

AFSCME INTERNATIONAL

ONLINE TRAINING

WELCOMES

CALIFORNIA COUNCIL

36 LOCALS



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AFSCME International

Auditing Department

Presents

Financial Standards Code

Training



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**Secretary-Treasurers
Online Resource Website**

**We have a new website:
www.afscmetreasurer.org**

Check it Out



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**AFSCME FINANCIAL
STANDARDS CODE**

- Article I - Article XI
- Appendices
- Glossary of Terms
- Trustees Audit Guide
- Trustee Audit Checklist



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Article I - Purpose and Scope

- Establish minimum standards for the Handling of Funds and Records Maintenance
- Financial Standard Code Applies to All Affiliates – regardless of size
- Electronic recordkeeping is Permitted and Encouraged



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Purpose and Scope

- Financial Standard Code is part of AFSCME's Constitution
- A Violation of AFSCME's Constitution can lead to Charges being Filed and Removal from Office



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Article II - Custody of Funds

- All union Bank Accounts must be in Federally Insured Institutions – FDIC or NCUA
- In Name of Union
- Contain Union Funds



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Bank Accounts

- **Federal Deposit Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) ensure total deposits in that member's bank up to \$250,000**
- **This is the total per bank NOT the total per account**



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Investments

- **Union officers have a Fiduciary Responsibility to manage and invest Union Funds Prudently and in Accordance with Union Policies**
- **This means that as a Union Officer you are in a Position of Trust.**



11

The Following Investments Are Not Allowed:



- **Purchase of Lottery Tickets or other Gaming Activities**
- **Investment in any Illegal Activities**




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Investments

The safest types of investments provide the lowest rates of return

SAFE INVESTMENTS

The Financial Standards Code requires the safest types of investments, with an emphasis on protection of principal





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Investments

Safest Investments Available:



- Treasury Bills
- Certificates of Deposit
- Government Notes and Bonds



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Knowledge Check-Poll Question

What is the maximum amount of Federal Insurance that the FDIC provides for my Union bank accounts?



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Article III - Maintaining Records

Cashbooks or Journals Are Required

- Manual Cash Book
- Receipts and Disbursements
- Computerized Cash Book



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Bank Statement & Canceled Checks

You are required to:

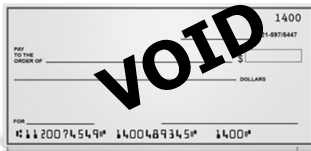
- Keep front & back copies of checks with **BANK STATEMENT**
- **RECONCILE BANK STATEMENTS** monthly
- Request **MISSING CHECKS** or bank statements
- **VERIFY DEPOSITS** to deposit slips



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Check Stubs & Voided Checks

Before storing a Voided check, write "Void" across the check in ink and tear off the Signature Portion



Retain All Voided Checks!



18

Paid Bill Records

When signing checks, you need to write the **Date Paid**, **Amount Paid**, and **Check Number** on your copy of the bill or invoice



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Reimbursement Records

All Officers, Members and Employees must fill out an Expense Report with Original Receipts attached for all expense reimbursements



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Financial Records

All AFSCME affiliates are Required to prepare Monthly Financial Reports for their Membership and Executive Board





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Financial Records

Financial Reports Filed with the International Union:

- Surety Bond Report - Signed & Dated
- Local Union Annual Financial Report (LUAFR) - Signed & Dated



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Financial Records



Keep a file of Mortgages, Loan Agreements, Lease Agreements, Lease-Purchase or Time-Payment Contracts, and anything which involves a Financial Obligation on the part of the Affiliate



23

Financial Records

All documents constituting Evidence of Ownership by the Local Union of any Property or Equipment should be kept in a file.



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Financial Records

Always maintain Minutes of any Executive Board, Membership, or Committee Meetings at which any Financial Decisions were Made, Approved or Rejected.



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Key Point

Financial records, Including Minutes of the Executive Board and membership meetings, Must Be Kept for a Minimum of Seven Years



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KNOWLEDGE CHECK- Poll Question

How do you Properly Void a check?



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Article IV - Income



A sample membership dues roster table with columns for Name, Address, City, State, Zip, and various dues amounts.

When Documenting, be sure to:

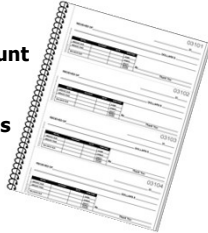
- Keep copies of Transmittal/ Remittance Advice and Membership Rosters
- Make a Copy of all Checks Deposited
- Attach Check Copies to Deposit Slips
- Deposit funds promptly In Full



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Cash Receipts Journal

- **CAN BE** Manual or Computerized
- **RECORD** the Date and Amount of Receipt
- **RECORD** the Source of funds
- **RECORD** the Purpose of funds



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Article V - Expenditures Authorization

- Union Money can only be spent with Proper Authorization
- Authorize Prior to incurring the Expense
- Only for Legitimate Union Business Purposes
- Executive Board has Responsibility



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Expenditures - Authorization

There Are Four Types of Authorization:

- Law
- Constitution
- Contract
- Vote



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Required By Law

The law states that you Must make this Payment

Examples include:

Payroll Tax Deposits and Related Payments
(FICA, Unemployment Taxes, etc.)

Possible Fines imposed by the IRS for late filing of Form 990 or 990-EZ

Payments required by law need no Further Authorization



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Required by Union Constitution

- International and Council Per Capita Taxes
- Local Union rebates
- Payment of Surety Bond Premium to International

These payments also require no Further Authorization



33

Required by Contract

Payments to meet Contractual Obligations

Prior Authorization Required

- **Equipment Rental**
- **Meeting Hall Rental**


Attach Copy of Approved Contract to Minutes




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Authorized By Vote



- **Membership**
- **Executive Board**
- **Delegate Assembly**




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Expenditures - Authorization

- **Most Union's Expenditures are Authorized by Vote of Board or Membership**
- **Minutes should detail the Approval and the Union Purpose of the Payment**
- **Approval for recurring Expenditures may be handled through the Annual Operating Budget**

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Expenditures - Authorization

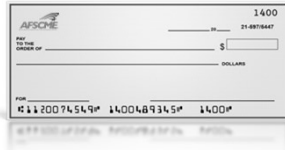
- A Budget or Approval for a Recurring Expenditure is valid only for the Current Year
- Reauthorization must be Made at the Beginning of Each Year
- Approved Budget should be Attached to the Meeting Minutes



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Article VI - Expenditures - Procedures

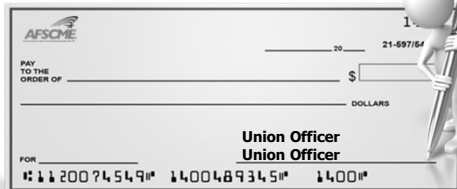
- Authorized Expenditures should be made by Union Check
- Electronic Transfers Only for Payroll and Benefits payments
- Cash Withdrawals from Union bank accounts are Strictly Prohibited



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Check Signers

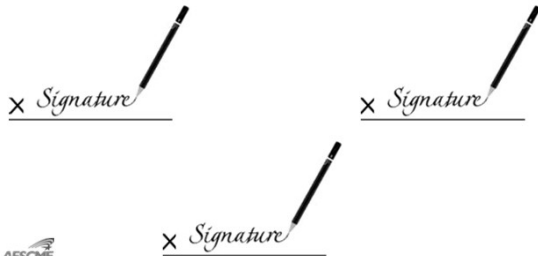
All Checks must be Signed by Two Officers



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Check Signers

It is recommended that at least Three (3) Signatories be Registered with the bank for each Affiliate Account



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Never Pre-Sign A Check



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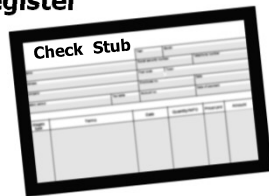
NEVER USE A RUBBER STAMP FOR CHECK-SIGNING



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Writing Checks

Enter the Date, Amount, Check Number, Payee and Purpose on the Check Stub or Check Register



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Writing Checks

Before you write a check, you need:



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Writing Checks - Documentation

Payment to vendors should be supported by an invoice.

Payments to an officer or a member, should be supported by an expense report or payroll register



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Writing Checks – Union Purpose

- You should also make sure that you understand the explanation of the union business purpose of the payment
- The authorization, documentation and explanation of an expenditure must be clear to the check writer and signatory prior to writing or signing a check
- Never write or sign a check that does not have proper authorization, adequate supporting documentation, and a legitimate union business purpose



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No Cash Payments

Checks may Not be Made Out to Cash

Checks are written to:

- Individuals
- Vendors



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Writing Checks - Paying Bills


- Original receipts Must be Maintained to support payments
- Write Check Number, Date, and Check Amount on the Face of the Bill, Invoice or Expense Report
- File Paid Bills in an orderly manner



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Electronic Transactions

- Bank Wire Transfers must be authorized by the authorized Signatories
- Generally, no Direct Debits or Internet Payments & no Pay by Phone Payments




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ATM Cards

Bank Debit Cards or ATM Cards are Prohibited and may Not be Used under any Circumstances




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Article VII Expenditures Documentation

Receipts and Invoices Must Be Maintained




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Payment Types

Taxable

**Non
Taxable**




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Taxable Payments

Non-Accountable Plan:

- **No Expense Reports**
- **Taxable Income to recipient**
- **Payroll Taxes must be Withheld and Reported**




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Payroll & Payroll Taxes

The Officer as an Employee:

**Allowances, Reimbursed
Dues and Lost Time paid to
officers are Wages subject
to tax withholdings**



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Undocumented Payments to Officers are W-2 Payroll Items



No Receipts or Expense Reports on file to substantiate payments



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Non-Taxable Payments



Accountable Plan = Expense Report

You are Reimbursing actual expenses

which are Non-Taxable to recipient



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Examples of Reimbursed Expenses

- Local officers are paid up to 57.5 Cents Per Mile for all union related Mileage during 2020
- Local president purchases Office Supplies for the local union and submits the Expense Report & Receipt for payment



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Per Diem Payments

- Per Diem payments for Meals must be paid in conjunction with an Overnight Stay Out Of Town
- Reimbursed Expense if they do not exceed applicable federal per diem rates of \$55 to \$76 Per Night Effective 10/01/19



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Lodging

- Obtain Receipts to Document Overnight Stays for meal per diem payments
- Attach Receipts to Expense Report



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Expense Reports

Officers, Members and Employees are Required to submit an Expense Report



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Expense Reports

Expense items reimbursed must have Original Receipts Attached and show the following:

1. Date
2. Amount
3. Specific Union Purpose



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Expense Reports



- Original Receipts must be attached to the expense report
- Expense Reports should be Filed Timely



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Expense Reports

Meal or Entertainment Items List must have:

- Name(s) and union relationship of person(s) entertained
- Explanation of specific union business discussed



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Expense Reports

The Officers Expense Reports must be Approved by the Executive Board-Someone Other than the Preparer.





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Union-Owned Credit Cards

AFSCME Strongly Recommends Against the use of union-owned credit cards

Circumvents the Requirement that 2 officers sign all disbursement checks





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Article VIII - Minutes

The Recording Secretary is responsible for maintaining the minutes of all the Affiliate meetings such as:

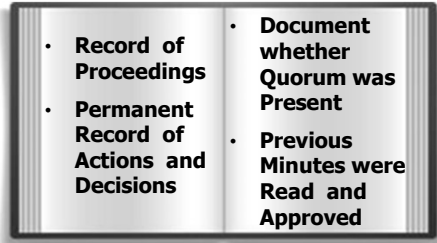
- Executive Board Meetings
- Membership Meetings
- Committee Meetings





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Meeting Minutes



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Minutes Note Financial Authorizations:

The most important function of the meeting minutes is that they note Financial Authorizations such as:

- What Motions Were Made
- Who Made the Motions
- Who Seconded the Motions
- Whether the Motions Passed



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Financial Reports

The Following Must Be Attached to the Minutes:



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Key Point

Minutes are Part of the Financial Records of the Union and Must be Retained for Seven Years



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Article IX - Reporting

Bill of Rights of Union Members

- Part of AFSCME's Constitution
- Full and clear accounting
- Regular financial reports required



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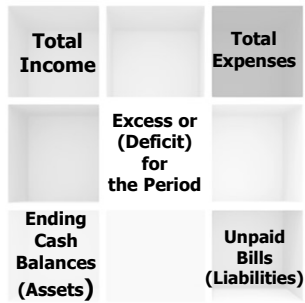
Financial Statements

- Prepared Monthly
- Presented to Executive Board and Membership
- Attached as a Permanent Part of the Local's Minutes



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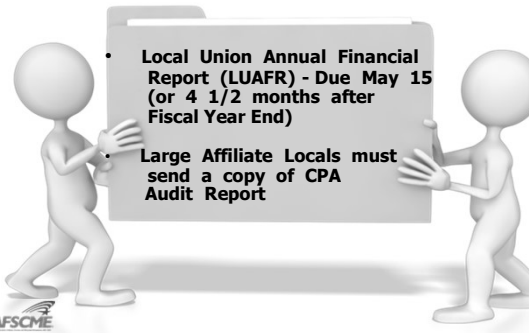
Components of Financial Reports



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AFSCME Reporting

All Local Unions must file:



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AFSCME Reporting

Every Affiliate must file:

- Surety Bond Report due by March 1st each year
- The Surety Bond is protection against theft of Union Funds by Officers and Employees



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Surety Bond

AFSCME Employees and Officers

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Large Affiliate Reporting

All Councils and any Local Unions with 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

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Large Affiliate Reporting

All Councils and Local Unions with 2,000 or more Members must:

- Prepare Quarterly Financial Statements and Annual Budgets
- Have annual CPA Audits
- Submit Copies to the International Secretary-Treasurer

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Knowledge Check

How often is my union required to prepare a financial report?



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Government Reporting

You are Required to File One (or more) of the following:

<u>Forms</u>	<u>Due Date *</u>
IRS Form 990-N, 900-EZ or 990	May 15th
IRS FORM 1120-POL	March 15th
DOL LM-2,3,4 Reports	March 31st

* CALENDAR YEAR FILERS



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Article X

**CONFIDENTIALITY
OF FINANCIAL
RECORDS**



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Restricted Access

- Don't disclose Confidential Information without Authorization
- Limit requests to legitimate Union Business Purposes
- Personal Information should be Secured



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Article XI - Audits

How Often Should You Have An Audit?

- At Least Once Each Year
- check your constitution
- Upon Change of Officers
- When Circumstances Warrant



83

Who Should Perform the Audit?

- Trustees
- Independent Certified Public Accountant (CPA) not otherwise connected with the union



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Audit Results

CPA or Trustees must present a Written Report with the following:

- **Period the records were Reviewed**
- **Material Deviations from the Financial Standards Code found during the Audit**



85

Audit Findings

- **Findings Reported to Executive Board and Membership**
- **Audit Report Attached to Minutes of meeting at which it was Presented**



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Copies of Presentation Slides

If you did not get a PDF copy of the Power Point Slides, and would like to receive one, please email either of the Instructors:

• **William Del Pino**
AFSCME International Union Auditor
• Email: wdelpino@afscme.org

• **Brent Beebe**
AFSCME International Union Auditor
• Email: bbeebe@afscme.org



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Evaluation Form

**You will soon be receiving an email
Evaluation Form for this Zoom
Training.**

**Please Complete the Evaluation
Form and Email back to us as soon
as possible.**

**Thank you for participating in this
Zoom Training!**



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Questions & Answers



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