625 L Street NW, Washington, DC 20036

Lee Saunders
President

Elissa McBride
Secretary-Treasurer

LOCAL UNION ANNUAL FINANCIAL REPORT
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2021
OR THE FISCAL YEAR ENDED _____, 2022

INSTRUCTIONS

This report is to be prepared, signed, and submitted to Secretary-Treasurer Elissa McBride by mail or electronically by following the instructions at www.afscmetreasurer.org/forms. A copy of the report should be retained in the local union files. For those locals operating on a calendar year (January through December) fiscal period, the report is due no later than May 15 of each year. For those locals who have a fiscal period other than a calendar year, the report must be filed within 4½ months after the end of their fiscal year. Retiree Chapters and Retiree Subchapters are not required to fill out this report.

PART I – Description of Financial Records and Procedures

Answer each of the following questions regarding the financial records and procedures of the local union. If additional space is needed for your answers, please use the space provided on page 4, attach additional sheets as necessary and refer to the appropriate question or line number.

General

1. a. Local Union # 999 b. Affiliated with Council # 250
c. Current # of Members 123 d. Employer Identification # 51-2345678
e. Local Union Name Public Employees of DC
f. Street Address or P.O. Box # 16 Union Road
g. City Washington h. State DC i. Zip Code 20036

2. The local union financial records are in the custody of:

Name Alice Snow, Secretary-Treasurer
Address 12 National Drive, Washington, DC 20003
Cell Phone Number* (including area code) (202) 123-4567
Daytime Number (including area code) (202) 936-1212
Personal Email asnow@gmail.com

Chapters

3. Does the local have chapters or other divisions? Yes No
If YES, how many? _____
Also attach list of chapters with locations and names of chapter chairpersons.

Expenditures- Spending

4. Are all disbursements made by checks that require two signatures? Yes No
5. Does your local have a petty cash fund? Yes No
If YES, what is the maximum fund kept on hand? \$ _____

* By providing your cell phone number you consent to receive calls (including recorded or autodialed calls, or texts) at that number from AFSCME and its affiliated labor, political, and charitable organizations on any subject matter. Your carrier's rates may apply. You may modify your preferences at <https://www.afscme.org/tpca>

Reporting

6. Are monthly financial reports prepared? Yes No
If YES, please attach a copy of the most recent report.
7. Does the local pay salaries, lost time, allowances, and/or reimbursed dues to officers and/or employees? Yes No
If YES, do you prepare or have a payroll service that prepares and files the following payroll tax forms?
IRS Form 940 Yes No
IRS Form 941 Yes No
IRS Form W-2 Yes No
8. Is IRS Form 990, 990-EZ or the 990-N e-postcard filed annually? Yes No
9. Does the local have any dues paying members who are private sector employees? Yes No
If YES, is a Department of Labor LM report filed? Yes No

Political Contributions Reporting

10. Does the local make political contributions? Yes No
If NO, proceed to question 14.
11. What were the total contributions during the last calendar year? \$ _____
12. Does the local use a "Separate Segregated Fund" for making political contributions? Yes No
13. Is your local aware of the filing requirements for IRS Form 1120-POL? Yes No

Audits

Please attach a copy of your last audit report (including any "Trustees" report)

14. How often does your local have an audit? _____ annually
15. Are audit findings reported to the membership? Yes No
16. Who performs these audits? Trustees CPA Public Accountant
Other (Explain) _____

PART II – Dues

1. For locals with FIXED dues rate(s), what is (are) the current monthly rates? Full time \$ 40.00
Part time \$ 30.00
2. For locals with PERCENTAGE dues rate(s): What is the current percentage? _____ %
What is the Average Monthly rate per member? \$ _____
3. For other dues structures, check here and attach an explanation.
4. The local receives dues from: Employer Council

PART III – Financial Statements

All local unions must complete the information requested in the “Statement of Receipts and Disbursements” below and “Statement of Assets Owned and Debts Outstanding (Liabilities)” on page 4. If the local retains a CPA or Public Accountant, the Accountant’s annual financial statement(s) may be substituted for pages 3 and 4 ONLY IF the local completes page 1 and page 2 of this report, and the local’s President and Secretary-Treasurer sign and date page 4.

STATEMENT OF RECEIPTS AND DISBURSEMENTS

Receipts During Year

1.	Dues received directly from employer:	\$ _____
2.	Local share of dues forwarded directly from Council:	_____ 9,480.00
3.	Insurance premiums collected from members:	_____ 340.00
4.	Other receipts (Attach list – fundraisers, interest, initiation fees, etc.)	_____ 9,820.00
5.	TOTAL RECEIPTS (Add items 1 through 4):	\$ _____

Disbursements During Year

6.	Affiliation Fees and Per Capita Tax paid directly by local to:	
	International	\$ _____
	Council	_____ 200.00
	Other Labor Bodies	_____ 100.00
7.	Surety Bond Premium:	_____ 850.00
8.	Accounting/Legal/Arbitrations:	_____
9.	Negotiations:	_____
10.	Salaries/Lost Time/Allowances:	_____
11.	Payroll Taxes:	_____
12.	Reimbursed Dues:	_____ 4,200.00
13.	Officer Reimbursed Expenses:	_____ 750.00
14.	Conferences/Conventions:	_____ 800.00
15.	Picnics/Parties:	_____ 900.00
16.	Rent/Utilities:	_____ 7,800.00
17.	Printing/Copying:	_____ 2,020.00
18.	Office Supplies:	_____
19.	All Other Disbursements (Attach List):	_____
20.	TOTAL DISBURSEMENTS (Add items 6 through 19):	\$ _____
21.	EXCESS (DEFICIT) RECEIPTS OVER DISBURSEMENTS FOR YEAR	\$ _____

STATEMENT OF ASSETS OWNED AND DEBTS OUTSTANDING (LIABILITIES)

ASSETS OWNED

			<u>A</u>		<u>B</u>
			January 1 , 2021		December 31 , 2021
			Beginning of Year		End of Year
22.	Cash In Banks				
	Bank Name	Acct Type Account Number			
	First National Bank of DC	Checking 200-7581	\$ 642.00	\$	932.00
	First National Bank of DC	Savings 200-7584	1,340.00		3,070.00
23.	TOTAL CASH ASSETS (Note- B less A should Equal page 3, line 21		\$ 1,982.00	\$	4,002.00
24.	Other Assets (Attach List- Investments, Furniture, etc.)		\$	\$	
25.	TOTAL ASSETS (Add Lines 23 and 24)		\$ 1,982.00	\$	4,002.00

DEBTS OUTSTANDING (LIABILITIES)

26.	Unpaid Bills (Attach List)		\$ 100.00	\$	300.00
27.	NET ASSETS (Line 25 minus Line 26)		\$ 1,882.00	\$	3,702.00

Please use this space to explain answers or prepare lists as necessary.

Question Number

Additional Explanations

Part III, 4	Other Receipts	\$300.00 Fundrasier	
		40.00 Interest	
	Total Other Receipts	\$340.00	
Part III, 19	Other Disbursements	\$900.00 Postage	
Part III, 26	Unpaid Bills	\$300.00 Legal Bill	

We certify to the best of our knowledge, the information in this report is true and correct, and that all financial activities of the local union are included in the financial statements.

Paul Jones	4/8/22	Alice Snow	4/8/22
Signature of Current President	Date	Signature of Current Secretary-Treasurer	Date
(if filling out this form electronically, typed names will be treated as signatures)			

Who completed this report? (Please print) Alice Snow, Secretary-Treasurer
 Has this individual attended an AFSCME Secretary-Treasurer's Educational workshop within the last two years? Yes No

SURETY BOND

SURETY BOND CLAIM INFORMATION

The purpose of the surety bond is to protect the union and its members from losses which might occur as a result of mishandling or misuse of union funds or property.

The bond requires certain actions by the union when a loss is incurred. If these actions are not taken, it may result in the disallowance of a claim for recovery of a loss. Therefore, it is extremely important that each affiliate's officers know the bond requirements, so that they can take the proper action when a loss is discovered or suspected.

The key points of our surety bond are as follows:

1. **Prompt notice** must be given to the International Union as soon as any officers or employees become aware of a loss.
2. A detailed **Proof of Loss** must be received by the insurance company within four months after discovery of the loss. **(The Proof of Loss form is prepared by the International Union when the loss is reported.)**
3. From the date the loss is discovered, the **individual(s)** responsible for the loss is **no longer** covered by the bond.

To ensure compliance with the requirements of the bond, the affiliate should take the following actions:

1. Immediately upon discovery of the loss, or if a loss is suspected, notify the AFSCME International Auditing Department at (202) 429-5032. Give as much information as possible. Do **not** wait until the amount of the loss is known, or a full examination of the records has been made. The International must give the insurance company prompt notice of a loss or suspected loss.
2. If the loss is only suspected, the officers and trustees should immediately review the records to obtain additional information and attempt to verify whether a loss exists. This will be a temporary step to try to clarify the situation.
3. Immediately, when it is known that a loss exists, the individual(s) involved should be suspended as an officer or employee of the affiliate. **Remember, additional losses caused by the individual(s) after the date the initial loss is discovered are not covered by the bond.**

4. Upon suspension, the affiliate's executive board shall **immediately notify** the International President. If the affiliate's executive board does not file formal charges within (30) days, the suspension is terminated in accordance with Article IX, Section 48 of the International Constitution.
5. If possible, **obtain a statement** from the individual involved acknowledging his/her responsibility for the loss.
 - a. If the individual offers to repay the amount, request that he/she give you his/her offer **in writing**. However, you may not agree to any offer other than full and immediate repayment. Any other offer must be submitted to the bonding company for their concurrence if we are to preserve any rights under the bond.
 - b. Even though the individual reimburses the amount of the loss, the bonding company must be notified.
6. **An audit of the records may be necessary** so that a full report can be prepared on the loss. This audit should be started as soon as possible after a loss or suspected loss is discovered. The International Union can provide direction to a local CPA or public accounting firm as required. If an International auditor is available, direct assistance to the affiliate may be possible. Arrangements for an audit will be discussed with the local immediately after receipt of the notice of a loss or potential loss.

During the investigation of the shortage, the International Union will keep the bonding company advised of progress made. Following completion of the audit, International Union staff will prepare the formal **Proof of Loss statement** and submit a claim for recovery of the loss. Usually within one month after the claim is filed, the bonding company will contact the affiliate to discuss the report or obtain additional information. The length of time for the bonding company to investigate and settle a claim varies with each specific claim.

Remember – the surety bond coverage is **for your protection**, but you may lose your right to recover losses if the terms of the bond are not adhered to correctly. **To protect your rights**, follow the procedures described above if, at any time, a loss is known or suspected. If you have any questions about the proper steps to take in a given situation, contact the AFSCME International Auditing Department for the appropriate guidance.

**AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES
2021 SURETY BOND REPORT**

Section I. CASH (Cash, savings, dues trust, health & welfare and other bank accounts. List CD's in Section II).

<u>Bank</u>	<u>Account Type</u>	<u>Account #</u>	<u>Balance as of 12/31/21</u>
_____	_____	_____	\$ _____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Section I Total			\$ _____

Section II. INVESTMENTS (CD's, Money Market and other monetary instruments. Do not include real estate).

<u>Name</u>	<u>Account Type</u>	<u>Account # or Serial #</u>	<u>Balance as of 12/31/21</u>
_____	_____	_____	\$ _____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Section II Total			\$ _____

Section III. RECEIPTS

2021 Dues Received (only record amount handled by affiliate- see instructions)	\$ _____
2022 Dues Adjustment (leave blank unless significant increase in Dues Received in 2021 is expected- see instructions)	_____
Other 2021 Receipts (Specify below, e.g. insurance premiums, fundraisers, interest, initiation fees, etc.)	_____
_____	_____
_____	_____
_____	_____
Section III Total	\$ _____

GRAND TOTAL (Sum of the Sections I, II, and III Totals) \$ _____

For Councils and Locals Only (see instructions):

Does the union have any Private Sector Employers? YES ___ NO ___

If YES to the above, did the union file a Department of Labor Form LM last year? YES ___ NO ___

Prepared by: _____ State _____

Title: _____ Enter Affiliate # as applicable:

Personal Email: _____ Council _____

Cell Phone*: _____ Local _____

Affiliate Employer Identification Number (EIN): _____ Ret Chapter _____

Signature: _____ Ret Subchapter _____

*By providing your cell phone number you consent to receive calls (including recorded or autodialed calls, or texts) at that number from AFSCME and its affiliated labor, political, and charitable organizations on any subject matter. Your carrier's rates may apply. You may modify your preferences at <https://www.afscme.org/tcpa>

GENERAL INSTRUCTIONS FOR COMPLETING SURETY BOND REPORT

The purpose of this report is to estimate the amount of funds that will be available to or “handled” by the affiliate during 2022. As a rule of thumb, this amount comprises cash and investments on hand at 12/31/21 plus an estimate of 2022’s receipts using the actual 2021 receipts. The estimated amount of funds handled will determine if an increase to the affiliate’s Surety Bond Coverage is necessary. Please include all financial activities and balances of the affiliate.

FAILURE TO FILE THIS REPORT MAY RESULT IN INSUFFICIENT BOND COVERAGE.

Section I.

Record the cash balances using the reconciled balances as of December 31, 2021. Show the account numbers of all bank accounts.

If the affiliate has more than four (4) accounts, attach a separate list with the requested information for all of the accounts and the total. Indicate “Total- See Attached Detail” under the “Bank” column on the first line, provide the total on the same line under the “Balance as of 12/31/21” column, and carry the amount to the Section I Total.

Section II.

Record the balances as of December 31, 2021 on all certificates of deposit, money market accounts, and the market value of stocks, bonds, and other securities. Do not include real estate. Indicate the name of the financial institution in the space provided.

If the affiliate has more than four (4) investment line items, attach a separate list with the requested information for all of the line items and the total. Indicate “Total- See Attached Detail” under the “Name” column on the first line, provide the total on the same line under the “Balance as of 12/31/21” column, and carry the amount to the Section II Total.

Section III.

For the “2020 Dues Received” line item, dues and other receipts should be recorded using the actual amounts received (i.e. “handled”) by the affiliate during 2021. For example, Locals receiving a rebate of dues from a Council after the Council deducts other portions of the total dues should only record the Local’s rebate that is received.

The “2022 Dues Adjustment” line item is used to increase the 2022 estimate if using the 2021 Dues Received as a 2022 estimate would otherwise be insufficient. If for example there is a significant membership increase expected in 2022, an amount should be placed here that in total when added to the “2021 Dues Received” line item above will be an estimate of 2022 Dues receipts. Similarly, if the affiliate was only in operation for a portion of the year 2021 an additional amount should be included here that in total when added to the actual 2021 amount is an estimate of 2022.

Other 2021 non-dues related receipts should be also included in this section by category. Add all line items in Section III and indicate the sum in the Section III Total.

Grand Total

After completing all three sections, add the totals in Sections I, II, and III and record on the “Grand Total” line.

For Councils and Locals Only

Check the boxes as applicable. Private sector employers refer to any employer that is not a state, county, municipality, or agency thereof.

Lower Section

Please be sure that all of the requested information has been completed and that the report is signed by an officer. Affiliates completing this form electronically should type the signatory officer’s name in the signature line. The officer’s name will be treated as an electronic signature.

How to send

Electronic filings- Follow the instructions at www.afscmetreasurer.org/forms

Paper filings: AFSCME- Attn: Auditing Department
1625 L Street NW
Washington, DC 20036-5687

Additional item to include

Attach a copy of the most recent financial statement presented to your executive board and/or membership. Electronic filings should include this item as an additional attachment.

Due Date: FORWARD TO THE INTERNATIONAL HEADQUARTERS NO LATER THAN MARCH 1, 2022.

TAXABLE ALLOWANCES

INCLUDING DISCUSSION OF:

**NON-TAXABLE ACCOUNTABLE
EXPENSE REIMBURSEMENTS**

VS

**TAXABLE ALLOWANCES, WAGES, LOST
TIME, REIMBURSED DUES, AND
PAYROLL TAXES**

TAXABLE ALLOWANCES

Table of Contents

Accountable verses Non-Accountable

- **Explanation of Terms**
- **Examples of Taxable and Non-Taxable Payments**
- **Reporting & Documentation Requirements**

Accountable Reimbursements

- **Reimbursed Expenses**
- **Non-Taxable Per Diem Payments**
- **Accountable (non-taxable) plan reporting requirements**

Non-Accountable Compensation

- **Wages or Salary**
- **Lost Time Payments**
- **Other Taxable Allowances - Officer Allowances, Reimbursed Dues, Taxable Per diem**
- **Non-Accountable (taxable) plan reporting requirements**

Exhibits and Supplemental Information

- **Federal Per Diem Rates**
- **June 4, 1992 letter from Secretary-Treasurer Lucy, with attachment**

ACCOUNTABLE VS NON-ACCOUNTABLE (NON-TAXABLE VS TAXABLE PAYMENTS)

The Internal Revenue Service recognizes that there are various types of expense reimbursements. IRS Code defines two broad categories of payments to individuals and employees - Accountable (non-taxable) and Non-Accountable (taxable).

The Glossary section included with AFSCME's Financial Standards Code provides a summary definition of these two types of "reimbursement plans". Both plans involve payments to individuals. The general difference between these two arrangements is as follows:

Reimbursed Expenses - Accountable Plan

- Reimbursement for approved costs incurred on behalf of the affiliate.
- Expense report is required.
- Receipts are submitted to the affiliate.
- Specific Union purpose of each item is explained.
- Treated as non-taxable.
- Neither the individual nor the affiliate is required to report the payments or the expenses to the IRS.

Expense Allowance Non-Accountable Plan

- Compensation for costs expected to be incurred in performing union services.
- No expense report or other accounting for these funds is required.
- Treated as compensation.
- Includes: car allowances, officer allowances, stipends and any other payments to officers for which no accounting is required or expected.

EXAMPLES OF TAXABLE AND NON-TAXABLE PAYMENTS

	<u>W-2</u> Taxable Income	<u>Non W-2</u> Reimbursed Expense
Affiliate President John Smith receives a monthly allowance/stipend of \$50.00.	√	
Affiliate Treasurer Jane Brown is paid mileage (300 miles at 58.5 cents per mile)		√
Steward Sarah Miles receives lost time payment for contract negotiations.	√	
Affiliate Secretary Shelly Jones receives a \$250.00 advance for convention lodging and meals. She provides \$248.00 in receipts and returns \$2.00 to the affiliate.		√
Affiliate Vice President Jim Jones receives \$250.00 to pay for convention expenses and does not provide receipts.	√	
Steward Jack Green has his union dues reimbursed by the affiliate.	√	
Affiliate President Jay Hall purchases supplies for the affiliate and submits the receipt and expense report for payment.		√
Affiliate Executive Board member Robin Williams receives a \$50.00 meeting allowance for attending an officer workshop.	√	
Steward Tim Johnson receives \$40.00 for contract negotiations.	√	
Affiliate Treasurer Sally Smith receives \$22.40 for long distance calls after submitting a copy of her phone bill with union calls marked.		√

REPORTING & DOCUMENTATION REQUIREMENTS

If a payment is treated as taxable income (payroll), the affiliate must:

- **Withhold payroll taxes.**
- **Pay employer's matching Social Security and Medicare taxes.**
- **Remit these payroll taxes on a timely basis to the IRS and state agencies as required**
- **File the appropriate monthly, quarterly or annual payroll tax reports with both the IRS and state.**
- **Inform the individual and IRS of the amount of payroll paid and taxes withheld by preparing IRS Form W-2 by January 31 following the tax year in question. IRS Form W-3 is used to transmit W-2 forms.**

If a payment is treated as a non-taxable reimbursed expense:

- **The affiliate is not required to report this payment to the IRS.**
- **The individual is not required to report this payment to the IRS.**
- **The individual must submit an expense report with detailed receipts and an explanation of union business purpose attached to the expense report to account for expenses paid by the affiliate.**

NOTE: Keep a copy of any forms filed with the IRS or State for the affiliate's records.

ACCOUNTABLE (NON-TAXABLE) REIMBURSEMENTS

REIMBURSED EXPENSES

A payment represents reimbursement to an officer or member if payment is for:

1. actual expenses incurred, AND
2. a list of expenses on an expense report is submitted to the affiliate union, AND
3. a detailed receipt and explanation of union business purpose is provided for each item to be reimbursed.

The officer or member should generally submit original paid receipts for all expenses incurred. By submitting paid receipts, the officer or member has accounted to the union for expenses. Under the “Accountable Plan” rules, neither the union nor the individual is required to provide an accounting or report of the payments to the Internal Revenue Service (IRS).

EXAMPLES OF REIMBURSED EXPENSES

An affiliate’s membership and/or Executive Board authorizes reimbursement:

1. for items purchased for the affiliate’s use such as office supplies or postage stamps.
2. for automobile mileage at 58.5 cents per mile (2022 approved Federal mileage rate). Union purpose of the trip must be documented on an expense report (travel to union meeting, grievance handling, etc.)
3. for documented pre-approved expenses incurred, such as for attending a convention.

ADVANCES FOR EXPENSES TO BE REIMBURSED

The union may provide an employee, officer or member with an advance of funds for expenses to be incurred. Advances should only be given for specific costs to be incurred, and only with the approval of the Executive Board. The person receiving the advance must submit a timely expense report with paid receipts for all expenses incurred against the advance.

If the pre-approved authorized expenses exceed the original advance amount, a check may be issued to the individual to reimburse the additional costs. If the expenses incurred are less than the advance amount, the difference must be immediately reimbursed by the individual to the union.

NON-TAXABLE PER DIEM PAYMENTS

Per Diem is an amount provided to an individual to cover general daily meals and incidental costs when traveling out-of-town. The Federal government provides a table of the maximum amount of per diem that can be paid in specific cities. A copy of this government table is provided in this section.

Any amount paid for out-of-town per diem is non-taxable provided:

1. the amount is equal to or less than the maximum federal rate, AND
2. an overnight stay was involved, AND
3. the trip was related to union business, AND
4. an expense report was filed documenting the business purpose of the trip, showing daily per diem paid, and other costs incurred. The dates for which per diem is paid must agree to approved travel dates.

Federal law allows payment of 75% of the out-of-town per diem rate for the first and last day of travel. An alternative way of calculating this amount would be to pay the full out-of-town per diem on the first day of travel, but only pay 50% of the out-of-town per diem rate on the last day of travel (the day of return).

Out-of-town per diem paid in excess of the allowable federal rate is taxable for the portion exceeding the rate indicated.

ACCOUNTABLE PLAN REPORTING REQUIREMENTS

The following are financial responsibilities of the affiliate and the individual concerning ACCOUNTABLE reimbursed expenses. Please note that all payments must be approved by the affiliate's membership and/or Executive Board.

Reimbursed Expense Responsibilities of the Affiliate

- 1. Proper supporting documentation (an expense report with original detailed receipts attached) and an explanation of union business purpose must be received before issuing a check. Expense reports and original receipts must be maintained in the affiliate's files.**
- 2. Reporting to the IRS or the individual is not required.**

Reimbursed Expense Responsibilities of the Individual

- 1. Submit proper supporting documentation and receipts.**
- 2. Reporting to the IRS is not required.**

NON-ACCOUNTABLE (TAXABLE) PAYMENTS

WAGES or SALARY

Compensation of employees represents the most common taxable payment made by the union. Any payment of income to an individual who is a full or part-time employee of the affiliate, is considered wages or salary, and is taxable.

Special IRS rules apply to officers that generally require all “non-accountable” payments to the individual to be considered wages, subject to all payroll tax reporting regulations. These payments are discussed in a 1992 letter with a 1991 IRS Private Letter Ruling included in this section.

LOST TIME PAYMENTS

Many employers permit union officers or representatives to spend some of their working hours on affiliate business. In some instances, the agreement with the employer provides for “union leave”, where the employer continues to pay wages and benefits for the member while they are performing union business.

By contrast, some employers allow the member time off, but it must be taken as either “leave without pay” or as vacation. In such instances, the union MAY authorize payments for wages actually lost. These payments require authorization/approval by the executive board and/or membership.

If the affiliate makes payments to an officer or other member for wages actually lost, the payment is referred to as a LOST TIME payment. The person receiving “lost time” should provide the union with a pay stub to verify that they actually lost wages or used vacation leave. The rate of pay by the union can be the member’s actual salary, an average, or an agreed upon rate for all members regardless of their individual hourly rate.

For payroll tax purposes, lost time must be treated as actual wages by the affiliate. This means that the affiliate is responsible for withholding payroll taxes for these payments, depositing these taxes and filing required reports with the IRS and state authorities.

In order for the member to be paid when the employer does not provide for “union leave”, the member must have lost wages or used vacation time. The Department of Labor does not approve of a person being paid by both their employer and the union and has been known to initiate criminal action when it finds this type of double compensation. The union should therefore not pay “lost time” when the member has been paid “union leave” by the employer.

OTHER TAXABLE ALLOWANCES

OFFICER ALLOWANCES/STIPENDS

Allowances/Stipends are paid to an officer or employee to cover miscellaneous out-of-pocket expenses incurred by the individual while conducting affiliate business. The recipient of an allowance/stipend is not required to provide any accounting or receipt for these payments.

Allowances/Stipends are “Non-Accountable” payments that must be reported as wages to the individual and to the IRS. The union as the employer must withhold taxes and complete all required payroll tax reporting forms of both the federal and applicable state government.

Affiliate Executive Board policy must clearly state the individuals authorized to receive allowances or stipends. That policy must also state the amount of each authorized payment. The policy should indicate the purpose of each allowance/stipend and the type of costs it is intended to cover should be specifically defined. All allowances/stipends must be approved by the membership or the Executive Board and such approval must be reflected in the meeting minutes of the respective body.

REIMBURSED DUES

Some affiliates pay allowances to officers that are exactly equal to the union dues paid by the member. Reimbursed dues are intended to compensate officers, executive board members and stewards for union related services. As a form of compensation, they are considered to be taxable payments by the IRS.

Affiliate Executive Board policy must clearly state which union positions qualify for this taxable reimbursement and establish the criteria under which the payment will be made (e.g., must attend union meetings). Authorization for these payments must be documented in the meeting minutes of the Executive Board or membership or be clearly stated in the affiliate’s constitution.

PER DIEM PAYMENTS

Payments made to an officer, employee or member to cover incidental costs incurred while performing union business -- whether they are called an allowance, stipend, dues reimbursement or in-town per diem -- are considered to be taxable as wages.

For per diem to be non-taxable, it must meet all of the criteria listed in the previous Non-Taxable Per Diem section. Per diem that is not supported by an expense report and was not for an overnight stay is taxable income.

Also, per diem paid under the “Accountable Plan” rules that is paid in excess of the federal per diem rates is taxable for the portion in excess of the allowable rate.

NON-ACCOUNTABLE PLAN REPORTING REQUIREMENTS

The following are financial responsibilities of the affiliate and the individual concerning payroll and NON-ACCOUNTABLE reimbursed expenses. Please note that all payments must be approved by the affiliate's membership and/or Executive Board.

Payroll Responsibilities of Affiliate

1. Prepare IRS Form W-2 at the end of the tax year and give to individual and IRS, reporting all taxable amounts.
2. Withhold payroll taxes and pay employer's matching Social Security and Medicare taxes.
3. File the appropriate payroll reports with federal and state authorities. A listing of the various reports is detailed in this section.

Payroll Taxes Overview

Because of the complexity of payroll tax preparation and filing requirements, as well as large penalties assessed for late filing, payroll tax preparation services are highly recommended. The following steps must be taken regarding payroll:

Withholding

- Obtain an IRS Form W-4, "Employee's Withholding Allowance Certificate", from the individual showing a Social Security number and number of exemptions claimed.
- Use the tax charts in Circular E to determine the amount of federal income tax to be withheld.
- Use state tax schedules to determine the amount of any state tax to be withheld.

Reporting To The IRS

- **Deposits of Amounts Withheld**
- Refer to Circular E, Employer's Tax Guide, which outlines the requirements for reporting and depositing payroll taxes withheld from wages.

Form 941, Employer's Quarterly Federal Tax Return

This form is prepared at the end of each quarter as a summary report on total payroll taxes due and deposited. All employment taxes (Social Security, Medicare and withheld federal income taxes) must be deposited electronically using the Electronic Federal Tax Payment System (EFTPS). To enroll, visit the EFTPS website at www.eftps.gov or call 1-800-555-4477.

Form 944, Annual Employment Tax Filing for Small Employers

If the affiliate's annual liability for Social Security, Medicare and withheld federal income taxes is \$1,000 or less, you can file Form 944 annually, rather than the quarterly Form 941's. Your deposits still must be made using EFTPS.

Form W-2, Wage and Tax Statements

A W-2 must be prepared at the end of the year and furnished to each individual who was paid taxable wages (including allowances, lost time, reimbursed union dues or other taxable payments) during the year. Copies are given to the individual, and a copy is forwarded to the IRS.

Form W-3, Transmittal of Income and Tax Statements

This form is used to transmit copies of each W-2 to the Social Security Administration at the end of the year. It must be filed by employers as a transmittal for Form W-2.

Form 940, Employer's Annual Federal Unemployment Tax Return (FUTA)

This form is prepared at the end of the year and a copy is forwarded to the IRS along with a check for the tax due (if applicable) by January 31. Consult the 940 instructions regarding possible quarterly deposits.

State Reporting

Comparable reporting must be made to state authorities of any state taxes withheld.

American Federation of State, County and Municipal Employees, AFL-CIO
Listing of Localities with Per Diem Rates Exceeding \$59
(Within the Continental US)
Effective October 1, 2021

FY 2022 Domestic Per Diem Rates - Effective October 1, 2021			
State	Primary Destination	County/Location Defined	FY21 M&IE
	Standard CONUS Rate applies to all destinations or counties not specifically listed		\$ 59
Alabama	Birmingham	Jefferson	\$ 69
Alabama	Gulf Shores	Baldwin	\$ 69
Arizona	Grand Canyon / Flagstaff	Coconino / Yavapai less the city of Sedona	\$ 74
Arizona	Kayenta	Navajo	\$ 64
Arizona	Phoenix / Scottsdale	Maricopa	\$ 69
Arizona	Sedona	City Limits of Sedona	\$ 79
Arizona	Tucson	Pima	\$ 64
Arkansas	Hot Springs	Garland	\$ 64
California	Antioch / Brentwood / Concord	Contra Costa	\$ 74
California	Bakersfield / Ridgecrest	Kern	\$ 64
California	Barstow / Ontario / Victorville	San Bernardino	\$ 64
California	Death Valley	Inyo	\$ 69
California	Eureka / Arcata / McKinleyville	Humboldt	\$ 69
California	Fresno	Fresno	\$ 69
California	Los Angeles	Los Angeles / Orange / Ventura / Edwards AFB less the city of Santa Monica	\$ 74
California	Mammoth Lakes	Mono	\$ 79
California	Mill Valley / San Rafael / Novato	Marin	\$ 74
California	Monterey	Monterey	\$ 74
California	Napa	Napa	\$ 79
California	Oakhurst	Madera	\$ 69
California	Oakland	Alameda	\$ 74
California	Palm Springs	Riverside	\$ 69
California	Point Arena / Gualala	Mendocino	\$ 79
California	Sacramento	Sacramento	\$ 69
California	San Diego	San Diego	\$ 74
California	San Francisco	San Francisco	\$ 79
California	San Luis Obispo	San Luis Obispo	\$ 74
California	San Mateo / Foster City / Belmont	San Mateo	\$ 74
California	Santa Barbara	Santa Barbara	\$ 74
California	Santa Cruz	Santa Cruz	\$ 69
California	Santa Monica	City limits of Santa Monica	\$ 79
California	Santa Rosa	Sonoma	\$ 74
California	South Lake Tahoe	El Dorado	\$ 74
California	Stockton	San Joaquin	\$ 74

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	Standard CONUS Rate applies to all destinations or counties not specifically listed		\$ 59
California	Sunnyvale / Palo Alto / San Jose	Santa Clara	\$ 74
California	Tahoe City	Placer	\$ 74
California	Truckee	Nevada	\$ 79
California	Visalia	Tulare	\$ 69
California	West Sacramento / Davis	Yolo	\$ 69
California	Yosemite National Park	Mariposa	\$ 79
Colorado	Aspen	Pitkin	\$ 79
Colorado	Boulder / Broomfield	Boulder / Broomfield	\$ 69
Colorado	Colorado Springs	El Paso	\$ 69
Colorado	Cortez	Montezuma	\$ 64
Colorado	Crested Butte / Gunnison	Gunnison	\$ 74
Colorado	Denver / Aurora	Denver / Adams / Arapahoe / Jefferson	\$ 79
Colorado	Douglas	Douglas	\$ 69
Colorado	Durango	La Plata	\$ 74
Colorado	Fort Collins / Loveland	Larimer	\$ 69
Colorado	Grand Lake	Grand	\$ 79
Colorado	Montrose	Montrose	\$ 69
Colorado	Silverthorne / Breckenridge	Summit	\$ 79
Colorado	Steamboat Springs	Routt	\$ 79
Colorado	Telluride	San Miguel	\$ 79
Colorado	Vail	Eagle	\$ 79
Connecticut	Bridgeport / Danbury	Fairfield	\$ 69
Connecticut	Cromwell / Old Saybrook	Middlesex	\$ 64
Connecticut	Hartford	Hartford	\$ 69
Connecticut	New Haven	New Haven	\$ 69
Connecticut	New London / Groton	New London	\$ 69
Delaware	Lewes	Sussex	\$ 64
Delaware	Wilmington	New Castle	\$ 64
District of Columbia	District of Columbia	Washington DC (also the cities of Alexandria, Falls Church and Fairfax, and the counties of Arlington and Fairfax, in Virginia; and the counties of Montgomery and Prince George's in Maryland)	\$ 79
Florida	Boca Raton / Delray Beach / Jupiter	Palm Beach / Hendry	\$ 69
Florida	Bradenton	Manatee	\$ 64

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	Standard CONUS Rate applies to all destinations or counties not specifically listed		\$ 59
Florida	Cocoa Beach	Brevard	\$ 74
Florida	Daytona Beach	Volusia	\$ 69
Florida	Fort Lauderdale	Broward	\$ 69
Florida	Fort Myers	Lee	\$ 64
Florida	Fort Walton Beach / De Funiak Springs	Okaloosa / Walton	\$ 69
Florida	Key West	Monroe	\$ 69
Florida	Miami	Miami-Dade	\$ 69
Florida	Naples	Collier	\$ 69
Florida	Orlando	Orange	\$ 69
Florida	Panama City	Bay	\$ 64
Florida	Pensacola	Escambia	\$ 64
Florida	Punta Gorda	Charlotte	\$ 64
Florida	Sarasota	Sarasota	\$ 69
Florida	Sebring	Highlands	\$ 64
Florida	St. Augustine	St. Johns	\$ 69
Florida	Stuart	Martin	\$ 69
Florida	Tallahassee	Leon	\$ 64
Florida	Tampa / St. Petersburg	Pinellas / Hillsborough	\$ 69
Florida	Vero Beach	Indian River	\$ 69
Georgia	Atlanta	Fulton / Dekalb	\$ 74
Georgia	Jekyll Island / Brunswick	Glynn	\$ 79
Georgia	Marietta	Cobb	\$ 64
Georgia	Savannah	Chatham	\$ 69
Idaho	Boise	Ada	\$ 74
Idaho	Coeur d'Alene	Kootenai	\$ 64
Idaho	Sun Valley / Ketchum	Blaine / Elmore	\$ 74
Iowa	Dallas	Dallas	\$ 69
Iowa	Des Moines	Polk	\$ 64
Illinois	Bolingbrook / Romeoville / Lemont	Will	\$ 64
Illinois	Chicago	Cook / Lake	\$ 79
Illinois	East St. Louis / O'Fallon / Fairview Heights	St. Clair	\$ 64
Illinois	Oak Brook Terrace	Dupage	\$ 64
Indiana	Bloomington	Monroe	\$ 64
Indiana	Ft. Wayne	Allen	\$ 64
Indiana	Hammond / Munster / Merrillville	Lake	\$ 64
Indiana	Indianapolis / Carmel	Marion / Hamilton	\$ 69

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Indiana	Lafayette / West Lafayette	Tippecanoe	\$ 64
Kansas	Kansas City / Overland Park	Wyandotte / Johnson / Leavenworth	\$ 64
Kansas	Wichita	Sedgwick	\$ 64
Kentucky	Boone	Boone	\$ 64
Kentucky	Kenton	Kenton	\$ 74
Kentucky	Lexington	Fayette	\$ 64
Kentucky	Louisville	Jefferson	\$ 64
Louisiana	Alexandria / Leesville / Natchitoches	Allen / Jefferson Davis / Natchitoches / Rapides / Vernon Parishes	\$ 64
Louisiana	Baton Rouge	East Baton Rouge Parish	\$ 69
Louisiana	New Orleans	Orleans / Jefferson Parishes	\$ 74
Maine	Bar Harbor / Rockport	Hancock / Knox	\$ 74
Maine	Kennebunk / Kittery / Sanford	York	\$ 69
Maine	Portland	Cumberland / Sagadahoc	\$ 64
Maryland	Aberdeen / Bel Air / Belcamp	Harford	\$ 64
Maryland	Annapolis	Anne Arundel	\$ 69
Maryland	Baltimore City	Baltimore City	\$ 69
Maryland	Baltimore County	Baltimore	\$ 64
Maryland	Cambridge / St. Michaels	Dorchester / Talbot	\$ 64
Maryland	Centreville	Queen Anne	\$ 64
Maryland	Columbia	Howard	\$ 69
Maryland	Frederick	Frederick	\$ 64
Maryland	Ocean City	Worcester	\$ 69
Massachusetts	Andover	Essex	\$ 64
Massachusetts	Boston / Cambridge	Suffolk, city of Cambridge	\$ 79
Massachusetts	Burlington / Woburn	Middlesex less the city of Cambridge	\$ 69
Massachusetts	Falmouth	City limits of Falmouth	\$ 69
Massachusetts	Hyannis	Barnstable less the city of Falmouth	\$ 69
Massachusetts	Martha's Vineyard	Dukes	\$ 79
Massachusetts	Nantucket	Nantucket	\$ 79
Massachusetts	Northampton	Hampshire	\$ 69
Massachusetts	Pittsfield	Berkshire	\$ 64
Massachusetts	Plymouth / Taunton / New Bedford	Plymouth / Bristol	\$ 69
Massachusetts	Quincy	Norfolk	\$ 69
Massachusetts	Springfield	Hampden	\$ 64
Massachusetts	Worcester	Worcester	\$ 69
Michigan	Ann Arbor	Washtenaw	\$ 69

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Michigan	Detroit	Wayne	\$ 64
Michigan	East Lansing / Lansing	Ingham / Eaton	\$ 64
Michigan	Grand Rapids	Kent	\$ 64
Michigan	Holland	Ottawa	\$ 64
Michigan	Kalamazoo / Battle Creek	Kalamazoo / Calhoun	\$ 64
Michigan	Mackinac Island	Mackinac	\$ 74
Michigan	Muskegon	Muskegon	\$ 64
Michigan	Petoskey	Emmet	\$ 64
Michigan	Pontiac / Auburn Hills	Oakland	\$ 64
Michigan	South Haven	Van Buren	\$ 64
Michigan	Traverse City	Grand Traverse	\$ 64
Minnesota	Duluth	St. Louis	\$ 79
Minnesota	Eagan / Burnsville / Mendota Heights	Dakota	\$ 69
Minnesota	Minneapolis / St. Paul	Hennepin / Ramsey	\$ 79
Minnesota	Rochester	Olmsted	\$ 64
Mississippi	Oxford	Lafayette	\$ 64
Mississippi	Southaven	Desoto	\$ 59
Mississippi	Starkville	Oktibbeha	\$ 64
Missouri	Kansas City	Jackson / Clay / Cass / Platte	\$ 64
Missouri	St. Louis	St. Louis / St. Louis City / St. Charles	\$ 64
Montana	Big Sky / West Yellowstone / Gardiner	Gallatin / Park	\$ 79
Montana	Helena	Lewis and Clark	\$ 64
Montana	Kalispell/Whitefish	Flathead	\$ 64
Montana	Missoula	Missoula	\$ 69
Nebraska	Omaha	Douglas	\$ 64
Nevada	Incline Village / Reno / Sparks	Washoe	\$ 69
Nevada	Las Vegas	Clark	\$ 69
New Hampshire	Concord	Merrimack	\$ 64
New Hampshire	Conway	Carroll	\$ 69
New Hampshire	Laconia	Belknap	\$ 64
New Hampshire	Manchester	Hillsborough	\$ 64
New Hampshire	Portsmouth	Rockingham	\$ 64
New Jersey	Cherry Hill / Moorestown	Camden / Burlington	\$ 69
New Jersey	Eatontown / Freehold	Monmouth	\$ 69
New Jersey	Edison / Piscataway	Middlesex	\$ 69
New Jersey	Flemington	Hunterdon	\$ 69

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New Jersey	Newark	Essex / Bergen / Hudson / Passaic	\$ 69
New Jersey	Parsippany	Morris	\$ 69
New Jersey	Princeton / Trenton	Mercer	\$ 69
New Jersey	Somerset	Somerset	\$ 64
New Jersey	Springfield / Cranford / New Providence	Union	\$ 69
New Jersey	Toms River	Ocean	\$ 69
New Mexico	Albuquerque	Bernalillo	\$ 69
New Mexico	Carlsbad	Eddy	\$ 64
New Mexico	Santa Fe	Santa Fe	\$ 69
New Mexico	Taos	Taos	\$ 64
New York	Albany	Albany	\$ 69
New York	Binghamton	Broome	\$ 64
New York	Buffalo	Erie	\$ 69
New York	Floral Park / Garden City / Great Neck	Nassau	\$ 74
New York	Glens Falls	Warren	\$ 69
New York	Ithaca	Tompkins	\$ 74
New York	Kingston	Ulster	\$ 69
New York	Lake Placid	Essex	\$ 79
New York	New York City	Bronx / Kings / New York / Queens / Richmond	\$ 79
New York	Niagara Falls	Niagara	\$ 69
New York	Nyack / Palisades	Rockland	\$ 69
New York	Poughkeepsie	Dutchess	\$ 69
New York	Riverhead / Ronkonkoma / Melville	Suffolk	\$ 69
New York	Rochester	Monroe	\$ 69
New York	Saratoga Springs / Schenectady	Saratoga / Schenectady	\$ 64
New York	Syracuse / Oswego	Onondaga / Oswego	\$ 64
New York	Tarrytown / White Plains / New Rochelle	Westchester	\$ 74
New York	Troy	Rensselaer	\$ 64
New York	West Point	Orange	\$ 64
North Carolina	Asheville	Buncombe	\$ 64
North Carolina	Atlantic Beach / Morehead City	Carteret	\$ 64
North Carolina	Chapel Hill	Orange	\$ 74
North Carolina	Charlotte	Mecklenburg	\$ 69
North Carolina	Durham	Durham	\$ 64
North Carolina	Fayetteville	Cumberland	\$ 64

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North Carolina	Greensboro	Guilford	\$ 64
North Carolina	Kill Devil Hills	Dare	\$ 74
North Carolina	Raleigh	Wake	\$ 64
Ohio	Akron	Summit	\$ 64
Ohio	Canton	Stark	\$ 64
Ohio	Cincinnati	Hamilton / Clermont	\$ 74
Ohio	Cleveland	Cuyahoga	\$ 69
Ohio	Columbus	Franklin	\$ 64
Ohio	Dayton / Fairborn	Greene / Montgomery	\$ 64
Ohio	Sandusky	Erie	\$ 64
Oklahoma	Oklahoma City	Oklahoma	\$ 64
Oregon	Beaverton	Washington	\$ 64
Oregon	Bend	Deschutes	\$ 64
Oregon	Clackamas	Clackamas	\$ 64
Oregon	Eugene / Florence	Lane	\$ 64
Oregon	Lincoln City	Lincoln	\$ 69
Oregon	Portland	Multnomah	\$ 74
Oregon	Seaside	Clatsop	\$ 69
Pennsylvania	Allentown / Easton / Bethlehem	Lehigh / Northampton	\$ 64
Pennsylvania	Bucks	Bucks	\$ 64
Pennsylvania	Chester / Radnor / Essington	Delaware	\$ 64
Pennsylvania	Gettysburg	Adams	\$ 64
Pennsylvania	Harrisburg	Dauphin County excluding Hershey	\$ 64
Pennsylvania	Hershey	Hershey	\$ 74
Pennsylvania	Malvern / Frazer / Berwyn	Chester	\$ 69
Pennsylvania	Montgomery	Montgomery	\$ 69
Pennsylvania	Philadelphia	Philadelphia	\$ 79
Pennsylvania	Pittsburgh	Allegheny	\$ 64
Pennsylvania	State College	Centre	\$ 69
Rhode Island	East Greenwich / Warwick	Kent	\$ 69
Rhode Island	Jamestown / Middletown / Newport	Newport	\$ 64
Rhode Island	Providence / Bristol	Providence / Bristol	\$ 64
South Carolina	Charleston	Charleston / Berkeley / Dorchester	\$ 79
South Carolina	Columbia	Richland / Lexington	\$ 64
South Carolina	Hilton Head	Beaufort	\$ 69
South Carolina	Myrtle Beach	Horry	\$ 69

American Federation of State, County and Municipal Employees, AFL-CIO
Listing of Localities with Per Diem Rates Exceeding \$59
(Within the Continental US)
Effective October 1, 2021

FY 2022 Domestic Per Diem Rates - Effective October 1, 2021			
State	Primary Destination	County/Location Defined	FY21 M&IE
	Standard CONUS Rate applies to all destinations or counties not specifically listed		\$ 59
South Dakota	Deadwood / Spearfish	Lawrence	\$ 74
South Dakota	Hot Springs	Fall River / Custer	\$ 64
South Dakota	Rapid City	Pennington	\$ 64
Tennessee	Brentwood / Franklin	Williamson	\$ 69
Tennessee	Chattanooga	Hamilton	\$ 64
Tennessee	Knoxville	Knox	\$ 64
Tennessee	Memphis	Shelby	\$ 69
Tennessee	Nashville	Davidson	\$ 79
Texas	Arlington / Fort Worth / Grapevine	Tarrant County / City of Grapevine	\$ 64
Texas	Austin	Travis	\$ 64
Texas	Big Spring	Howard	\$ 64
Texas	Corpus Christi	Nueces	\$ 64
Texas	Dallas	Dallas	\$ 69
Texas	El Paso	El Paso	\$ 64
Texas	Galveston	Galveston	\$ 64
Texas	Houston (L.B. Johnson Space Center)	Montgomery / Fort Bend / Harris	\$ 69
Texas	Midland / Odessa	Midland / Andrews / Ector / Martin	\$ 64
Texas	Plano	Collin	\$ 64
Texas	Round Rock	Williamson	\$ 64
Texas	San Antonio	Bexar	\$ 64
Texas	Waco	McLennan	\$ 64
Utah	Moab	Grand	\$ 69
Utah	Park City	Summit	\$ 79
Utah	Provo	Utah	\$ 64
Utah	Salt Lake City	Salt Lake / Tooele	\$ 64
Virginia	Charlottesville	City of Charlottesville / Albemarle	\$ 69
Virginia	Loudoun	Loudoun	\$ 69
Virginia	Lynchburg	Campbell / Lynchburg City	\$ 64
Virginia	Richmond	City of Richmond	\$ 64
Virginia	Roanoke	City limits of Roanoke	\$ 59
Virginia	Virginia Beach	City of Virginia Beach	\$ 64
Virginia	Wallops Island	Accomack	\$ 64
Virginia	Williamsburg / York	James City / York Counties / City of Williamsburg	\$ 64
Vermont	Burlington	Chittenden	\$ 69
Vermont	Manchester	Bennington	\$ 79

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FY 2022 Domestic Per Diem Rates - Effective October 1, 2021			
State	Primary Destination	County/Location Defined	FY21 M&IE
	Standard CONUS Rate applies to all destinations or counties not specifically listed		\$ 59
Vermont	Montpelier	Washington	\$ 69
Vermont	Stowe	Lamoille	\$ 79
Vermont	White River Junction	Windsor	\$ 64
Washington	Everett / Lynnwood	Snohomish	\$ 74
Washington	Ocean Shores	Grays Harbor	\$ 74
Washington	Olympia / Tumwater	Thurston	\$ 74
Washington	Port Angeles / Port Townsend	Clallam / Jefferson	\$ 74
Washington	Richland / Pasco	Benton / Franklin	\$ 69
Washington	Seattle	King	\$ 79
Washington	Spokane	Spokane	\$ 74
Washington	Tacoma	Pierce	\$ 69
Washington	Vancouver	Clark / Cowlitz / Skamania	\$ 74
Wisconsin	Appleton	Outagamie	\$ 59
Wisconsin	Brookfield / Racine	Waukesha / Racine	\$ 64
Wisconsin	Madison	Dane	\$ 64
Wisconsin	Milwaukee	Milwaukee	\$ 64
Wisconsin	Sturgeon Bay	Door	\$ 74
West Virginia	Charleston	Kanawha	\$ 64
West Virginia	Cody	Park	\$ 69
West Virginia	Jackson / Pinedale	Teton / Sublette	\$ 79
Wyoming	Rock Springs	Sweetwater	\$ 69



AFSCME®

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June 4, 1992

To: AFSCME Councils & Local Union Financial Officers
From: WILLIAM LUCY International Secretary-Treasurer
Subject: TAX TREATMENT OF LOCAL UNION OFFICER ALLOWANCES

As part of our on-going effort to assure that our Local Unions remain in conformance with ever-changing Internal Revenue Service (IRS) rules and regulations, we recently received certain information that may directly affect your Local's handling of certain allowance (and other) payments to officers and members.

Per advice from an outside tax counsel and our own in-house counsel, the IRS, on a recurring basis, is treating allowances paid by unions to their officers as WAGES SUBJECT TO WITHHOLDING AND REPORTING. This is consistent with the IRS's treatment of local union officers as "employees" and the payments made to them as "wages."

Attached please find a copy of IRS Letter Ruling 9138036 (publication date September 20, 1991) containing facts which are fairly close to the officer situation which exists in many AFSCME locals. In this letter the IRS concludes that the union officials involved are employees, and that payments to them, including allowances, stipends and lost-time are WAGES subject to withholding.

All AFSCME Locals paying monthly allowances, meeting allowances, lost-time, reimbursed dues and other undocumented payments to officers and members must begin treating such payments as WAGES. This requires the establishment of PAYROLL RECORDS as outlined in the revised FINANCIAL STANDARDS CODE accompanying this letter.

Please note that reimbursed expenses to officers and members, when supported by receipts and/or other documentation, are neither taxable nor reportable.

WL:ep

June 21, 1991

Dear Sir:

This is in response to the request for a ruling we received to determine the federal employment tax status of the above named workers with regard to services they performed from January 1, 1990 through December 31, 1990 as union officers.

According to the information we received, the workers were elected to serve as president and secretary/treasurer of the union for one year terms. As such, they handled all union business including correspondence, financial matters, and recording of the minutes of union meetings. They were paid a nominal salary of \$35 a month from January through March, and \$75 a month from April through December. The workers did not receive any benefits and the union did not carry worker's compensation insurance on them. In addition, no income tax or social security taxes were withheld from the workers' salaries and they were issued Forms 1099.

Although the workers were not given any training by the union, they were required to perform their services according to the by-laws of the union and according to the voting of the union members. The union retained the right to change the methods used by the workers and to direct them as to how to perform their services. While they were not directly supervised in the performance of their services, the union's books were audited on an annual basis.

All materials used by the workers in the performance of their services were provided by the union and reimbursed the workers for any expenses they incurred including, gasoline, telephone, and postage costs. It was understood that the workers would perform their services personally and they did not have any helpers.

The workers performed their services on a part-time basis, approximately one-half to one hour a day. They were not restricted from performing similar services for others, but they did not. Although the workers retained the right to terminate their relationship with the union at any time, the union did not have the right to discharge the workers. They performed their services under the union's name and did not advertise their availability to perform similar services for others or represent themselves to the public as being in the business to perform such services. The workers did not have a financial investment in a business related to the performance of their services for the union and, accordingly, did not assume the risk of realizing a profit or incurring a loss.

Section 3121(d) (2) of the Internal Revenue Code provides that the term "employee" means any individual who, under the usual common law rules applicable in determining the employer-employee relationship, has the status of employee.

The question of whether an individual is an independent contractor or an employee is one of fact to be determined upon consideration of the facts and the application of the law and regulations in a particular case. Guides for determining the existence of that status are found in three substantially similar sections of the Employment Tax Regulations; namely, sections 31.3121(d)-1, 31.3306(i)-1, and 31.3401(c)-1 relating to the Federal Insurance Contributions Act (FICA), the Federal Unemployment Tax Act (FUTA), and federal income tax withholding, respectively.

Section 31.3121(d)-1(c) (2) of the regulations provides that generally, the relationship of employer and employee exists when the person for whom the services are performed has the right to control and direct the individual who performs the services not only as to the results to be accomplished by the work, but also as to the details and means by which the result is accomplished. That is, an employee is subject to the will and control of the employer not only as to what shall be done, but also as to how it shall be done. In this connection, it is not necessary that the employer actually direct or control the manner in which services are performed; it is

sufficient if he or she has the right to do so. The right to discharge is also an important factor indicating that the person possessing that right is the employer. Other factors characteristic of an employer, but not necessarily present in every case, are the furnishing of tools and the furnishing of a place to work to the individual who performs the services. In general, if an individual is subject to the control or direction of another merely as to the result to be accomplished and not as to the means and methods for accomplishing the result, he is an independent contractor.

In determining whether an individual is an employee under the common law rules, twenty factors have been identified as indicating whether sufficient control is present to establish an employer-employee relationship. The twenty factors have been developed based on an examination of cases and rulings considering whether an individual is an employee. The degree of importance of each factor varies depending on the occupation and the factual context in which services are performed. See Rev. Rul. 87-41, 1987-1 C.B. 296.

Consideration must also be given to such factors as the continuity of the relationship and whether or not the individual's services are an integral part of the business of the employer as distinguished from an independent trade or business of the individual himself in which he assumes the risk of realizing a profit or suffering a loss. See *United States v. Silk*, 331 U.S. 704 (1947), 1947-2 C.B. 167 and *Bartels v. Birmingham*, 332 U.S. 126 (1947), 1947-2 C.B. 174.

Section 31.3121(d)-1(a)(3) of the regulations provides that if the relationship of an employer and employee exists, the designation or description of the parties as anything other than that of employer and employee is immaterial. Thus, if such relationship exists, it is of no consequence that the employee is designated as a partner, co-adventurer, agent, independent contractor, or the like.

Revenue Ruling 68-539, 1968-2 C.B. 422 concerns union members who performed services as union representatives in negotiations with the company. The union representatives were compensated by the union for lost wages when they were required to take time off from their regular employment to conduct union business. The ruling holds that the union was the employer of the representatives for federal employment tax purposes, and that payments made to them constituted wages for federal employment tax purposes.

Applying the common law to the facts in this case, the fact that the workers are required to perform their services in accordance with the union by-laws and the voting of the union members is a factor indicating control over the workers. Workers who are required to comply with another person's instructions about when, where, and how he or she is to work is ordinarily an employee. The control factor is present if the person or persons for whom the services are performed have the right to require compliance with instructions, whether or not they actually exercise that right. See Rev. Rul. 68-598, 1968-2 C.B. 464.

If a worker's services must be rendered personally, presumably the person or persons for whom the services are performed are interested in the methods used to accomplish the work as well as in the results. In this case, the workers were required to perform their services personally thus indicating the existence of an employment relationship. See Rev. Rul. 55-695, 1955-2 C.B. 410.

A continuing relationship between a worker and the person or persons for whom the services are performed is another indication of an employer-employee relationship. The fact that the workers were elected to serve one-year terms as union officers indicates that a continuing relationship existed between the union and the workers and, accordingly, that an employment relationship was present. See *United States v. Silk*, 331 U.S. 704 (1947), 1947-2 C.B. 167.

Payment by the hour, week, or month is another factor that generally points to an employer-employee relationship, as opposed to payment on a straight commission basis, which generally indicates that the worker is an independent contractor. The workers in this case were paid on a monthly basis thus indicating that an employment relationship existed. See Rev. Rul. 74-389, 1974-2 C.B. 330.

If the person or persons for whom the services are performed ordinarily pay the worker's business and or traveling expenses, the worker is ordinarily an employee. An employer, to be able to control expenses, generally retains the right to regulate and direct the worker's business activities. The workers in this case incurred expenses for telephone calls, gasoline, and postage and were reimbursed by the union again indicating the existence of an employment relationship. See Rev. Rul. 55-144, 1955-1 C.B. 483.

If the person or persons for whom the services are performed furnish tools, materials, and other equipment, that factor tends to show the existence of an employment relationship. In this case, the union provided all materials used by the workers in the performance of their services indicating an employment relationship. See Rev. Rul. 71-524, 1971-2 C.B. 346.

If a worker invests in facilities that are used in performing services and are not typically maintained by employees, that factor tends to indicate that the worker is an independent contractor. On the other hand, a lack of investment in facilities tends to indicate dependence upon the person or persons for whom the services are performed for such facilities and, accordingly, the existence of an employer-employee relationship. In this case the workers did not have a financial investment in facilities and, accordingly, an employment relationship is indicated. See Rev. Rul. 71-524. In connection, a worker who can realize a profit or incur a loss as a result of his or her services is generally an independent contractor, while the worker who cannot, is an employee. Because the workers in this case did not have a financial investment in facilities related to the performance of their services for the union, they could not incur a loss or realize a profit, indicating an employment relationship. See Rev. Rul. 70-309, 1970-1 C.B. 199.

The right of a worker to terminate his or her relationship with the person or persons for whom the services are performed at any time without incurring a liability, that factor indicates that an employer-employee relationship is present. In this case, because the workers were free to terminate their relationship with the union at any time, an employment relationship is indicated. See Rev. Rul. 70-309.

Accordingly, applying the law, regulations, and principles set forth in the revenue rulings, in particular, Rev. Rul. 68-539, we conclude that the worker was an employee of the firm for purposes of the FICA, the FUTA, and federal income tax withholding.

This ruling applies to all workers who perform similar services under similar circumstances for the firm. It is directed only to the taxpayer to whom it is addressed. Under section 6110(j)(3) of the Code this ruling may not be used or cited as precedent.

A copy of this ruling is being forwarded to the District Director's office in * * *.

Sincerely,

James J. McGovern
Assistant Chief Counsel
By: Ronald L. Moore
Technical Assistant
Office of the Assistant Chief Counsel
(Employee Benefits and Exempt Organizations)

PLR 9138036, 1991 WL 778107 (IRS PLR)
Copr. (C) West 2004 No Claim to Orig. U.S. Govt. Works

PLR 9138036 ()

GOVERNMENTAL REPORTING

GOVERNMENT FORMS

INCLUDING

DOL LABOR MANAGEMENT (LM) REPORTS

IRS FORM 1120-POL

PAYROLL REPORTING

IRS FORMS 990, 990-EZ and 990-N

REQUIREMENTS

There are a number of different forms and reports that an AFSCME affiliate may have to file with an agency of the federal government. Details concerning the requirements for the filing of each of these reports are listed in Appendix H of the AFSCME Financial Standards Code. Which of these reports must be filed by the local or council depends on several criteria:

1. Was the affiliate registered with the IRS?
2. Are there private sector employees among the members?
3. Have annual receipts averaged \$50,000 or less in the last 3 years?
4. Have annual receipts averaged more than \$50,000 in the last 3 years?
5. Does the affiliate have taxable operations?
6. Were political contributions made and was there investment income earned?
7. Were salaries, wages, or taxable allowances paid?
8. Were payments made for professional services?
9. Were there any employee benefit plans sponsored by the affiliate?

The information that follows indicates the reports that must be filed based on the applicable criteria.

IRS Registration

If the affiliate has not yet obtained an Employer Identification Number (EIN) from the IRS, then see Tab 2 of this workbook. Each and every AFSCME affiliate must have their own EIN.

Private Sector Employees

If there are members who work for a private sector employer, then the affiliate is required to file a report with the federal government's Department of Labor (DOL). To determine which form(s) the affiliate must file, consult the entries in Tab 3, Page 36:

1. Labor Department Form LM-2
2. Labor Department Form LM-3
3. Labor Department Form LM-4

The requirements for filing are dependent on whether the organization is already registered with the DOL and the amount of income received during the year.

Annual receipts averaging \$50,000 or less in the last 3 years

Small tax-exempt organizations averaging annual receipts of \$50,000 or less in the last 3 years (including the year of filing) may file an annual electronic notice, Form 990-N, *Electronic Notice (e-Postcard) for Tax-Exempt Organizations not Required To File Form 990 or 990-EZ*.

The Form 990-N is an online only filing. For general instructions and a link to the filing website, please visit [**www.irs.gov/990n**](http://www.irs.gov/990n).

There are no monetary penalties for failure to file a 990-N, but organizations that do not file the e-Postcard (Form 990-N), or another 990 series return (Form 990 or 990-EZ) for three consecutive years will have their tax-exempt status revoked as of the filing due date of the third year.

See the additional information on disclosure requirements, due dates and penalties, and filing instructions for the 990-N beginning on page 7 of this section.

Annual receipts averaging more than \$50,000 in the last 3 years

If the organization has annual receipts averaging more than \$50,000 in the last 3 years (including the year of filing), see below to determine which form to file. For this further determination, the receipts only for the year of filing are used.

If the organization's receipts for the year of filing are less than \$200,000 **AND** the organization's total assets at year-end are less than \$500,000, an IRS Form 990-EZ may be filed.

If the organization's receipts for the year of filing are \$200,000 or more **OR** the organization's total assets at year-end are \$500,000 or more, an IRS Form 990 must be filed.

See the additional information on disclosure requirements, due dates and penalties, and where to file the 990-EZ or 990 beginning on page 6 of this section. The appropriate forms and instructions may be downloaded from IRS.gov.

Taxable Operations

If the organization has taxable operations such as renting space in an owned building or from sponsoring fund raisers, then the entry for IRS Form 990-T in Tab 3, Page 35 should be consulted. We further recommend that the affiliate consult either a Certified Public Accountant (CPA) or an attorney to determine if the organization has taxable operations.

Political Contributions and Investment Income

If the organization made political contributions in excess of \$100 and had investment income in excess of \$100, consult the IRS Form 1120-POL entry in Tab 3, Page 35. You can download the current IRS Form 1120-POL at IRS.gov.

Taxable Payments to Officers or Members

If taxable payments were made by the organization to either officers or members then the entries in Tab 3, Pages 36 and 37 that should be consulted are:

1. USCIS Form I-9
2. IRS Form W-2
3. IRS Form W-3
4. IRS Form W-4
5. IRS Form 940
6. IRS Form 941
7. IRS Form 1096
8. IRS Form 1099-MISC

Professional Service Payments

If payments were made during the year to attorneys, accountants, or other professionals for services, see the entries in Tab 3, Page 36 and 37 for IRS Form 1096 and IRS Form 1099-MISC.

Sponsored Employee Benefit Plans

If one or more employee benefit plans are sponsored by the organization, see IRS Form 5500 in Tab 3, Page 37.

IRS FORM 990-N, 990-EZ AND 990 PUBLIC DISCLOSURE RULES

Unions required to file IRS Form 990 or 990-EZ must comply with IRS “Public Disclosure” rules. Failure to comply with these rules can result in substantial monetary penalties.

The disclosure rules for Form 990-N are very different from those that apply to Form 990 or 990-EZ, in that a union permitted to file Form 990-N is excused from IRS public disclosure requirements. Rather than requiring each Form 990-N filer to make their forms available to the public, the IRS makes Form 990-N information publicly available over the internet.

If your union is required to file IRS Form 990 or 990-EZ, a summary of the disclosure requirements and instructions for each form can be obtained by contacting AFSCME’s Auditing Department at 202-429-5032.

IRS FORM 990-N, 990-EZ AND 990 DUE DATES and PENALTIES

The IRS due date for these forms is no later than four and one-half months after the end of the union's fiscal year (May 15th if the union's fiscal year ends on December 31st.)

Unlike Form 990 and 990-EZ, the **IRS will not assess a monetary penalty if Form 990-N is not submitted by the due date. Failure to file IRS Form 990-N for three consecutive years however, will result in the loss of your union's tax exempt status.**

Any union that is required to file **IRS Form 990 or 990-EZ** must file it with the IRS on or before the due date. **THE PENALTIES FOR NOT FILING OR LATE FILING MAY BE SEVERE.** Penalties can be assessed in the amount of \$20 per day for each day the return is late, not to exceed the lesser of \$10,500 or 5% of the gross receipts of the union for each year's return not filed or filed late. Penalties are higher for unions with revenues of over \$1,094,500. If you will have difficulty meeting this due date, you may file IRS Form 8868 to request an automatic six month extension.

Since tax forms for large organizations can be difficult or complex to prepare, many of AFSCME's larger unions assign this task to experienced accounting staff or prefer to have these forms prepared by their CPA.

990 AND 990-EZ ELECTRONIC FILING REQUIREMENT

All IRS Form 990 and 990-EZ filings must be made electronically. Electronic forms may be filed through a CPA or an IRS approved electronic provider. A list of IRS approved electronic providers may be found here: <https://www.irs.gov/e-file-providers/exempt-organizations-mef-providers>

If you have any questions concerning the filing of IRS Form 990, 990-EZ, or 990-N please contact the AFSCME Auditing Department at (202) 429-5032.

AFSCME Affiliate Instructions for 2021 Form 990-N

These instructions are intended for unions affiliated with the American Federation of State County and Municipal Employees, AFL-CIO (AFSCME) that have **annual gross receipts that are normally \$50,000 or less**. See the cover letter enclosed with these instructions for details on this requirement. **Please note that the 990-N e-postcard is an online filing**. You will need to use a computer with access to the internet and have a valid e-mail account in order to file. If you do not have computer access or a valid e-mail account, or if you need assistance at any point in the filing process, please contact the AFSCME Auditing Department at (202) 429-5032.

Please collect the following information you will need to successfully file a 990-N e-postcard:

- **Your union's Employer Identification Number (EIN).** If you do not know your union's EIN, please contact the AFSCME Auditing Department at (202) 429-5032.
- **Email address that the e-postcard website will use to send confirmations.** An email address is required for the e-postcard system to send confirmations.
- **Union's DBA (Doing Business As) Name.** The name commonly used by your union in banking or other transactions that involve use of the union's EIN, e.g. AFSCME (State) Local (#)
- **Union's Address**
- **Principal Officer Name and Address.** Normally the President or Treasurer. In many cases, the Principal Officer's address may be the same as the Union's address.
- **Union's website address,** if your union has one.

To begin the 990-N e-postcard filing, go to **www.irs.gov/990n**

First Time Users will need to create a new Username and password for use going forward. The above link will bring you to an introductory screen on the IRS website, which provides information on various topics. Much of this information is also included in this letter.

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

From here, in order to access the filing system, **click on the large blue button about halfway down the page with the words "Submit Form 990-N (e-postcard)"**

First Time Users and Returning Users screen

The next screen will require you to make selections based on whether you are a First Time User or Returning User.

First Time Users will need to provide the website with a name and email address so that a confirmation code can be emailed to verify your identity before proceeding with the 990-N filing. **If you are a First Time User, click the "Create Account" button under the "Sign Up" section on the left side of the screen** and proceed to the Step 1 of 4: Personal Information section below.

Returning Users may log in by entering their Username in the field indicated and following the prompts on subsequent screens to enter their password to arrive at the “Home Screen”. Proceed to the Home Screen section below if this option is chosen.

If you are a Returning User that has forgotten your Username and/or Password, see Appendices A and B below.

Step 1 of 4: Personal Information

Enter your first name and last name. Enter and confirm your preferred email address for future correspondence with the website. **Click the button “Send Code”.** The website will move to the next page (Step 2 of 4). Keep your internet browser open and check your email at the address you provided.

You should shortly receive an email from IRS.online.services@irs.gov that will provide you with an 8 digit confirmation code (sample format: 1234-5678).

Step 2 of 4: Verify Identity

Return to the website and enter the confirmation code in the box on this page. **Click the “Continue” button.**

Step 3 of 4: Security Profile

This screen will allow you to create a Username and a Password. It also requires that you provide information that can be repeated back to you in the future to prove you are using the actual website, and also information that can be used by the website to verify your identity.

Username- Enter a Username of your choice, with some limitations. The Username cannot be an email address or a Social Security # and may not contain a space or a special character (!@#\$\$%^&*). Enter your chosen Username in the box indicated.

Password- Enter a password of your choice in the box indicated, with the following rules:

- Between 8 and 20 characters long
- Must contain at least one number and one special character (!@#\$\$%^&*)
- Must have at least one uppercase and one lowercase letter.

Re-Enter Password- Re-enter the password you chose, for verification purposes.

Email- Enter the email address you chose in Step 1 of 4 as the Primary Email address. This email address may already be entered for you.

Choose a Site Phrase- Enter a phrase that will be repeated back to you on future logins so you can verify the website is genuine.

Choose a Site Image- Select an image that will be shown back to you on future logins so you can verify the website is genuine.

Challenge Questions- In certain circumstances on future logins the website may require you to answer questions selected by you to verify your identity. Use the drop down arrows to select 4 questions of your choice and provide the appropriate answers. It is best to choose questions for which only you would know the answers.

Once created, all of this information may be edited by clicking on a link on the “Home Screen” as described below.

Click the “Continue” button when all information has been entered.

User Profile Successfully Created

If successful, you will arrive on a screen with the above title.

Please write down your Username and password and keep it in a safe place. You will use this information for future Logins. Click the “Continue” button to view the website’s security information, then click “Continue” again to go to the next screen, which is the Home Screen.

Home Screen- Electronically file your Form 990-N (e-Postcard)

For purposes of these instructions, this screen is referred to as the “Home Screen”. Returning Users will be brought to the Home Screen once logged in.

On the Home Screen you may choose between 2 general processes: Creating or managing an e-Postcard Profile or Managing Form 990-N Submissions. There is also a link to change any information you provided in the Security Profile when registering.

First Time Users must create an e-Postcard Profile first before beginning the 990-N filing process. **If you are a First Time User, click on the “Manage e-Postcard Profile” button and proceed to the e-postcard Profile section below.**

If you are a Returning User, you may begin the 990-N filing process by clicking on “Manage Form 990-N Submissions” button and proceeding to the “Select EIN” section below.

If you wish to change any of the information listed below that you provided for your Security Profile, click on “Security Profile” in the upper right part of the screen next to the Logout link. This will bring you to a new screen titled “Edit Your User Profile” from which you will be able to edit any of the following items: Username, Password, Email, Site Phrase, Site Image and Challenge Questions. Once you are satisfied with the edited information, enter your current Password in the field at the bottom to verify the update and click on the “Update” button.

e-Postcard Profile

On this screen you will be prompted to select a User Type, either “Exempt Organization” or “Preparer”. **Click on the drop down arrow in the “User Type” box and select “Exempt Organization”. Click the “Continue” button to advance to the next screen.**

The next screen will show that you are logged in as user type “Exempt Organization” and you will be prompted to enter an EIN (Employer Identification Number) to add to your e-Postcard profile. **Enter your affiliate’s 9 digit EIN in the two boxes provided (sample format 12-3456789) and click on the “Add EIN” button.**

If the filing system recognizes the EIN as eligible to file, it will add the EIN to the “Currently Associated EIN(s)” list that follows on this page. The Organization Name should appear as “AMERICAN FEDERATION OF STATE COUNTY & MUNICIPAL

EMPLOYEES”, along with the current date. **Click on the “Create New Filing” button and continue to the next section below.**

If the filing system does not recognize the EIN as eligible to file, it will show an error message indicating that the EIN was not found in the IRS’s records. If you encounter this error message, please double check the EIN and try again. Users having trouble in this area after multiple attempts may contact the AFSCME Auditing Department at (202) 429-5032 for assistance.

Select EIN

On this screen, **click on the drop down arrow, select the EIN for filing, and click “Continue”.**

Organization Details

At this point, you will be making the actual filing and will see various fields for data entry.

The data will already be filled in and cannot be changed for:

- For the tax year ending- usually December 31 of the year being filed but may differ if the IRS has a different tax year end on file for your union.
- Organization’s legal name- Lines 1 and 2- should read AMERICAN FEDERATION OF STATE COUNTY & MUNICIPAL EMPLOYEES
- Employer Identification Number (EIN)- the EIN for which the filing is being made.

The only responses required here are:

- Has your organization terminated or gone out of business? **Select “No”**
- Are your gross receipts normally \$50,000 or less? **Select “Yes”**

Click on the “Continue” button to continue with the filing.

Contact Information

You will see another screen with various fields for data entry.

The data will already be filled in and cannot be changed for:

- Organization’s legal name. Should read AMERICAN FEDERATION OF STATE COUNTY & MUNICIPAL EMPLOYEES

Enter the required information for all other fields, all of which you will have assembled beforehand in Page 1 of these instructions except:

- Principal Officer- Type of Name. **Select “Person” from the drop down arrow.**

Note that there are two addresses entered in this section. The first address entered is the Union’s address, and the second is the Principal Officer’s address. In many cases this may be the same address.

Once you have made entries into all of the fields, **click on the “Submit Filing” button.**

A confirmation warning message will appear asking whether you wish to save the data and submit the filing to the IRS. This is your last chance to go back and edit the information before final submission. **If further changes are needed, click the “Cancel” button and go back and edit the desired fields. If you are satisfied that the information provided is complete and correct, click the “OK” button.**

Confirmation

The next page is a confirmation of your 990-N e-postcard submission and various information related to the filing. At the end of this information, “Filing Status” will be shown as “Pending”.

Below the information you will see “Note: Print a copy of this filing for your records. Once you leave this page, you will not be able to do so”. **Click on the word “Print” to open another page that will show the complete filing. Use your web browser (usually File, Print) to print out a paper copy of the page. This paper copy is for your union’s records only. Do NOT mail the page to the IRS. Close this page to return to the Confirmation page and click on the “Manage Form 990-N Submissions” button.**

Manage Form 990-N (e-postcard)

You will be brought to a screen that allows you to see the status of the 990-N e-postcard you just submitted. **At this point you still need to verify whether the filing was accepted or rejected.** Under “Status” you will see one of the following:

- **Accepted**- The 990-N e-postcard was accepted and your 990-N e-postcard filing is now complete. There is no need to forward anything on to the IRS. Log out of the 990-N e-postcard filing system by clicking on the word “Logout” on the upper right of this page. Congratulations, you are done for the year.
- **Rejected**- The 990-N e-postcard was rejected. **Click on the 20-digit number below the “Submission ID” column.** The “Confirmation” screen from above will reappear with additional information at the bottom as to why the e-postcard was rejected. Contact an IRS agent at 1-877-829-5500 for additional steps to take. If the agent indicates that action is needed by AFSCME International (the Parent organization), send an email to AFSCME International Auditor Brent Beebe at bbeebe@afscme.org. In the email subject line, please provide your state, local number, EIN, and “e-postcard rejected” in the subject line. In the text of the email, please provide your name, telephone number, and details of the conversation with the IRS agent. You will be contacted with assistance in resolving the problem.
- **Pending**- The IRS has not yet accepted or rejected the 990-N e-postcard. Under most circumstances the IRS accepts or rejects a 990-N e-postcard within 15 minutes. Under the “Action” column on the right hand side you may see the words “Get Updated Status”. **Click on “Get Updated Status” at any time to see if the current status has changed.** If status is still Pending, you will need to revisit this page at a later time. If you choose to log out of the 990-N e-postcard system before returning, you can always get back to this screen by logging in as a Returning User, proceeding to the “Home Screen” and clicking on the “Manage Form 990-N Submissions” button.

Appendix A- Forgot Username

If you are a Returning User and have forgotten your Username, you can retrieve it by taking the following steps:

- Go to www.irs.gov/990n
- Click on the large blue button about halfway down the page with the words “Submit Form 990-N (e-postcard)”.
- On the next screen, under the “Log In” section on the right hand side, click on the “Forgot Username” link located just under the “Login” button.
- A “Forgot Username” screen will appear. Enter the email address you originally used to register on the 990-N filing website.
- A “Forgot Username Confirmation” screen will appear. Your Username was sent by email to the email address that you indicated.
- Check your email, obtain your Username, and return to www.irs.gov/990n to log in with your Username.

Appendix B- Forgot Password

If you are a Returning User and have forgotten your password, you will need to choose a new one by taking the following steps:

- Go to www.irs.gov/990n
- Click on the large blue button about halfway down the page with the words “Submit Form 990-N (e-postcard)”.
- On the next screen, under the “Log In” section on the right hand side, enter your Username and click the “Login” button. If you have also forgotten your Username, go to Appendix A and follow the instructions there first.
- A “Log In” screen will appear with your site phrase and site image that you chose when registering with the website. Click on the “Forgot Password” link located just under the Password field.
- A “Forgot Password” screen will appear, and you will be asked to answer 2 of the Challenge Questions you answered when registering for the website. Enter the answers to the questions and click the “Continue” button.
- A “Reset Password” screen will appear, and you may enter a new password of your choice, subject to the same rules as the previous password setup. Re-enter the password to confirm and click the “Submit” button.
- A screen will appear indicating that your password has been successfully reset. Click “Continue” and you will be returned to the “Log In” screen to complete the Login process with your new password.

BUDGET PREPARATION

THE BUDGET PROCESS

SUMMARY HIGHLIGHTS OF BUDGET SECTION

- **A budget is an approved financial plan which details estimated revenues (receipts) and expenditures for the upcoming year.**
- **A budget is required for all councils and locals with 2,000 or more members and strongly recommended for all affiliates.**
- **Budgets should be finalized and approved before the beginning of the fiscal operating year.**
- **Councils and Locals with 2,000 or more members must submit a copy of their budget to the International within ten days of the date the budget is approved.**

STEPS IN PREPARING A BUDGET

- **Determine Estimated Revenue based upon number of individuals dues are collected from, multiplied by the amount of the union's portion of dues. The monthly dues income is annualized by multiplying by twelve (number of months in one year).**
- **Determine Estimated Expenditures using last year's disbursements as a basis for calculation. Adjust each category of expenditure up or down depending upon current circumstances or expectations.**
- **The difference between Estimated Revenues and Estimated Disbursements is the Estimated Excess or Deficit.**
- **Generally, deficit based budgets are not permitted.**
- **If your budget has a deficit, a reduction in expenditures may be necessary in order to, at a minimum, break even.**

THE BUDGET PROCESS

THE EFFECTIVE FORECASTING, REPORTING, MONITORING & EVALUATING OF UNION REVENUE AND EXPENDITURES

BUDGETS AND THE BUDGETING PROCESS

I. Definition and Objectives

- A. A budget is an approved financial plan detailing projected (estimated) revenues and expenditures for the upcoming year**
- B. Budgets are prepared on an annual basis**
 - 1. Required for all Councils and locals with 2,000 or more members**
 - 2. Strongly recommended for all other affiliates**
- C. Key Words - Planning & Control**
- D. Used to set financial goals or objectives for your affiliate**
- E. A basis for evaluation of spending programs**

II. Planning/Budgeting

- A. Define goals and set priorities for meeting such goals.**
- B. An accounting system must be in place to accommodate the recording and tracking of revenue/expenditures as required by the budget.**
- C. The prior year's financial statement (LUAFR) is used as a basis for preparing the current year budget.**
- D. Use conservative figures in calculating budget line items.**
- E. Budgets should be finalized and approved prior to the beginning of the fiscal operating year.**

- F. Modifications to the Budget throughout the year require Executive Board review and approval.**
- G. The Budget must be attached to the minutes of meeting at which it was presented and approved.**
- H. All Councils and Affiliates with over 2,000 members are required to file a copy of the adopted budget, and any major modification or revision to such budget, with the International Secretary-Treasurer within ten days after its adoption.**

PLANNING FOR/BUDGETING OF REVENUE (INCOME)

I. Projecting Estimated Receipts

- A. Income level is determined by membership**
 - 1. Exceptions such as seasonal membership changes, strikes and potential disaffiliations can, with research, be budgeted.**
- B. How "dues dependent" is the Union?**
 - 1. Are there other realistic sources of supplemental income?**
 - a. Avoid criticism from local merchants**
 - b. Avoid jeopardizing IRS non-profit status**

II. Effective budgeting for income requires knowledge of all sources of income

- A. Accurate past and current membership figures**
- B. Knowledge of problems which may affect certain segments or groups of membership**
- C. Knowledge of seasonal or other changes in membership**
- D. Identify other income sources**
 - 1. Rental income from office space or auditorium space**
 - 2. Interest on bank accounts and investments**
 - 3. Any other projected sources of income**

PLANNING FOR/BUDGETING OF EXPENDITURES

I. Cash-Flow-Timing of Payments

- A. Unless organization has sufficient cash "reserves" (savings, CD's, etc.), timing of expenditures must coincide with timing of receipts**
 - 1. To avoid late payments affecting credit rating**
 - 2. To guarantee payroll (if applicable) will be met**
 - 3. To ensure goals are met in a timely fashion**

II. Expense Authorization Procedures

- A. Define expense authorization parameters for:**
 - 1. Executive Board**
 - 2. Membership**
- B. Four types of authorization:**
 - 1. Law**
 - 2. Constitution**
 - 3. Contract**
 - 4. Vote**

III. Predictability of Expenses

- A. Three types of expenses:**
 - 1. Fixed**
 - 2. Variable (but can be estimated)**
 - 3. Unforeseen:**
 - a. Legal actions**
 - b. Strikes**
 - c. Natural disasters**
 - i. Membership commitment**
 - ii. Community service commitment**

IV. Excess/Deficit

- A. No Deficit Based Budgets**
 - 1. 3-month operational surplus for contingency purposes**
 - 2. Savings for long-range goals and commitments**

- 3. Trust Funds**
 - a. Mandated for specific purposes**
 - b. Contractual or Appropriated Funds**

B. Investments

- 1. Develop investment strategy**
- 2. Safe and secure investments**
- 3. Insured by FDIC or other governmental agency**
- 4. Monitor interest rates**
- 5. Conservative budgeting of investment income**

V. Accountability for Budget Variances

A. Actual versus budgeted income and expenditures are periodically compared to determine if budget revisions are necessary

- 1. Encourages conservative spending practices**
- 2. Encourages constant monitoring of actual spending**
- 3. Encourages seeking bids or "shopping" for best price**
- 4. Promotes general awareness of budget process**

B. Excessive or Material Variances are analyzed and explained

- 1. Allows for early detection and correction of significant variances**
- 2. Basis for periodically revising budget amounts throughout the year as necessary**

C. Report of Actual versus budgeted income and expenditures

- 1. Required monthly for all councils and affiliates with 2,000 or more members**
- 2. Recommended at least quarterly for all other affiliates**

TRUSTEES AUDIT GUIDE

TRUSTEES AUDIT GUIDE

A MESSAGE TO TRUSTEES

The International Constitution, in its “Bill of Rights for Union Members,” and the Financial Standards Code, in Article XI, provide for annual audits of affiliates by an independent Certified Public Accountant, (CPA), or by Trustees who are “officers elected for that purpose...” The Trustees are thereby charged with the responsibility to see that an audit of all the funds of the affiliate is performed, either by an independent CPA or the Trustees themselves. It is then their duty to report any findings to the membership and to the Executive Board. The Trustees must also see that the President and chief financial officer complete and file the “Local Union Annual Financial Report” and annual “Surety Bond Report” as required by the International Constitution.

Whether the audit is performed by an independent CPA or Trustees, the findings must be reported to the membership and Executive Board. The Audit Report must be attached to the Executive Board and membership meeting minutes of the meeting at which the report was presented. The minutes and attached reports then become a permanent part of the affiliate’s records.

If the audit is performed by an outside independent CPA, the CPA is required to make a separate report of compliance with the Financial Standards Code. At the time a CPA is hired, the CPA will issue an “Engagement Letter” to state whether an audit, review or compilation will be performed. The Engagement Letter should specify any other services to be performed and may provide billing rates and an estimate of the cost of services to be provided.

CPA’s are required to issue a SAS 115 letter when internal control issues have been identified during the course of their audit. A CPA will also typically issue a “Management Letter” upon completion of the engagement, in which operational or other issues that may require remedial action to be taken are noted. Officers/Trustees must obtain copies of the CPA’s Engagement Letter, SAS 115 letter, Management Letter, and Audit Report. Trustees are responsible to ensure that these reports are properly presented to the Executive Board and/or membership and that any recommended actions are appropriately addressed.

If the audit is to be performed by the Trustees, the following is a suggested series of steps to aid in the review of the affiliate’s financial activities. If a significant number of transactions are involved, a sampling or testing procedure may be used for all steps described in the following sections. Affiliates with large numbers of transactions should consider the advantages of using a professional accountant or CPA to perform the audit.

FINANCIAL RECORDS

Before beginning the audit, the Trustees must obtain the following records for the year or period being examined:

- Cash Book or Cash Receipts/Disbursements Journal (A manual Cash Book does not need to be maintained by affiliates using automated accounting systems that provide information comparable to that found in the Cash Book.)
- Printouts from automated accounting systems as detailed in Article III, Section 1, A of the Financial Standards Code.
- Bank statements and canceled checks for all union bank accounts
- Bank reconciliations for all union bank accounts
- Other supporting documentation for transactions in all accounts, such as account transfers, wire transactions and electronic fund transfers (EFT's)
- Duplicate deposit slips
- Checkbook and check stubs
- Per Capita Tax Reports (if applicable)
- Paid bills
- Officers and employees expense reports
- Payroll records and payroll tax returns
- Minutes of membership and Executive Board meetings
- Monthly financial reports, financial statements and governmental filings
- Records of petty cash expenditures
- Mortgage and loan agreements
- Lease agreements and any other contracts
- Insurance policies
- Evidence of ownership of investments
- Schedule of other assets owned (e.g., furniture, computer, fax machine, filing cabinets, etc.)
- Local Union Annual Financial Report
- Surety Bond Report

RECEIPTS

The Financial Standards Code requires that all money received be deposited directly in an insured bank account, in the name of the affiliate. Deposits should be recorded in the Cash Book, indicating date received, from whom, for what and the number of members for which per capita tax or dues is received. Deposit and date of deposit should be recorded in the checkbook. Duplicate deposit slips and copies of the receipt transmittal documents (e.g., dues deduction rosters, rebate summaries, copies of deposited checks) should be retained.

1. Compare amounts listed in Cash Book to duplicate deposit slips and amounts shown on bank statements.
2. Review supporting documentation for cash received (e.g., dues deduction lists.)
3. Verify that the explanation of the type of receipt agrees with entry in the Cash Book or check register.
4. Verify that totals are properly computed in the Cash Book or check register.
5. Verify that deposits are properly recorded in the checkbook or check register.

DISBURSEMENTS

The Financial Standards Code states that union money can be spent only if required by law, by union constitution, to fulfill contractual obligations or as authorized by vote of either the membership or the Executive Board. Disbursements require signatures of two officers or their designees. At the time a check is issued, the date, amount, payee and purpose of the check should be recorded on the check stub, in the Cash Disbursements Journal or in the automated accounting system.

All disbursements should be substantiated by supporting documentation such as bills or invoices, per capita tax reports, officer or employee expense reports, payroll records and lease agreements. The minutes of Executive Board or membership meetings should show authorization for these disbursements as outlined in Article V of the Code.

1. Compare each canceled check to the bank statement to see that a canceled check exists for each paid check shown on the bank statement.
2. Compare amounts on canceled checks to amounts in the Cash Book or automated accounting system and checkbook.
3. Compare payee on check to payee listed in Cash Book, check register and checkbook.
4. Examine the endorsement to verify that it agrees with the payee.
5. Examine signatures on checks to verify they are signed by the officers authorized to do so under the affiliate's constitution.
6. Compare the payee and amount on canceled checks to supporting invoices, expense reports, Per Capita Tax Reports, etc.
7. Review supporting invoices, expense reports and PCT Reports to verify that the check number and dates of payment are properly shown on each document.
8. Compare explanations in Cash Book or check register to supporting documentation to verify that expenses are properly classified.
9. Verify that the Cash Book is properly totaled.
10. Verify that the checkbook or check register is properly maintained in order to reflect the current balance at all times.

BANK RECONCILIATION

All bank statements, canceled checks and voided checks must be retained in the union's records by the principal financial officer. The canceled checks which are retained with any statement should be kept with that statement regardless of the date or number appearing on the check. The monthly bank reconciliation should be attached to each month's bank statement.

Canceled checks are required to verify the accuracy of the financial records (e.g., checks recorded in the Cash Book or check register, notations on paid bills). However, some banks and credit unions do not automatically provide canceled checks. If the canceled checks are not available, the principal financial officer must take steps to obtain copies of those checks, (front and back), and ensure that they are maintained with each month's bank statement.

1. Review monthly bank reconciliation to see that amounts shown for Cash Receipts and Cash Disbursements agree with totals in Cash Receipts and Cash Disbursements Book or check registers, and reconcile any differences.
2. Compare cash balance on the financial statement to bank reconciliation balance and to checkbook or check register balance.
3. Research any outstanding checks six (6) months or older for possible cancellation or stop payment.
4. If applicable, obtain copies of missing checks from the bank or credit union. Compare copies to the entries in the Cash Book or check register.
5. Obtain an explanation from the financial officer for any unusual transaction reflected on the bank statement.
6. Obtain an explanation and supporting documentation from the bank or credit union for any unusual transaction.
7. Look for evidence that the bank reconciliation was reviewed timely by the President.

BANK DEBIT OR ATM CARDS

Bank Debit Cards and/or Automated Teller Machine (ATM) Cards may not be used under any circumstances. Review all bank statements for evidence of ATM or Debit Card Transactions.

SAVINGS ACCOUNTS

Savings accounts may be maintained, but only at insured institutions and in the name of the affiliate.

1. Review savings bank records to see that all interest is properly recorded.
2. Review deposits and withdrawals and compare to amounts shown in the Cash Receipts and Cash Disbursements Book or check register.
3. Verify that the balance in the bank statement agrees with the balance shown on the financial statement.
4. Verify that the signatures authorizing the withdrawals are the signatures authorized by the affiliate's constitution.

- Trace all transfers between the savings account, checking account and all other bank accounts to verify that all such transfers have been properly deposited.

EXPENSE REPORTS AND REIMBURSEMENTS

Union Officers, members and employees may be reimbursed for expenses relating to union activities. These expenses must be documented by a report showing payee, amount, nature of expense, specific union purpose and applicable original invoices or receipts. The expense report must be signed when submitted by the individual requesting reimbursement and approved by the appropriate officer or supervisor. The reimbursement must be authorized in the minutes.

- Review the expense reports for a) authorization, b) original supporting documentation, c) nature of expense, d) signature of individual submitting request for reimbursement and e) signature of approving authority.
- Compare for compliance with affiliate's policy for reimbursement of expenses, e.g., per diem, automobile mileage and other limitations and restrictions.
- Compare amount shown on voucher to actual check paid.
- Review the minutes to see that authorization is properly recorded, particularly for conventions, conferences, meetings, etc.

- Verify in each instance where meeting food and beverage are reimbursed, it is supported by a list of the names of the people attending, their relationship to the union, and the union business discussed.
- Verify that all costs paid directly by the affiliate, (e.g., direct hotel billings, charges incurred on the affiliate's credit card) have been properly reported on itemized expense reports.
- Verify that any authorized user of the affiliate's credit card has provided an itemized expense report accounting for each and every charge made with the credit card receipt and the itemized sales slip attached.

EXPENSE ADVANCE

Expense advances must be authorized. Advances should subsequently be accounted for by submission of expense reports, invoices and other documentation required for expense reimbursement.

- Review expense advance for authorization and approval in the minutes.
- Verify that the advance is subsequently accounted for by submission of expense reports with supporting documentation.
- Ensure that any advances in excess of amounts reported on expense reports were returned to the affiliate and deposited into the appropriate bank account.

ACCOUNTABLE VERSUS NON-ACCOUNTABLE REIMBURSEMENT PLANS

The Financial Standards Code Glossary of Terms provides an explanation of the difference between accountable and non-accountable plans. Basically, a non-accountable plan does not require the filing of an expense report, but treats all payments to individuals as taxable compensation.

1. Obtain copies of minutes authorizing payments to officers, members or employees to determine the intent of the payment - **accountable** or **non-accountable**.
2. Verify that expense reports are being filed for **accountable** payments.
3. Verify that wages being reported to the government and relevant payroll taxes being withheld and deposited for **non-accountable** payments.

CREDIT CARD CHARGES

AFSCME strongly recommends against the use of union-owned credit cards as they circumvent the requirement that two officers sign all disbursement checks.

If an affiliate provides a credit card to its officers and/or employees, the individual authorized to make a charge directly to the affiliate's credit card must provide an itemized expense report detailing each and every charge made as well as its union purpose. The affiliate must not pay the credit card company for any charges incurred on the union credit card without all of the charges adequately documented.

Credit cards of individuals (officers or employees) are the responsibility of that person. Costs incurred by individuals must be submitted on an expense report for reimbursement to the individual. Under no circumstances should the union make a payment to a credit card company for a card that is owned by an individual.

1. Obtain copies of all statements for the affiliate's credit card(s).
2. Obtain copies of the meeting minutes at which either the membership or Executive Board approved having credit card(s), and verify the card(s) were acquired and are being used in compliance with the approvals.
3. Obtain copies of any policy or procedure manuals/memos that explain the proper use of the credit card(s).
4. Obtain copies of all expense reports that are used to account for credit card transactions. Verify that each charge on the statement is documented with all supporting receipts and full explanations on an expense report signed and submitted by the responsible person for the charge.
5. Verify that the policy prohibits personal use of the union credit card(s).
6. Verify that itemized expense reports were submitted by all authorized users of the credit card prior to payment to the credit card company.
7. Prepare a separate section of the audit report to be presented to the Executive Board and membership

that deals specifically with credit card use and the results of this audit.

8. Identify all payments made to credit card companies. Trace each payment to the union-owned credit card statements. Verify there are no payments made for unidentified credit cards or credit cards of individuals.

WAGES

Salaries for employees should be authorized and documented in minutes. Payment of salaries causes the affiliate to be liable for payroll taxes, withholdings and payroll tax returns. Failure to file such reports can result in tax penalties and could subject the financial officers to personal liabilities.

1. Examine payroll records to ensure that payroll is properly recorded showing detail of wages and all deductions.
2. Compare amounts shown in Cash Disbursements Book or check register to amounts in payroll record.
3. Check salary rates to approvals as shown by membership or Executive Board minutes.
4. Check for approval in hiring individuals receiving salaries and wages.
5. Verify that payroll records reflect sick leave, vacation, holidays, etc.
6. Examine quarterly and annual payroll records and verify that all payroll reports are filed on a timely

basis and that W-2's have been filed with the IRS for all individuals to whom wages are paid.

7. Verify that an I-9 and W-4 is on file for all individuals receiving taxable compensation.

ALLOWANCES

Authorized allowances should be documented in minutes and be reported as wages to the recipients.

1. Check the rate of allowances paid to officers and employees against approvals as reflected by the minutes.
2. Verify that W-2s have been filed with the IRS for all individuals who are paid allowances during the calendar year.

(Note: Allowances must be distinguished from expense advances.)

- a) Expenses advanced must be accounted for by submission of supporting documentation to the Local Union. Allowances DO NOT require documentation, only approval.
- b) Allowances are treated as taxable income to the recipient. Reimbursed expenses are not taxable.

LOST TIME

Payments for lost time constitute taxable income to the recipient and must be reported. Lost time payments should be supported by authorization, purpose, and basis for amounts paid.

Payments for lost time can be based on the actual salaries lost by an individual, or a rate approved by the executive board. Some government agencies consider payment of lost time, where the individual was actually also paid by their employer, to be illegal and could subject the individual to criminal charges.

1. Review the affiliate's requirements for documenting, approving and issuing lost time payments.
2. Examine supporting records for approval of payment.
3. See that records reflect purpose for which lost time was used.
4. Verify that W-2s were filed for all lost time paid.
5. Determine how the lost time rate was calculated and verify that individuals were paid at the correct rate.
6. Determine if documentation is on file to verify that the individual suffered a loss of income or leave that is being made up by the affiliate as lost time.

FINANCIAL REPORTING

Article IX of the Financial Standards Code requires a monthly financial statement be prepared and made available to the membership and the Executive Board. These reports should be attached to the minutes of the meeting at which they are presented and become part of the affiliate's records.

1. Review minutes for indication that monthly financial statements were

presented to the membership and Executive Board.

2. Compare total receipts and disbursements shown by monthly financial statement to Cash Receipts and Cash Disbursements Books.
3. Review one or more months of disbursements to see that authorization exists in the minutes.

GOVERNMENTAL REPORTING

All labor unions, including organizations affiliated with AFSCME, are required to file a Form 990, Form 990-EZ or Form 990-N (e-postcard) with the Internal Revenue Service. All 990 series forms are due May 15 or four and one-half months after the end of the affiliate's fiscal year. Failure to file a Form 990 or 990-EZ carries a penalty to the affiliate of \$20.00 per day until filed with a maximum penalty of the lesser of \$10,000 or 5% of the gross receipts of the affiliate for the year. Failure to file a 990 series form for three (3) consecutive years will result in the revocation of the affiliate's tax exempt status.

Unions that spend money attempting to influence the selection, nomination, election or appointment to any public office at any level of government or any office in a political party must file Form 1120-POL with the Internal Revenue Service if both net investment income and political expenditures exceed \$100.00, and if the local has not established a "separate segregated fund."

The U.S. Department of Labor requires annual reports to be filed by unions who are governed by the provisions of the

Labor-Management Reporting and Disclosure Act of 1959, as Amended (primarily those who represent private sector members). Form LM-2 must be filed for those qualifying affiliates who have annual receipts of \$250,000 or more. LM-3 needs to be filed for qualifying affiliates who have annual receipts \$10,000 or more but less than \$250,000. LM-4 needs to be filed for qualifying affiliates who have annual receipts less than \$10,000. These forms must be filed electronically.

Other governmental filings may also be required. Please see Appendix H of the Financial Standards Code for additional information on governmental reports.

1. Determine the appropriate IRS 990 series form has been properly filed with the Internal Revenue Service and, if applicable, that the appropriate Form LM-2, LM-3 or LM-4 has been filed with the U.S. Department of Labor.
2. If the examination of records indicates that political contributions have been made, and if a “separate segregated fund” has not been established, determine that IRS Form 1120-POL has been filed and the necessary tax paid.

LOCAL UNION REPORTING

The International Constitution requires that all Local Unions file the “Local Union Annual Financial Report” with the International Union each year and that all affiliates file a “Surety Bond Report” annually.

1. Check to see that the Local Union Officers have filed the “Local Union Annual Financial Report”

for the most recent fiscal year.

2. Review the comments, if any, made by the International Union and see that any recommended adjustments in record keeping have been made.
3. Check to see that the annual Surety Bond Report was completed and forwarded to the International Union for the most recent year.

MAINTENANCE OF RECORDS

The records listed in this audit guide needed to perform the audit must be maintained for seven (7) years. Minutes should be retained longer if possible or if space permits.

1. Check to see that all records of the union are retained in their original form for at least seven (7) years as required by the Financial Standards Code.

AUDITS

The Financial Standards Code requires that at a minimum each year an audit of the affiliate be conducted by Trustees of the affiliate, or by independent auditor(s) not connected with the union. The Code requires that a report be made to the Executive Board and to the membership.

1. If the audit is performed by an independent auditor or CPA, check the minutes to see that the report was made to the Executive Board and to the membership.
2. Check to see that all recommended adjustments in record keeping have been made.

REPORT OF FINDINGS - TRUSTEE AUDIT

If the audit is conducted by the Trustees, they are required by the Financial Standards Code to report their findings to the Executive Board and to the membership.

1. The report should be written to show those areas which do not conform to the prescribed standards outlined in the Financial Standards Code.
2. The report should be directed to the Executive Board and signed by each of the Trustees.

REVIEW OF OUTSIDE AUDITOR REPORT

If the audit was performed by an outside independent accountant, such as a CPA, then they should make a separate report of compliance with the Financial Standards Code.

1. Obtain copy of the CPA's "Engagement Letter" -- which

specifies the work the CPA was to perform.

2. Obtain a copy of the Audit Report.
3. Obtain a copy of the Financial Standards Code Compliance Report.
4. Obtain a copy of the CPA's "Management Letter" -- which lists issues that need to be reviewed by the Executive Board.
5. Inquire as to whether the CPA issued a SAS 115 letter regarding internal control and review the finding.
6. Determine that reports are properly presented to the Executive Board and/or membership and that any recommended actions are appropriately addressed.

TRUSTEE AUDIT CHECK LIST

The answer to each of the following questions should be “YES”. A “NO” response is a violation of the Financial Standards Code that should be investigated and reported to the affiliate’s Executive Board.

	<u>Trustee Audit Questions</u>	<u>Answers</u>
1.0	Are bank statements <u>and</u> canceled checks (or front and back copies) maintained for <u>each</u> bank account?	
1.1	Does each bank statement show the name and address of the local union?	
1.2	Is a bank reconciliation prepared monthly for each bank account?	
1.3	Is a completed bank reconciliation attached to each bank statement?	
1.4	Are canceled checks (or front and back copies) returned by the bank along with the bank statements?	
2.0	Is a canceled check (or front and back copy) on file to support each disbursement reflected on the bank statement?	
2.1	Is each canceled check signed by two officers?	
2.2	Is a cash disbursements journal or automated accounting system maintained?	
2.3	Is <u>each</u> check (including void checks) listed in the check register and cash disbursement journal?	
3.0	Are bank receipts maintained for all deposits?	
3.1	Are bank receipts matched to bank statements to confirm the deposit is recorded by the bank?	
3.2	Is a cash receipts journal or automated accounting system maintained?	

	<u>Trustee Audit Questions</u>	<u>Answers</u>
3.3	Is each cash receipt identified and explained in the checkbook and cash receipts journal?	
4.0	If the local has a petty cash fund, is the balance (and checks to replenish it) \$100 or less?	
4.1	If the local has a petty cash fund, are receipts on file to support each check used to replenish the petty cash fund?	
5.0	Are minutes maintained for all Executive Board and general membership meetings?	
5.1	Are all expenditures properly authorized by Executive Board or Membership vote on specific expenditures, recurring obligations, contracts, or annual budgets?	
5.2	Do minutes of Executive Board or Membership meetings reflect specific approval of each unusual or large expenditure?	
6.0	Do all expenditures serve a legitimate union purpose?	
7.0	Are paid bills filed in an orderly and organized manner?	
7.1	Are the check number, date and amount paid written on filed bills?	
7.2	Is an expense report on file to document each reimbursement to officers, members and employees?	
7.3	Are employee expense reports approved by appropriate supervisors?	
7.4	Are officer expense reports approved by the Executive Board or a committee of officers selected for that purpose?	
7.5	Do expense reports have adequate original receipts attached and is the union business purpose properly documented?	
7.6	Are mileage reimbursements supported by starting and ending location and total mileage?	

	<u>Trustee Audit Questions</u>	<u>Answers</u>
7.7	For mileage reimbursements, is the union business purpose specified for each trip?	
7.8	Does the rate used to calculate mileage agree to the affiliate's policy?	
8.0	If the affiliate has a credit card, are itemized expense reports on file that account for <u>each</u> and <u>every</u> credit card charge?	
8.1	If the affiliate has a credit card, are itemized credit card charges reported on expense reports and reconciled to the credit card statement?	
8.2	If the affiliate has a credit card, were itemized expense reports submitted by all authorized users prior to payment to the credit card company?	
9.0	Are monthly financial statements prepared and given to the Executive Board and membership?	
9.1	Do monthly financial reports reflect the following? - Income by source and total income Yes ___ No ___ - Expenses by type and total expenses Yes ___ No ___ - Total cash at month's start and end Yes ___ No ___ - A list of unpaid bills at month end Yes ___ No ___	
10.0	Are lost time payments, officer allowances, and stipends supported by proper documentation, including approval in the minutes of membership or Executive Board meetings?	
10.1	Are payroll taxes withheld from lost time payments, officer allowances, and stipends with W-2's issued for all these payments?	
10.2	If the affiliate is required to file IRS Form 990 or 990-EZ (annual receipts total over \$50,000), has the form been filed on time (by May 15 or 4 ½ months after fiscal year end)?	
10.3	If the affiliate's annual receipts are \$50,000 or less, was the electronic postcard IRS 990-N filed by May 15 th or 4 ½ months after the fiscal year end?	

10.4	Did the affiliate file a Surety Bond Report for the past year? (Due March 1st each year).	
10.5	Did the affiliate file the Local Union Annual Financial Report for the past year? (Due May 15th or 4 ½ months after fiscal year end).	

The answer to each of the following questions should be “NO.” A “YES” response is a violation of the Financial Standards Code that should be investigated and reported to the affiliate’s Executive Board.

	<u>Trustee Audit Questions</u>	<u>Answers</u>
11.0	Are any checks pre-signed?	
12.0.	Are any checks made payable to “Cash”?	
13.0	Does the affiliate have a Bank Debit Card or ATM Card?	

BANK RECONCILIATION

BANK RECONCILIATION INSTRUCTIONS

Immediately after receiving each month's bank statement, a bank reconciliation should be prepared. The sooner the statement is reconciled after receipt, the easier the reconciliation will be to perform. A bank statement reconciliation assures locals that the transactions and balances entered into the books are correct, and that the bank has not made any errors in processing the local's transactions.

The steps in preparing a bank reconciliation are as follows:

1. Bank Reconciliation Date

- A. Determine a "Bank Reconciliation Date". Select one of the following dates and prepare only one bank reconciliation per month.**
 - i. The last date shown on the bank statement. Using this as the reconciliation date, the bank statement will be reconciled to the book balance as of the statement date. Selecting this date minimizes the number of outstanding checks and deposits in transit listed for reconciliation.**
 - ii. The date the bank statement is received. Using this as the reconciliation date, the bank statement should be reconciled to the current book balance. Selecting this date ensures a correct current book balance.**

4. Other Charges/Credits (Bank Fees and Interest Earned)

- A. Review all other charges and credits on the bank statement. Any improper charges should be brought to the bank's attention with a request that the items be reversed.**
- B. All accurate fees and earnings need to be added to or subtracted from the book and incorporated into the balance, so all statements reconcile.**

5. Balances

- A. Compute the adjusted bank balance using the "Bank Reconciliation Form."**
- B. Compute the adjusted book balance using the "Bank Reconciliation Form."**
- C. Compare the two balances. They should be equal. Evaluate and resolve any discrepancy.**
- D. Enter required book adjustments as the next entry in the cashbook and checkbook.**

NOTE-It is recommended that those affiliates who maintain manual records make copies of the Bank Reconciliation Form "How to Reconcile Your Checkbook" on the next page and complete this form for each month and each account when reconciling the union's bank accounts.

HOW TO RECONCILE YOUR CHECKBOOK

		DEPOSITS	NOT CREDITED
1. Compare the enclosed check copies with the entries in your checkbook.		DATE	AMOUNT
2. Mark off in your checkbook register each of the checks paid by the bank. Deduct from your checkbook balance any charges (automatic debits, transfers, service charges, etc.). Add any interest earned to your checkbook balance.		_____	_____
		_____	_____
		_____	_____
		_____	_____
3. List any deposits made but not shown on the bank statement in the "Deposits Not Credited" schedule (shown here, opposite)		Total Deposits Not Credited (enter in Box 6)	\$ _____
4. List all checks that have been issued but not yet paid by the bank in the "Checks Outstanding" schedule (shown here, opposite)		CHECKS	OUTSTANDING
		CHECK #/DATE	AMOUNT
5. Enter the ending balance from the bank statement.	\$ _____	_____	_____
		_____	_____
6. ADD total amount of "Deposits Not Credited" schedule.	\$ _____	_____	_____
		_____	_____
7. SUBTOTAL (Add lines 5 & 6 above)	\$ _____	_____	_____
		_____	_____
8. SUBTRACT total amount of "Items Outstanding" schedule.	\$ _____	_____	_____
		_____	_____
9. BALANCE (subtract line 8 from line 7). This figure should agree with the balance in your checkbook.	\$ _____	Total Checks Outstanding (enter in Box 8)	\$ _____

If Your Account Does Not Balance:

- Have you entered all automatic transfer transactions in your register?
- Have you correctly entered the amount of each check/withdrawal in your register?
- Have you deducted all appropriate service charges in your register?
- Are the amounts of your deposits entered in your register the same as this statement?
- Have you checked all additions and subtractions in your register?

Please PRINT the required information on the form. The information will be used as a registration sheet for those who attend the workshop.

Upon completion of the Secretary-Treasurer Workshop, we ask that you please take a moment to complete this evaluation form. Your comments will enable us to improve the course for future classes. This form does not have to be signed.

Date Attended: _____

Please circle the appropriate word that most accurately reflects your evaluation of the following:

1. Instructional Materials Provided	Excellent	Good	Fair	Poor
2. Content of Program	Excellent	Good	Fair	Poor
3. Slide Presentation	Excellent	Good	Fair	Poor
4. Your Instructor	Excellent	Good	Fair	Poor
5. Meeting Room Facilities	Excellent	Good	Fair	Poor

Did you gain the information from the class that you expected to gain?

Please circle: YES or NO

A number of topics were covered during the workshop. Which of the following topics would you like to see expanded in future courses?

- | | |
|---|--------------------------------------|
| _____ Financial Standards Code | _____ Taxable Payments of Officers |
| _____ Investments | _____ Reimbursed Expenses |
| _____ Minimum Dues | _____ Wages/Lost Time |
| _____ Maintenance of Cash Book | _____ Governmental Reporting |
| _____ Monthly Financial Report | _____ Surety Bond Program |
| _____ Local Union Annual Financial Report | _____ Budget Preparation |
| _____ Bank Reconciliation | _____ Trustee Audits |
| _____ Computer Record Keeping | _____ Payroll Reporting Requirements |

Are there any comments you wish to make?

Are there any suggestions for future courses?



American Federation of State, County and
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