

Financial Standards Code – Frequently Asked Questions

Video 1

Article I– Purpose and Scope

Question: What is the purpose of the Financial Standards Code?

Answer: To establish minimum standards for the handling of funds and records maintenance.

Question: Does the Financial Standard Code allow the use of computerized accounting?

Answer: Nothing in the Financial Standards Code prohibits the use of electronic equipment for recordkeeping. Computerized recordkeeping is recommended, particularly for medium-sized and larger affiliates. A computerized accounting system can save time and help organize your monthly financial reporting.

Article II – Custody of Funds

Question: Do you have to deposit and keep union funds in a federally insured bank?

Answer: Yes. All funds must be insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA).

Question: The current insurance coverage is \$250,000. Is that per bank or per bank account?

Answer: Your total insurance coverage is \$250,000 per bank. If you have multiple accounts at the same bank, you are only covered for a total of \$250,000.

Question: What is the maximum fund that may be maintained in a petty cash fund?

Answer: The maximum amount that may be maintained in a petty cash fund is \$100

Video 2

Article III – Maintaining Records

Question: Why do I need the back of the canceled checks for my affiliate? The bank only sends me the front of the check.

Answer: You need to see who endorsed the check. Also, if you ever have a misappropriation of funds, the insurance company will not reimburse you without front and back copies of all checks involved.

Question: How long is my union required to keep financial books and records. We have financial records that are very old and are just gathering dust and taking up space.

Answer: The Financial Standards Code requires that AFSCME affiliates maintain all financial books and records for a minimum of seven (7) years.

Question: Are minutes part of the financial records?

Answer: Minutes are financial records because they document authorization for union expenditures. Minutes, along with all other union financial records, should be retained for a minimum of seven (7) years.

Article IV – Income Documentation

Question: Do I need to maintain a separate Dues Trust Fund bank account?

Answer: You only need a separate Dues Trust Fund bank account if the dues checks you received include amounts payable to others: International Per Capita Tax, Council Per Capita Tax, PEOPLE deductions.

Question: Is it permissible in some instances to get cash back from a deposit?

Answer: All funds received by the union must be promptly deposited in full in a union bank account. Receiving cash back from a deposit is prohibited.

Video 3

Article V – Expenditures Authorization

Question: What is the most common way that affiliate expenses are authorized?

Answer: Most affiliate expenditures are authorized by vote of the membership, Executive Board or other delegate assembly.

Question: If my affiliate pays allowances to their officers, do we have to vote to approve paying the required payroll taxes?

Answer: No. Once the membership and/or Executive Board approves paying officer allowances, the payment of the required payroll taxes is authorized by law.

Question: Are all AFSCME affiliates required to prepare an annual operating budget?

Answer: Budgets are required only for large affiliates; that is, all councils and all locals of 2,000 or more members, but they are highly recommended and are a very useful financial planning tool for all affiliates regardless of the size of your union.

Video 4

Article VI – Expenditures Procedures

Question: If we need to purchase office supplies but don't know how much the amount will be, is it alright to fill in the payee and sign the check, then fill in the amount when we get to the check register?

Answer: No. That is considered to be a pre-signed check and is a violation of AFSCME's Financial Standards Code.

Question: How many officer signatories should be registered to sign checks on the union bank accounts?

Answer: It is recommended that at least three (3) signatories be registered with the accounts. This is necessary so that the affiliate can still write checks as needed in the absence of one of the principal signatories.

Question: Our union has a difficult time getting airlines and hotels to accept checks. Can we have a debit card or ATM card to use only in those instances such as travel expenditures where the vendor will not accept a check?

Answer: Use of a debit card or ATM card is always prohibited for paying an expenditure or for cash withdrawals. Some airlines and hotels will accept a union check if there is sufficient time prior to the travel date for the check to clear. This will take some advance planning on the union's part. Some banks require a debit or ATM card for online banking, such as to download and print the front and back of canceled checks. In this case, the debit card should be set up to not allow use for payments or withdrawals.

Video 5

Article VII – Expenditures Documentation

Question: Who is required to submit expense reports for reimbursement of local union expenses?

Answer: All officers, Executive Board Members, affiliate employees and members of the affiliate must fill out and submit an expense report to substantiate all expense reimbursements.

Question: Should expense reports be approved prior to payment?

Answer: Yes. All expense reports should be approved by someone other than the preparer prior to payment. The approver should also check the math to make sure the proper amount is being reimbursed.

Question: What supporting documentation is required when the union pays for a meal for a union meeting?

Answer: If the payment is for a reimbursement, the expense report must list the names, titles, union relationships of the persons entertained and the specific union business discussed. If the payment is for a vendor, such as for pizza at a board or membership meeting, the payment must be supported by a vendor invoice and a sign-in or attendance sheet.

Video 6

Article VIII – Minutes

Question: What reports should be attached to the minutes?

Answer: Treasurer's monthly financial report, Trustee or CPA Audit Report, Annual Budget, Policies and/or contracts when approved.

Question: Why is it necessary to read and approve the previous meeting's minutes at the beginning of an Executive Board or general membership meeting?

Answer: Reading and approving the previous meeting's minutes is important because this allows the Executive Board and membership to make comments to correct and if necessary revise the minutes to ensure they are adequate and complete.

Question: What is the record retention period for Executive Board and general membership meeting minutes?

Answer: Minutes are part of the financial records and must be retained for a minimum of seven (7) years.

Video 7

Article IX – Reporting

Question: What information is included in financial reports for the Executive Board and membership?

Answer: There are five components that are required to part of all financial reports: income from dues and other sources by category, a listing of the expenditures totaled by significant category, the excess or the deficit for the period, the month-end balances for each bank and investment account and a listing of the unpaid bills. The income, expenses and excess or deficit are elements of an income statement. The balances in the accounts and the unpaid bills are elements of a balance sheet.

Question: If we do not have meetings every month, do we still need to prepare a monthly financial report?

Answer: Yes. Financial reports must be prepared at the end of each month. Monthly financial reports must be completed and available to the Executive Board and membership no later than 30 calendar days following the end of the month. Monthly financial reports not presented since the last meeting should be presented at the next regular meeting. For example, if your affiliate does not have meetings during the summer months (June – August), the May, June and July monthly financial reports would be presented at the September meeting.

Question: What financial reports are my union required to file with AFSCME International

Answer: All Locals and Councils must file an annual surety bond report by March 1 of each year. The Surety Bond report due date of March 1 applies to all affiliates, whether on a fiscal or calendar year. Local unions must file an annual Local Union Annual Financial Report (LUAFR) by May 15 of each year or four-and-a-half months after the affiliate's fiscal year end. Large affiliates, all Councils and local unions with 2,000 or more members must have an annual CPA audit and are required to submit a copy of the CPA audit report to AFSCME International.

Question: What reports are my union required to file with the Internal Revenue Service (IRS)?

Answer: If your affiliate has its own Employer Identification Number (EIN), you are required to file some version of the Form 990 with the IRS. The three types of forms in the 990 series are the 990-N, the 990-EZ and the 990. Which form your affiliate files primarily depends on the average amount of funds normally received and deposited during the last three (3) completed tax years into your union accounts, but for larger affiliates may also depend on your affiliate's total assets at the end of the latest tax year.

- Affiliates that normally receive and deposit an average of \$50,000 or less in the last three (3) completed tax years should file a Form 990-N, which is an email postcard sent to the IRS.
- Affiliates with an average of the funds received and deposited in the last three (3) completed tax years of greater than \$50,000 but less than \$200,000 should file a Form 990-EZ, so long as the affiliate's total assets at the end of the latest tax year are also less than \$500,000.
- Affiliates with an average of the funds received and deposited in the last three (3) completed tax years of \$200,000 or more, OR those having \$500,000 or more in total assets at the end of the latest tax year, must file a Form 990.

All types of 990 forms are due to the IRS by May 15 for calendar-year filers or four-and-a-half months after the fiscal year ends. Failure to file a Form 990-EZ or Form 990 by the due date can result in monetary penalties for late filing. A late 990-N filing will not incur monetary penalties, but in all cases, failure to file some version of the 990 for three consecutive years will result in revocation of the affiliate's income tax exemption.

Question: Is my affiliate required to file reports with the Department of Labor?

Answer: The Department of Labor LM (Labor Management) reports are required only for affiliates that represent private-sector members. There are various types of LM reports, such as LM-2, LM-3 and LM-4. The amount of your union's receipts determines what type of LM report should be filed.

Question: Are there special reporting requirements for large affiliates?

Answer: Large affiliates, which include all Councils and Locals of over 2,000 or more members, must prepare a monthly financial report showing actual versus budgeted income and expenses for the month and year-to-date. They are also required to prepare annual operating budgets and have annual CPA audits. Copies of the operating budget and CPA audit report must be sent annually to AFSCME International.

Article X - Confidentiality

Question: If a non-member asks an affiliate for a copy of their IRS Form 990 or 990-EZ, do they have to give it to them?

Answer: Yes. IRS 990 and 990-EZ Forms and LM Reports are considered to be public documents.

Video 8

Article XI – Audits

Question: How often are affiliates required to have an audit?

Answer: Check your affiliate constitution. You are required to have an audit at least once each year.

Question: Are affiliates required to have an annual CPA audit?

Answer: Councils and Locals with 2,000 or more members must have an annual CPA audit. If you have less than 2,000 members, you can utilize your Trustees, who can follow the Trustee Audit Guide and complete the Trustee Audit Checklist to assist them in performing the audit. The Trustees Audit Guide is found in the back of the Financial Standards Code after the Appendices.

Question: Is a written audit report required or can the audit report be verbal?

Answer: The CPA will issue a CPA audit report upon completion of the audit. The CPA will also prepare a management letter if any violations of the Financial Standards Code or any weaknesses in internal accounting controls were noted as a result of audit work performed. The Trustees must make a written report indicating the period for which the financial records were reviewed and detailing any material deviations from the Financial Standards Code.

Question: Is the union required to take action on the findings detailed in the written audit report?

Answer: The union must correct any deficiencies or violations of the Financial Standards Code that are noted in the audit report. The corrective action taken must be reported to the Executive Board and the membership. The audit report should be attached to the minutes of the Executive Board and membership meeting at which it was presented.