



CHAPTER TREASURER'S HANDBOOK

2025 Edition

CHAPTER TREASURER'S HANDBOOK

TABLE OF CONTENTS

1. Glossary of Financial Terms.....	1
2. Chapter Treasurer Duties	4
3. 501(c)(5) Tax Exempt Code	6
4. Charitable Contributions Policy	7
5. Records Maintenance & Retention Policy.....	8
6. Chapter Minimum Allocation Policy.....	11
7. Chapter Minimum Allocation Report Form.....	12
8. Chapter Newsletter Fees	14
9. Treasurer's Cashbook.....	15
10. Chapter Operating Budget Template	16
11. Chapter Operating Budget Line-item Descriptions.....	17
12. Monthly Report Form.....	19
13. Chapter Audits	20
14. Trustee Audit Report Form	21
15. Expense Reimbursement Policy	22
16. Expense Reimbursement Form.....	24
17. AFSCME Financial Standards Code.....	25
17.1 Trustees Audit Guide.....	63



RETIRED PUBLIC EMPLOYEES COUNCIL OF WASHINGTON

Glossary of Frequently Used Financial Terms AFSCME & RPEC

Administrative expenses: The fixed operating costs associated with running the Council. Administrative expenses also are referred to as “the costs of doing business.”

AFSCME per capita: Each month, RPEC provides a financial allocation to AFSCME as an affiliate. The amount paid monthly is calculated based on RPEC's active membership base.

Annual receipts: This term is sometimes used instead of income or revenue. For RPEC, our annual receipts are made up of membership dues and interest income from investments like Certificates of Deposit (CD's).

Audit: RPEC is required to perform an external audit annually, using an independent external auditor, to fulfill the AFSCME Financial Standards and tax requirements as a 501(c)5 non-profit organization.

Auditor: A private firm hired by the Council to conduct an annual independent audit of the Council's financial records. Currently, RPEC's external auditor of record is NorthStar.

Chapter audits: Chapter trustees must conduct audits of the chapter's revenue and expenditures at least annually, but preferably bi-annually. Chapters submit written verification of the completion of the audit to the Council Office to fulfill non-profit tax filing requirements.

Chapter per capita: Every month, each viable chapter receives an allocation, based on the number of the chapter's active RPEC members (as verified by the Department of Retirement Systems). This monthly allocation is intended to cover chapter operating costs aligned with RPEC's mission and strategic plan goals. The per capita allocation covers meeting costs, hybrid meeting equipment and costs, production costs for newsletters, qualified officer expenditures as outlined in the RPEC Constitution, cost for registration and expenses for delegates to RPEC's biennial convention, and member expenditures approved by the chapter executive board and a quorum of active members.

Chapter trustee: Chapter trustees are elected to conduct the chapter audits and report the findings to the chapter president, chapter executive board, and the Finance and Operations Specialist at the Council Office.

Committees' expenses: Expenses incurred by standing committees and special committees of the Executive Board are categorized as committees' expenses. This category covers postage, meeting material production costs, and supplies. To broaden member participation in standing committees and to be fiscally responsible for RPEC's limited resources, all standing and special committees are not incurring travel and in-person meeting-related expenses except for the Executive Board, which meets in Olympia, as needed, in the 3rd or 4th quarter of the year. This category of

expenses also covers travel-related expenses for Executive Committee members designated to serve as RPEC delegates to conventions convened by the Washington State Labor Council, AFSCME Retirees Annual Meeting, and the Washington Federation of State Employees.

Convention: The Convention body is the governing body of RPEC. The biennial Convention is held in even-numbered years. Decisions rendered by the Convention body guide the organization over the subsequent two years before the next Convention. Sending a reasonable slate of delegates to the annual convention is a priority expenditure for RPEC chapters.

Costs of doing business: The “costs of doing business” are the fixed operating costs to run the Council. Fixed operating costs include the office lease, equipment leases, technology-related expenses (internet, website hosting, telephone, etc.), human resources, office supplies and materials, photocopying, merchant fees, postage, electricity/water, taxes (property, payroll, liability, etc.), equipment, software leases, etc.

Depreciation: Fixed assets owned by RPEC, like laptop and desktop computers, non-leased office equipment, chairs, desks, bookcases, etc., lose their monetary value over time with age. The value of an asset at the time of purchase is different than the value of that asset five years later. The depreciation of RPEC’s fixed assets is captured in the Council’s financial statements.

Expenses: Legitimate costs and expenses that relate to the “costs of doing business” in support of RPEC’s mission and strategic plan goals.

Fiduciary responsibility structure: The elected Executive Board and the Executive Director have fiduciary responsibility for the Council. Chapter presidents, treasurers and trustees have fiduciary responsibility for RPEC chapters. The fiduciary responsibilities of these leaders are delineated in the AFSCME Constitution, the RPEC Constitution, Chapter bylaws, and the AFSCME Retiree Officers Manual.

Finance and Operations Specialist: This is the RPEC staff member who works alongside the Executive Director to develop the preliminary operating budget for the Finance Committee.

Finance Committee: A standing committee appointed by the Executive Board. The Finance Committee includes the RPEC Treasurer, who serves as the Finance Committee chairperson, the RPEC President and three elected members of the statewide Executive Board (excluding the Vice President and Secretary, who are ineligible to serve on this Committee). The Executive Director and the Finance and Operations Specialist staff the Committee as non-voting members.

Financial Standards Code: The minimum bookkeeping standards, rules and procedures established by AFSCME to ensure all affiliates (like RPEC) fairly and fully account for the finances. As an AFSCME affiliate, the Council (including all chapters) are required to adhere to and comply with all provisions of the Financial Standards Code.

Financial statements: These documents are produced monthly by the Council, showing revenue and expenditures.

Fiscal year: The term for accounting, budgeting, and financial reporting purposes. RPEC's fiscal year follows the calendar year.

Form 990: Federally required, annual electronic tax filing for small exempt organizations like RPEC chapters. Form 990 includes gross receipts and prior-year assets. This is submitted by the Finance and Operations Specialist.

Human Resource expenses: This category of expenses covers employee salaries, benefits, and mandatory employer-related state and federal taxes.

Income: RPEC's revenue comes from the monthly dues paid by eligible public sector retirees. RPEC's income fluctuates monthly based on the membership totals provided by the Department of Retirement Systems and cash (check and credit card) payments by RPEC members.

Membership dues: As a union affiliate, RPEC members pay \$84 per year for full access to all membership benefits.

Operating budget: Projected income and expenses for the coming year. RPEC's operating budget is approved by the Executive Board in November of each calendar year. Chapter budgets must be approved by the chapter executive board.

PAC allocation: The RPEC Political Action Committee is funded through a monthly allocation. Most of the PAC revenue is generated from independent member donations earmarked specifically for the PAC.

Property tax: Even though RPEC sublets office space on a monthly lease from the Washington Federation of State Employees, the Council pays yearly property taxes to the State of Washington for assets owned by RPEC.

Reimbursed expenses: Eligible expenses as determined by the Executive Board and chapter executive boards.

Revenue: Income that funds the Council in support of RPEC's mission and strategic plan. RPEC's revenue is derived from member dues. A small amount of revenue is generated by interest income from investments and donations.

RPEC & AFSCME Constitutions: The key guiding documents of the Council, which include the structure and system of governance for RPEC as an affiliate of AFSCME Retirees. The RPEC Constitution is amended, when necessary, at RPEC's biennial convention. Both documents are available on the RPEC website.

Special events: Events coordinated for RPEC members and leaders. Special events include the biennial Convention, annual Legislative Day/Week, and the annual Leadership Training for all chapter officers.

Surety bond reports: Per the AFSCME Financial Standards Code, all RPEC chapters must complete and submit to the Finance and Operations Specialist an annual surety bond report. The report lists all bank accounts and investments from the prior calendar year-end plus all cash receipts from the prior calendar year.

Working capital: This term is often used interchangeably with revenue.



RETIRED PUBLIC EMPLOYEES COUNCIL OF WASHINGTON

Chapter Treasurer Duties

Below is a broad overview of chapter treasurers' duties. Treasurers should familiarize themselves with AFSCME's Financial Standards Code to ensure that their operations are in accordance with AFSCME's requirements and will not jeopardize RPEC's tax exempt status.

Member dues for one year are \$84.00. The chapter share is \$16.80, and the Council share is \$67.20. The Council pays \$6.00 per member to AFSCME. The Council Office maintains a current list of the chapter's cash paying members. The Council Office sends an invoice to the cash member one month prior to their membership renewal date.

At the end of each month, the Council Office will send the chapter's per capita statement to the chapter treasurer. The statement includes the chapter's share of the member dues. The statement will show any subtractions for the meeting notice charges, Surety Bond, etc. This money is then electronically deposited to the chapter's bank, or a check is issued and sent to the chapter treasurer.

Key Duties

1. Deposit any monies in a timely manner.
2. Write checks as needed for paying bills (checks require two signatures).
3. Reconcile bank statements monthly.
4. Prepare monthly financial statements – income, expense, cash assets, and report out at chapter meetings.
5. Prepare chapter operating budget with chapter officers and executive board members. Forward both the proposed budget and membership approved budget to the Council Office.

Chapter Surety Bonds

The Council Office sends the AFSCME Surety Bond Report form to chapter treasurers. The purpose of this form is to estimate the amount of funds that will be handled by the chapter during the following year. The amounts will be used to determine the amount of surety bond coverage necessary. The premium is paid by the Council Office and will be subtracted from the chapter per capita payment. This ensures that the bond is paid, and chapters are properly credited for payment.

1. Complete the form as instructed and send it to the Council Office by February 25th of that year.
 - Include any bank statements ending December 31st, which show interest earned for the year as well as current balances.

- Include a year-end financial report supporting the dues received in the year.
 - Provide a copy of the 1099-INT or 1099-DIV tax forms from the chapter's financial institution.
2. The Council Office will submit the form and all relevant documentation to AFSCME.

IRS Form 990-N

The IRS Form 990-N is done yearly. Many chapter treasurers have received notices from the Internal Revenue Service (IRS) notifying them that they must file Form 990-N. The Council Office files this form for chapters. Returns will be filed no later than April 1st.

If you receive any notice from the IRS, please forward it to the Council Office immediately, care of the Finance and Operations Specialist. The responsibility for any tax-related event falls on the Council.



RETIRED PUBLIC EMPLOYEES COUNCIL OF WASHINGTON

501(c)(5) Tax Exempt Code

RPEC is a 501(c)(5) organization. This is a federal tax code only. The state nonprofit information is updated yearly when the nonprofit corporation annual report is submitted to the Washington Secretary of State.

IRS Status 501(c)(5) – Labor Organization

The term "labor organization" has been broadly construed by the courts and the IRS service. While the term includes labor unions, it is not restricted to labor unions. Instead, the term is commonly defined as an association of workers who have combined to protect or promote the interests of the members by bargaining collectively with their employers to secure better working conditions, wages, and similar benefits. "Similar benefits" include the provision of benefits traditionally provided by labor organizations, such as strike and lockout benefits, as well as death, illness, accident, and similar benefits.

The articles of incorporation under general purposes states, “[...] **to promote and protect the interest of the member’s retirement rights and benefits.**”

This means the membership monies can only be spent to promote and protect the interest of the member’s retirement rights and benefits. If monies are used for charitable, social, and educational purposes or any other donation not in the frame of the general purpose of the organization, the tax-exempt code is jeopardized.

When developing the chapter’s operating budget or writing a check, please ensure that it is for the purpose of the organization.

RETIRED PUBLIC EMPLOYEES COUNCIL OF WASHINGTON

Charitable Contributions Policy

PURPOSE

To clarify the information given in the Treasurer's Training regarding Chapters giving donations to charities.

SCOPE

- The dues money is to be used to inform and mobilize members first and foremost, to meet the purposes of our constitution and maintain our 501(c)(5) status. This can be done by spending funds on newsletters, sending members to RPEC functions, attracting new members to meetings, etc.
- If funds are left over, chapters should consider contributing a portion of the funds to the RPEC general fund, and/or the RPEC PAC fund.
- Then, if funds are left over, by a vote of the membership, it is allowable to donate to charity.

POLICY

According to our constitution, the 501(c)(5) status (IRS) charitable giving is **not** the main function of the dues.

- Therefore, dues should not be spent on charitable giving **until** the funds are used to meet the main purposes of RPEC.
- Annual charitable contributions shall not exceed 5% of chapter's annual per capita.
- **Chapters receiving minimum dues allocations from the Council Office are not permitted to make charitable contributions, other than contributions to RPEC, using chapter funds.**

RETIRED PUBLIC EMPLOYEES COUNCIL OF WASHINGTON

RECORDS MAINTENANCE AND RETENTION POLICY

All records shall be maintained in accordance with IRS regulations and the AFSCME Financial Standards Code.

Per AFSCME Financial Standards Code, Article III - 2024

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 auto-mated 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 copies of canceled checks. If the affiliate's bank or credit union does not normally provide 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 front and back copies of their canceled checks. Canceled checks are an essential part of the audit trail, as they are 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 within thirty (30) days of the bank statement's end date. A copy of the reconciliation report should be 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 used.
- G. All check stubs and voided checks. For security purposes, the signature portion 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, as well as local union rebate 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, W-2s and Forms I-9, 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. All annual budgets, trustee audits, CPA audits and management letters.
- O. All mortgages, loan agreements, lease agreements, lease-purchase or time-payment contracts, and all other contracts of any nature that 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
- U. Electronic backup and/or manual copies 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.
- D. Copies of all attachments to minutes, including financial reports and presentations, annual audits, annual budgets, mortgages, loan agreements, lease agreements, lease-purchase or time- payment contracts, and all other contracts of any nature that involve financial obligations on the part of the affiliate.

Section 3.

All financial books, records, property, and equipment in the custody of the union's officers and Executive Board are the property of the union.

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.

*Per IRS 501 (a) – “Compliance Guide for Tax Exempt Organizations other than 501 (c) (3)”

- Executive Board minutes shall be retained indefinitely.

All election records, including ballots, shall be retained by the Council Office and chapters for at least one year after the election.

RETIRED PUBLIC EMPLOYEES COUNCIL OF WASHINGTON

Chapter Minimum Allocation Policy

INTRODUCTION

Each active RPEC chapter should receive a minimum allocation of monthly dues.

PURPOSE

- Establishes a monthly minimum allocation of dues that every chapter should receive, to support basic chapter operations.
- Requires semi-annually completion and filing of Chapter Minimum Allocation Financial Report by chapters who receive a minimum allocation.

SCOPE

- Chapters whose portion of member monthly dues is less than \$100.
- Chapter Minimum Allocation changed from \$60 to \$100 effective with Chapter Dues paid in January 2022.

POLICY

Council will pay a minimum of \$100/month to all chapters, prior to any separate deductions, whose monthly allocation of dues is under \$100. The Chapters receiving the allocation must complete the Chapter Minimum Allocation Financial Report and submit to the Council Office. Failure to submit the Chapter Minimum Allocation Financial Report may lead to the Chapter not receiving the minimum allocation.

DEFINITION

Chapter Minimum Allocation Financial Report – Form used by Chapter to report bank and investment balances and expenses for periods in which they received minimum allocation.

ROLES AND RESPONSIBILITIES

1. The Council's Finance & Operations Specialist
 - A. Will add minimum amount to monthly Chapter per Capita payments once DRS and Cash dues amounts are determined.
 - B. Will summarize semi-annual (Jan-June and July-Dec) amounts paid to chapters receiving the minimum allocation and prepare and mail Chapter Minimum Allocation Financial Report to affected chapter treasurers.
2. Chapter Treasurer
 - A. The treasurer of the chapter receiving the minimum allocation will complete the Chapter Minimum Allocation Financial Report and return it to Council Office.
3. District Representatives
 - A. May be asked to assist the Council's Finance & Operations Specialist in collection of late reports.

RETIRED PUBLIC EMPLOYEES COUNCIL OF WASHINGTON

CHAPTER MINIMUM ALLOCATION FINANCIAL REPORT

January 1, YYYY - June 30, YYYY

CHAPTER NO. & ADDRESS

1. CASH OR INVESTMENT BALANCES

Bank or Institution Name	Account Type (CD, Checking, Savings)	Account No.	Balance or Market Value as of 06/30/YYYY

2. EXPENSES - January 1, YYYY THROUGH June 30, YYYY

Vendor Name	Amount Paid	Description or Reason for expense

Print name:

Signature:

(Must be Chapter Treasurer or President)

Title:

Date:

RETIRED PUBLIC EMPLOYEES COUNCIL OF WASHINGTON

CHAPTER MINIMUM ALLOCATION FINANCIAL REPORT

July 1, YYYY - December 31, YYYY

CHAPTER NO. & ADDRESS

1. CASH OR INVESTMENT BALANCES

Bank or Institution Name	Account Type (CD, Checking, Savings)	Account No.	Balance or Market Value as of 12/31/YYYY

2. EXPENSES - July 1, YYYY THROUGH December 31, YYYY

Vendor Name	Amount Paid	Description or Reason for expense

Print name:

Signature:

(Must be Chapter Treasurer or President)

Title:

Date:



RETIRED PUBLIC EMPLOYEES COUNCIL OF WASHINGTON

Chapter Newsletter Fees

Chapters with less than 100 members:

- The Council covers 100% of the cost for newsletters.

Chapters with 100 – 199 members:

- The Council covers 50% and the chapter covers the other 50% of the newsletter costs.

Chapters with 200+ members:

- The chapter covers the full cost.
- 200 or more recipients allows for discounted bulk rate.

Cost Breakdown of In-House Mailings (less than 200 pieces):

Category	Cost/Unit	Units
Postage	\$ 0.690	per newsletter
Print 2s B&W	\$ 0.065	per sheet
Print 1s B&W	\$ 0.040	per sheet
Envelopes	\$ 0.090	per newsletter
Print 1s Color	\$ 0.100	per sheet
Print 2s Color	\$ 0.230	per sheet

(current postage rate is \$0.69 per newsletter)

Cost Breakdown of Bulk Mailings (200+ pieces):

Category	Cost/Unit	Units
Flat charge	\$ 10.00	per mailing
Print 2s B&W	\$ 0.065	per sheet
Print 1s B&W	\$ 0.040	per sheet
Folding	\$ 0.005	per newsletter
Addressing	\$ 0.045	per newsletter
Insert	\$ 0.080	per newsletter
Print 1s Color	\$ 0.100	per sheet
Print 2s Color	\$ 0.230	per sheet

(postage varies by destination; estimated to be from \$0.21 - \$0.25)



RETIRED PUBLIC EMPLOYEES COUNCIL OF WASHINGTON

Chapter # _____ Operating Budget

YEAR: _____

REVENUE

Annual Amount

Chapter per Capita	\$ -
Interest - Checking/Savings	-
Interest - CDs/investments	-

Total Revenue	<u>\$ -</u>
----------------------	-------------

EXPENSES

Annual Amount

Chapter Newsletters Postage & Printing	\$ -
AFSCME - Surety Bond	-
RPEC Convention	-
RPEC Legislative Day	-
Meeting Expense - Rent	-
Meeting Expense - Members	-
Meeting Expense - Other (not rent or member related)	-
Legislative Advocacy - Contributions to RPEC-PAC	-
Legislative Advocacy - Travel Reimbursement - Members	-
Supplies	-
Bank Fees	-
Other	-

Total Expense	<u>\$ -</u>
----------------------	-------------

Net Gain (Loss)	<u><u>\$ -</u></u>
------------------------	--------------------

Date approved by chapter membership:



RETIRE PUBLIC EMPLOYEES COUNCIL OF WASHINGTON

Chapter Budget Template Line-Item Descriptions

REVENUE:

Chapter per Capita – DRS & Cash

- Source: Council Office
- Members who pay via monthly deduction (\$7/mo)
 - Indicated as "DRS-Member Dues" on monthly statement sent by Council Office.
- Members who pay via check or credit card (\$84/year)
 - Indicated as "Cash-Member Dues" on monthly statement sent by Council Office.

Interest – Checking/Savings

- Source: Chapter Bank – varies
- Interest on checking or savings account; paid monthly or quarterly

Interest – CDs/Investments

- Source: Chapter Bank – varies
- Interest on investments; paid monthly or quarterly

AFSCME – Surety Bond

- Vendor: Council Office
- Annual billing by AFSCME, paid by Council and re-billed to chapters via Chapter per Capita late in the year at a rate of \$26 or \$100 based on funds indicated in the previous year's filing.
- Indicated as "Surety Bond Premium" on monthly statement sent by Council Office.
 - Surety Bond covers theft or misuse of funds by officers of the affiliate.

EXPENSES:

Chapter Newsletters Postage & Printing

- Vendor: Council Office
- No charge to chapters with less than 100 members.
- Postage charges – charged to Bulk mailing permit with USPS.
 - Indicated as "Reimb Postage" on monthly statement sent by Council Office.
- Printing charges – printed and billed by WFSE
 - Indicated as "Ltr-Printing" on monthly statement sent by Council Office.

RPEC Convention

- Vendor: varies
- Reimbursement to members for travel expenses and registration relating to RPEC's biennial convention, per chapter policy.
 - RPEC Executive Board members' expenses are paid by the Council Office.

RPEC Legislative Day/Week

- Vendor: varies
- Reimbursement to members for travel expenses (meals/lodging) relating to RPEC's annual Legislative Day/Week, per chapter policy.

- RPEC Executive Board determines if and what rate the Council will reimburse chapters for member attendance (mileage only).

Meeting Expense – Rent

- Vendor: varies
- Expense paid for meeting facility, if applicable.

Meeting Expense – Members

- Vendor: varies
- Reimbursement to members, payment of meals, etc., per chapter policy.

Meeting Expense – Other (not rent- or member-related)

- Vendor: varies
- Expense needed to run meetings, excluding supplies.
 - Ex: software or equipment, reimbursement of meals for guests, Robocalls relating to meetings, etc.

Legislative Advocacy – Contributions to RPEC-PAC

- Vendor: RPEC-PAC
- Donations to the PAC or distribution to a candidate (must be paid through the PAC).

Legislative Advocacy – Travel Reimbursement – Members

- Vendor: varies
- Unrelated to meetings, Convention, or Legislative Day/Week, in accordance with chapter policy.
 - Ex: reimbursement to members, per chapter policy, who attend other organizations' meetings, such as WSLC, WFSE, AFSCME, candidate interviews/events, perhaps at the Council's request, etc.

Supplies

- Vendor: varies
- Office supplies, including postage, purchased for chapter business.

Bank Fees

- Vendor: Chapter Bank – varies

Other

- Vendor: varies
- Detail if greater than \$100
 - Ex: storage facilities, Robocalls (excluding meeting notices), travel for purposes other than those detailed above, in accordance with chapter policy.



RETIRE PUBLIC EMPLOYEES COUNCIL OF WASHINGTON

MONTHLY REPORT

CHAPTER: _____

DATE: _____

Beginning Balance (Checking)

\$ _____

Income

Sub-Total

\$ _____

Expenses

Sub-Total

\$ _____

Ending Balance (Checking)

\$ _____

CURRENT ASSETS

Checking

Savings

Investments

Petty Cash

Total \$ _____



Chapter Audits

An audit should be conducted at least once per year, as required by AFSCME, but preferably bi-annually. Audits may also be performed at other times should a need be determined by the trustees, officers, members, or an external auditor.

Many affiliates utilize trustees to perform the required audits. Although elected, trustees may not be voting members of the chapter executive board. Trustees may have neither voice nor vote in the deliberations of the board. The sole purpose of the trustee 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.

Whether performed by trustees or outside auditors, the audit must include an examination of the records required to be maintained by the AFSCME Financial Standards Code and a written report must be provided to the chapter executive board and to the membership.

Below is a basic guide, which should be modified as necessary depending on the amount of cash, savings, and investments handled in a year.

Verify the following:

1. Chapter meeting minutes include specific authorization for disbursements.
2. Cash receipts are promptly deposited directly into the chapter's bank/credit union account (in an insured facility).
3. Date and nature of deposits are recorded in cash receipts book and/or checkbook, and checkbook balance always shows current balance.
4. All disbursements properly authorized and supported by bills, invoices, etc.
5. Monthly bank/credit union statement reconciliations are consistent with receipts and disbursements in the checkbook as well as the chapter treasurer's report.
6. Savings and investment statements have been reconciled, and transfers have been properly recorded.
7. Financial reports are presented at the chapter meetings by the chapter treasurer.



RETIRED PUBLIC EMPLOYEES COUNCIL OF WASHINGTON

CHAPTER TRUSTEE AUDIT REPORT

CHAPTER: _____

AUDIT PERIOD: _____

Audit Committee/Trustees (non-officers):

Checklist of items to review:

1. Board meeting minutes for the period.
2. Approved operating budget/board-approved outline of expenses.
3. All bank and investment accounts balance to books.
4. Check register balance to bank.
5. Copy of approved expenses reconciled to the check register.
6. All accounting practices are in accordance with the By-laws.

Audit Committee findings:

Please sign below upon completion of audit:

Chapter Treasurer:

Date: _____

Audit Committee/Trustees:

Date: _____

Date: _____

Date: _____

Date: _____

Date: _____

Retired Public Employees Council of Washington

Expense Reimbursement Policy

TRAVEL

- Reimbursement is defined as restoration to representatives listed below of actual expenses for travel and supplies while conducting the business of the Retired Public Employees Council.
- Actual expense is defined as the reasonable and prudent expenditure of Council funds.
- The most cost-effective modes of lodging or transportation should be considered when making or planning travel or expenditures for supplies.
- Mileage will be paid point-to-point as supported by online mileage data, subject to review.
- Car-pooling and/or ridesharing is encouraged.
- Mileage will be reimbursed at a rate set by the Executive Board. As of November 19, 2024, the current mileage reimbursement rate is \$0.35/mile.
- Staff will receive the current mileage rate set by the IRS.
- Reimbursement may be claimed for Council-planned events (Convention, Legislative Day) as indicated in the event notice.
- Costs of a personal nature are exempt.
- No reimbursement will be made for alcohol.
- Airline and railway travel will be made at economy class rates. Higher rates can be covered only if economy fares are not available. Vehicle rentals will be made for economy size class unless there is no other class available or when a larger vehicle is required for group or equipment transport, or there is a free upgrade to a higher class.
- If an additional night's stay has been pre-approved, due to weather or distance, the Council will provide reasonable reimbursement for one dinner the night of the additional stay and one breakfast the following morning, if not provided by the hotel.

APPLICATION

Reimbursement may be made to:

- Elected Council officials.
- Office staff
- Members of committees appointed by the president.
- Members requested by the president or staff to attend meetings and/or hearings
- Other individuals on a case-by-case basis as authorized by the President, Executive Board, Executive Committee, Finance Committee or Executive Director.

- General membership limited to and as indicated in Council-planned event (Convention, Legislative Day) notices.

PROCEDURES

- Reimbursement will be made by a completed and signed *Expense Reimbursement Form*. All receipts shall be attached.
- Necessary (at the request/approval of RPEC) incidental supplies, incidental mileage, tolls, ferry fares and parking shall be shown as separate items from the point-to-point mileage
- If personal attendance is required, or if virtual options are not available or are inadequate, and subject to approval by the Finance Committee, car rental, air, bus or rail travel costs may be substituted for personal vehicle travel when time, weather conditions or health/safety of the traveler are of consideration. When possible, these arrangements should be made through the Council to allow direct billing of the service.
- Travel advances may be requested based on estimated costs. Within forty-five (45) days of completion of travel, a final travel claim shall be presented, with original receipts and including a statement of any amount of over- or under expenditure. If the advanced amount exceeded actual costs, reimbursement will be made to the Council with the final billing. Underestimated costs will be covered.
- Expense vouchers shall be submitted to the Council office properly completed within thirty (30) days following when the expenditure or travel occurred.
- Travel and expense reports filed more than 30 days after the expenses were incurred will not be reimbursed without the approval of the Finance Committee.
- Convention Registration Fee Refunds: 50% of registration fees for Convention can be refunded in cases of hardship. Hardship includes illness (doctor's note), accident and weather conditions. Written refund requests will be made, as soon as possible, to the Finance Committee for approval. Requests for exceptions to this policy must be submitted in writing and will be reviewed by the Council Executive Committee to determine whether the requests for refund will be granted.
- The Finance Committee may make exceptions to this policy at their discretion for the benefit of the Council.

Expense Reimbursement Form					Chapter#:		Rate Per Mile		
Name							Total Mileage		
Address							Total Reimbursement		\$
Date		Starting Location		Destination		Purpose or Committee Meeting		Mileage	Amount (Office Use Only)
								MileageTotal	\$
Date	Breakfast	Lunch	Dinner	Lodging	Purpose or Committee Meeting		Other Expenses		
Detail of Other Expenses								Meal/Lodging/Other Total	\$
					(Office Use Only)		Grand Total		\$
					Account Code		Amount		
							\$		
							\$		
							\$		
							\$		
							\$		
							\$		
Signature _____									
Title _____									
Date _____					Approved By _____				
Please attach receipts for expenses. Vouchers are due within 15 days following when the expenditure or travel occurred.									



Financial Standards Code

TABLE OF CONTENTS

Preface	5
----------------------	---

Financial Standards Code

Article I	Purpose and Scope	7
Article II	Custody of Funds	7-8
Article III	Maintaining Records	8-10
Article IV	Income	10-11
Article V	Expenditures - Authorization	11-12
Article VI	Expenditures - Procedures	12-13
Article VII	Expenditures - Documentation	14
Article VIII	Minutes of Meetings	15
Article IX	Reporting	15-17
Article X	Confidentiality of Financial Records	17
Article XI	Audits	17-18

Appendices

Appendix A	Tax-Exempt Status	19
Appendix B	Payroll and Payroll Taxes	20-21
Appendix C	Financial Duties of Officers	22-23
Appendix D	Automated Accounting Systems	24
Appendix E	Custody of Funds	25-27
Appendix F	Policies and Procedures	28-32
Appendix G	Reports to International Union	33
Appendix H	Reports to Governmental Agencies	34-36

Glossary of Terms	37-41
--------------------------------	-------

Trustees Audit Guide	42-49
-----------------------------------	-------

Trustees Audit Checklist	50-52
---------------------------------------	-------

Officer End-of-Term Guide	53
--	----

Online Resources	54
-------------------------------	----

PREFACE

AFSCME members know how important it is to have a voice on the job. When they contribute their dues, they are trusting that the elected officials at all levels of our union (chapters, local unions, councils, and the national union) will use those funds for their benefit and to strengthen their voice. The AFSCME International Constitution includes a “Bill of Rights for Union Members” that states “**members shall have the right to a full and clear accounting of all union funds.**” To guide AFSCME’s affiliates in that task, the International Constitution requires the development of “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.” These standards are set forth in the AFSCME Financial Standards Code and have been approved by the International Executive Board. The latest revisions are published in this booklet.

The Code contains Appendices on topics requiring further comment. These Appendices more fully explain certain topics contained in the Code and are equally binding on all affiliates.

Included in this booklet are additional guides and checklists to assist Trustees and officers who have a fiduciary responsibility to safeguard the union’s assets. The Trustees Audit Guide and Trustees Audit Checklist are a suggested series of procedures to aid in the review of the affiliate’s financial activities. The Officer End-of-Term Guide includes guidance related to the obligation of each officer to transfer the affiliate’s books and records at the end of a term. While not a part of the Financial Standards Code itself, these items are important documents to use to ensure a full and clear accounting of union funds.

Finally, this booklet includes a list of online resources to access key documents and forms referenced within the Code.

It is our intent to continuously expand and/or revise the Code, guides, checklists, and other resources as required by law, amendments to the International Constitution, new conditions or changing times.

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 the Financial Standards Code, including the standards established by and set forth in its appendices.

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, to relieve an affiliate of any duty or responsibility that is placed on it by the constitution of the International Union or of the affiliate.

SECTION 3.

The use of technology for accounting and record-keeping functions — properly administered and secured — is recommended for all AFSCME affiliates. If such technology is used and 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, or held in trust for other entities, may be placed into any affiliate bank or investment account. Please refer to Article IV, Section 5 and Appendix E of the Code 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 the National Credit Union Administration (NCUA).

If the affiliate elects to use a credit union account, the affiliate must be sure the credit union, like commercial banks, 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 or policies of the affiliate. The signers on the investment accounts should be the same officers who are authorized to sign checks and approve disbursements. 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, if risk to principal is minimal.

Ownership of investments made through banks or brokerages are normally evidenced by monthly or quarterly statements. While rare, investments may also be evidenced by the issuance of share or stock certificates. All investment reports, statements and/or certificates evidencing ownership of investments, dividends, activity, or summary status reports must be retained in the affiliate's secured files. Investment certificates may also be placed with a bank, brokerage, or investment manager acting as custodian.

SECTION 4.

AFSCME does not recommend the use of a petty cash fund, as cash disbursements may not provide an adequate audit trail.

If an affiliate elects to have a petty cash fund, the amount of the fund should not exceed \$100.00. Expenditures from petty cash funds must be supported by original receipts.

Petty cash funds must 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 retained by the affiliate. No cash payments received, from any source, 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 fund, and not made payable to "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, whether paper or electronic, must be retained for a minimum of seven (7) years:

- A.** Electronic accounting system output, if any. See Appendix D for further information regarding electronic systems.
- B.** Receipts and Disbursements Journals.
Information required to be entered in the Receipts and Disbursements Journals must be recorded daily and totaled monthly. Those affiliates using electronic accounting systems that provide comparable information need not maintain manual Receipts and Disbursements Journals. Spreadsheets are alternatives for handwritten Receipts and Disbursements Journals.
- C.** Bank-issued documentation for all deposits.
- D.** All documentation for receipts. Each item deposited into a bank account must be clearly identified and supported by documentation, such as a remittance advice, dues deduction roster, or dues rebate transmittal. A copy of that support must be kept on file. Affiliates should also retain a photocopy of the actual check received. Affiliates should make timely bank deposits. The bank's deposit record should be compared to the Receipts and Disbursements Journal. The journal should be compared to the bank statement for accuracy.

- E.** All bank statements and copies of canceled checks. If the affiliate's bank or credit union does not normally provide 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 front and back copies of their canceled checks. Canceled checks are an essential part of the audit trail, as they are 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 within thirty (30) days of the bank statement's end date. A copy of the reconciliation report should be 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 used.
- G.** All check stubs and voided checks. For security purposes, the signature portion 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, as well as local union rebate 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, W-2s and Forms I-9, 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.** All annual budgets, trustee audits, CPA audits and management letters.
- O.** All mortgages, loan agreements, lease agreements, lease-purchase or time-payment contracts, and all other contracts of any nature that 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. Electronic backup and/or manual copies 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. Minutes of committee meetings.

D. Copies of all attachments to minutes, including financial reports and presentations, annual audits, annual budgets, mortgages, loan agreements, lease agreements, lease-purchase or time- payment contracts, and all other contracts of any nature that involve financial obligations on the part of the affiliate.

SECTION 3.

All financial books, records, property, and equipment in the custody of the union's officers and Executive Board are the property of the union.

When a new financial or recording officer is elected, the outgoing officer must give all records and equipment to the incoming officer, at the end of their term.

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 received, 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 Receipts Journal must be maintained. A separate page or pages must be used for each month's receipts. The same information must be entered in the Receipts Journal or electronic 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 Receipts Journal 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 Receipts Journal must indicate the account into which the funds were deposited. Affiliates using an electronic accounting system must record equivalent information.

SECTION 3.

Copies of all bank deposit slips and/or evidence of electronic deposits must be made and attached to the applicable bank statement. These documents must 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 must be entered in the Receipts Journal or electronic 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, 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. Checks written to a payee other than the affiliate should be returned to the issuer and a corrected check issued to the affiliate. 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 (International, Council or Local Union) 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 authorization 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.

- C. By motion properly made, carried, and entered in the minutes, authorizing the officers to enter 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.

The budget serves as a tool for approval of routine expenditures, such as rent and utilities. Certain categories of expenditures, such as conferences and conventions and purchase of furniture and equipment require additional approvals throughout the year as these expenses occur.

No payment should be made, or costs incurred until the proper approvals for the expenditure have been made. Some affiliate constitutions may authorize certain officers 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 (10) 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 minimum period of seven (7) years.

ARTICLE VI

Expenditures - Procedures

SECTION 1.

All authorized expenditures must be made by check, electronic funds transfer (EFT), Automated Clearing House (ACH) or electronic bill payments. See Section 9 of this article for further information regarding electronic payments. Except for the limited exceptions set forth in Article II, Section 4, no cash payments may 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. It is strongly encouraged that at least one additional officer be registered as a signatory on the union's accounts. 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 Disbursements Journal or electronic 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.

All payments made should have adequate supporting documentation such as expense reports with receipts, vendor invoices, or a payroll register. 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 must then be filed and retained in the affiliate's records. This will safeguard against double payments.

SECTION 9.

Electronic transactions, including vendor, payroll, and benefit payments, as well as 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 authorize all disbursements, and because these cards do not provide a verifiable audit trail.

SECTION 11.

Union-owned credit cards may be used to pay for legitimate union business expenses and must be closely monitored. All expenses paid with the card account must be authorized in advance by a document signed by at least two signatories of the affiliates' bank accounts. Copies of the written authorization must be maintained in the affiliate's records.

SECTION 12.

Cash transfer applications (e.g., PayPal, Venmo, Zelle, etc.) are not acceptable methods to disburse union funds due to excessive transaction fees and the lack of effective audit trails.

ARTICLE VII

Expenditures – Documentation

SECTION 1.

Receipts, invoices and/or other documentation, including a written description of the union purpose, must be maintained to support **all** disbursements.

Disbursements for food and/or beverages purchased on behalf of individuals or groups must also include a listing of attendees. A sign-in sheet may be used to provide the listing of attendees at large meetings.

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 indicate its date, amount, and specific union purpose. Supporting receipts must be attached. All expense reports should be filed in a timely manner.

Officer or member 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 affiliate's 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 subject of the specific union business discussed. The itemized receipt of food and beverage consumed should also be provided.

SECTION 3.

Affiliates that elect to use credit cards must ensure that all charges are supported by itemized receipts and a full explanation of specific union purpose.

The affiliate should not pay the credit card company for any charges incurred on a union-owned credit card without all the charges adequately documented. A credit card statement alone is not sufficient documentation to support an expenditure.

Any individual authorized to use the affiliate's credit card must provide an itemized expense report accounting for every charge, as well as provide an explanation of the specific union purpose of each charge. The 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. If an officer, member, or employee uses their personal credit card for a valid union expenditure, reimbursement should be made directly to that individual. Under **no** circumstances should the affiliate make a payment directly to an individual's personal credit card account.

SECTION 4.

The affiliate should ensure that it is in compliance with all appropriate governmental 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 (both open and executive session) and membership meetings. Minutes must 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 must be forwarded to the affiliate's Secretary-Treasurer.

SECTION 2.

Minutes are a record of the proceedings of the meeting. The minutes must note the date and time of the meeting, the officers and/or members who are authorized to vote at the meeting (i.e., the officers at an Executive Board meeting or the officers and members at a membership meeting) and identify who presided at the meeting.

The minutes must note what motions were made, including 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 must document whether a quorum was present during the meeting. The minutes must also state whether the minutes of the previous meeting were read and approved and must 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 should be read and approved at the next meeting of the body.

SECTION 5.

As the minutes are a part of the financial records of the union, they must be retained for at least seven (7) years, or longer if they document compliance with the Financial Standards Code or other federal, state, or local reporting and recordkeeping requirements.

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 on a timely basis.

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. Such reports must be made available to the Executive Board and/or membership no later than thirty (30) 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 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 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 that have not been paid. The monthly financial report must be presented and approved at the next regular Executive Board and membership meeting and attached as a permanent part of the meeting'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 is required to file an IRS Form 990 Series (e.g., 990, 990-EZ, or 990-N), and may be required to file other governmental reports such as IRS Form 1120-POL, DOL Form LM-2/3/4, etc. Failure to file any required government report in a timely manner could cause a penalty to be imposed on the affiliate, including the loss of the affiliate's tax-exempt status. 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 the principal 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 fiscal 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 (4½) months after the end of the fiscal year.

SECTION 7.

All officers and employees of affiliates are covered by a Surety Bond obtained for each affiliate through the International Union. The minimum coverage required under the International Constitution and LMRDA (Labor-Management Reporting and Disclosure Act) 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. Others, including members who are not officers or employees, are not covered under the Surety Bond and should not handle union funds.

Every affiliate is required to submit to the International Secretary-Treasurer a Surety Bond Report. 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 1 of each year, regardless of the affiliate's fiscal year end.

SECTION 8.

All Councils, regardless of size, and all 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 these quarterly financial statements must be submitted to the International Secretary-Treasurer in a timely manner. Affiliates should submit reports no later than two (2) months following the end of each quarter.

ARTICLE X

Confidentiality of Financial Records

The union's 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 properly secured (i.e., under lock and key or password-protected.)

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, Trustees are not voting members of the Executive Board; Trustees 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 audit.

All Councils, regardless of size, and Local Unions having 2,000 or more members must have an annual audit prepared by an independent 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 Executive Board and 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 during their audit. The officers must report to the Executive Board and to the membership the corrective action to be taken resulting from 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 generally exempt from federal income tax under the provisions of Section 501(c) (5) of the Internal Revenue Code. This exemption applies only to federal income taxes. AFSCME affiliates are not exempt from sales tax, payroll taxes, unemployment taxes or personal property and real estate 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 that 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's Auditing Department of the number. Your affiliate will be added to the IRS roster identifying AFSCME affiliates and submitted to the IRS by the International Union. AFSCME's Group Exemption Number is **1381**. This number should be reported to the IRS by affiliates filing a Form 990 or 990EZ.

Failure to file an IRS 990 Series form (990, 990-EZ, or 990-N) annually, by the due date, may carry a monetary penalty. Failure to file an IRS 990 series form for three (3) consecutive years will result in the revocation of the affiliate's tax-exempt status.

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 ever changing. Affiliates paying wages and withholding taxes have the responsibility to stay informed of laws affecting the payment of wages.

Income tax withholding is a “pay as you go” method of collecting the estimated tax due from employees on wages paid to them. **Use of a payroll service is highly recommended to reduce errors and ensure compliance with applicable federal and state regulations.**

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 withhold federal income, Social Security and Medicare taxes and, if applicable, state and local income taxes imposed upon employees.

THE OFFICER AS AN EMPLOYEE

Allowances (e.g., auto allowance, officer allowance and stipends), reimbursed dues and lost time paid to officers are considered taxable compensation. Federal income, Social Security and Medicare taxes and, if applicable, state and local income taxes must be withheld from the above payments. The withholding, deposit and filing requirements 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, officers and members receiving taxable

compensation. Please see the instructions to Form I-9 for qualifying forms of identification and retention requirements.

FORM W-4

A Form W-4 must be on file for each officer, employee or member receiving taxable payments from the affiliate. The amount to withhold from each employee is determined by the amounts reported on the employee’s W-4.

FEDERAL INCOME TAX WITHHOLDING

Federal income taxes must be deducted from taxable compensation paid to officers and employees. 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 taxable compensation payments made to employees. Deductions for Social Security are made until the maximum Social Security limit is reached. This limit is determined annually by the IRS. 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. These deposits must be made by electronic funds transfer. The deposit due dates and deposit requirements are outlined in IRS Circular E.

FORM 941, EMPLOYER’S QUARTERLY FEDERAL TAX RETURN OR FORM 944 EMPLOYER’S ANNUAL FEDERAL TAX RETURN

The IRS Form 941 is used to reconcile withheld Social Security, Medicare and federal income tax deposits made throughout the quarter and to pay any undeposited taxes due.

The IRS Form 944 is an alternative annual form used for federal tax filing if the annual liability of Social Security, Medicare and Federal income taxes of the affiliate is \$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. Deposits are required for any quarter within which the tax due exceeds \$500.00. The tax must be deposited by the end of the month following the end of the quarter.

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

Form 940 is an annual return that is 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, other income, 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 and to the Social Security Administration, along with Form W-3, Transmittal of Income and Tax Statements on or before January 31.

NONEMPLOYEE COMPENSATION, FORM 1099-NEC

Amounts paid to individuals, other than salaries and wages, must be reported on Form 1099-NEC 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-NEC must be provided to the accountant and to the IRS. If the accountant's firm is a corporation, however, Form 1099-NEC is not required. Also, Form 1099-NEC does not need to be provided for the purchases of goods or expense reimbursements — only services are subject to Form 1099-NEC reporting. If the total amount paid to the individual is less than \$600, Form 1099-NEC 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) approved by the Executive Board.
3. Write checks as required by the constitution or authorized by the membership or Executive Board. Always have authorization, documentation and explanation before issuing a check or other authorized forms of payment (e.g., EFT, ACH, etc).
4. Prepare bank reconciliations for each account each month.
5. Sign checks or approve disbursements 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 Secretary-Treasurer, except for Local Unions whose Council performs this function for its Locals.
8. Maintain financial records consistent with the affiliate's record and retention policy.
9. Prepare and present monthly financial reports 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 Surety Bond Report by March 1 of each year as required by the International Constitution (Article IX, Section 30).
12. File the Local Union Annual Financial Report (LUAFR) with the International Union as required by the International Constitution (Article VI, Section 12).
13. See that any federal, state and local governmental reports are filed by their required due dates.
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 or approve disbursements **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 and governmental agencies.

5. Determine that all required International Union and 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 business purposes.
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 have a legitimate union business purpose and are for the exclusive benefit of the 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

ELECTRONIC ACCOUNTING SYSTEMS

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

Affiliates that utilize electronic accounting systems with cloud-based storage or remote access must take extra precautions to always ensure the security of data.

A printout or digital copy (PDF) of the current primary financial records maintained on an electronic accounting system must be made each month. Printouts or digital copies of the following reports must be maintained:

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

Those affiliates with electronic accounting and/or membership systems should back up files on a secure storage system, 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 reports necessary to provide a comprehensive audit trail.

The printouts or digital documents must be maintained in the affiliate's records in accordance with its record retention policy.

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, per banking institution, **not per account**. Check with your banking 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 and direct dues payments from members 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 owed to an entity are included with the dues payments received from an employer or member, 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 a transfer of money from 1) the affiliate's Dues Trust Account for its share of dues, 2) the local's rebate of its share of dues from a council receiving employer dues check-off on behalf of its affiliated locals and/or 3) other non-dues related receipts. 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 deducted from members' pay and transmitted to the affiliate, either by separate payment or included with dues deduction, or
2. Premiums paid by the employer on behalf of members, as a separate payment that 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). Funds are transferred 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 that 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 PROGRAM ACCOUNTS

PEOPLE (Public Employees Organized to Promote Legislative Equality) is the legislative and political program of AFSCME International. Under this program, AFSCME uses voluntary contributions from members to contribute to candidates for federal office and certain states where other funding is restricted.

Monies contributed by members for PEOPLE may not be used for any other purposes. Affiliates who receive PEOPLE contributions on behalf of the International Union must keep accurate records of contributing members and amounts.

PEOPLE funds included as part of an employer's dues remittance must be deposited into the affiliate's Dues Trust Account. If an employer remits PEOPLE monies as a separate payment, an affiliate may establish and deposit the funds directly into a separate PEOPLE account. All monies paid or transferred to the International Union for PEOPLE must be made from either the Dues Trust or affiliate's PEOPLE account. PEOPLE monies should not be paid from the affiliate's general treasury funds. The amount sent to the International Union may not exceed the amount remitted by the employer for PEOPLE purposes. In the rare instances that an employer makes the check for PEOPLE contributions payable to AFSCME PEOPLE, the check should not be deposited into the affiliate's Dues Trust Account, but rather forwarded to AFSCME PEOPLE, in care of the national union.

Federal law requires affiliates to transfer PEOPLE contributions (along with the records for those contributions) to the national union for deposit into AFSCME PEOPLE's bank account within 30 days or 10 days of the date the affiliate receives the contribution, depending on the amount of the contribution. Contributions of \$50 or less must be transferred within 30 days. Contributions over \$50 must be transferred within 10 days. For this reason, it is important that affiliates review all PEOPLE contribution records received from employers as soon as possible to determine whether any individual member's contribution exceeds \$50 and must be forwarded within the 10-day period.

AFFILIATE CONTRIBUTION POLITICAL ACTION ACCOUNTS

Due to state law, a small number of affiliates may maintain their own account for voluntary contributions from members, separate from any PEOPLE contributions, with the understanding that the funds are to be used solely for political contributions and expenditures for an affiliate's political program. The Affiliate Contribution Political Action Account should be maintained as a Separate Segregated Fund. The account can be funded in two ways:

1. From the affiliate's Dues Trust Account. This represents funds received from the employer pursuant to a member's separate check-off authorization specific to political contributions.
2. From the affiliate's fundraising activities. These activities include pass-the-hat, sales of items and members' direct, non-check-off contributions.

Most AFSCME affiliates have state political action committee funds, comprised either of voluntary contributions or, where permissible under state law, dues funds (see below). The affiliate must be aware of the applicable federal and state regulations concerning the use of these funds. These regulations govern the candidates for whom contributions can be made and also limit the amount of the contribution. There are also federal and/or state reporting requirements for these accounts.

The political action account must be disclosed in 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 meet this obligation.

AFFILIATE DUES FUNDED POLITICAL ACTION ACCOUNTS

An Affiliate Dues Funded Political Action Account, as distinguished from the Contribution Political Action Account, is made up of members' dues dollars.

Affiliates who make political contributions using dues funds should set up a separate segregated Dues Funded Political Action Account with its own EIN. 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 this transfer into the Dues Funded Political Action Account, plus the general account transfer, will equal the total of the affiliate's share from the Dues Trust Account. Transferring funds from the affiliate's general account to the Dues Funded Political Action Account may result in adverse tax consequences, particularly if the union has any investment income (including, but not limited to, bank account interest, rental income, and royalty income).

Restrictions and limitations on the use of these funds for political purposes 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 Dues Funded 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. Again, each affiliate should confer with their Certified Public Accountant to determine its specific reporting obligations for its various accounts.

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. Payments from the International Union or other affiliates that are specifically designated for Organizing or other non-Political Action Grants may be deposited directly into the Grant Account. If funds are received for the Grant but are not so designated, the funds should be deposited into the General Operating 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 reflected on the affiliate's financial statements is the same as that for the Special Grant Account.

OTHER ACCOUNTS

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

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
- Gift Cards
- Audits
- Record Retention
- Investments

TAXABLE & NONTAXABLE 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 may be paid to cover reasonable 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.

The policy must require the identification of the positions and reasonable 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 compensation subject to withholding, payroll taxes and preparation of IRS Form W-2.

Payments for lost time can be based on the actual wages lost by an individual, or at a rate that is approved by the Executive Board. Payment of lost time, for periods when the individual was also paid by the employer, may violate the International Constitution or be illegal and subject the individual to criminal charges.

The policy must clearly identify the union positions that qualify for lost time payments. The 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, and the actual hours and rate of pay lost. 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.

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

The 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

Per diem is an allowance for meals and/or incidental expenses incurred while traveling.

The policy must clearly identify the types of union activities that qualify for per diem payments and must state the authorized amount to be paid. The policy must require payments to be authorized and 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.

IN-TOWN PER DIEM

In-town per diem payments to officers and employees generally cover daily incidental costs. However, such payments constitute taxable income to the recipients and must be reported as compensation subject to withholding, payroll taxes and preparation of IRS Form W-2.

OUT-OF-TOWN PER DIEM

Out-of-town per diem typically includes meal allowances paid for **overnight, out-of-town**, union-related business and are non-taxable if they do not exceed the maximum daily non-taxable rates authorized to be paid by the federal government. An expense report must be filed for 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. If per diem is paid to an officer or employee prior to travel, it must be treated as an expense advance.

MILEAGE

If your affiliate decides to reimburse mileage to officers and/or members, your Executive Board and/or

membership must approve a mileage reimbursement policy that covers the situations where mileage can be reimbursed.

All reimbursements for mileage must 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 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 must check the amount of mileage submitted for each trip and make sure the union business purpose stated is adequate. They must 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 on the IRS website.

AUTO ALLOWANCES

Auto allowance payments provide compensation for the business use of officers' and/or employees' personal vehicles. Auto allowance payments are taxable compensation 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. Auto allowances should be limited to officers and employees

with personal vehicles who are routinely required to travel away from their primary worksite to perform their responsibilities. 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, 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.

The policy must clearly identify when the affiliate can issue advances (e.g., conventions, conferences, etc.) and require timely submission of expense reports to account for advances. Authorized advances must be documented in the minutes of the membership and/or Executive Board meetings.

NOTE: Under DOL regulations, individuals receiving an expense advance must submit an expense report accounting for their use of the advance within 30 days. Any amount not accounted for within 30 days is considered a loan to the individual.

HIRING OF EMPLOYEES

Authority for hiring and firing must be established in the affiliate's constitution or written policy. The policy must clearly identify the staff positions that qualify for permanent employment. Appropriate procedures must be developed to determine necessary qualifications for positions. The policy must also require a process for obtaining applications, conducting interviews and maintaining all documentation required by employment law, etc.

WAGE RATES

The 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

The policy must include procedures to determine types of benefits to be provided to employees, eligibility requirements, and documentation to be maintained.

PAID EMPLOYEE ABSENCES

If the affiliate has employees, policies must 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 that 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 affiliate's financial statements at the end of the year.

CREDIT CARDS

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 that 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 or use of any reward points for personal use 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 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.

Personal credit cards of individuals (employees or officers) are the responsibility of that person. Union business-related expenses incurred on personal credit cards must be submitted by the individual officer or employee on an expense report for reimbursement. 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

If an affiliate chooses 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.

The policy must require the employee to maintain contemporaneous usage logs to determine personal vs. union business use. The value of the personal usage must be reported as taxable compensation on the employee's W-2 form.

Officers and employees who have use of a union-leased or -owned automobile are not eligible to receive an auto allowance.

EXPENDITURES

Policies for expenditures must adhere to the requirements of the Financial Standards Code, applicable laws and other sound business accounting practices.

The 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

The 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 reimbursements to officers, employees and members. Each item to be reimbursed must be documented to indicate its date, amount and union purpose. Itemized receipts must be attached, and each expense report must be approved. Reimbursement for meals requires additional documentation, including the name and title of those present and the specific nature of the union business discussed.

The policy must also identify the union positions authorized to approve the reports. In the case of employee expense reimbursements, approval should 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.

GIFT CARDS

AFSCME does not recommend the purchase of gift cards to be distributed to officers and members unless necessary to conduct legitimate union business. This practice can lead to a significant depletion of union funds that may detract from the overall mission of providing representation to current and future members.

A gift card policy should define the circumstances under which cards will be purchased, their use and a maximum amount per card.

The policy must include procedures for tracking the purchase and disbursement of gift cards. For each card, the tracking system must include: the vendor (e.g., Visa), date of purchase, amount, card number, recipients' name and distribution date. The policy must also require each recipient to sign documentation acknowledging receipt of a card, the card amount and date received.

AUDITS

The policy should indicate how frequently 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.

RECORD RETENTION

A record retention policy addresses the types of documentation and data that must be stored or archived, where they are to be maintained and how long they must be retained before being destroyed. Policies adopted by affiliates should include the record retention requirements set forth in this Code and Department of Labor regulations.

INVESTMENTS

Officers and employees have a fiduciary responsibility to manage and invest union funds for the exclusive benefit of the affiliate and its members. Such funds must be managed and invested prudently, in accordance with the union's constitution and established investment policies. Investments in instruments that have the potential for loss of principal (e.g., stocks) should be avoided.

AFSCME FINANCIAL STANDARDS CODE - APPENDIX G

REPORTS TO INTERNATIONAL UNION

REPORT NAME	WHO MUST FILE	INFORMATION REQUIRED	DUE DATE
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 that includes a balance sheet, income statement and Financial Standards Code compliance responses.	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 that include cash and investment balances at the end of the previous calendar year and receipts handled during the previous calendar year.	March 1, for all affiliates regardless of fiscal-year end

REPORTS TO GOVERNMENTAL AGENCIES

REPORT NAME	WHO MUST FILE	DUE DATE
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	<p>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. Forms 990 and 990-EZ must be filed with the IRS electronically.</p> <p>Failure to file IRS Forms 990-EZ or 990 carries a penalty to the affiliate (e.g., \$20.00 per day until filed with a maximum penalty of the lesser of \$12,000 or 5% of the gross receipts for the year) and is subject to change. 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.</p>	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 that 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	April 15 or four months after fiscal-year end
Department of Labor Form LM-1	Any newly chartered affiliates that have private sector employees as members or any established affiliates that gain private sector employees as members 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

REPORT NAME	WHO MUST FILE	DUE DATE
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 of the affiliate (if applicable) 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-3 Transmittal of Wage and Tax Statements	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 to and withholding made for each officer and/or employee.	To officer and/or employee by January 31
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.	Due by January 31
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

REPORT NAME	WHO MUST FILE	DUE DATE
IRS Form 1096 Annual Summary and Transmittal of U.S. Information Returns	Affiliates filing 1099-NEC Forms must transmit those forms to the IRS using IRS Form 1096.	February 28
IRS Form 1099-NEC Non-Employee Compensation	Affiliates making taxable non-salary payments of \$600 or more to individuals during the calendar year must report those payments on IRS Form 1099-NEC. 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	<p>Affiliates who sponsor employee benefit plans subject to ERISA.</p> <p>NOTE: Affiliates with any involvement with provision of benefits to members (e.g., insurance trusts) should seek professional advice to determine filing requirements.</p>	End of the 7th month after the plan year ends

GLOSSARY OF TERMS

Affiliate	Subordinate body of AFSCME International (for example, Council, Local, Chapter, Retiree Chapter, Retiree Sub-Chapter, Organizing Committee, and any entity managed by one or more affiliates.)
Allowances/Stipends	Payments made to officers for out-of-pocket expenses incurred while conducting affiliate business. 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 allowances/stipends 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 Automated Teller Machine (ATM) or make purchases that are charged directly to a 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, as well as excess or deficit, for the coming year.
Cash Money Transfer Apps	Cash or money transfer apps are platforms that allow for the transfer of money from the accounts of one person to another, or from one entity to another, using online or cell phone applications. For example, PayPal, Cash App, Venmo, Zelle
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 (EIN) is also known as a federal tax identification number. Every union affiliated with AFSCME (councils, locals, as well as retiree and local union chapters) 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)	Six-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 and any benefit program covering members. 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 and liabilities 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 members or established affiliates that gain private sector members 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 members. Due within 90 days after the end of the affiliate's fiscal year. LM-2 - annual receipts of \$250,000 or more; LM-3 - annual receipts of \$10,000 or more but less than \$250,000; LM-4 - annual receipts of less than \$10,000.
Form SS-4 (IRS)	Application for Employer Identification Number. The preferred method of applying is online at www.irs.gov . The application should be filed by the affiliate with the IRS immediately upon being chartered.
Form W-2 (IRS)	Wage and Tax Statement. Summary of all wages, allowances/stipends, reimbursed dues and lost time payments. W-2 must show total wages or payments, as well as withholdings for federal and state income taxes, Social Security and Medicare.
Form W-3 (IRS)	Transmittal of Income and Tax Statements (W-2s) to the Social Security Administration due by February 28 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 31 of each year. All lost time, allowance/stipend and reimbursed dues payments must be included as wages.
Form 941 (IRS)	Quarterly Payroll Tax Return that 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-NEC to the IRS due by February 28 of each year.
Form 1099-NEC (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 recipient's 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 an expense report with 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 used to compute the amount of bond coverage required for an affiliate. The report is 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.

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 principal financial officer complete and file the “Local Union Annual Financial Report” and “Surety Bond Report” annually 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.

CPAs are required to issue a SAS 115 letter when internal control issues have been identified during their audit. A CPA will also typically issue a “Management Letter” upon completion of the engagement, noting any operational or other issues that may require remedial action to be taken. Officers/Trustees must obtain copies of the CPA’s Engagement Letter, SAS 115 letter, Management Letter and Audit Report. Trustees are responsible for ensuring 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 should obtain the following records for the year or period being examined:

- Receipts/Disbursements Journal (A manual Receipts/Disbursements Journal does not need to be maintained by affiliates using electronic accounting systems that provide comparable information.)
- Printouts from electronic accounting systems as detailed in Article III, Section 1A, 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)
- Copies of 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, printer, 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 Receipts Journal, 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. Copies of the deposit slips and receipt transmittal documents (e.g., dues deduction rosters, rebate summaries, copies of deposited checks) should be retained.

1. Compare amounts listed in Cash Receipts Journal to copies of deposit slips and amounts shown on bank statements.
2. Review supporting documentation for funds received (e.g., dues deduction lists).
3. Verify that the explanation of the type of receipt agrees with the entry in the Receipts Journal or check register.
4. Verify that totals are properly computed in the Receipts Journal 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 or 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 authorized union officers or their designees when

permitted under the union constitution. 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 Disbursements Journal or in the electronic accounting system.

All disbursements must 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. Review the bank statements and verify that a copy of the front and back of the canceled check exists for each paid check shown on the bank statement.
2. Review bank statements, bank reconciliations, receipts, and Disbursement Journals and/or check registers to ensure that amounts for deposits, checks paid and other disbursements are in agreement.
3. Compare payee on check to payee listed in the Disbursements Journal, check register and checkbook.
4. Examine the endorsement on the back of the check 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 (PCT) 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 the Disbursements Journal or check register to supporting documentation to verify that expenses are properly classified.
9. Verify that the Disbursements Journal is properly totaled.
10. Verify that the checkbook or check register is properly maintained to reflect the current balance at all times.

BANK RECONCILIATION

All bank statements, copies of canceled checks and voided checks must be retained in the union's records by the principal financial officer. A bank reconciliation should be performed within thirty (30) days of the bank statement end date. 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 Disbursements Journal or check register, notations on paid bills). However, some banks and credit unions do not automatically provide copies of canceled checks with the bank statements. 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 bank statements, monthly bank reconciliations and Receipts and Disbursement Journals, and/or check registers to ensure that amounts for deposits, checks paid and other disbursements are in agreement.
2. Compare bank account balances on the financial statement to bank reconciliation balance and to the 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 check copies to the entries in the Disbursements Journal or check register.
5. Obtain an explanation from the principal financial officer for any unusual transaction reflected in the bank statement.

6. Obtain an explanation and supporting documentation from the bank or credit union for any unusual transaction reflected in the bank statement.
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 Receipts and Disbursements Journal or check register.
3. Verify that the bank reconciliations are performed for each savings account, and that the reconciled account balances agree with the amounts reported on the financial statement.
4. Verify that the signatures authorizing any account transactions 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 payments must be documented by an expense report showing payee, amount, specific union business purpose and supporting invoices or receipts. The expense report must be signed when submitted by the individual requesting reimbursement and approved by the appropriate officer or supervisor.

1. Review the expense reports for a) authorization, b) supporting documentation (invoices or receipts), c) union business purpose, d) signature of individual submitting request for reimbursement and e) approval signature.
2. Determine if reimbursement is in compliance with the union's policies (e.g., per diem, mileage, travel policies, etc.)
3. Compare amount shown on expense report and supporting documentation to check paid.
4. Review the minutes to see that authorization is properly recorded, particularly for conventions, conferences, meetings, etc.
5. Verify in each instance where meeting food and beverage is reimbursed, the request for reimbursement is supported by a list of the names of the people attending, their relationship to the union, and the union business discussed.
6. 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.
7. Verify that any authorized user of the affiliate's credit card has provided an itemized expense report accounting for 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.

1. Review expense advance for authorization and approval in the minutes.
2. Verify that the advance is subsequently accounted for by submission of expense reports with supporting documentation.

3. 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. A non-accountable plan does not require the filing of an expense report but treats all payments to individuals as taxable compensation.

1. Review the approval for 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 are being properly reported and appropriate payroll taxes are being withheld and deposited for **non-accountable** payments.

CREDIT CARD CHARGES

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 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 the charges adequately documented.

Union credit cards issued in the name of individual 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 documentation reflecting pre-authorization of charges by two signatories of the affiliate's accounts.
5. 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 of union business purpose on an expense report signed and submitted by the responsible person for the charge.
6. Verify that the policy prohibits personal use of the union credit card(s).
7. Verify that itemized expense reports were submitted by all authorized users of the credit card prior to payment to the credit card company.
8. 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.
9. 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 Disbursements Journal 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/STIPENDS

Authorized allowances and stipends 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/Stipends must be distinguished from expense advances.)

- A. Expenses advanced must be accounted for by submission of supporting documentation to the Local Union. Allowances/Stipends DO NOT require documentation, only approval.

- B. Allowances/Stipends are treated as taxable compensation to the recipient. Reimbursed expenses are not taxable.

LOST TIME

Payments for lost time constitute taxable compensation to the recipient and must be reported as W-2 wages. Lost time payments should be supported by authorization, purpose, and basis for amounts paid.

Payments for lost time can be based on rates, up to the actual salaries lost by an individual, as approved by the Executive Board. Some government agencies consider payment of lost time, where the individual was 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 any lost time payments.
3. See that supporting documentation for payments reflect the purpose for which lost time was used.
4. Verify that lost time payments are reported as taxable compensation.
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 reported on the monthly financial statement to Receipts and Disbursement Journals.
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. For filing year 2023, 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 \$12,000 or 5% of the gross receipts of the affiliate for the year. (These penalties often increase each 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.

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.

SURETY BOND REPORTS

The International Constitution requires that all affiliates file a "Surety Bond Report" annually.

1. Check to see that the annual Surety Bond Report was completed and forwarded to the International Union by March 1 each 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 they document compliance with the Financial Standards Code or other federal, state, or local reporting and recordkeeping requirements.

1. Check to see that all records of the union are retained in their original form (paper and/or electronic) 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 presented to the Executive Board and to the membership.
2. Check to see that all recommended adjustments to the accounting records 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 must be written and identify 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" that lists issues that need to be reviewed by the Executive Board.
5. Determine whether the CPA issued a SAS 115 letter regarding internal control and review any findings.
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.

TRUSTEE AUDIT QUESTIONS		ANSWERS
1.0	Are bank statements and front <u>and</u> back copies of canceled checks made available by the bank and 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?	
2.0	Is a completed bank reconciliation attached to each bank statement?	
2.1	Is each canceled check signed by two officers?	
2.2	Is a disbursements journal or electronic accounting system maintained?	
2.3	Is <u>each</u> check (including void checks) listed in the check register and disbursements journal?	
3.0	Is supporting documentation maintained for all deposits?	
3.1	Are bank records matched to bank statements to confirm the deposit is properly recorded by the bank?	
3.2	Is a receipts journal or electronic accounting system maintained to record deposits?	
3.3	Is each deposit identified and explained in the checkbook and/or receipts journal?	
4.0	If the local has a petty cash fund, is the maintained balance \$100 or less at all times?	
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 recurring obligations, contracts, and annual budgets properly authorized by Executive Board or membership vote?	

TRUSTEE AUDIT QUESTIONS		ANSWERS
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 business purpose?	
7.0	Are paid bills filed in an orderly and organized manner?	
7.1	Are the check numbers, dates and amounts paid written on or attached to 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 supporting receipts attached and is the union business purpose properly documented?	
7.6	Are mileage reimbursements supported by starting and ending location and total mileage?	
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, did all expenses charged to the account have the pre-approval of two signatories of the affiliate's bank accounts?	
8.1	If the affiliate has a credit card, are itemized expense reports on file that account for <u>every</u> credit card charge?	
8.2	If the affiliate has a credit card, are itemized credit card charges reported on expense reports and reconciled to the credit card statement?	
8.3	If the affiliate has a credit card, were itemized expense reports submitted by all authorized users prior to payment to the credit card company?	
8.4	If an affiliate has a credit card, is there a written policy that prohibits personal charges?	
9.0	Are monthly financial statements prepared and given to the Executive Board and membership?	

TRUSTEE AUDIT QUESTIONS		ANSWERS
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 ____ Excess or deficit 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 authorized by written policies or meeting minutes approved by the membership or Executive Board?	
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	Did the affiliate file its IRS Form 990, 990-EZ, or 990-N on time - by May 15 or 4 ½ months after fiscal year end.?	
10.3	Did the affiliate file a Surety Bond Report for the past calendar year? (Due March 1st each year).	
10.4	Did the affiliate file the Local Union Annual Financial Report for the past fiscal 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.		
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?	
14.0	Does any union credit card indicate charges for personal expenses?	

OFFICER END-OF-TERM GUIDE

A MESSAGE TO OFFICERS AT END OF TERM:

Every AFSCME Officer, upon assuming office, recites the “Obligation of an Officer” set forth in Appendix B of the International Constitution. This obligation states in part:

“ . . . I promise that I will deliver to my successor in office all books, papers and other property of this union which are in my possession at the close of my official term.”

Adhering to this oath ensures that the union’s representational and financial operations are not interrupted and that the right of every member to have a *“full and clear accounting of all union funds”* is protected.

The following is a list of tasks outgoing officers must complete immediately following the election and installation of new officers:

IF OUTGOING OFFICER IS A . . .	OFFICER OBLIGATION
Signatory on a bank account	<ul style="list-style-type: none">• Make arrangements with the financial institution to remove and add names of officers authorized to serve as signatories on the accounts.• If necessary, accompany your successor in office to the bank to ensure proper transfer of accounts.
Keeper of Financial Records	<ul style="list-style-type: none">• Turn over all paper and electronic copies of union books and records to your successor in office. This includes, but is not limited to, check books, journals, bank statements, credit cards, etc.• Provide your successor in office with access (usernames and passwords) to all accounting and membership data systems.
Custodian of Records	<ul style="list-style-type: none">• Turn over minutes, including financial reports, of all membership, executive board, and delegate assembly meetings to your successor in office.
Custodian of Property	<ul style="list-style-type: none">• Turn over all property and equipment of the affiliate to your successor in office.

ONLINE RESOURCES

DOCUMENTS/FORMS	ONLINE LOCATION
AFSCME International Constitution	afscme.org
AFSCME Financial Standards Code	afscmetreasurer.org
Surety Bond Form	
Local Union Annual Financial Report	
Per Capita Tax Reporting Forms	
Sample Receipts and Disbursements Journal	
Sample Expense Reports	
IRS Form 990 (including EZ, N, T)	irs.gov/forms-instructions
IRS Form 1120- POL	
IRS Forms W-2, W-3, W-4	
Labor Department Forms LM-2, LM-3, LM-4	dol.gov/olms