



# **U.S. Department of Labor**

## **Office of Labor-Management Standards (OLMS)**

### **Financial Recordkeeping**

# The OLMS Mission

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## Administer the LMRDA

- **Ensuring union democracy**
  - **Safeguarding union assets**
  - **Financial recordkeeping and reporting**
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# Recordkeeping Requirements

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- The financial recordkeeping requirements of the LMRDA are found in Section 206, Retention of Records.
- Unions must maintain records that will provide in sufficient detail the basic information from which reports filed with OLMS such as Form LM-2, LM-3, and LM-4 may be verified and checked for accuracy and completeness.
- Records must be maintained for at least 5 years after the report is filed.

# Statutory Requirements

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There are criminal and civil provisions of the LMRDA that relate to recordkeeping violations.

- Criminal Provisions can be found in Section 209
- Civil Enforcement can be found in Section 210

# Statutory Requirements

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- LMRDA Section 501(a) – Fiduciary Responsibility of Officers
- A good recordkeeping system can help union officers meet their LMRDA fiduciary responsibilities and it provides a foundation for other internal financial controls.

# What does “failed to maintain records” mean?

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- The required record was either never created or was not obtained from another party.
- Records once existed and were in the union’s possession, but were not preserved.

# Is there a prescribed recordkeeping system?

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There is no prescribed recordkeeping system.

- Vast array of recordkeeping systems
- No specific format required by OLMS
- Some International/National unions have required recordkeeping systems for subordinate unions
- The OLMS web site lists information that shows how to adapt certain bookkeeping programs (Quicken, MS Money, Peachtree) to the LM-2 Report.

# What records must be maintained?

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General Rule: All types of records used in the normal course of conducting union business.

# Basic Receipt Records

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- Itemized receipts journal
  - All receipts should be accurately recorded with the date, source, amount, and purpose.
- Duplicate receipt records
  - Many unions prepare and issue in sequential order a pre-numbered duplicate receipt for all money received by the union. The duplicate receipt includes the initials or name of the person issuing it.

# Basic Receipt Records

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(continued)

- Bank deposit records
  - Duplicate copies of deposit slips and any other transaction records of bank deposits must be maintained.
- Check-off, cash dues, and/or initiation fee records
  - For example, maintain dues check-off lists of members provided by the employer with the check-off check.

# Basic Receipt Records

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- Bank statements
- Credit memos
- IRS Form 1099 INT showing interest paid to the union
- Notices of interest paid on CDs
- CD rollover statements

# Basic Receipt Records

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- Sales of supplies
- Duplicate receipts may be the best record that establishes when the union sells an item to a member such as a jacket or hat.
  - Ensure that detailed information is recorded on the duplicate receipt.
  - Record the sale in the receipt journal when money is accepted. Include date of sale, amount received and purchaser, and identify the item sold.

# Basic Receipt Records

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- Ticket sales
  - Records for union sponsored events such as social events or raffles
  - Announcements or copies of advertising for events
  - Sign-up sheets or registration forms
  - Ticket stubs
  - Records that explain the number of tickets printed and sold, including the price of each ticket and the amount of money collected
  - Unsold tickets
  - Record of total ticket sales (amount received) will assist in preparing the union's LM report

# Basic Receipt Records

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- Rental income
  - Books or calendars of scheduled rentals
  - Rental agreements or contracts
  - Duplicate, pre-numbered receipts in sequential order for all money received, including deposits or payments in full
  - Maintain records even if the rental was canceled
  - Keep clear and accurate records

# Basic Disbursement Records

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- Canceled checks
- Check stubs
- Disbursements journal
- Bank statements
- Withdrawal slips
- Per capita tax reports sent to a parent body or other organization.

# Basic Disbursement Records

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- Canceled checks
  - Canceled checks are part of the basic disbursement records kept by most unions.
  - Canceled checks document payment for most union disbursements.
  - Original canceled checks are an important union record that provide a wealth of information regarding a union disbursement.

# Basic Disbursement Records

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- Canceled checks and “Check 21” Act
  - Effective October 28, 2004
  - Banks are no longer required to save or return original canceled checks
  - “Substitute checks” given under Check 21 are required records

# Basic Disbursement Records

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- Check stubs
  - Check stubs should be completed and contain the same information as the canceled check.
  - Voided checks must be maintained with the union records.
  - “Miscellaneous” is never an acceptable explanation on a check stub or other disbursement record to explain the purpose of a disbursement.

# Basic Disbursement Records

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- Disbursements journal
  - Most unions, no matter their size, maintain a disbursements journal.
  - The disbursements journal should include, at a minimum, the date of the disbursement, payee, amount, and purpose.
- Bank statements
  - Keep all bank statements including debit memos or slips that show other charges to the union's account.

# Basic Disbursement Records

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- Benefits
  - For example, documents relating to workers' compensation policies, insurance, pension plans, benefit plans, etc. that the union pays for its officers and/or employees.

# Basic Disbursement Records

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- Payroll records
- Payroll records should identify the payee, date, amount, and purpose of the disbursement.
  - The records should also verify gross payments, tax withholdings, and other deductions.
  - State and federal tax records, written authorizations that identify the level of salary and all other compensation paid, and any required vouchers for pay, lost time, or expenses, must be maintained

# Basic Disbursement Records (continued)

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- Bills and invoices
  - Keep all bills and invoices that the union has paid as these are required records and are often the best documents to explain and justify disbursements.

# Basic Disbursement Records

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(continued)

- Executive Board/general membership meeting minutes
  - Executive Board and general membership meeting minutes must be complete and contain an accurate description of motions, authorizations, salary levels, allowances, expenses, travel or other disbursement or receipt of union funds.
  - The status of motions made should be clear as to whether they were carried, lost or tabled.

# Basic Disbursement Records (continued)

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Other disbursement records may include the following:

- Petty cash records.
- ATM withdrawal records.
- Credit card statements and individual charge slips.
- Hotel, airline and car rental documents.
- Documents relating to travel advances such as authorization, purpose and conditions or terms for the advance. Repayment information for an unused portion returned to the union must be clear and accurate.
- Any other record that explains or clarifies the disbursement of union funds.

# Asset Records

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- Cash
- Loans receivable
- U.S. Treasury securities
- Other investments
- Inventories of assets

# Asset Records

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- Cash
- Cash on deposit
  - Maintain records verifying funds in banks, credit unions, and other financial institutions, which includes checking and savings accounts, certificates of deposit, and money market accounts.
- Petty Cash
  - Keep a log of all payments from a petty cash fund that includes the date, amount, payee, and reason.
  - Maintain any invoices or receipts, including cash register receipts. Maintain a record of how and when the fund is replenished.

# Asset Records

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- Loans receivable
  - Maintain written records of all loans made by the union, including to whom made, amount, terms of repayment, security, repayments received, and, if the loan is liquidated, reduced, or written off, the reason, authorization, and amount involved.
  - It is illegal for a union to make a direct or indirect loan to any of its officers or employees which results in the officer or employee owing the union more than \$2,000 at any time.

# Asset Records

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- U.S. Treasury securities
  - Maintain records of savings bonds and treasury notes, bills and bonds.
  - Maintain all brokerage statements.
  - Keep all purchase and/or sale records.

# Asset Records

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- Other investments
  - Maintain records of other investments such as mutual funds, corporate stocks and bonds and commercial, municipal and foreign government bonds and securities, and mortgages purchased on a block basis.
  - Keep all brokerage statements.

# Asset Records

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- Inventories of assets
  - An inventory of liquid assets or other union records should identify all checking and savings bank accounts, money market accounts, all certificates of deposit, bonds, stock certificates and any other type of marketable securities.
  - This inventory should include the name, location, type of account, account number and ending balance of each account.
  - A record must be maintained to account for any property disposed of by the union. Again, if a fixed asset is disposed of by being donated, keep any correspondence such as a thank you letter that confirms that the donation was received.
  - Include original purchase agreements and vehicle(s) title.

# Asset Records

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- Inventories of assets
  - An inventory of fixed assets or other union records should include the various types of equipment the union owns including automobiles and other vehicles, office furniture and equipment and other fixed union property.
  - The fixed asset inventory should include the approximate date of purchase, original or estimated current value or the value carried in the union's books for the asset, and the location of the asset.
  - A record must be maintained to account for any fixed assets disposed of by the union.

# Asset Records

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Other assets records may include:

- Utility deposit records
- Inventory of supplies for resale
- Records of travel advances that are not required to be reported as loans
- Records relating to property the union owns including deeds and titles
- If the union has a safe deposit box, a record of who has access to the box and an inventory of the contents of the box should be maintained

# Liability Records

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- Loans and mortgages payable
  - Any authorization for the loan should be noted in union meeting minutes.
  - Records should be maintaining indicating the source of the loan, the date, the amount, the purpose, and the terms for repayment. The original loan documents must be retained.
  - Receipt and disbursement records should note when the loan was received and repaid.

# Liability Records

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- Other liabilities
  - Maintain records to verify any other liabilities of the union including any unpaid per capita tax or any portion of withheld taxes or any other payroll or other deductions not yet paid.

# Other Records

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- Constitution and bylaws
  - Maintain the latest copy of the union's constitution and bylaws and copies of those which may be the basis for current salary levels or other compensation/expense payments.
  - Keep any written records or interpretations of union policies.

# Other Records

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- Surety Bond
  - Keep bond certificate, coverage and renewal information, and proof of payment records.

# Other Records

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- Member information
  - Maintain any records such as member ledger cards or computer-generated material that contains information on either current or former members for at least five years.

# Other Records

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- Reports and work papers
  - Keep all internally produced reports and work papers, audit results and any reports to the parent organization.
  - Accountant reports and work papers must be retained. The union is responsible for those records and should make sure the accountant is aware of the record retention requirements under the LMRDA.

# Other Records

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- Fund transfer
  - Although they are not reported as either a receipt or a disbursement, the union must retain all records relating to the transfer of funds between accounts, such as bank documents, financial reports, and meeting minutes.

# Other Records

(continued)

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- Computer records and software
  - If the union maintains its records in an electronic or digital format, these records and the software that is necessary to use/access the records must be maintained for at least five years from the date the LM report is filed.

# Other Records

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- Election records
  - All election records must be maintained for one year after the election. This includes, for example, voted ballots, unused ballots, ballot envelopes, notice of election, lists used to verify eligibility, and tally sheets.

# Problem Areas

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- Payment receipts for goods and services provided by outside merchants/vendors
- Sometimes unions fail to obtain or keep original receipts documenting payments to outside merchants/vendors.
- Some examples include failing to maintain receipts from stores for payments for office supplies, meeting refreshments, petty cash purchases, and receipts from individuals providing services to the union, such as landscaping and janitorial services.

# Problem Areas

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Payment receipts should contain the following information:

- Date
- Description of goods and/or services
- Amount
- Nature or purpose of union business  
“union business” is not an adequate description
- Name, address & telephone number of entity providing goods/services

# Problem Areas

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- Payment Receipts
  - If the vender's receipt is not sufficiently descriptive, additional information should be added to the back, such as the names of individuals at a restaurant meal.
  - A receipt is required whether the union pays the bill directly or an individual pays it and later submits a claim for reimbursement.

# Problem Areas

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- Credit card expenses
- Credit card slips and itemized receipts for each charge must be maintained; the union's or individual's monthly statement alone is not adequate.
- The credit card charge slip will generally provide accurate information relating to the expense.
- Again, if these records do not provide the necessary details such as the date the expense was incurred, the name and address of the entity providing goods or services, the goods or services received, the amount, and the nature or purpose of the union business requiring the expense, this information must be added to the record.

# Problem Areas

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- Lodging, airfare, other travel expenses
  - In addition to obtaining an invoice or receipt, additional information identifying the purpose or reason for the travel must be recorded.

# Problem Areas

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Meal and beverage records should contain:

- Names of individuals present
  - Names/addresses of restaurants or bars
  - Nature of the union business
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- Restaurant receipts often do not provide all of this information.
  - Anyone claiming reimbursement for this type of expense should write the missing information on the back of the receipt at the time of the expense to ensure the accuracy of this receipt for the union's records.

# Problem Areas

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- Union business - use of personal automobiles
  - Dates of travel
  - Names and locations traveled to and from
  - Number of miles driven
  - Business purpose of each use
- The approved basis for reimbursement must be noted in the union's bylaws, membership meeting minutes, or another union record.

# Problem Areas

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- Union business - telephone calls from home, cell phone, etc.
  - If an officer or employee uses his or her home phone or cell phone to make union calls and is reimbursed by the union, the original copy of the individual's phone bill must be retained by the union.
  - Union business calls should be circled or otherwise designated on the bill.

# Problem Areas

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- Lost time/lost wages
  - Dates incurred
  - Specific times and number of hours claimed
  - Rate per hour
  - Purpose of lost time
  - “Union business” or “miscellaneous” are insufficient descriptions and not acceptable.
- If a union authorizes and pays lost time, the constitution and bylaws should clearly spell out the circumstances under which lost time will be paid.

# Problem Areas

(continued)

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- Authorizations
- Special care should be taken with authorizations for:
  - Officer/employee compensation such as salary, fringe benefits including bonuses and/or vacation benefits, use of a union car, pensions, life, health or other insurance, other allowances, and expenses.
  - These authorizations must be clear and unequivocal and normally will be in the form of constitution and bylaw provisions or executive board and membership resolutions recorded in meeting minutes.
  - Large or unusual transactions

# Problem Areas

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- Membership/Executive Board meeting minutes
- Unions must keep all membership and Executive Board meeting minutes if they contain information necessary to verify any information on the union's annual financial report.
- Audio or audio/visual recordings of meetings are also records that must be maintained for at least five years from the date that the report was filed.

# Miscellaneous

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- Personal responsibility of the president and treasurer.
- The union's president and treasurer, or corresponding principal officers, are responsible for ensuring that the union retains these records and complies with the provisions of Title II.

# Miscellaneous

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- Criminal prosecution or civil suits
- Any person willfully failing to maintain required records, making false entries in records, and concealing or withholding or destroying these records can be criminally prosecuted.
- These penalties can include fines up to \$100,000 and/or one (1) year in prison. These penalties not only apply to the union's officers who are responsible for the union's finances and records, but also to anyone (member, employee, accountant, lawyer) who causes a false record to be created.
- The Secretary of Labor can also bring a civil action if it appears that a person has violated or is about to violate the recordkeeping requirements.

# Miscellaneous

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- Member's right to review books/ records
  - Section 201(c) of the LMRDA gives members the right to examine any of the union's books and records that are necessary to verify a report filed with OLMS. This is enforceable by the filing of a civil suit in federal district court by a member showing "just cause" for examination.

# Contact OLMS

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- Online at:  
<http://www.olms.dol.gov>
- The Department of Labor Call Center at: 1-866-4-USA-DOL
- You may also send questions via e-mail to [olms-public@dol.gov](mailto:olms-public@dol.gov).