

BASIC PROCEDURAL INSTRUCTIONS FOR FINANCIAL OFFICERS



**UAW Auditing Department
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BASIC PROCEDURAL INSTRUCTIONS FOR FINANCIAL OFFICERS

The following Basic Procedural Instructions have been prepared to assist you in properly keeping the local's books and records. They are based on the Constitution of the International Union and the procedures developed by the years of experience and judgment of our UAW Auditing staff.

You are urged to study this booklet carefully and keep it readily available as a checklist and reminder.

Article 40, Sections 5 and 11 of the UAW Constitution requires that the local union financial secretary-treasurer make a financial report, in writing, every month at a regular meeting of the local union.

Provide your regional servicing representative with a copy of the monthly financial report.

As a matter of long-standing practice, a copy of this booklet is attached to all reports made by an International Union Auditor. Another booklet, "Basic Procedures for Trustees" will be very helpful to trustees and financial officers in carrying out their duties. Additional copies of these free booklets may be obtained by writing to the UAW Auditing Department, 8000 East Jefferson, Detroit, Michigan 48214.

There are 3 basic rules that must be followed to keep a local union's books and records properly:

1. Write an official receipt for all income, regardless of source (duty of the financial secretary).
2. Deposit all income into the commercial checking account (duty of the financial secretary and/or treasurer - most locals combine these offices).
3. Write a check for all expenditures (duty of the financial secretary). Each check must be signed by the treasurer and countersigned by the president.

INCOME

1. **An official receipt must be written for all income received, regardless of source.** Only one receipt should be written for each checkoff check received from the company.
2. Official receipts must be used in numerical sequence. This is particularly helpful to the financial secretary and trustees in checking income.

3. Official receipts must not be altered or corrected. Should an error be made in the writing of a receipt, the receipt must be voided, and a new receipt issued.
4. All voided official receipts must be attached to the duplicate copies and left in numerical order in the receipt book.
5. **Form A-42, Summary of Income** -- Monthly Summary of Cash Received, for permanent record all income must be posted to the Summary of Income, Form A-42 using the proper classification from the Chart of Accounts.

All bank deposits made during the month and the separate deposit of any cash on hand made at the beginning of the following month must be recorded by date and amount under the "Bank Deposits" column on Form A-42. The month's total "Bank Deposits" must agree with the total amount of income for that month.

"Income by Funds" at the bottom of Form A-42, for all funds except the General Fund and New Member Orientation Fund, is determined by **multiplying** the cents per member mandated by Article 16, Section 6 of the Constitution and local union bylaws **times (x)** the net number of dues months paid (the total number of dues received under the "No. of Dues Months Paid" column **less** the number of dues refunds made during that calendar month from Form A-40 1/2, Summary of Expenditures, **plus** any special income earmarked for any of these funds.

Income to the New Member Orientation Fund is determined by the net number of initiation fees received that month times (x) five dollars (\$5.00) in accordance with Article 16, Section 1 of the Constitution.

The total amount of income credited to these funds is then deducted from the total income for that month and the remaining balance is the income to the General Fund.

6. In **amalgamated locals**, income and the number of members paying dues from each unit must be broken down daily and monthly according to the units from which it is received. The various totals must also be reflected on the Summary of Income, Form A-42 and on Form A3A, Summary of Members by Worksite Units.

NOTE: Local unions who maintain their financial records on computer can post and update their membership list on computer.

7. **All income must be deposited into the commercial checking account as soon as possible after it is received.**

Accumulated deposits, plus cash on hand at the end of the month, must total the income for the month.

All cash on hand at the end of a month must be deposited as the first and separate deposit of the following month.

8. Bank deposit slips must be made out in duplicate, stamped or initiated by the bank for verification of deposits and kept on file in date order.
9. **As an added protection for your local, the financial secretary and/or treasurer must stamp or write -- "For Deposit Only to the Account of Local Union _____, UAW, Account Number _____" on all checks at the time each check is received.**

DUES RECORD CARD AND CHECKOFF LIST

1. **Form A-146, Financial Secretary's Record Card** -- After a member's dues, initiation fee, etc. have been received and recorded, the financial secretary must post to the member's Record Card the information contained on the official receipt and/or the checkoff list. Each member's Record Card must be kept up-to-date showing that continuous good standing membership has been maintained or any other status. This information may be kept on computer in lieu of Form A-146.
2. **Checkoff List** -- Record cards must be filed in the same order as members' names appear on the checkoff list to avoid any unnecessary problems in posting.

The checkoff list must include each member's name, social security (U. S.) or social insurance (Canadian) number, clock number, department number, details of each member's deduction by classification and amounts of regular monthly dues, back dues, SUB dues, initiation and reinstatement fees, the calendar months involved and a recapitulation showing the total breakdown by classification of deduction.
3. All checkoff lists must be carefully filed and kept in date order for verification to the trustees and International auditors.
4. **SPECIAL NOTE** -- All checkoff checks must be made payable to the local union, as follows: "Local Union No. _____, UAW." Under no circumstances should a checkoff check be issued in an individual's name.

5. **At least once every six months, the financial secretary must compare the members' names on the checkoff list and the record cards against the master seniority list to determine that all members appear on the checkoff lists and are properly accounted for.**

Should this comparison show that any member has been improperly omitted from the check-off list, the financial secretary must give the company immediate written notice to correct this error and a copy of that written notice must be given to your regional servicing representative.

EXPENDITURES

1. **All expenditures must be made by checks issued against the local's commercial (checking) account.**
2. **Voucher - "Order on the Treasury" -- The voucher ("order on the treasury") system stipulated in Article 40, Sections 1 and 3 of the International Constitution must be adhered to.** These sections require that expenditures must be supported by vouchers signed by the president and recording secretary. The financial secretary has no authority to proceed with the issuing of a check until the required signed voucher has been received, and neither the president nor the treasurer should sign a check which is not accompanied by a properly executed, signed voucher.

The only exceptions to this rule requiring a signed voucher before a check is written are for Per Capita Taxes and for other fixed items of expense such as wages, taxes, rent, utilities, etc., and even then only when prior authority to pay such other items has been given by the membership to the Executive Board or to certain officers, supported by bylaws or minutes of membership meetings.

3. All invoices and vouchers authorizing expenditures must have noted on them the numbers of the checks issued to cover them and must be filed in order, according to the months in which they were paid.

Invoices **must** be maintained for every expenditure. The only exceptions to this rule are lost time or wage payments and expense allowances. Per diems paid for meals, etc., when required to stay overnight, **must** be supported by hotel/motel receipts.

4. The check stubs must show the essential details of the check: the date, the name of the person or organization to whom payable, the amount of the check and the reason for issuance.
5. **Checks must NOT be made payable to "cash".**

6. A check to an organization must be issued in the name of the organization and not to any individual.
7. Each voided check must be attached to the stub in the checkbook.
8. **Under no condition should any check be signed in blank or in advance by any officer or officers.** The use of signature stamps is also prohibited.
9. **A running bank balance must be maintained on the check stubs or computer** by adding all deposits and subtracting all checks and bank debits as they occur. In this way, the financial officers and membership will know the local's actual cash position in the commercial checking account at all times.
10. **Form A-40 1/2, Summary of Expenditures** -- The numbers of all checks, including voided checks, must be listed in numerical sequence on the expenditure's ledger on Form A-40 1/2, Summary of Expenditures. Complete and detailed recordings must be made in the ledger of the information taken from each check stub so that the ledger can be balanced at the end of each month. Expenditures must be posted using the proper classification from the Chart of Accounts.
11. Refunds of dues, initiations, reinstatements, etc. must be separately classified in the expenditure's ledger. This allows immediate credit to be taken for all refunds at the time per capita taxes are paid.
12. **Form A-3, Monthly Report of Per Capita Taxes** -- Per capita taxes for each calendar month are computed on the total amount of dues, initiations, reinstatements and other Constitutional per capita income received by the local union in a calendar month -- less any refunds made during that same calendar month.

A check must be issued for that calendar month's per capita taxes and forwarded to the International Secretary-Treasurer no later than the 20th day of the following month, along with a completed Form A-3, Monthly Report of Per Capita Taxes and Form A3A, Summary of Members by Worksite Units.

Amalgamated locals must also submit Form A-3A, Summary of Members by Worksite Units.

For example, per capita taxes on income received in the month of January must be forwarded to the International no later than February 20th, without regard to the dues month or months posted on the members' dues record card.

If a local union receives no per capita income, for any reason, during a calendar month, the financial secretary must submit a Form A-3 for that month to the International with the notation on the line for per capita taxes - "No Dues Received."

The "Number of Members Paying Dues" reported near the top of Form A-3 is the same figure as the net number used on Form A-42 to compute income to the various local union funds.

13. **Affiliate Per Capita Taxes** -- It is mandatory that all local unions affiliate with UAW State, City, County or Area Community Action Program (CAP) or Provincial Industrial Union Councils and Councils of the Canadian Labor Congress, wherever such bodies are established.

Contact your regional director for instructions and policy on these matters.

LOCAL UNION COMMERCIAL (CHECKING) ACCOUNT

1. **Commercial Account** -- International Union policy and procedures require that only one commercial checking account be maintained by a local union.

Monthly bank statements must be secured from your bank showing the balances in the checking account as of the beginning and the end of each calendar month. All checks and debits and all deposits and credits clearing the account that month must be listed in detail on the bank statement.

2. **Reconcile your Bank Account Monthly** -- Your bank account must be reconciled (verified) each month. Prove the entries and balances on each monthly bank statement, as follows:
 - a) Compare the starting balance of the current bank statement with the ending balance of the previous month's bank statement.
 - b) Tick off each debit on the bank statement against the cancelled check to which the debit applies, making sure that the amounts agree. Any debit memo or service charge against your bank account must be entered on Form A-40 1/2, Summary of Expenditures, for that month, as if a check had been issued for that expenditure. (Note: Wherever possible, arrangements should be made with your bank to prevent monthly service charges, charges for printing checks, etc.).
 - c) Determine that the correct amount of each bank deposit has been credited to your account.
 - d) Arrange all cancelled checks in numerical order.

- e) Tick off the amount recorded on the expenditure's ledger, Form A-40 1/2, against the cancelled check to which the check number and amount applies, making sure that the amounts agree.

The remaining checks not ticked off are outstanding checks.

- f) If there are any outstanding checks, list by check number and amount, including any from previous months. These lists must be kept for review by your International Union auditor.
 - g) The total of all outstanding checks subtracted from the ending balance shown on your current bank statement provides your actual bank balance at the end of that month.
 - h) Compare your actual bank balance with the balance shown on the check stub of the last check issued in that month. Any adjustments necessary should be made on the stub in order that the checkbook balance may agree with the reconciliation.
 - i) **Notify your bank immediately of any discrepancy** and see to it that your bank makes the necessary adjustment to your local's bank account to your satisfaction.
 - j) All cancelled checks or check images (front and back) must be left with the monthly bank statements on which they appear as debits, carefully filed and maintained in monthly order.
 - k) All debit and credit memos, service charges, etc. from the bank must be attached to that bank statement on which the entries are shown.
3. Should the bank return, for any reason, a previously deposited check or any other deposited item, a separate redeposit must be made of such returned item.

BALANCING THE BOOKS

- 1. Your local's books can be in balance only if the balance to account for, the total cash assets and the total of all funds are in perfect agreement.
 - a) **Balance to Account For** -- For any given period, this balance is always arrived at by the following computation:

Total Assets - Previous Month **plus** income for the period less expenditures for the period **equals Balance to Account For (end of period)**.

The Balance to Account For at the end of each month is computed on the recapitulation page of Form A-43 on lines 1-5. The "Net Income" figure on line 2 is taken from Form A-42, Summary of Income and the "Net Expenditures" figure on line 4 is taken from Form A-40 1/2, Summary of Expenditures.

- b) **Total Cash Assets** -- The cash assets of your local union (checking account, cash on hand, savings investments, utility deposits, petty cash account, etc.) must be listed each month on the recapitulation page of Form A-43, under the heading "Allocation of Assets" on lines 7-34 and the total of all of these assets, enter them on the line called the Total Cash Assets.
- c) **Total of All Funds** -- Balances in the local union funds must be computed and recorded at the end of each month on the fund balances pages of Form A-43, Cash and Fund Summary:
 - 1. For each month, total the income allocated to the various funds (lines 2, 7, 12, etc.). This total should equal exactly the "Net Income" for that month on line 2 under recapitulation on page 1.
 - 2. Similarly, the total expenditures deducted from the various fund balances in each month (lines 4, 9, 14, etc.) must equal the "Net Expenditures" for that month on line 4 under recapitulation on page 1.
 - 3. The balances in the funds at the end of the month must be added together to see that they agree with the balance to account for and total cash assets.

SUMMARIES OF INCOME AND EXPENDITURES BY MONTH

- 1. **Form A-44, Summary of Income by Months** -- Each month the financial secretary must copy the monthly totals for each income classification (dues, initiations, etc.) from Form A-42, Summary of Income to Form A-44, Summary of Income by Months.

This form contains printed columns for each calendar month, totals by quarters, six months and for the year.

- 2. **Form A-41, Summary of Expenditures by Months** -- Similarly, the financial secretary must copy the monthly totals for each expenditure's classification (lost time, supplies, per capita taxes, International, etc.) from Form A-40 1/2, Summary of Expenditures to Form A-41, Summary of Expenditures by Months. This form contains printed columns for each calendar month, totals by quarters, six months and for the year.

These forms serve as an "at a glance" general ledger and will be most helpful to the financial secretary in preparing required reports to the government and other agencies, as well as to the trustees in making their reports.

Failure to maintain these summaries means, that to make up these reports, the necessary information has to be compiled all at once by the involved and tedious process of critical examination of the local's records month by month for the required period.

SAVINGS INVESTMENTS

Surplus funds of UAW Unions are limited to investments in governmental securities, such as bonds and treasury bills or savings accounts, certificates of deposit, share accounts, etc. that are insured by government agencies, such as the FDIC or the **NCUA**.

Interest/Dividends -- An official receipt must be written for all interest/dividends, regardless if the interest/dividends are accrued to an account or a check is sent to the local union. The receipt must identify the U. S. Security, savings account, certificate of deposit, etc. on which the interest was earned.

When the interest/dividends are posted on Form A-42, Summary of Income, the posting must identify the interest/dividends by the type of investment and number (e.g. Certificate of Deposit #2137 or Savings Account #7891).

Purchase of Savings Investments -- All purchases of savings investments must be made through the local union's commercial account and treated as a transfer between accounts, as shown on page 10 of these instructions.

Postings to Form A-43, Cash and Fund Summary, must include the name of the savings institution and the account or certificate number.

Redemption of Savings Investments -- All investments must be redeemed through the local union's commercial account and treated as a transfer, as shown on page 11 of these instructions.

When the redemption is posted to Form A-42, Summary of Income, the posting must include the type of investment and investment number (refer to previous example).

SPECIAL NOTES FOR FINANCIAL SECRETARY-TREASURERS

1. **How to Void (or Cancel) an Old Check** -- To void a check issued in a prior month or to void a check which has been outstanding for six months or more, you should **subtract the amount of the check(s) from the current month expenditures**. You can do this by listing the check(s) number and amount in the

far left column of Form A-40 1/2, Summary of Expenditures, at the end of the month and subtract the amount from the total column. Then subtract the amount from the classification from which the check was originally written (e.g. lost time, supplies, etc.). Finally remove the check(s) from the outstanding check list. This will enable the books to be in balance.

Make sure the appropriate fund is credited the amount of the voided check(s). This can be accomplished by using "How to make a Transfer between Local Union Funds", which is outlined on page 10 of these instructions.

2. **How to Issue a Replacement Check** -- The financial secretary must first be absolutely certain that a check has been destroyed or lost and that sufficient time has elapsed to assure that the check will not be cashed before issuing a replacement or duplicate check.

After being satisfied that the old check will not show up, a new check may be issued. Post the new check number with a notation "Replacing Check No. ____" on Form A-40 1/2, Summary of Expenditures.

Do not post the amount of the new check or the expenditure classification.

The new check number replaces the old check number in the listing of outstanding checks for purposes of reconciling the bank account.

Due to the high rate charged by banks for stopping payment on checks, it may not be prudent to order a stop payment at your bank on the old check.

3. **How to Transfer Monies Between Bank Accounts**

- a) **To make a transfer of monies from the commercial account to a savings account, certificate of deposit, etc.**, a check must be issued to the local union and recorded on Form A-40 1/2, Summary of Expenditures, the same as any other check. The amount of the check (transfer) must then be deducted from the total gross expenditures for that month to provide the total net expenditures for that month.

The account receiving the transfer must be reported under "Other Assets" on page 1 of Form A-43, Cash and Fund Summary.

- b) **To correctly transfer monies from a savings account, certificate of deposit, etc. to the commercial checking account**, an official receipt must be written recording the details, since the transfer involves a deposit into the checking account and must be included in comparing bank deposits with the local's total gross income for that month. The official receipt for the transfer must be permanently recorded on Form A-42, Summary of Income. The

amount of the transfer must then be deducted from the total gross income for that month to provide the total net income for that month.

Appropriate recordings of the transfer must be reflected on page 1 of Form A-43, Cash and Fund Summary.

4. **How to make a Transfer between Local Union Funds** -- Your local union's funds were established by the International Constitution and local union bylaws to provide your membership with a budget for certain activities. These funds or budgets are readily available on Form A-43, Cash and Fund Summary, to assist local union officers and members in seeing to it that your local lives within that budget.

After securing the necessary membership and constitutional approval, a transfer between funds may be made.

For example, to make a transfer from the General Fund to the Education Fund in August:

- a) On page 2 of Form A-43, Cash and Fund Summary, add the amount of the approved transfer to the Education Fund's July "Balance - End of Month" and record this increased balance in the fund's "Balance - Previous Month" in the August column.
 - b) Make a permanent notation at the top of the page showing the date approval was given for the transfer and pertinent details of the approval.
 - c) Reduce the August "Balance - Previous Month" of the General Fund by the amount of the approved transfer.
5. **Petty Cash Account** -- How to set up, operate, replenish or close out a petty cash account -- As a rule, it is not advisable, but a local union may, under unusual circumstances, allow the financial secretary to have a petty cash account for paying small operating expenses. The financial secretary must, at all times, be in possession of and responsible for the full amount of the account, either in cash or receipts and cash.
 - a) The correct procedure for setting up a petty cash account is to:
 1. Write a check in the name of the financial secretary for the approved amount.

2. Record the check on Form A-40 1/2, Summary of Expenditures, classifying it as "Petty Cash Account Set-Up", but deduct the amount of the check from the gross disbursements for that month to provide the total net expenditures for that month, since this is simply a transfer of monies from your bank to the care and responsibility of your financial secretary.
- b) The correct procedure for operating and replenishing the account is to:
1. Obtain receipts for each expenditure.
 2. Itemize all expenditures on Form A-138, Petty Cash Summary.
 3. When the account is almost depleted, total the summary and write a check to the financial secretary for the amount spent. Cash the check and add this to the remaining cash balance, which should return the account to its original balance.
 4. Classify these expenditures on Form A-40 1/2, Summary of Expenditures, in accordance with the receipts used to support the replenishment check.

NOTE: "Miscellaneous" is not an acceptable classification.

- c) The correct procedure for closing out a petty cash account is:
1. Total the petty cash receipts and write a check to the financial secretary for the amount spent.

This check added to the remaining cash balance must return the petty cash account to its original balance.
 2. Write an official receipt to the financial secretary for the full amount. Note on the receipt "close out petty cash account".
 3. The official receipt must be permanently recorded on Form A-42, Summary of Income, under the classification "close out petty cash account". This amount must then be deducted from the total gross income for this month to provide the total net income.
 4. Deposit the total amount of the petty cash account into the commercial checking account.
 5. Remove the petty cash account from page 1 of Form A-43, Cash and Fund Summary.

U.S. LOCALS --- BASIC PAYROLL INSTRUCTIONS

The following basic instructions for paying lost time, wages, expenses, etc., should be helpful to the financial secretary:

1. Lost time is one of the most controversial of all local union expenditures to deal with and, without proper safeguards, can become the most expensive.

By definition, lost time is reimbursement to a member, on a no-loss, no-gain basis, of earnings actually lost because of doing authorized work for the Union.

The local union membership and bylaws must clearly spell out the Union representative (president and others, depending on the size of the local) responsible for "authorizing" a member to lose time from work to perform work for the Union.

The authorized representative must see to it that the member, entitled to lost time reimbursement, completes in detail and signs the "Wages, Lost Time and Expense Voucher", Form A-136. The representative must sign the voucher on the line below the claimant's signature verifying "Authorized by _____
Date _ _ _ _ _

The voucher must then be signed by the president and recording secretary on the designated lines and submitted to the financial secretary for payment to the member. LM-2 filers are reminded that they must complete the functional disbursement section at the bottom of the A-136 voucher.

2. The local union should designate one day each week to pay all outstanding bills - including lost time, wages and expenses -- which were received or come due through the preceding week. For example, a member entitled to lost time pay from their Union should be paid by the date the member would have been paid by the employer.
3. In order that the local may be aware of the full cost of wages and lost time, these items should be posted at gross amounts in the appropriate classification columns on the Expenditures Ledger, Form A-40 1/2, with debit columns set up for the entering **IN RED** of figures for all payroll deductions. The net amount of the check must be posted in the "Amount" column.
4. A payroll ledger must be maintained on a quarterly basis showing the gross amount, the amount of deductions by classifications and the net amount paid to each individual for lost time and wages.

A record must also be maintained of all regular allowances and all expenses of any kind paid to or on behalf of any officer, member or employee of the local union, as required by the Internal Revenue Service and the Labor-Management Reporting and Disclosure Act (LMRDA).

5. If your local union is not presently complying, you must contact the Federal, State and Local agencies in your area to obtain information of your responsibility and the procedure to follow regarding payroll taxes and the local's liability under the Federal Unemployment Tax Act.

Secure an up-to-date copy of Circular E, Employer's Tax Guide, from the irs.gov website.

6. Taxes of Lost Time, Wages and Allowances:

- a) Form 1-9, Employment Eligibility Verification and Form W-4, Exemption Certificate, must be filled out and signed by all to whom lost time or wages are paid. These certificates must be kept on file by the financial secretary.
- b) From all lost time, wages and allowances, income taxes must be deducted in amounts based on the tables prepared by the Department of the Treasury, Internal Revenue Service.
- c) Social Security (Federal Insurance Contributions Act) taxes must be deducted from any individual whose gross earnings are \$100 or more within a calendar year. When an individual's gross earnings reach \$100 or more during a calendar year, Social Security taxes must be deducted based on the total gross earnings.

NOTE: Watch this carefully. It can save money for the local concerning any member who receives less than \$100 per year from the local.

- d) The regulations of Internal Revenue Service must be followed concerning the advance depositing of income and social security taxes withheld, including the local's share of Social Security taxes.

Instructions on these important matters are contained in Circular E, Employer's Tax Guide, published by the Internal Revenue Service, and it is emphasized that deviations from these requirements can result in serious penalties being levied against the local union.

- e) At the end of each year, Form W-2, Wages and Tax Statement, must be prepared for each individual from the payroll ledger. One copy is sent to the Social Security Administration (as listed on Form W-3, Transmittal of Income and Tax Statement) one copy is retained for the local's files and the

remaining copies are forwarded to the individual who received lost time, wages, etc.

- f) Unemployment compensation taxes on lost time and wages must also be paid in accordance with the requirements and regulations of the State Unemployment Compensation Commission.
- g) Federal Unemployment Tax Act taxes on lost time, wages and allowances must be paid in accordance with the requirements of the Internal Revenue Service.
- h) Any exoneration given by the Director of Internal Revenue, or any other taxing authority relieving the local from the responsibility of deducting taxes, must be in writing and such letter of authorization must be carefully safeguarded for the future protection of the local.

EXPENSE ALLOWANCES AND MEAL PER DIEMS

Payments to members for expense allowances are subject to withholding taxes, unless the member is required by the local union to account for these payments and does so.

Additional information regarding taxes on expense allowances and excess meal per diems are available in Circular E, Employer's Tax Guide available online at www.irs.gov.

ls/opeiu494

UAW Auditing Department

**PUB. A-100
REV. April 2016
REPRINT q. 1400 Feb 2017**

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from the:**

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