

# **PREFACE**

## **History**

In February 1981, the Statewide Board of Directors adopted the “Finance” article for Region, Local and Unit Constitutions. To guide the membership in implementing that Finance article, the Statewide Board adopted the **Financial Standards Code** in May 1981.

This latest revision reflects new conditions, changing times and new amendments to the Region, Local and Unit Constitutions. The aim of the Code is to help the officers account for and explain the use of the dues rebates.

A major ingredient in the accountability process is the requirement that the Executive Board have an examination of the books done through the Audit Committee. To assist the Audit Committee, an **Audit Committee Guide**, keyed to the **Financial Standards Code**, is also included in this booklet.

*Original Printing: May 1981*

*Amendments: January 1982, May 1983, June 1986, August 1987, June 1989 July 1992,  
October 1995, July 1999, July 2005, July 2013, September 2017, January 2018,  
February 2019, July 2021*



**CSEA  
FINANCIAL  
STANDARDS  
CODE**

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## **ARTICLE I**

### **Purpose and Scope**

**Section 1.** Every Region, Local and Unit (subordinates) of the Civil Service Employees Association, Inc., herein referred to as CSEA or the Association, shall be required to meet the standards established by and set forth in this Code.

**Section 2.** All funds rebated from CSEA to subordinates are rebated in trust by CSEA on behalf of the members and Private Sector financial core fee payers.

All funds received by subordinates are to be spent only to represent its members and Private Sector financial core fee payers with respect to all terms and conditions of employment and in the furtherance of legitimate union business.

No attempt is made to list specifically those instances considered legitimate union business; rather this Code provides general guidelines. The Region/Local/Unit officers and Executive Board are expected to exercise their fiduciary responsibility within these guidelines. If there is a question concerning legitimacy that cannot be resolved by the subordinate's officers and/or the Executive Board, the CSEA Statewide Treasurer must be consulted.

**Section 3.** The purpose of this Code is to establish minimum standards to be met by subordinate bodies in the handling of funds and other assets and in the maintenance of financial records of such subordinate bodies. The establishment of these minimum standards is not intended to prohibit the use of more complex or additional safeguards which may be established by any subordinate body.

It is not the intent of this Code, and the Code shall not be interpreted in such a manner as, to relieve any officer of any subordinate body of any duty

or responsibility which is placed on such officer by the Constitution of the subordinate body or of the Union.

**Section 4.** Nothing contained in this Code shall be deemed to prohibit the use of mechanized or electronic equipment for accomplishing the record keeping functions herein set forth. If such equipment is used and if such use essentially accomplishes the purposes of the manual operations described in this Code, the minimum standards set herein shall, to that extent, be considered met.

**Section 5.** Nothing contained in this Code shall be deemed to prohibit the use of accounting or outside bookkeeping services by a subordinate to maintain the records and reports as described in this Code.

## **ARTICLE II**

### **Custody of Funds**

**Section 1.** All money received by a subordinate shall be placed directly, promptly and in its entirety in either a checking or savings account that is maintained in the name of the subordinate body. No other money shall be placed in the subordinate's accounts. Accounts are to be maintained in any of the following:

- A.** Banks and Savings & Loan Associations in which deposits are insured by the Federal Deposit Insurance Corporation (FDIC).
- B.** Credit Unions chartered by the Federal or State Government in which shares are insured by the National Credit Union Administration (NCUA).
- C.** Other low-risk investment vehicles such as money market accounts where investment is limited to high-grade instruments; for example, short-term U.S. government securities and certificates of deposits.

All accounts shall be established so that two authorized signatures are required for all transactions, one being the Treasurer and the other being the President or ranking Vice President.

Transfer of funds directly between the subordinate's accounts that are maintained at the same financial institution may be done with the authorization of the subordinate's Treasurer only; all other transfers require two authorized signatures. Transfer records and/or deposit slips for these transactions must be maintained in the subordinate's financial records.

**Section 2.** Other investments may be made which are not inconsistent with provisions of the Constitution of the subordinate body. Evidence of such investments shall be placed in a safe deposit box which shall be rented in the name of the subordinate body. Access to such deposit shall be available only to two authorized representatives of the subordinate body jointly, the President and the Treasurer. No officer shall invest, or cause to invest, CSEA funds in any manner which results in personal profit or advantage of any officer or CSEA representative.

**Section 3.** The opening of any financial account will require the subordinate to provide an Employer Identification Number. (*See Article VIII, Section 7.*) The financial institution may also request a corporate resolution and/or additional information for banking regulation purposes; contact the CSEA Statewide Treasurer for the required information when opening a new financial account.

**Section 4.** A Petty Cash fund may be established and maintained up to the following **maximum** amount:

Subordinates with 100 members or less.....	\$25.00
Subordinates with more than 100 but less than 500 members...	\$50.00
Subordinates with more than 500 members.....	\$100.00



A Petty Cash fund is initially established by issuing a Region/Local/Unit check, in the above allowed amount, made payable to the subordinate's Treasurer who shall cash the check and place the cash directly into the Petty Cash fund.

Only one Petty Cash fund shall be maintained. All money spent from the Petty Cash fund shall be supported by receipts. Where receipts are not practicable, expenditures shall be supported by a petty cash voucher and/or a list documenting the date, amount and purpose of all petty cash expenditures.

The Petty Cash fund shall be reimbursed at the end of each accounting period (or more frequently, if necessary) by a Region/Local/Unit check made payable to the subordinate's Treasurer for the amount expended since the previous reimbursement. The Treasurer shall cash that check and place the cash directly into the Petty Cash fund bringing the fund total back up to the maximum amount originally established.

The receipts, vouchers, and listing of expenditures documenting the total amount reimbursed (expended for the accounting period) shall be retained by the Region/Local/Unit Treasurer. No income shall ever be placed directly in any Petty Cash fund.

**Section 5.** The Region/Local/Unit Treasurer shall be the custodian of the financial books and records of the subordinate. (*See Article III.*) The books and records shall be open at all times to the inspection of the subordinate's President and the Executive Board; however, the Treasurer is responsible for their safekeeping. Records shall be maintained in their original state for seven (7) years. No copies of internal financial documents shall leave the custody of the Treasurer unless specifically authorized by the CSEA Constitution or By-Laws.

The President of a subordinate shall notify the CSEA Statewide Treasurer within ten (10) days of any changes in the office of Treasurer by providing a copy of the Executive Board minutes whereby a new Treasurer

has been appointed. A resignation letter from the previous Treasurer must be provided if attainable.

**Section 6.** The subordinate shall make available all records for inspection by the Association at the request, within reasonable intervals, of duly authorized representatives of CSEA; the Association President, Board of Directors or Internal Auditor. Upon the subordinate's failure to make the records available for inspection by the Association, or in the event the subordinate furnishes records which are deemed to be inadequate, the subordinate may be placed in trusteeship by the President of the Association as authorized by the Constitution of the subordinate body.

**Section 7.** In the event a Local/Unit is placed in administratorship by the Association, the appointed administrators shall assume the duties and responsibilities of the presidency and, if applicable, assist existing Region/Local/Unit officers with managing the financial records of the subordinate for the duration of the administratorship. (*See the Local Constitution, Article IV, Section 6 or Unit Constitution, Article IV, Section 6 along with the CSEA guide "How to Administer a Local or Unit That Goes into Administratorship".*)

**Section 8.** In the event a Local is dissolved by the Association, all books, papers, funds and other property of such subordinate shall forthwith be returned to the President of the Association to be held in escrow for a period of one (1) year for the purpose of reorganizing the Local or designating a successor. If the Local is not reorganized within one (1) year, or if a successor Local is not designated, such books, papers, funds and other property of such Local shall be the property of the Association.

In the event a Unit is dissolved by the Local Executive Board, all books, papers, funds and other property of such subordinate, including that of all subdivisions thereof, shall forthwith be returned to the President of the Local to be held in escrow for a period of one (1) year for the purpose

of reorganizing the Unit or designating a successor. If the Unit is not reorganized within one (1) year, or if a successor Unit is not designated, such books, papers, funds and property shall be the property of the Local.

**Section 9.** In the event a Local disassociates from CSEA, or ceases to function as part of CSEA, all books, papers, funds and other property in the control or custody of such subordinate shall forthwith be returned to the President of the Statewide Association and shall be the property of the Statewide Association.

In the event a Unit, and/or subdivision(s) thereof, disassociates from CSEA, or ceases to function as part of CSEA, all books, papers, funds and other property in the control or custody of such subordinate shall be returned to the President of the Local and shall be the property of the Local.

### **ARTICLE III Maintaining Records**

**Section 1.** The following records shall be maintained or caused to be maintained regularly by the Region/Local/Unit Treasurer:

- A. An income register and expense register for each of the subordinate's bank accounts.** The income register shall note the source of income and shall contain all bank issued interest and related income. (*See Article IV, Section 4.*) The expense register shall note the purpose for expenses and shall contain all banking fees and related expenses. (*See Article VII, Section 8.*) **All entries on these registers shall be made in ink. These registers should contain no erasures and no pages should be missing.** If errors are made, circle the error, make a note that it is an error and then make a correcting entry.

- B. Bank receipts for all deposits and/or transfers.**
- C. All bank statements, cancelled checks (or facsimiles thereof) and monthly bank reconciliations.**
- D. The check register, all check stubs and voided checks.** The signature block should be removed from all voided checks and “VOID” clearly marked across the check face.
- E. All paid bills and invoices.** (*See Article VII, Section 6.*)
- F. All receipts used to document money deposited from sources other than CSEA.** (*See Article IV, Section 2.*)
- G. All used tickets for social events along with a full accounting of the event to document money deposited and/or expended for the event.** (*See Article IV, Section 6.*)
- H. All records and expenditures from the petty cash fund.** (*See Article II, Section 4.*)
- I. All payroll records and related tax returns.** (*See Article VIII, Section 9.*)
- J. All lease agreements, lease purchase or time payment contracts of any nature which involve financial obligations on the part of the subordinate body.** (*See Article V, Section 3.*)
- K. All documents constituting evidence of ownership by the subordinate body of any property or equipment of any nature.** (*See Article V, Sections 3 and 4 / Article VII, Section 6.*)
- L. Minutes of all Membership and Executive Board Meetings as well as Region/Local/Unit committee meeting minutes; including Audit Committee and Budget Committee meetings.** Minutes shall reflect those in attendance.

- M. Copies of all returns as filed with governmental agencies including IRS Forms 990/990-EZ/990-N, IRS Form 1099-NEC with Form 1096, and, if applicable, USDOL Forms LM-2, LM-3 or LM-4. (See Article VIII, Sections 5 and 6.)**
- N. Copies of all reports as filed with the CSEA Statewide Treasurer or Local Treasurer including the annual CSEA Budget, Financial Report and Audit Report. (See Article VIII, Sections 2, 3, and 4.)**
- O. All Reports to the Executive Board. (See Article VIII, Section 1.)**
- P. Copies of any statements or transaction advice from brokerages, investment houses or mutual funds managers for any investment accounts maintained.**

**Section 2.** The records described above in Section 1 shall be retained by the Region/Local/Unit Treasurer in their original form for a minimum of seven (7) years.

**Section 3.** When a new Region/Local/Unit Treasurer is elected, the outgoing Treasurer shall, at the end of their term, immediately turn over to the incoming Treasurer all records outlined in Section 1 above that are in his or her possession or control. The CSEA Financial Records Inventory List (or a form that accomplishes the same purpose) shall be used to document all records being given to the incoming Treasurer. The form shall be prepared and signed by both the outgoing and incoming Treasurers. A copy of this signed list of records should be kept by both the outgoing and incoming officers of the subordinate.

**ARTICLE IV**  
**Income**

**Section 1.** All monies received by a subordinate must promptly be deposited directly and in full into the subordinate's bank account.

**Section 2.** A bank deposit slip shall be used to document all money collected and deposited by the subordinate. Deposit slips shall be prepared in duplicate and the receipted carbon copy shall be maintained by the Region/Local/Unit Treasurer. The deposit slip shall indicate the source of the money, the amount collected and the date deposited. Money collected and deposited from sources other than the Association shall have additional supporting evidence attached to the receipted deposit slip documenting the source of the money, the purpose, date and amount. All receipted bank deposit and/or transfer slips shall be retained by the subordinate's Treasurer in date order.

**Section 3.** Each time money is deposited, the amount, date, source and purpose shall be entered on the bank account register for that account and the register balance adjusted accordingly.

**Section 4.** An income register shall be maintained for each bank account. The Region/Local/Unit Treasurer shall use the CSEA Income Register distributed by the Association (or a form that accomplishes the same objective).

Each time money is deposited into any of the subordinate's bank accounts the income register for the account shall be updated with the amount, date, source and purpose of the income. The amount deposited shall also be distributed to the proper income category column on the income register. At the end of each accounting period (monthly, quarterly, semi-annually or annually) the amount column and each category column shall be totaled on each income register maintained by the subordinate. The

combined total of all category columns must agree with the total of the amount column on each income register for the accounting period.

**Section 5.** Monthly bank statements shall be compared to the income register(s) to determine accuracy of the bank and of the subordinate's records. The monthly bank statements shall be in the name of the CSEA Region/Local/Unit and be mailed to the Treasurer. The Region/Local/Unit Treasurer shall forward a copy of the bank statement(s) to the President within five (5) days of the bank statement date.

The Region/Local/Unit Treasurer shall reconcile each bank statement within thirty (30) days of the bank statement date. Reconciliations shall be performed on the back of the statements or on a separate worksheet. The bank statements, cancelled checks (or facsimile thereof) and monthly reconciliations shall be retained by the subordinate's Treasurer.

The Region/Local/Unit President and Treasurer may, where available, set up online access to the Region/Local/Unit account to review bank statements and transactions. However, only the Treasurer may make online transactions to the extent such transactions have been approved by the Region/Local/Unit Executive Board. If possible, the Region/Local/Unit President should have "read only" access.

**Section 6.** The Region/Local/Unit Treasurer shall be responsible for accountability of all social events. Tickets shall be printed for all social events and shall indicate the name of the event, the date of the event and the cost of each ticket. All funds collected from the sale of tickets must be deposited promptly and in full; at no time may any funds not yet deposited be used to pay any expenses of the event. (*See Article VII, Section 2.*) All tickets sold must be collected at the event. A list of all tickets sold must be generated and provided to the Region/Local/Unit Treasurer along with the sold tickets. The tickets sold must equal the money deposited for the event.

**Section 7.** Subordinates are prohibited from accepting paid advertisements in union publications. This is in accordance with the AFSCME Constitution.

## **ARTICLE V**

### **Authority to Spend**

Union money may be spent *only* under the guidelines established by the purpose and policy set forth in this Code (*see Article I*) and only after proper authorization. This authorization must come from one of the sources outlined in this Article.

**Section 1. It is required by law.** This would include such items as:

- A.** Taxes on property owned by the subordinate.
- B.** Federal or State Income Taxes which have been withheld from the salaries of employees of the subordinate.
- C.** Social Security Taxes for the employees of the subordinate, both employer and employee share.
- D.** Unemployment taxes and Workmen's Compensation and Disability premiums required by State law.
- E.** Other federal, state and local taxes or license fees.

Since these payments are required by law, no further authorization by the subordinate's Executive Board is required to make the necessary expenditures.

**Section 2. It is required by union Constitution** to which the subordinate body is subject. This would include such items as:

- A.** Region assessment of Locals.
- B.** Unit rebates from Locals.



The CSEA By-Laws, Article IV, Section 3(c) states “*All recognized Units established by Locals shall receive a rebate of not less than twenty-five percent (25%) and not more than fifty percent (50%) of the per capita rebate extended by the Association to a Local based upon the collection of the membership dues collected from the employees in the Unit.*” (et al.)

The Unit rebate shall be paid in the same manner as Local rebates are paid by the Association. That is:

1. Rebates shall be paid twice yearly (an advance rebate issued after July 1<sup>st</sup> and then the final rebate issued after January 1<sup>st</sup> of the following year) to all Units that have satisfied the annual reporting requirements. (*See Article VIII, Sections 2 through 6.*)
  2. The Local Treasurer shall prepare a worksheet for each Unit when issuing a rebate that indicates how the Unit’s rebate was calculated, the date paid and the check number. This worksheet will serve as documentation of Unit rebates paid and a copy of this worksheet should be given to the Unit along with their rebate check.
  3. If the Local has not received a rebate due to failure to comply with the reporting provisions, the Local is still obligated to pay rebates to all Units that have met their reporting requirements, providing there are sufficient funds in the Local treasury. (*CSEA By-Laws, Article IV, Section 3(c).*)
- C. Where, as a result of reorganizing an existing Local or Locals, a new Local is created, the new Local shall be entitled to a payment from the reorganized Local or Locals. Such payment shall be equal to six (6) months rebate. (*CSEA By-Laws, Article IV, Section 3(b).*)

**Section 3. It is required to fulfill a contractual obligation.** This would include such items as:

- A. Lease of an office or meeting hall, of an automobile or of office equipment.
- B. Salaries for employees of the subordinate body.
- C. Payments into a retirement fund or other fringe benefit fund for employees of the subordinate.
- D. Payments for property of any nature which is being purchased by the subordinate body on a time payment contract.

Regular payments to meet contractual obligations may be made without authorization provided authorization was obtained from the subordinate's Executive Board to enter into the contract and the contract was reviewed by the CSEA Statewide Counsel prior to entering into the contract originally. *(See Article VI, Section 7 and 8, and Section 4D below.)*

**Section 4. It is authorized by a vote of the subordinate's Executive Board.** All such authorizations shall be entered in the minutes and therefore the minutes themselves are to be considered part of the financial records. This authorization may be made in any one of the following manners:

- A. By approval of the annual Budget. *(See Article VIII, Section 2.)*
- B. By motion properly made, carried, and entered into the minutes authorizing the expenditure of a specific amount (or "not to exceed" a specific amount) for a specific purpose not considered in the approved annual Budget. This motion would amend the original Budget and the motion in its entirety is entered in the minutes. The authorization remains in effect only as long as the minutes are retained.
- C. By motion properly made, carried, and entered in the minutes authorizing the regular payment of recurring obligations. Having once been made, such authorization will stand indefinitely unless

cancelled by motion made, carried and entered in the minutes at a subsequent meeting.

Examples of recurring obligations include rent paid for a meeting room each month (*see Article VI, Section 7*), honorariums (*see Article VI, Section 1A*) and mileage rates paid when traveling on union business (*see Article VI, Section 1B*).

- D. By motion properly made, carried, and entered into the minutes authorizing the officers to enter into a purchase or service contract. The contract shall be reviewed by CSEA Statewide Counsel before signing (*see Article VI, Section 7*) and the authorization remains in effect only as long as the minutes are retained. Once signed, the contract becomes a recurring obligation and no further authorization is needed. A copy of the minutes of the meeting in which it was approved should be attached to the contract and should be made a part of the Treasurer's records.

## ARTICLE VI Spending Limitations

All funds authorized to be spent as outlined in Article V shall be subject to the limitations listed in this Article.

**Section 1.** Money may only be paid, or assets transferred, to an individual as follows:

- A. **Duly approved reasonable honorariums.** The subordinate's Executive Board may approve reasonable honorariums. To determine reasonableness, the Region/Local/Unit Board shall consider the size of the subordinate, the time demanded of the individual for union business, the financial condition of the

subordinate and the amount of unreimbursed expenses incurred for union purposes by the individual.

The establishment of an honorarium or the increase in the amount of an existing honorarium shall not take effect until after an intervening election has occurred and must be approved by the subordinate's Executive Board prior to November 1 in the year preceding the election. A copy of the motion by the Executive Board creating, continuing or changing honorariums must be on file with the Statewide Treasurer's office. (*See Article VIII, Section 2.*)

The honorarium year is July 1 through June 30. The Executive Board shall determine the frequency of when payment is made, e.g., annually, quarterly, monthly. Payment is made after the month, quarter or year is over; honorariums are paid after service is rendered in an office.

- B. Reimbursement of reasonable, actual and necessary expenses incurred in the furtherance of union business.** These expenses shall be listed on an expense voucher distributed by the Association and should not be older than six (6) months. Receipts and any other required documents necessary to substantiate the expenses listed on the voucher shall be attached to the voucher wherever applicable (*example: it is not possible to have receipts for mileage or meal allowances however toll receipts and taxi fare receipts are applicable*). The rates for meal allowances and mileage shall be established by the subordinate's Executive Board and shall not exceed the rates set by the CSEA State Board of Directors.
- C. Provision of a leased or purchased automobile.** The lease or purchase, as well as the policy governing its use, must be approved by the subordinate's Executive Board (*see Article V, Sections 3 and 4*). The policy must clearly indicate whether the

automobile is for CSEA business only or if it may be used for both personal and business use. The vehicle must be registered in the name of the subordinate. If the individual using the vehicle is reimbursed for mileage from another source when the vehicle is used, that mileage reimbursement must be turned over to the subordinate's treasury. *(See Article VIII, Section 10 for IRS reporting requirements.)*

**Section 2.** Reimbursement for delegate expenses, including travel, meals, lodging and other delegate expenses cannot exceed the amounts authorized for such reimbursements by the CSEA Board of Directors. These reimbursement rates shall be reviewed on at least an annual basis and a copy of the reimbursement rates mailed to the Region/Local/Unit Treasurers shall be maintained as part of the financial records.

Delegates to the CSEA convention shall be elected by the members of the Local according to the CSEA Local Constitution, Article IV, Section 7. Region officers not in the capacity of Local delegates shall be delegates at all delegate meetings of the Association. *(See CSEA Constitution, Article X, Section 1.)*

Payments to delegates shall be made as follows:

- A.** The Region/Local Executive Board shall determine its delegate reimbursement rates for each convention within the limits set by the CSEA Board of Directors. This motion, properly made and carried, shall be recorded in the minutes. *(See Article V, Section 4.)*
- B.** Advances may be issued to the delegates according to Section 12 of this article.
- C.** Expenses for delegate conventions can be reimbursed using one of the methods listed below. The method of reimbursement shall be determined by the Region/Local Executive Board prior to the convention by a motion properly made and carried and recorded in the subordinate's minutes. Once a method is chosen, that

method shall stand indefinitely until cancelled by a subsequent motion.

1. A predetermined dollar amount is paid to the elected delegates and no documentation (voucher with receipts) is required. The pre-determined amount is calculated using the rates approved by the subordinate's Executive Board (*paragraph A*) and shall be paid to the elected delegates (*paragraph B*) prior to the convention. The elected delegates would not be entitled to further reimbursement after the convention. If this method is chosen, the delegates should be informed that 100 percent of the money received is considered taxable income, should be reported on their personal tax returns and the subordinate may be required to report it to the IRS (*Article VIII, Section 10*), therefore, they should obtain receipts for their personal tax returns.
2. Within thirty (30) days after the close of the convention, the delegates shall submit a travel expense voucher detailing all actual expenses to the Region/Local Treasurer. Attached to the voucher shall be receipts for all expenses claimed (*hotel bill, tolls, public transportation, parking, miscellaneous allowance(s), etc.*) All items listed on the voucher shall be within the rates established by the subordinate's Executive Board (*paragraph A*).

If the actual expenses exceed an advance issued to the delegate before the convention, the delegate shall be reimbursed the excess. If the actual expenses are less than an advance issued to the delegate before the convention, the delegate must pay back the difference in cash within thirty (30) days after the convention. (*See Section 12.*) Nothing is taxable under this method.

3. The final method is a cross between methods 1 and 2. Within

thirty (30) days after the close of the convention the elected delegates shall submit a travel expense voucher as explained in method 2, but receipts will not be required to support the miscellaneous allowance(s) reimbursed (if any). The only portion that would be considered taxable income to the delegate (*see method 1*) would be any miscellaneous allowance(s) claimed.

- D.** At the close of the convention, the Local Treasurer shall complete a delegate reimbursement form provided by the Association. Each Local is entitled to the partial reimbursement of the delegate expenses of one delegate for every 1,000 members or major fraction thereof based on the June 1st audit. All necessary receipts shall be attached to this form and mailed to the CSEA Statewide Treasurer. Vouchers received six (**6**) month after expenses are incurred will not be paid.

**Section 3.** Non-Chargeable Expenditures. No gifts of appreciation or contributions to any cause may be made by the subordinate. Contributions or gifts may be made that directly benefit members and Private Sector financial core fee payers, however these payments are non-chargeable and may not exceed the Statewide allocation in any given year. This type of payment is a “Benefit to Members/ Private Sector Financial Core Fee Payers” and is as follows:

- A.** Acknowledgement of retirements, memorials for deceased, cards or flowers for sick, etc. Disbursements of this kind are limited to \$200 per person per occurrence and equal consideration must be given to Private Sector financial core payers as well as members.
- B.** Gifts to members/Private Sector financial core fee payers in place of a holiday social function. These purchases are subject to all the rules governing expenditures in general. A material portion of the subordinate’s funds should not be consumed by this type of purchase.

- C. Scholarship Programs. If funded by subordinate's rebates, all members and Private Sector financial core fee payers should be eligible for consideration in the scholarship programs. The amount of scholarships available should be based on the subordinate's ability to fund such benefits.

***Section 4. Political Contributions are prohibited.***

- A. No contributions may be made or any expenses incurred by the subordinate for any political cause. Any and all such requests should be addressed to the Region Political Action Committee.
- B. No monies received by any subordinate may be contributed or applied to promote or detract from the candidacy of any person in any CSEA/AFSCME election or in any other labor organization.

This provision shall not prohibit a subordinate from spending monies to distribute campaign literature for all candidates on an equal basis.

Money may be utilized for notices of Region/Local/Unit elections and expenses necessary for the holding of an election.

***Section 5.*** No reimbursement for expenses may be made by the subordinate to any individual who has been reimbursed from any other source. The following should give the Region/Local/Unit Treasurer a general idea of when an individual could be reimbursed from another source. If the source listed below is CSEA (Association), the vouchers must be received within six months of the event.

- A. Statewide officers are reimbursed by the Association.
- B. Statewide Board of Directors and Statewide Committees are reimbursed by the Association for statewide meetings.
- C. Check with the Region Treasurer to determine if officers,



Executive Committee members or other Region Committees are reimbursed by the Region for Region meetings.

- D. AFSCME Delegate Meetings** — It is improper to use Region, Local or Unit funds to reimburse a delegate to the AFSCME convention for any expenses incurred. Delegates to the AFSCME conventions are fully reimbursed for *all* expenses by the Association. Delegates attending these conventions are delegates of the Association, *not* of their Region, Local or Unit.

If the Treasurer has any questions concerning reimbursements from other sources, the Region or Statewide Treasurer should be contacted.

**Section 6.** No subordinate shall incur any indebtedness without the prior approval of the Statewide Board of Directors. All requests should be mailed to the Statewide Treasurer for presentation to the Board. “Indebtedness” shall be defined as any and all interest-bearing and noninterest-bearing loans, advances or mortgages from any bank, credit union, finance company or other financing source.

**Section 7.** No subordinate is authorized to enter into any lease, contract or other agreement (excluding collective bargaining agreements) which extends beyond the term for which its officers have been elected without the prior approval of the CSEA Board of Directors. All leases, contracts or other agreements shall be submitted, in advance of signing, to the Statewide Treasurer for review by the Statewide Counsel. (*See Article V, Sections 3 and 4.*)

**Section 8.** No subordinate may make any loans to any individual, corporation or other entity without prior approval of the CSEA Board of Directors. All requests should be addressed to the Statewide Treasurer for presentation to the Board.

**Section 9.** Expenses incurred for the operation of the subordinate may

not exceed the usual and customary rates and fees normally charged for such services in the area. While it is not the intention of this section to require a certain number of bids for each purchase or contract, this section *is* designed to encourage efficient and effective use of the subordinate's assets and to discourage transactions that could be viewed as not "at-arm's-length", a transaction in which the buyers and sellers act independently and have no relationship to each other.

***Section 10.*** Subordinates may hire clerical help only where such service is of a kind and nature as to be reasonable and necessary for the continuation of the subordinate's business and in furtherance of union business. The hiring and salary of such help shall be approved by the subordinate's Executive Board. The subordinate is responsible for complying with all State and Federal regulations regarding its employees. (*See Article VIII, Section 9.*) The subordinate may not hire any employees or consultants who are not "at-arm's-length" and whose responsibilities would duplicate services provided by the employees or consultants of the Association.

***Section 11.*** Any funds appropriated by a subordinate to contribute jointly to any cause with any other employee organization, or to provide for any services of the kind provided by the Statewide Association through its agents, employees and/or negotiated contracts must first be approved by the Board of Directors of the Statewide Association before such funds may be expended or any obligation for such expenditure be incurred.

***Section 12.*** When reasonable and necessary, advances, based on expense rates not exceeding those approved by the CSEA Board of Directors, may be paid out by the subordinate's Treasurer.

Advances may be paid no sooner than ten (10) days before the event for which the advance is sought. The purpose of advances is to help with travel expenses that normally would have to be out-of-pocket before the individual could be reimbursed by the Region/Local/Unit.

**The advance process is as follows:**

- A. The individual seeking the advance shall complete and sign a Travel Advance Form (promissory note) as provided by the Association and submit it to the Treasurer along with any supporting documents (*example*: meeting notice).
- B. The Treasurer shall verify the estimated costs and issue a check for an amount not to exceed the estimate.
- C. The Treasurer shall keep a ledger on each individual who obtains advances. The ledger shall indicate the date the advance was issued, the check number, the amount, the date it was repaid, how it was repaid (*see paragraph D*), the amount repaid, and the balance of outstanding advances. This ledger shall be updated whenever an advance is issued or repaid.
- D. Within thirty (30) days after the close of the event for which the advance was sought, the advance must be repaid. An advance is repaid by submitting a completed travel voucher (with all applicable receipts) documenting the funds advanced.

If the advance was less than the actual expenditures, as documented by the travel voucher, the Region/Local/Unit Treasurer shall issue a check for the balance owed the individual.

If the advance was more than the actual expenditures, as documented by the travel voucher, the individual must pay back the balance in cash within thirty (30) days. If the advance is not settled in full within thirty (30) days after the event, no additional advances or payments may be made to the individual. Failure to repay advances within the thirty (30) daytime limit may result in Judicial Board action.

- E. If an advance is issued to an individual who will be reimbursed from another source, the entire advance must be repaid in full to the subordinate. (*See Section 5.*) There should be no expense to

the subordinate in these instances.

**Section 13.** Under no circumstances shall union funds be used to pay any expenses incurred by guests of the Region/Local/Unit.

## **ARTICLE VII**

### **Spending**

**Section 1.** No expenditures of Union funds shall be made without proper authorization. (*See Articles V and VI.*)

**Section 2.** Expenditures shall be made by check or authorized online transaction. With the limited exception of petty cash as set forth in Article II, Section 4, no cash shall be expended for any purpose under any circumstances.

**Section 3.** Checks drawn on a Union account must bear the signatures of two officers, one being the Treasurer and the other being the President or ranking Vice President as authorized by the Constitution of the subordinate body. This Code is not intended to prohibit the use of a substitute signatory for an officer who is temporarily unavailable, providing the designation of such substitute has been approved in advance by the subordinate's Executive Board and by the officer and is documented in the minutes. It is recommended that checks be ordered with two imprinted signature lines to comply with this requirement.

**Section 4.** Under no circumstances shall 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.

**Section 5.** No signature facsimile (rubber stamp, plate, photocopy, or other image) shall be used for check-signing purposes except with the use of automated check-writing software when an electronic image of the President's and Treasurer's signatures (no substitutes) may be used provided the images remain in the custody or control of said officer (or his designee) at all times.

**Section 6.** No check shall be issued without proper documentation. Documentation shall consist of completed and signed travel vouchers with receipts, invoices from outside vendors, and/or board minutes. This documentation must be filed and retained to support all expenditures.

**Section 7.** At the time a check is issued, the date, amount, payee and purpose of the check shall be entered on the check register and the checkbook balance shall be adjusted accordingly. The check number, date and amount of the check shall also be recorded on the face of the documentation (travel voucher, invoice and/or board minutes).

**Section 8.** An expense register shall be maintained for each bank account. The Region/Local/Unit Treasurer shall use the expense register form distributed by the Association (or a form that accomplishes the same objective). Every time money is deducted from any of the subordinate's bank accounts the expense register for the account shall be updated with the date, amount, payee and purpose of the expense. The amount of the expense shall also be distributed to the proper expense category column on the expense register.

At the end of each accounting period (monthly, quarterly, semi-annually or annually) the amount column and each category column shall be totaled on each expense register maintained by the subordinate. The combined total of all category columns on the expense register must agree with the total of the amount column on that register for the period.

**Section 9.** Checks shall not be made out to "cash".

**Section 10. Bank issued Debit Cards and/or Automated Teller Machine (ATM) Cards shall not be used under any circumstance.** Any such cards must be returned to the bank with notice that no such cards be issued on CSEA accounts in the future.

**Section 11. CSEA does not recommend the use of union-owned credit cards.** Adequate procedures for prompt reimbursement of authorized expenditures generally eliminates the need for a Region/Local/Unit to secure a credit card that creates exposure of the union to potentially excessive liabilities.

Should a Region/Local/Unit choose to provide officers and/or employees with credit cards that are billed directly to the union, written policy and procedure must clearly identify the union positions which qualify for use of a credit card and must explain what types of expenditures are authorized. Approval of individuals authorized to use a union-owned credit card must be clearly documented in the minutes of the Executive Board Meeting. Such minutes, written policy and procedure all must be maintained by the Region/Local/Unit for as long as the credit cards are maintained and must be reauthorized by the Region/Local/Unit Executive Board after each intervening Region/Local/Unit election. Further, such records must be maintained for seven (7) years after the credit card accounts are closed.

Any individual authorized to use a union-owned credit card must provide an itemized expense report **monthly** to the Region/Local/Unit Treasurer accounting for each and every charge. Explanations must be provided to adequately justify the union purpose of the charges. The actual credit card receipt and the itemized sales slip must be attached to the expense report for each charge. Expense reports for direct-billed items must be submitted and approved prior to payment of any credit card bill. Under no circumstances may cash advances be made from the credit card.

Personal charges to the union credit card are prohibited. Any items not authorized must be paid back to the Region/Local/Unit immediately.

If such credit card earns points, cash rewards, or any other type of rewards, such rewards must inure to the benefit of the Region/Local/Unit and not to the benefit of any individual officer, member or person.

**Under NO circumstances should the union make a payment directly to a credit card company of an individual’s personal credit card.**

## ARTICLE VIII Reporting

<b>REPORT:</b>	<b>FILED BY:</b>	<b>FILED WITH:</b>	<b>DUE DATE:</b>
CSEA Annual Budget	Regions & Locals: Units:	Statewide Treasurer Local Treasurer	November 1st
CSEA Annual Financial Report	Regions & Locals: Units:	Statewide Treasurer Local Treasurer	January 1 <sup>st</sup>
CSEA Annual Audit Report	Regions & Locals: Units:	Statewide Treasurer Local Treasurer	January 1 <sup>st</sup>
IRS Form 990, Form 990-EZ or IRS Form 990-N, Electronic Postcard	Regions & Locals: Units: Regions/Locals/Units:	Statewide Treasurer (COPY) Local Treasurer (COPY) IRS (ORIGINAL)	January 1 <sup>st</sup> January 1 <sup>st</sup> February 15 <sup>h</sup>
If necessary – IRS Form 8868 Application for Extension to File Form 990 or 990-EZ	Regions & Locals: Units: Regions/Locals/Units:	Statewide Treasurer (COPY) Local Treasurer (COPY) IRS (ORIGINAL)	February 15 <sup>th</sup>
If required – IRS Form 1099-NEC Copy B	Regions/Locals/Units:	Individuals	January 31 <sup>st</sup>
If required – IRS Form 1096 & Form 1099-NEC Copy A	Regions/Locals/Units:	IRS (ORIGINAL)	January 31 <sup>st</sup>
If required – USDOL Form LM-2, LM-3 or LM-4	Regions & Locals:	US DOL (ORIGINAL) Statewide Treasurer (COPY)	December 29 <sup>th</sup> January 1st

Regions and Locals receive a rebate from CSEA and Units receive a rebate from their Local annually however, before rebates are issued the following reports and forms must be filed with CSEA (Statewide or Local), the Internal Revenue Service (IRS) and, if applicable, the U.S. Department of Labor (US DOL) by the due dates indicated above.

**Section 1. Report to Executive Board.** An operating statement shall be prepared and presented at each Region/Local/Unit Executive Board meeting by the subordinate's Treasurer and shall be included as part of the minutes of that meeting. This operating statement should, at a minimum, detail the income and expenditures that were incurred since the previous Report was presented as well as the current funds available to the subordinate. The Treasurer shall use Report to Executive Board distributed by the Association (or a form that accomplishes the same objective).

**Section 2. Budget.** On or before September 30 of each year, the subordinate's Executive Board shall approve an annual Budget for the upcoming fiscal year. The Budget shall be prepared by the subordinate's appointed Budget Committee and the Region/Local/Unit Treasurer shall be either a member of the Budget Committee or an advisor to the Budget Committee. The Budget shall be prepared on the Budget form and supporting schedules distributed annually by the Association (or forms that accomplish the same objective). Upon the request to the subordinate Executive Board, the Region/Local/Unit Treasurer shall present the approved Budget at the next general membership meeting.

On or before November 1 of each year, the Region/Local/Unit President shall submit the approved Budget and all supporting schedules for the upcoming fiscal year; Regions and Locals file with the CSEA Statewide Treasurer and Units file with their Local Treasurer. A copy of the approved Budget as submitted must be retained by the Region/Local/Unit Treasurer. Rebates are withheld until this Budget, together with the annual Financial Report, Audit Report, a copy of the Form 990/990EZ/990-N as filed with the IRS and, if required, a copy of the LM-2/LM-3/LM-4 Report as filed with the USDOL are submitted to, and accepted by, the Statewide Treasurer or Local Treasurer.

On or before November 1 of each year, the Region/Local/Unit President shall also notify the Statewide Treasurer of any honorariums to be paid by



the subordinate during the fiscal year. This requirement is satisfied for Regions and Locals by their filing of the required Budget because one of the required supporting schedules provides the honorarium information. Unit Presidents however shall provide a copy of the honorarium supporting schedule only of their approved Budget to the Statewide Treasurer as they are not required to submit their entire Budget and schedules to the Statewide Treasurer. A copy of the resolution by the Region/Local/Unit Executive Board creating, continuing, or changing honorariums shall be attached to this schedule by all subordinates.

The subordinate's Executive Board shall be required to approve any expenses in excess of amounts approved with the annual Budget. Region and Local Treasurers shall provide the Statewide Treasurer, within 30 days of the approval of any expenses in excess of amounts budgeted, an explanation of any such amounts approved and copies of the duly approved motions. Unit Treasurers shall provide the same information to the Local Treasurer.

***Section 3. Financial Report.*** On or before January 1 of each year, the Region/Local/Unit Treasurer shall prepare an annual report for the preceding fiscal year which shall state income, expenditures, investments and funds available to the subordinate using the annual Financial Report distributed by the Association (or a form that accomplishes the same objective). This annual Financial Report shall be presented to the Region/Local/Unit Executive Board and included as part of the minutes of that meeting. The form shall be signed and dated by both the Region/Local/Unit President and Treasurer. Upon the request to the subordinate Executive Board, the Region/Local/Unit Treasurer shall present the Financial Report at the next general membership meeting.

On or before January 1 of each year, the Region/Local/Unit Treasurer shall submit the annual Financial Report for the most recently ended fiscal year; Regions and Locals file with the CSEA Statewide Treasurer and Units file with the Local Treasurer. A copy of the Financial Report as submitted

must be retained by the Region/Local/Unit Treasurer. Rebates are withheld until this Financial Report, together with the approved Budget, Audit Report, a copy of the Form 990/990EZ/990-N as filed with the IRS and, if required, a copy of the LM-2/LM-3/LM-4 Report as filed with the USDOL are submitted to, and accepted by, the Statewide Treasurer or Local Treasurer.

**Section 4. Audit Report.** On or before January 1 of each year, the subordinate's appointed Audit Committee shall conduct an audit of the financial records of the subordinate and shall complete the annual Audit Report distributed by the Association (or a form that accomplishes the same objective). Refer to the Audit Committee Guide at the back of this book for auditing guidelines.

The appointed Audit Committee shall consist of at least three members, none of whom are officers or were officers during the time period being audited. The subordinate's President and/or Treasurer may be available to answer inquiries during the audit however they cannot conduct the audit nor complete the Audit Report. The completed Audit Report shall be presented to the subordinate's Executive Board and be part of the minutes of that meeting. The form shall be signed by at least three members of the subordinate's Audit Committee; no officers. Upon the request to the subordinate Executive Board, the Region/Local/Unit Treasurer shall present the Audit Report at the next general membership meeting.

On or before January 1 of each year, the Audit Committee chairperson shall submit the Audit Report for the most recently ended fiscal year; Regions and Locals file with the CSEA Statewide Treasurer and Units file with the Local Treasurer. A copy of the Audit Report as submitted must be retained by the Region/Local/Unit Treasurer. Rebates are withheld until this Audit Report, together with the approved Budget, Financial Report, a copy of the Form 990/990EZ/990-N as filed with the IRS and, if required, a copy of the LM-2/LM-3/LM-4 Report as filed with the USDOL are submitted to, and accepted by, the Statewide Treasurer or Local Treasurer.

**Section 5. IRS Form 990/990-EZ/990-N. Every Region/Local/Unit maintaining a bank account is required to file an IRS Tax Form 990, 990-EZ or electronic 990-N *e-Postcard* with the Internal Revenue Service (IRS) on or before February 15 of each year. Failure to file this federally mandated tax return may result in the IRS issuing monetary penalties and/or a revocation of the subordinate's tax-exempt status.**

This annual tax return shall be presented to the Region/Local/Unit Executive Board and included as part of the minutes of that meeting. Upon the request of the subordinate Executive Board, the Region/Local/Unit Treasurer shall present the filed IRS Form 990/990-EZ/990-N at the next general membership meeting.

Those subordinates with Gross Receipts equal to or more than \$200,000 or Total Assets (bank balances and other holdings) equal to or more than \$500,000 are required to file a Form 990 annually with the IRS. Due to the complexity of this IRS form CSEA recommends a subordinate hire an accounting firm to ensure proper completion of this annual required tax return.

Those subordinates with Gross Receipts exceeding \$50,000 but less than \$200,000 and Total Assets (bank balances and other holdings) less than \$500,000 are required to file a Form 990-EZ annually with the IRS. The Statewide Treasurer mails detailed instructions to all subordinates every year to assist in the completion of this IRS form however nothing in this Code shall prohibit the subordinate from hiring an accounting firm to ensure proper completion of this annual required tax return.

Those subordinates with Gross Receipts of \$50,000 or less, and Total Assets (bank balances and other holdings) less than \$500,000 are required to file an electronic Form 990-N *e-Postcard* annually with the IRS. The Statewide Treasurer mails detailed instructions to all subordinates every year to assist in the completion of this electronic IRS filing however nothing in this Code shall prohibit the subordinate from hiring an accounting firm to ensure proper completion of this annual required tax return.

On or before January 1 of each year, the Region/Local/Unit Treasurer shall submit a copy of the Form 990 or 990-EZ as filed with the IRS or a copy of the IRS acceptance of a filed 990-N *e-Postcard*; Regions and Locals submit the copy to the CSEA Statewide Treasurer and Units submit the copy to their Local Treasurer.

A copy of the Form 990/990-EZ/990-N as filed with the IRS must be retained by the Region/Local/Unit Treasurer. Rebates are withheld until a copy of the Form 990/990-EZ/990-N as filed with the IRS, together with the approved Budget, Financial Report, Audit Report and, if required, a copy of the LM-2/LM-3/LM-4 Report as filed with the USDOL are submitted to, and accepted by, the Statewide Treasurer or Local Treasurer. The Local Treasurer shall also submit the copies of the 990/990-EZ/990-N Forms they received from Units within their jurisdiction with the Statewide Treasurer.

**On or before February 15 of each year, all Region/Local/Unit Treasurers must ensure the Form 990, 990-EZ, or 990-N *e-Postcard* for the subordinate is filed with the IRS.**

***Section 6. USDOL LM-2/LM-3/LM-4 Report.* Those subordinates with members in the private sector are required to file a LM-2, LM-3 or LM-4 Information Report with the U.S. Department of Labor (USDOL) on or before December 29 of each year.**

The U.S. Secretary of Labor has authority to enforce this filing requirement of the U.S. Government. This annual information report shall be presented to the subordinate's Executive Board and included as part of the minutes of that meeting. Upon the request of the subordinate Executive Board, the subordinate's Treasurer shall present the USDOL LM Report at the next general membership meeting.

Those private sector subordinates with Gross Receipts equal to or exceeding \$250,000 are required to electronically file a Form LM-2 annually with the USDOL. Due to the complexity of this USDOL report

CSEA recommends a subordinate hire an accounting firm to ensure proper completion of this annual required information report.

Those private sector subordinates with Gross Receipts less than \$250,000 but equal to or more than \$10,000 are required to electronically file a Form LM-3 annually with the USDOL. The Statewide Treasurer mails detailed instructions to all subordinates every year to assist in the completion of this USDOL report however nothing in this Code shall prohibit the subordinate from hiring an accounting firm to ensure proper completion of this annual required information report.

Those private sector subordinates with Gross Receipts less than \$10,000 are required to electronically file a Form LM-4 annually with the USDOL. The Statewide Treasurer mails detailed instructions to all subordinates every year to assist in the completion of this USDOL report however nothing in this Code shall prohibit the subordinate from hiring an accounting firm to ensure proper completion of this annual required information report.

**On or before December 29 of each year, all Region Treasurers and all Private Sector Local Treasurers must submit the LM-2, LM-3 or LM-4 electronically to the USDOL.**

**On or before January 1 of each year, the subordinate's Treasurer, if required, shall submit a copy of the USDOL acceptance of a filed LM-2, LM-3 or LM-4 Report; Regions and Locals submit the copy to the CSEA Statewide Treasurer and Units submit the copy to their Local Treasurer.**

A copy of the LM-2/LM-3/LM-4 Report as filed with the USDOL must be retained by the subordinate's Treasurer. Rebates are withheld until a copy of the LM-2/LM-3/LM-4 Report as filed with the USDOL (if required), together with the approved Budget, Financial Report, Audit Report and a copy of the Form 990/990EZ/990-N as filed with the IRS are submitted to, and accepted by, the Statewide Treasurer or Local Treasurer.

**Section 7. IRS EIN.** Every Region/Local/Unit maintaining a bank account is required by federal law to obtain and hold an Employer Identification Number (EIN) with the IRS. This nine-digit number assigned by the IRS is used by the IRS to identify taxpayers that are required to file various business tax returns; including the Form 990, 990-EZ and 990-N. The EIN is for use in connection with the subordinate's business activities only (i.e. bank accounts) and there should only be one EIN for the subordinate. A copy of the letter from the IRS granting or confirming an EIN must be kept in the permanent records of the subordinate. At no time shall a subordinate use an EIN belonging to any other organization or person. A copy of the IRS letter granting or confirming a subordinate's EIN must be provided to CSEA. Do not apply for an EIN before contacting the CSEA Statewide Treasurer for assistance.

**Section 8. Exempt Status.** Every subordinate must be recognized by the IRS as exempt from federal income tax. To qualify for IRS exemption the subordinate must be organized for one or more purposes specifically designated in the code; **CSEA subordinates are to be recognized as exempt under Section 501 (c) (5) Labor Organizations.** Subordinates are automatically recognized as tax-exempt 501 (c) (5) Labor Organizations if their EIN has been associated with CSEA's group exemption.

Subordinates that have lost their tax-exempt status for failure to file a Form 990, 990-EZ or 990-N for three consecutive years with the IRS must apply for recognition with the IRS on their own using IRS Form 1024 and paying the applicable user fee with Form 8718. No funds may be issued directly to a subordinate that has lost their tax-exempt status until the status has been reinstated by the IRS or the subordinate has relinquished financial responsibility as provided by the subordinate's Constitution.

**No Region/Local/Unit is exempt from paying state sales tax.**

**Section 9. Payroll Taxes.** If a subordinate has one or more employees, federal and state income taxes must be withheld from their wages. The subordinate is subject to social security and Medicare taxes as well as federal and state unemployment tax and is required to file tax returns with the IRS as well as New York State. A payroll service or accounting firm must be consulted for assistance in complying with mandatory governmental requirements for payroll.

**Section 10. IRS Form 1099-NEC and Form 1096 Summary Form.** The Region/Local/Unit Treasurer is required to complete an IRS Form 1099-NEC for any individual paid \$600 or more in taxable income during a calendar year (January 1 through December 31).

Taxable income includes, at minimum, professional services, honorariums, reimbursement to an individual for accruals charged when on Union business, meal allowances paid when not staying overnight, miscellaneous allowances paid when traveling on Union business overnight and personal use of a Union provided automobile. In addition, any payment to an individual that is not supported by documentation is taxable income to that individual and mileage paid in excess of the IRS rate is taxable income to that individual. The Region/Local/Unit Treasurer must keep records of these types of payments to individuals for each calendar year using the Taxable Payments Log provided by the Association (or a form that accomplishes the same objective).

If the total of these types of payments equals or exceeds \$600 in the calendar year the Treasurer must complete an IRS Form 1099-NEC for the individual. The Treasurer must provide Copy B of the 1099-NEC to the individual by January 31<sup>st</sup> and must submit Copy A of the 1099-NEC along with the IRS Summary Form 1096 with the IRS by January 31<sup>st</sup> as well.

If the total taxable payments are less than \$600 the Treasurer is required to provide only the individual with a detailed statement of the total taxable payments by January 31<sup>st</sup>; the individual is responsible for reporting the amount on their personal Income Tax Return. Use the CSEA Taxable

Payment Log (or a form that accomplishes the same purpose) and retain a copy of the issued statement.

The IRS Form 1099-NEC and Form 1096 must be obtained from the IRS; they cannot be printed from the IRS website or photocopied as they are multiple-part duplicate forms.

**Section 11. Penalties.** Any Region/Local/Unit that fails to comply with the Reporting Requirements outlined in the *Financial Standards Code* and appropriate subordinate Constitution shall be subject to the following penalties:

A **10%** rebate reduction when reports are submitted **12-17 months** past the January 1 due date. (Received a year late; between January 1<sup>st</sup> and June 30<sup>th</sup> of the following year.)

A **25%** rebate reduction when reports are submitted **18-23 months** past the January 1 due date. (Received a year and a half late; between July 1<sup>st</sup> and December 31<sup>st</sup> of the following year.)

A **50%** rebate reduction when reports are submitted **24-29 months** past the January 1 due date. (Received two years late; between January 1<sup>st</sup> and June 30<sup>th</sup> of the next following year.)

Reports submitted 30 or more months past their initial January 1 due date (over two and a half years late) are subject to at least a 50% rebate reduction and will be evaluated on a case-by-case basis.

Any time CSEA completes the required reports for a subordinate an accounting fee will be charged in accordance with the above penalties however any reports completed for the current year will be subject to a 10% rebate reduction as well.



**ARTICLE IX**  
**Financial Duties of Officers**

**FINANCIAL DUTIES OF THE PRESIDENT**

The financial duties of the President include:

1. Sign checks with Treasurer *only after* determining that proper documentation for the expenditure is provided and that the expenditure is for appropriate and necessary union business.
2. Initiate appropriate actions to maintain financial stability of the Region/Local/Unit.
3. Review financial reports to be submitted to the Executive Board and the membership.
4. Review financial reports required to be submitted to the Statewide or Local Treasurer.
5. Ensure all required governmental reports are filed with the IRS and USDOL (if required) on a timely basis.
6. Appoint, with Executive Board approval, the Standing Audit and Budget Committees.
7. On or before November 1 of each year submit the approved Budget to the Statewide or Local Treasurer.
8. Perform all other duties as required by the Region/Local/Unit Constitution.

## **FINANCIAL DUTIES OF THE TREASURER**

1. Receive all money for the Region/Local/Unit.
2. Deposit all money in the subordinate's bank account.
3. Write checks as required by the subordinate's Constitution or authorized by the Executive Board. Always have authorization, documentation and explanation before issuing a check.
4. Prepare bank reconciliation for each account each month.
5. Sign checks with President *only after* determining that proper documentation for the expenditure is provided and that the expenditure is for appropriate and necessary union business.
6. Maintain all financial records.
7. Report financial affairs to the Executive Board.
8. Act as custodian of all union property.
9. Ensure the approved Budget is submitted on or before November 1 of each year to the Statewide Treasurer or Local Treasurer.
10. On or before January 1 of each year submit the annual Financial Report, a copy of the Form 990 or 990-EZ as filed with the IRS or a copy of the IRS acceptance of a filed 990-N *e*-Postcard and, if required, a copy of USDOL acceptance of a filed LM-2/LM-3/LM-4 Report to the Statewide or Local Treasurer.
11. File all required governmental reports on a timely basis with the IRS, USDOL or other federal or state agencies as required. These include the IRS Form 990/990-EZ/990-N, and if required, the USDOL LM-2/LM-3/LM-4, IRS Form 1099-NEC with Form 1096 and all required payroll returns.
12. Provide the Region/Local/Unit Audit Committee with all necessary financial information to complete the mandatory Audit Report and ensure the Audit Report is submitted on or before January 1 of each

year to the Statewide or Local Treasurer.

13. Conduct the fiscal affairs of the Region/Local/Unit in a responsible manner.

## **FINANCIAL DUTIES OF THE EXECUTIVE BOARD**

The financial duties of the Executive Board include:

1. Oversee and provide advice regarding financial transactions of the Region/Local/Unit.
2. Approve only expenditures that are for appropriate and necessary union business 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 Region/Local/Unit is maintained; expenditures should not exceed income.
5. Review and approve the annual Budget of the Region/Local/Unit.
6. Review the completed annual Financial Report, Audit Report, IRS Form 990/990-EZ/990-N and, if required, the USDOL LM-2/LM-3/LM-4 Report.
7. Ensure the annual Budget, Financial Report, Audit Report, a copy of the Form 990 or 990-EZ as filed with the IRS or a copy of the IRS acceptance of a filed 990-N *e*-Postcard and, if required, a copy of the USDOL acceptance of a filed LM-2/LM-3/LM-4 Report are submitted annually to the Statewide or Local Treasurer on a timely basis.
8. Ensure that all required governmental reports are filed on a timely basis with the IRS and, if required, the USDOL or any other federal or state agencies.

9. Perform other duties as required by the Region/Local/Unit Constitution.

All Region/Local/Unit officers and Executive Board members must be prudent in the use of information acquired in the course of their duties. Requests for, and use of, confidential information should relate only to the furtherance of legitimate union business needs. Disclosure of such information for personal gain or in violation of law is prohibited. All committee members shall be advised of the rules of confidentiality.

## **ARTICLE X**

### **Automated Accounting Systems**

#### **A. Internal Automated Accounting System**

Computerized accounting systems, properly developed and administered, are acceptable. Such electronic record keeping may be utilized if it essentially accomplishes the purpose of the manual operations described in the *Financial Standards Code* and Region/Local/Unit Constitutions. These printouts must be retained in the Region/Local/Unit records.

A printout (hard copy) of the current primary financial records maintained on an automated accounting system must be made each month. The following reports must be printed and maintained:

1. Detailed cash transactions by bank account
2. Detailed general ledger
3. Balance sheet
4. Income statements
5. Detailed accounts payable vendor transaction history
6. Detailed accounts receivable “customer” transaction history
7. Payroll transaction reports
8. Any other basic system report necessary to provide a comprehensive audit trail

These printouts must be retained in the Region/Local/Unit records.

Those Regions/Locals/Units with automated accounting systems should maintain sufficient back-up documentation using a systematic procedure for updating the back-ups to include prior data as well as new data.

## **B. External Automated Accounting System**

Performing transactions via automatic or online banking systems for CSEA accounts by officers other than the Region/Local/Unit Treasurer is strictly prohibited. The Region/Local/Unit Treasurer must maintain primary access to accounts and be accountable for all reconciliations. The Region/Local/Unit President may be given access for the sole purpose of reviewing bank statements and transactions. Use of online banking is limited. Automatic payments may be made only with the prior approval of the Executive Board. (*See Article V, Sections 3 and 4.*)

## **ARTICLE XI Miscellaneous**

**Section 1.** Each Region/Local/Unit Treasurer is required to attend and complete a Treasurer's certification training program. The Statewide Treasurer will notify subordinates of the time and place of offered trainings. Failure of a Region/Local/Unit Treasurer to attend and complete a Treasurer's certification training program within one year of taking office will result in his or her office being declared vacant.

**Section 2.** Re-elected Treasurers who have been previously certified are required to complete a re-certification program as directed by the Statewide Treasurer.

**Section 3.** All subordinate officers are bonded at the expense of the Association if they are on file at CSEA Headquarters as officers of the subordinate. This coverage does not apply to Welfare/Benefit Funds which should obtain separate coverage for administrators.

**Section 4.** The fiscal year of CSEA, Inc. and all subordinates is October 1 to September 30 of the succeeding year.

**Section 5.** The President of a subordinate shall notify the CSEA Statewide Treasurer within ten (10) days of any changes in the office of Treasurer by providing a copy of the Executive Board minutes whereby a new Treasurer has been appointed. A resignation letter from the previous Treasurer must be provided if attainable.

**Section 6.** CSEA and its subordinates are ***NOT exempt*** from sales tax. Do not use your Employer Identification Number (EIN) to claim sales tax exemption.

**Section 7.** CSEA accounting forms and information may be obtained from the CSEA website at [www.cseany.org](http://www.cseany.org) or by contacting CSEA Headquarters at 800-342-4146.

**Section 8.** Funds received from an employer for use as part of a duly constituted Welfare Fund, which has the constitutionally mandated Board of Directors approval, must be maintained in a separate account from rebated membership dues and Private Sector financial core fees.

# AUDIT COMMITTEE GUIDE

## AUTHORITY

The Region/Local/Unit Constitution requires the creation of an Audit Committee. The Region/Local/Unit President, with the approval of the subordinate's Executive Board, shall appoint at least three (3) members, **none of whom** shall be officers or Executive Board members of the subordinate. The Audit Committee is a standing committee.

## PURPOSE

The purpose of the audit is to determine whether the annual **Financial Report** prepared by the Treasurer is accurate and to determine if the financial records of the subordinate are kept in accordance with the *Financial Standards Code*. The audit may be performed by the Audit Committee (referred to throughout this Guide as "Committee") and by an outside independent auditor. **In either case the Audit Report must be completed by the Committee.**

Should the audit find reason for concern in the handling of union funds the Statewide Treasurer should be notified immediately. The Committee is responsible for auditing the books of the subordinate **at least once a year** at fiscal year-end. More frequent audits are encouraged but not required.

## EXTENT OF REVIEW (SCOPE)

Before proceeding with the audit, the Committee should decide the extent of their review of the supporting documentation (scope). The Committee can determine the amount of supporting documentation to be reviewed by considering:

**1. Volume of activity.** If there is a low volume of activity it is possible to review 100 percent of the documentation however, as the volume of activity increases the Committee should consider lowering the amount of documentation to review (i.e., 50 percent of the records) to facilitate completing the audit.

**2. Compliance with the *Financial Standards Code*.** If, during the review the Committee believes there are compliance problems, they should consider increasing the scope. If compliance appears good or better than expected, the Committee could choose to decrease its scope.

**3. Dollar volume of each transaction.** Depending on the volume of activity and compliance, the Committee may find it acceptable to review large dollar items only. For example, rebate income is usually the largest income item and by verifying only the rebate income, the Committee could audit anywhere from 75 percent to 100 percent of total income.

## RECORDS REQUIRED TO COMPLETE AN AUDIT

In order to begin an audit, the Committee should obtain from the Treasurer the following records for the period under audit:

- Income and Expense Registers for each bank account.
- Bank statements, cancelled checks (or facsimiles) and bank statement reconciliations for each bank account.
- Savings passbooks, statements and other investment statements.
- Deposit receipt slips.



- Checkbook and check stubs/checkbook register.
- Paid invoices and travel vouchers.
- Payroll records and payroll tax returns.
- Minutes of Executive Board and general membership meetings.
- Treasurer's Reports to Executive Board.
- Lease agreements.
- IRS Forms 1099-NEC and 1096 for the prior calendar year.
- Financial Report for most recently completed fiscal year.
- Budget for current fiscal year.
- Audit Report from the previous fiscal year as well as any interim Audit Reports.
- Copy of the Form 990 or 990EZ as filed with the IRS or copy of the IRS acceptance of a filed 990-N e-Postcard for the most recently completed fiscal year.
- If required, copy of the USDOL acceptance of a filed LM-2, LM-3 or LM-4 for the most recently completed fiscal year.

As part of the audit, the Committee should determine if all of the above records have been maintained by the Treasurer in their original form for at least seven (7) years.

## **PROCEDURES – AUDITING RECEIPTS**

1. Review the *Financial Standards Code*, Article IV.
2. **Verify the math on all Income Registers.** Determine if the totals are correct and determine if the year-to-date totals are correctly transferred to the Financial Report at year-end.
3. Select receipts from the Income Register(s) to be reviewed according to Committee's scope decision (see Extent of Review to determine).

**Review the supporting documentation for each selected item and trace the receipts to bank statements to verify deposit date and amount.**

**4. Review Supporting Documentation – Income Categories:**

- a) Rebates.** With the Final rebate check (issued after January 1st provided the reporting requirements have been met) the Local Treasurer receives a computerized “Membership Dues/Agency Shop Local Refund Transmittal Form.” With the Advance rebate check (issued after July 1st provided prior ‘Final’ rebate was issued) the Local Treasurer receives a letter indicating how the Advance was calculated. The Local Treasurer should provide the Unit Treasurer with similar supporting documentation. **Verify** the rebates received were deposited in a timely manner and **compare** the Membership Dues/Agency Shop Local Fund Transmittal Form and the Advance letter (or similar supporting documentation) to the amounts deposited as well as recorded on the Income Register in the Rebates column.
- b) Social Events.** **Compare** dollars recorded on the Income Register in Social Events column to the reports of the Social Committee. If there is no Social Committee report, then multiply the ticket price by the number of people in attendance to verify dollars recorded as income from Social Events. **Verify all funds were deposited in full and no funds were used to pay any expenses of the event directly.** (Refer to Article IV, Section 6.) An explanation should be obtained for any differences.
- c) Delegate Reimbursements.** Locals are entitled to be reimbursed from CSEA, Inc. for one delegate for every 1000 members, with every Local entitled to reimbursement for at least one delegate. **Determine** if the Local Treasurer applied for and received the reimbursement from CSEA, Inc. (refer to Article VI, Section 2D). **Verify** the funds were deposited in a timely manner and recorded on the Income Register in the Delegate Reimbursement column.

- d) **Interest Income.** Compare the bank statement and/or savings passbook postings of interest or dividends to the amounts recorded on the Income Registers. Compare the interest total to the total interest reported on the Financial Report.
5. **Compare income as reported on the Financial Report to the Budget and determine if significant overages or shortages were reported to the Executive Board appropriately.**

### PROCEDURES – AUDITING DISBURSEMENTS

1. Review the *Financial Standards Code*, Articles V, VI and VII.
2. **Verify the math** on all Expense Registers. Determine if the totals are correct and if the year-to-date totals are correctly transferred to the Financial Report at year-end.
3. **Select disbursements** from the Expense Registers to be reviewed according to the Committee's scope decision (see Extent of Review to determine). Perform the following steps on each disbursement selected:
  - a) **Review** the supporting documentation (invoices, travel vouchers, board minutes) for each check to ensure accuracy.
  - b) **Examine** the cancelled checks to **determine if signed by two authorized signers** and if the checks were endorsed by the payees.
  - c) **Compare** the cancelled checks to the entries on the Expense Register(s) to determine accuracy of recording the disbursements as well as the correct allocation to expense categories.
  - d) **Compare** the cancelled checks to the entries on the check stubs or checkbook registers to determine the transactions were entered in the register(s) correctly and the checkbook balances were adjusted.
4. **Review** the savings/investment statements to **determine all withdrawals were deposited in their entirety (100 percent) directly**

**into the checking account.** Trace the deposit to the checking account bank statements and the Transfer Register (or similar form).

- 5. Compare expenditures as reported on the Financial Report to the Budget to determine if significant overages or shortages were reported to the Executive Board appropriately.**
- 6. Determine** that the subordinate has not reimbursed an individual who was already reimbursed from another source. Refer to Article VI, Section 5 for a list of possible reimbursement sources.

## **FINANCIAL REPORT**

The Financial Report must be prepared each year by the Treasurer (refer to *Financial Standards Code*, Article VIII, Section 3) and by completing the audit steps as outlined above for Receipts and Disbursements, the Committee would have verified that income and expenses were properly transferred from the detailed Income and Expense Registers to the annual Financial Report. In addition the Committee must:

- a) Verify** the report balances correctly:

The Opening Balance plus Total Income minus Total Expenses must equal the Closing Balance. The Closing Balance must also equal the reconciled ending balances combined of all accounts held by the subordinate at year-end (see Bank Statement Reconciliations next).

- b) Verify** the report was signed and dated by the President and Treasurer.
- c) Verify** the report has been presented to the Executive Board.

## **BANK STATEMENT RECONCILIATIONS**

Bank statement reconciliations must be performed regularly by the Treasurer (refer to *Financial Standards Code*, Article IV, Section 5). **The Committee must review the bank reconciliation at year-end (9/30) for each bank account and verify the total reconciled year-end balances agree with the Closing Balance reported on the Financial Report.** The Committee may review other reconciliations during the year to determine if they are being completed on a timely basis. The Treasurer should be performing the reconciliation on the reverse of the bank statement or on a separate worksheet that accomplishes the same objective. Review the outstanding checks at year-end (9/30) and any stale-dated (over 90 days old) or larger dollar checks should be questioned by the Committee.

## **PETTY CASH**

If the subordinate has a Petty Cash Fund, the Audit Committee must count the cash and vouchers in the fund to verify the two items equal the approved total (refer to *Financial Standards Code*, Article II, Section 4).

## **IRS FORM 990/990-EZ/990-N**

The Committee must **determine** if the IRS Form 990/990-EZ/990-N was completed and filed with the IRS on time by the Treasurer. To determine if the form was properly completed, refer to the annual reporting instructions provided by the Statewide Treasurer and the *Financial Standards Code*, Article VIII, Section 5.

## USDOL LM-2/LM-3/LM-4 REPORT

Those Audit Committees with members in the private sector must **determine** if the USDOL LM-2/LM-3/LM-4 Report was completed and filed with the USDOL on time by the Treasurer. To determine if the form was properly completed, refer to the annual reporting instructions provided by the Statewide Treasurer and the *Financial Standards Code*, Article VIII, Section 6.

### WAGES AND RELATED PAYROLL TAX RETURNS

Salaries for employees must be authorized by the subordinate's Executive Board. Payment of salaries results in a liability for payroll withholdings and tax returns. Failure to withhold and deposit taxes and failure to file the related returns can result in tax penalties and subjects the Executive Board to personal liability.

The Committee for those subordinates with payroll should consult the payroll service or accounting firm for assistance in reviewing the payroll and **at a minimum the Committee** must:

- a) **Examine** records to determine if payroll is properly recorded showing details of wages and withholdings.
- b) **Determine** if salaries paid agree with salaries authorized by the Executive Board.
- c) **Determine** that withholdings were deposited with a commercial bank or the IRS on a timely basis.
- d) **Examine** quarterly and annual payroll tax returns. Verify that W-2s have been filed for all salaried employees.

## TAXABLE INCOME TO INDIVIDUALS

Taxable income of \$600 or more in a **calendar year** must be reported to the recipients on an IRS Form 1099-NEC. Taxable income includes:

1. Allowances for honoraria, reimbursement for accruals charged and undocumented miscellaneous allowances for conventions and workshops. Verify allowances paid against amounts approved by the Executive Board and honoraria paid to officers to determine if amounts paid were properly authorized by the Executive Board. See Article VI, Section 1 (A) of the *Financial Standards Code*.
2. Meal allowances paid when not traveling overnight, mileage paid in excess of the IRS rate and payments made to an individual without documentation. The *Financial Standards Code* prohibits payments without documentation however subordinates may pay meal allowances for day trips or approve mileage in excess of the IRS rate; these would be taxable income to the individual.
3. Personal use of a subordinate-provided car is taxable to the individual. Be sure the Treasurer calculates the personal use and reports according to IRS guidelines.
4. Payments made for professional services.

Verify that IRS Form 1099-NEC and Form 1096 were filed with the IRS for the last calendar year for any individual who received taxable income that equaled or exceeded \$600 in the **calendar year**. Refer to the annual reporting instructions provided by the Statewide Treasurer and the *Financial Standards Code*, Article VIII, Section 10.

## **ADVANCES**

Advances are distinguished from allowances in that:

- Advances must be accounted for by submission of a travel voucher with receipts.
- The person receiving the advance must sign an advance slip.
- Because they require documentation, they are not taxable income to the recipient.

The Committee must review advances to determine that they were given no sooner than 10 days before the event and that all advances were either accounted for with a travel voucher and/or repaid in cash within 30 days after the close of the event for which they were obtained. Advances cannot be issued to anyone who already had an outstanding advance. Refer to the *Financial Standards Code*, Article VI, Section 12 for the advance process.

## **PRIOR YEAR'S AUDIT REPORT**

Review the prior year's Audit Report to determine if any comments made by the Audit Committee were implemented by the Treasurer and if problems highlighted last year were corrected.

## **TREASURER'S REPORTS**

The Committee should review the Reports to the Executive Board to determine if the Treasurer is reporting the financial activity to the Executive Board at each meeting and the reports are accurate. See Article VIII, Section 1 of the *Financial Standards Code*.



## REPORT OF THE AUDIT COMMITTEE

After performing the steps outlined in this guide, the Committee is required to complete, sign and date the annual Audit Report.

- a) The Audit Committee chairperson must complete **all** sections of the Audit Report.
- b) The Mandatory Report section must indicate either compliance or specify those areas which do not conform to the *Financial Standards Code* and recommend steps for improvement.
- c) The Committee must present the completed, signed report to the Executive Board.
- d) The Audit Committee chairperson must submit the completed Audit Report to the Statewide or Local Treasurer on or before January 1 of each year.

If the audit was performed by an outside independent auditor, the Committee is still responsible for completing Audit Report as outlined above. In this instance, the Committee should meet with the outside auditor to discuss the audit before completing the Audit Report. The outside Auditor's Report, financial statements and management letter must be attached to the Committee's Audit Report.



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