

# PART IV: LOCAL FINANCES

## 1. Preparing a Local Budget

Preparing a Local budget gives officers an opportunity to support the goals of the Local. When allocating the Local's income, we must ask ourselves, "What percentage of the Local's budget is allocated on this item? Are we spending too much on certain items and not enough on others? Are we allocating funds to areas, programs and activities that help build the Local Union and involve members?"

### Predicting Income

To predict income you should make a prediction of what your membership may be and identify all other sources of income such as: fundraising activities, interest on saving and investments, newspaper advertising, etc.

The bulk of a local's income is derived from membership dues and, thus, may be difficult to predict. Some of us are in periods of growth, some locals are fairly stable, and others are faced with declining membership. In the interest of safety, it usually makes sense to assume the "worst possible" scenario in making membership predictions.

Do not include income that cannot be accurately predicted and **do not include unrealistic income for the sole purpose of balancing the budget.**

Your revenue information is available online via your local dues summary reports. Contact [duesquestions@cwa-union.org](mailto:duesquestions@cwa-union.org) with any questions.

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## PLANNING FOR FUTURE EXPENDITURES

To plan for future expenditures you should decide which services and activities you want to provide to your members and determine how much each will cost.

Take into account the following four types of expenditures.

1. Those that are required by law, such as payroll and property taxes.
2. Those that are required by local constitution, such as affiliation fees.
3. Those that are required by contracts, such as leases, equipment rentals, employment contracts, etc. and those that are determined by the local.
4. List all existing programs, services and activities individually and come up with an amount for each.
5. List all programs proposed for the coming year.

You should also include a “contingency line” in the budget, because it is impossible to predict with certainty all events that occur in a coming budget year. Also, you may want to include a line called "Special Projects" to allow for items and issues that were not foreseeable at the time that the budget was prepared. Compare your total expenditures to total income and if you have a surplus, you may want to bank it for future use, or expand your local’s programs. If you have a deficit, you should decide which activities must be reduced or eliminated.

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# Sample Local Budget

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## Anticipated Income

Membership Dues \_\_\_\_\_  
Interest \_\_\_\_\_  
Total Income \_\_\_\_\_

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## Expenses

<b>I. Affiliations, Per Capita</b>	<b>Amount</b>	<b>Percent of Total Budget</b>
CWA Per Capita	_____	_____%
MRF	_____	_____%
State Federation	_____	_____%
Labor Council	_____	_____%
CWA State Council	_____	_____%

  

<b>II. Office and Administration</b>	<b>Amount</b>	<b>Percent of Total Budget</b>
Rent/Mortgage	_____	_____%
Utilities	_____	_____%
Telephone	_____	_____%
Insurance	_____	_____%
Office Equipment	_____	_____%
Postage	_____	_____%
Stationary, Supplies	_____	_____%
Bank Service Charge	_____	_____%
Accounting Services	_____	_____%

  

<b>III. Wages and Expenses</b>	<b>Amount</b>	<b>Percent of Total Budget</b>
Officers' Salaries	_____	_____%
Lost Time Salaries	_____	_____%
Grievance Expenses	_____	_____%
Executive Board Expenses	_____	_____%
Steward Expenses	_____	_____%
Payroll Taxes	_____	_____%

<b>IV. Organizational Expenses</b>	<b>Amount</b>	<b>Percent of Total Budget</b>
Steward Training	_____	_____%
Officer Training	_____	_____%
Work Site Meetings	_____	_____%
Membership Meetings	_____	_____%
Convention/Presidents Meeting	_____	_____%
CWA/International	_____	_____%
State Fed	_____	_____%
Conferences:		
CWA District	_____	_____%
Labor Council	_____	_____%
Other:		
Holiday Party	_____	_____%
Legislative Lobbying	_____	_____%
Mobilization	_____	_____%
Organizing Internal Units	_____	_____%
Local Committees	_____	_____%
Website/IT	_____	_____%

<b>V. Contributions</b>	<b>Amount</b>	<b>Percent of Total Budget</b>
Community Partners	_____	_____%
CWA Programs	_____	_____%
Coalitions	_____	_____%
Political	_____	_____%

<b>VI. Contingency Reserve</b>	<b>Amount</b>	<b>Percent of Total Budget</b>
1.	_____	_____%
2.	_____	_____%
3.	_____	_____%

<b>Totals</b>	<b>Expenses</b>	<b>Income</b>
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## 2. Expenditures

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### AUTHORIZATION

Because of the fiduciary nature of your position as Treasurer, the need for authorization for disbursements is greater than in a commercial enterprise. Basically, no disbursement should be made without an authorization.

Authorization may take the form of allowances set forth in Bylaws or a motion passed at a membership meeting, or Executive Board action.

Authorization for payment of rent, supplies, etc. may be delegated to officers, however, such authorization must have been acted on by the membership at some point in time.

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### DOCUMENTATION

Disbursements should have supporting documents such as receipts, bills, etc.

Receipts should include who attended and their title.

If there is no documentation for the expense, reimbursements are not to be made without proper explanation.

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### EXPLANATION

An explanation of the activity which caused the expense should be included on all expenditures.

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### DOUBLE DIPPING - DON'T!

We negotiate employee paid lost time wages for members conducting union business so that the Local Union can stretch out its financial resources. We advise against the practice of paying additional lost time wages (out of Local dues money) for lost time which is paid by the employer.

**NOTE:** If an employee is taking vacation paid by the employer they are not eligible for lost wages from the union (double dipping) unless there is approved bylaw language that allows this exception to the rule.

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## 3. Credit Cards

### LOCAL UNION CREDIT CARDS – BEWARE!

Credit Cards are the leading cause of Locals getting into financial and legal difficulties. A Local significantly increases its financial and legal exposure by issuing credit cards to officers in the name of the Local.

Our experience confirms that the possibility for problems increases in proportion to the number of officers and/or executive board members given Local credit cards or access to them. A local union credit card can present an irresistible temptation for some, especially if they are experiencing financial or marital difficulties, or have children with drug or alcohol problems, or cannot qualify themselves for a personal credit card.

The Local can avoid many of these problems by establishing a policy whereby officers secure cards in their own name and the Local pays for the card's basic annual fee (if any). The officer then submits the credit card charges associated with authorized union activity along with receipts and the Local reimburses the officer. Any additional expenses charged to the card, plus the payment of the credit card bill, remain the responsibility of the officer, not the Local's obligation.

For those Locals who currently issue credit cards in the Local's name and who are not convinced by our comments to change that policy, we recommend the following steps to protect the Local and yourself.

1. Issue cards only to those officers who have extensive travel responsibilities or are responsible for purchasing goods, services or bills that cannot be handled through the Local's normal voucher procedure.
2. Inform Local officers on the proper use of the Local's credit card. Ask each officer to read and sign the "Local Union Credit Proper Use Statement" and file a signed copy.
3. Do not activate the cash-withdrawing feature of the credit card (usually with PIN).
4. Require officers to submit monthly credit card expense reports.
5. Set up an audit committee, which knows how to spend time reviewing credit card statements, payments and monthly credit card expense reports.
6. Locals that maintain credit cards for their officers should consider increasing their blanket fiduciary bonding coverage beyond the required 10% of the Local's assets. It has been our experience that Local Union credit card fraud often exceeds the normal bonding requirements.

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## LOCAL UNION CREDIT CARDS PROPER USE STATEMENT

1. I understand that the Local Union Credit Card, which has been issued to me, is to be used ONLY for official, authorized Union expenses.
2. I understand that my Local Union Credit Card is not to be used for any personal expenses or purchases. This includes personal meals, transportation and purchases at stores or through catalogues.
3. I understand that my Local Union Credit Card is not to be used to pay for any expenses associated with a personal vacation or trip. If I am away on Union business and choose to stay extra days, I will make other payment arrangements for the extra days.
4. I understand that I cannot use my Local Union Credit Card to pay for personal expenses, even if I promise to repay the Local promptly when the statement arrives.

I have read the four items above and agree to abide by them when using the Local Union Credit Card. I understand that I hold a position of trust in relation to the Union and its members as stated in the Labor-Management Reporting and Disclosure Act (LMRDA) and that I am required by law and the CWA Constitution to hold the Union's money and property solely for the benefit of the Union and its members.

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Print your name and Local Position

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Signature

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Date

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## 4. Local Reimbursement Guidelines

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### EXPENSE FORMS

An expense form should be used by individuals to gain reimbursement for authorized personal expenses incurred in the course of union business. Expense forms can be found on the CWA website.

Expenses should be turned in with a proper explanation of expenses, activities, who attended and receipts which support reimbursements. All expenses should be submitted in a timely fashion. **The International's policy is that expenses should be submitted for reimbursement within 90 days.**

Where receipts are not obtainable, an appropriate explanation should be entered on the vouchers.

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### LOCAL VOUCHER LINE ITEMS

#### Wages

Wages should be reimbursed weekly for lost time while on union business. Wages paid for other than actual lost wages may occur when working full-time for the union (for example, vacation, etc.) A W-4 form "Employees Withholding Allowance Certificate" must be on file for each individual reimbursed for wages. Wages are not to be paid if a W-4 and an I-9 form are not on file. This also applies to any withholding forms required by state or city income taxes for which you may be liable.

#### Meals and Hotel

When away from home on union business, the individual should follow the Local Union's policy regarding the class (room rate range) of hotel to stay in. The Local will then reimburse the individual for the actual cost of the hotel room plus actual expenses for meals and incidentals in accordance with the Local Union policy and authorization.

#### Transportation

When traveling, officers and representatives of the union are required to use the class of travel designated by the Local's policy. All travel and travel expenses should have prior approval and actual receipts should be submitted to the Local with an explanation.



## **Personal Car/Mileage**

In the event that personal cars are used in the conduct of union business, the mileage rate established by the local will be reimbursed to the individual. It is recommended that this not exceed the current IRS allowance per mile. <https://www.irs.gov/Tax-Professionals/Standard-Mileage-Rates/> It is necessary that the individual explain the travel using a point to point designation (i.e., Philadelphia to D.C. to Philadelphia).

All individuals using their personal car to conduct union business should have proper insurance in accordance with state requirements. You should ask those who normally drive on union business for the name of their insurance carrier and policy number and keep on file.

## **Telephone**

The use of hotel phone systems should be avoided because of the very high rates charged. If telephone calls are charged on the hotel bill, the call(s) must be for official union business, properly vouchered and paid according to Local Union policy. Explain on the hotel bill the nature of the call.

## **Other**

Any expenses that do not fit the headings above and are incurred during the course of union business must be authorized and explained. Proper documentation must exist before reimbursement is made. The Treasurer should not make payment unless it is properly authorized.

Examples of proper documentation:

- Itemized Restaurant receipts – written explanation of the specific union business conducted (it is insufficient to simply record “union business”- you must be more specific than that), full names of who attended and titles of all persons incurring the food and beverage charges.
- Itemized Hotel bills
- Invoices
- Transportation – receipts from taxi or shuttle service
- Airline – copy of ticket confirmation showing amount paid.

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## 5. Full-Time/Part-Time Reimbursement by the International

Guidelines for approved reimbursements:

- Receipts for all expenses are required.
- CWA has adopted the IRS per diem chart for meal expenses as part of their accountable plan. These rates will be used to satisfy the substantiation requirements. This chart sets rates for daily meals and incidentals by location within the continental United States.
- When out-of-town on approved International work, Local members will be reimbursed up to the IRS per diem. If no over-night stay is required, the reimbursed amount will be \$17.50.
- When traveling, the most economical and practical mode of transportation should be used.
- The IRS standard business mileage rate is used to determine the amount reimbursed for personal car use.
- Hotel expenses will be paid, excluding incidentals. (ie. movies, liquor, etc.) Room service will be paid for personal meals up the IRS per diem.
- Lost-time wages will be paid for the approved number of days. Overtime will not be paid.
- Expenses should be submitted for reimbursement within 90 days.

All Full and Part-time reimbursements should be entered into the International's Concur system. The training for Concur can be found at:

<http://www.cwa-union.org/pages/concur-training-video>

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## 6. Financial Reporting to International, Local and Membership

The CWA Constitution requires Locals to make financial reports to their Local, their membership and to the International.

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### FINANCIAL STATEMENT TO INTERNATIONAL

Every Local must submit annually a financial statement, as a result of the Local's annual audit, to the International Union. This is a requirement of the CWA Constitution, Article XIII, Section 9.

The financial statements should be sent to the CWA Headquarters address in Washington, D.C., ATTN: Secretary-Treasurer or emailed to [cwamail@cwa-union.org](mailto:cwamail@cwa-union.org).

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### FINANCIAL REPORT TO LOCAL AND MEMBERSHIP

Members should be encouraged to know as much as possible about the finances of their union. When members know where the money goes, they are more likely to support expenditures for worthwhile programs. The CWA Constitution requires that all Locals make a financial report to the membership at least once a year (Article XIII, Section 9m). However, it is a good Local policy to report more often. You can build your Local union by sharing this information which will help educate members on all aspects of their union.

Officers have to make a special effort to see that financial reports are easy to understand, are meaningful and reach all the membership, not just those who come to membership meeting.

#### Some Suggestions:

- Distribute a monthly or yearly financial report at the membership meeting. Encourage members to ask questions. Don't get defensive about questions. Remember, the members don't know as much as you do about how and why the Local spends its money.
- Print the financial report in your Local newsletter.

- Go over the report with the stewards before handing it out so they can explain it to the members or answer questions.
- Make the report easy to understand. Run it past your spouse or friend; if they are confused, your membership will also be.
- Use simple language.
- Explain all items. Don't say "lost time;" say lost time for stewards and officers on grievances.
- Use a pie chart along with the report.
- In your report try to anticipate all questions which might arise on financial matters and answer them carefully and fully.

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## **7. Local Accounting**

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### **CHECK WRITING VS. ACCOUNTING SOFTWARE**

In discussing computerization of the locals' records, there is a marked difference between check-writing and accounting software applicability. Check-writing programs are less sophisticated than accounting programs and certainly do not have as many features. The local's checking account is probably the single most important record of the union. No single person should have control of, or responsibility for, the finances of the local. It is absolutely essential, while setting up internal controls, that there should be two signatures for all checking account transactions. However, more than two people should be authorized to sign on each account, due to unforeseen circumstances. Signature stamps and signing blank checks destroy the control of cash disbursements.

Some locals find QuickBooks or Quicken to be an inexpensive, efficient software options, but there are others.

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## PAYROLL SYSTEMS

The best route to establish a payroll system is to have a payroll service such as Paychex or ADP help you establish your payroll system. These firms will, for a modest fee, calculate and prepare payroll checks, make payroll tax payments and file reports required by state, federal and local agencies.

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## GENERAL JOURNAL

The general journal is used for recording transactions that are not otherwise recorded in either the cash receipts, cash disbursements, payroll or other specialized journals. General journal entries are commonly used to record correcting, adjusting and closing entries.

Correcting entries include correction of prior journal entries recorded incorrectly, etc.

Adjusting entries are used to record the depreciation of fixed assets, amortization of bonds, etc.

Closing entries are used to "close out" the Local's income and expense accounts at the end of the year.

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## GENERAL JOURNAL

The general ledger is used to summarize the financial transactions of a Local union by account number. This summarized information is then used to prepare financial statements, LMs, 990s and other reports.

Once the receipt, disbursement, payroll and journal entries (if any) for the month have been recorded and totaled, the next step is to record (post) the totals by account in the general ledger. This is done on a monthly basis.

A general ledger requires setting up a chart of accounts which gives a brief description of each account and assigns a number to each type of account. Some examples of accounts are:

- Assets
- Liabilities
- Income
- Expenses

All postings to the general ledger are either "debits" or "credits." Debits are posted to the left hand side and credits are posted to the right hand side of accounts in the general ledger. The meaning of credit and debit (whether it reflects an increase or decrease to the account) depends on the nature of the account.

The debits and credits must equal each other when posting in the general journal or general ledger.

Here are some guidelines to follow in posting to the general ledger from the various types of journals:

#### **Cash Receipt Journal**

The total of the cash account is a debit. The other accounts to which the cash is distributed are credits.

#### **Cash Disbursement Journal**

The total for the cash account is a credit. The distribution accounts are debits.

#### **Payroll Journal**

The net pay amount is a credit to cash. Gross pay is a debit to the salaries account and all deductions from payroll are credits.

#### **General Journal**

Each portion of the journal entry is posted as either a debit or credit as indicated on the journal.

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## BANK ACCOUNTS

Bank accounts and Certificates of Deposits should be in the name of the Local.

Local Bylaws should require that all checks be signed by two officers. This is also a recommendation of the U.S. Department of Labor and most auditors.

It is an unacceptable policy for Local Officers to sign blank checks or make checks payable to “Cash”.

Local Union funds should be disbursed only by check or electronic funds transfer. (The one exception is a petty cash account.) Always mark an invoice, statement or bill paid, date it and put the number of the check issued for payment. This will safeguard against double payments.

Checks should be numbered consecutively.

Always have authorization, documentation and explanation before issuing a check.

Reconcile and balance the local's checking account every month. It is a fiduciary responsibility of the Treasurer to reconcile the accounts monthly. Failure to balance the Local's checking account can result in a loss to the Local due to an error by the bank.

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## EVALUATING EXISTING PROCEDURES

To evaluate existing procedures you should:

1. Review all internal control procedures
  - Are the checkbook and permanent financial records kept in a secure location?
  - Are two signatures required on all accounts?
  - Are deposits made in a timely manner?
  - Are financial reports made at all regularly scheduled meetings?
  - Is there proper separation of duties?

## 2. Cash receipts review

- Each item should be listed in the cash receipts journal.
- Verify the receipts of payroll deductions from the employer to ensure that all deposits were made. Also, check the accuracy of the employer's dues deduction to make sure it matches your local's dues rate.
- Trace all deposits of direct-dues paying members through the cash receipts journal and the bank statement.
- Trace the deposit of any miscellaneous receipts through the cash receipts journal and the bank statement.

## 3. Cash disbursements review

- Each payment should be entered in the cash disbursements journal with monthly accumulations of expense categories maintained.
- All expenses should be paid by check or EFT. Checks should be pre-numbered, used in numerical order, and bear two signatures.
- Review canceled checks for proper payee and endorsement. Voided checks must never be destroyed but should be clearly marked "void" across the face of the check and maintained. Each payment must be accounted for and monthly bank reconciliations reviewed.
- Each payment disbursed should be supported by adequate documentation in the form of an invoice or receipt. Review paid invoices, budget category, approval for payment and receipts along with the canceled checks.

## 4. Other

- Independently verify cash balances in each account maintained by the local.
- Be sure that bank reconciliations are performed on a routine basis and that the balance per bank agrees with the book balances.

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## IMPLEMENTING OPERATING CONTROL PROCEDURES

To implement operating control procedures you should identify standard operating procedures to safeguard the local's finances and protect you as a union officer. The operating control procedures used should produce a report detailing items in both the current balance sheet and the statement of income and expenditures. These



procedures should contain enough detail and internal controls to support the size of your local.

An audit or review procedure should be included as per CWA Constitution, Article XIII - Locals, Section 9m - Authority, Duties and Obligations of Locals.

Adopt these procedures into your local's bylaws.

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## **8. Maintaining Financial Records**

Although this section will explain how to manually keep paper records, the International strongly recommends using accounting software (like QuickBooks, Peachtree, etc.) to record all financial activity.

To maintain the local's financial records, remember that the basic accounting record for many organizations is the checkbook or the system of documents that keeps track of deposits and disbursements from the checking account. Adequate remarks should be noted in the checkbook to clearly identify and describe each transaction.

For a few small organizations, the checkbook and a spreadsheet or paper ledger of all activity may be enough of a financial record to meet the organization's needs. Most locals, however, will need to keep additional accounting records. If there is uncertainty regarding the local's requirements please reach out to the International at [duesquestions@cwa-union.org](mailto:duesquestions@cwa-union.org).

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### **MAINTAINING THE CHECKBOOK**

To maintain the local's checkbook:

1. Where the local's finances are concerned, the use of cash should be discouraged.
2. Note: In those cases where you do not have payroll deduction of dues and must collect dues from individual members, you should not refuse to accept cash payments but the cash must be carefully accounted for. Only the most

insignificant expenditures should be made from petty cash. All other payments should be made by check and checks should not be made payable to "Cash."

3. If a local maintains one or more savings accounts in addition to the checking account, payments should not be made directly to or from the savings accounts but should go through the checking account. This provides a detailed record of all transactions from a single source - the checkbook.
4. The checkbook should be reconciled each month shortly after the statement is received. This activity gives you the opportunity to quickly correct any errors that you may have made and to find any errors that the bank may have made. Banks do make mistakes.

### **When maintaining your checkbook...**

**DO:** Keep a running balance in the checkbook or on the computer  
Enter checks and deposits immediately.  
Reconcile the account soon after you receive the statement.  
Have two officers sign all checks

**DON'T:** Sign checks that have not been completely filled out.  
Use rubber stamps instead of signatures.  
Use checks out of numerical sequence.  
Make checks out to "Cash."

**DON'T EVER:** Sign blank checks.  
Deposit voluntary COPE contributions to the union's general fund.  
Make political contributions to candidates from the general fund.

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## MAINTAINING A RUNNING BALANCE

To maintain a running balance of the local's checkbook you should balance the checkbook at the end of each month.

Since there is always a time lag between the writing of a check and its clearing the bank, reconciling the checkbook helps show that your checkbook balance is in accord with the bank's balance for your account.

Sort the canceled checks in numerical order each month.

Reduce the checkbook balance by any service charges not yet recorded in your checkbook.

Enter the current bank statement balance on the form.

Enter and add any deposits that have not yet cleared the bank.

Make a list of all checks that have not cleared the bank.

Subtract the total of all uncleared checks from the adjusted bank balance, which includes any deposits in transit.

This balance should be the same as that in your checkbook and the general ledger. Keep your canceled checks in a secure place.

Fraud can happen. Protect checks that have already cleared the bank. They can be scanned into a computer.

If you follow the practice of writing as many checks as possible at the beginning of the month, most will have cleared the bank and will be recorded on the statement. If you have a volume of checks, this will make the reconciliation easier.

Most new computer programs for accounting or check writing also have a bank reconciliation area to make this process easier for you.

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## HANDLING PETTY CASH

To handle the local's petty cash account you should establish a small "petty cash" fund. Petty Cash receipts or vouchers should be used to record amounts taken from this fund. These funds should be balanced at the end of every month.

When necessary, the petty cash fund should be replenished by check, not by adding incoming cash to it.

Checks to replenish the funds should be made payable to the custodian of the fund.

### For example:

"Mary Jones - Petty Cash" If you were to buy \$3.50 worth of office supplies, a petty cash receipt\voucher for that amount would be placed in the fund. At the end of the month, the vouchers would be totaled. They could come to \$18.50. In that case, a check to "Mary Jones - Petty Cash" for \$18.50 would be issued to bring the fund back up to \$25.

### Sample Petty Cash/Receipt Voucher

<b>Amount \$</b> _____	
<b>RECEIVED OF PETTY CASH</b>	No. _____
Date: _____	
For: _____	
Charge to: _____	
_____ Approved by:	_____ Received by:

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## CLASSIFYING & CODING RECEIPTS

To classify and code receipts you should:

1. Stamp Checks or write "For Deposit Only to Locals checking account XXX". The restricted endorsement "For Deposit Only" places a limitation on the use of a check.
2. Make a copy of the checks received and deposit funds received by the union immediately upon receipt. Depositing funds reduces the possibility of the funds becoming lost before they are deposited and increases the amount of interest earned if the union has interest-bearing accounts.
3. Staple the copy of the checks to a copy of the deposit slip for a proper audit trail.
4. Receipts should be classified to the appropriate revenue category by the person making the deposits. Questions about account classifications should be referred to you, the treasurer.
5. There may be more than one account number assigned to an individual receipt. Of course, if more than one account number is used, the total of all such categories must be equal to the total receipt amount.
6. Record all "receipts" (any collections, bank interest or credit, or anything else received by the union for whatever reason) regardless of which account they may be deposited to
7. Try to deposit all funds into a single master checking account. Then transfer funds as needed into any auxiliary accounts. This will permit a comparison of receipt information with specific bank account deposit statements.
8. Ensure that your records distinguish between receipts of new funds and mere fund transfers between accounts. Identify all such fund transfers as well as which account they came from and into which account they were deposited.
9. If union personnel make the actual deposit trip to the bank, record the Name or ID of that individual on each deposit record.

## MAINTAINING THE CASH RECEIPTS JOURNAL

To maintain the cash receipts journal (CRJ) you should log all moneys received, by date and in the order received.

It is usually easier to record transactions in the cash receipts journal (CRJ) when they are made instead of waiting until the end of the month. For each month, a new and separate page should be started in the cash receipts journal. Classify all moneys received in the appropriate account categories as they are recorded. Account categories used in the CRJ should be the same as those used in the budget.

### SAMPLE CRJ

LOCAL UNION, #7999 JOURNAL OF CASH RECEIPTS FEBRUARY 200X							
DATE	DESCRIPTION	AMOUNT	DUES	INTEREST	LEGAL DEFENSE	FUND- RAISING	OTHER
5-FEB	CWA	6,012.34	6,012.34				
5-FEB	John Smith	60.00	60.00				
11-FEB	City Office Supply	36.29					36.29 (REFUND)
28-FEB	Mary Lewis	60.00	60.00				
		<u>6,168.63</u>	<u>6,132.34</u>				<u>36.28</u>
28-FEB	Interest on Savings per Statement						
31-JAN		20.32		20.32			
		<u>6,188.95</u>	<u>6,132.34</u>	<u>20.32</u>			<u>36.29</u>

## LISTING DEPOSITS

To list deposits in the cash receipts journal (CRJ) you should list each receipt in order by date, from whom received, the total amount and categorized across the page. An indication should be made after each deposit, showing the date and amount deposited. When a deposit is made, add the total amount deposited to the checkbook balance on that date.

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## ADJUSTING THE CASH RECEIPTS JOURNAL

To adjust the cash receipts journal (CRJ) when a check is received and deposited then returned by your bank for insufficient funds or for some other reason, and the amount is deducted from your checking account, you should do the following:

1. If you have not yet closed out the month, draw a single line through the entry and do not include that amount in the monthly totals.
2. If you have closed out the month, list the transaction again in the current CRJ, but put all of the monetary amounts in parentheses. Numbers in parentheses are always subtracted when adding totals.
3. Some items, such as interest on back accounts, may not find their way into the CRJ because you do not receive a check or make a deposit for them. If you receive your bank statement before you prepare your financial statement, list those items at the bottom of the CRJ and include them in the monthly totals. If you receive the bank statement after you have prepared your monthly report, add those items at the end of the following month.

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## CLOSING THE CRJ AT THE END OF THE MONTH

To close the cash receipts journal (CRJ) at the end of the month you should:

1. Post all receipts through the last day of the month.
2. Draw a line after the last entry.
3. Total all of the columns. Again, the total of the "amount" column should be equal to the total of all of the other columns.

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## MAINTAINING THE CASH DISBURSEMENT JOURNAL

To maintain the cash disbursements journal (CDJ) you should:

1. Keep a log of all checks written, maintained by date and in numerical order.
2. Classify all expenditures in the appropriate expense and budget account categories as they are recorded.
3. CDJ account categories should be the same as categories used in the budget.

It is usually easier to record transactions in the cash disbursements journal (CDJ) when they are made instead of waiting until the end of the month. For each month, a new and separate page should be started in the cash disbursements journal.

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## CLASSIFYING & CODING DISBURSEMENTS

To classify and code disbursements you should:

1. Review the invoices prior to payment and assign the account code at that time. Of course, if you, as treasurer, write the checks, this may all be done at the same time. There may be more than one account number assigned to a single check. For example: A check might be written to an individual reimbursing them for office supplies and postage. Depending on the number of transactions per month and the method of accounting employed (manual or computerized) the account numbers may be broad or specific.
2. If a check is classified to more than one account category, the total of all such categories must equal the total check amount.
3. Maintain an integrated system of disbursement data across all accounts so you have a unified view of total union activity. Do not overlook so-called pass-through accounts. These accounts are often targets for embezzlers. Ensure that your records identify all such transfers as well as which account they came from and into which account they were deposited.
4. Consider making all (or nearly all) expenditures via check. Consider writing checks via computer.
5. Consider limiting access to the disbursements and/or check-writing section of your system to select individuals with unique passwords and secret ID's.
6. Consider using a voucher system for all disbursements in which pre-numbered vouchers correspond to the pre-numbered checks.
7. Create disbursements transactions for all payment activity, including bank debits, ATM charges, EFT payments, etc. Ensure that your records distinguish between real disbursements and mere fund transfers between accounts.
8. Ensure that all disbursements are fully explained in your journal, check stub and voucher entries. The more details the better. Do not categorize expenditures as "miscellaneous." Do not establish a petty cash fund unless you really need it. Keep it small.



## Listing Checks

To list checks in the cash disbursements journal (CDJ) you should:

1. Each check should be listed in order by date, check number, payee and total amount, then categorized across the page.
2. Questions about classifications should be referred to you, the treasurer.
3. If a check is voided while being written, indicate "VOID" on the face of the check, list the check in the CDJ by check number and write "void" on the payee line. Voided checks should always be kept and not thrown away.
4. At the end of the day's activities, subtract all of the expenditures for the day from the checkbook balance.

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## ADJUSTING THE CASH DISBURSEMENTS JOURNAL

To adjust the cash disbursements journal (CDJ) you should do the following:

1. If a check is voided after it has been listed but before the month has been totaled, draw a line through the entry and do not include that amount in the monthly totals.
2. If a check is voided after the month has been summarized and reported, re-enter the check in the CDJ at the point where it is being voided.

Be sure to add the amount back into the checkbook balance, in either case.

Put all of the monetary amounts relating to a voided check in parentheses. Numbers in parentheses are always subtracted when adding totals. Some items, particularly bank charges, will not find their way into the CDJ because no check is written for them. If you receive your bank statement before doing the financial statement, list those charges at the bottom of the CDJ and use "DM" (debit memo) for the check number. If you receive the bank statement after you have done the monthly report, deduct those charges in the following month.

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## 9. Preparing for a Financial Audit

**Although this section will explain how to manually keep paper records, the International strongly recommends using accounting software (like QuickBooks, Quicken, Peachtree, etc.) to record all financial activity.**

The CWA Constitution requires every Local to have an audit at least annually of its financial records and supply a copy of that audit to the International Secretary-Treasurer's office. (see Article XIII-Locals Sec. 9(m))

The audit serves as a review of the Local's financial transactions. Members of the Local's executive board may serve on the committee; however, the committee should include other members who demonstrate a sincere interest in the financial affairs of the Local.

Usually a committee of three to five members can do an effective review. Ideally, a couple of committee members should be rotated off each year, thereby providing some continuity and experience for future meetings.

The Local Secretary-Treasurer should make the Local records available and be prepared to answer any questions from the committee members.

Many Locals have an outside CPA prepare their LMs and 990s. These CPAs do not always do a full audit of the books and only look at bottom line numbers in order to fill out these reports, especially for Locals filing LM-3s and 4s. Keep this in mind when working to fulfill the audit requirement.

The Department of Labor has a Guide which features a 10-step audit designed to help Trustees (Audit Committee) from small unions carry out their duties. A "small union" is considered to be one with annual receipts of less than \$50,000 but Trustees from larger unions with more complex recordkeeping systems may also find this Guide helpful. The Guide can be found at:

<http://www.dol.gov/olms/regs/compliance/smunion/smallunions.pdf>

When preparing for your Audit:

- **Determine Responsibility**— discuss roles with other Trustees and select a chairperson. Contact members who have served as Trustees in prior years to discuss their experiences.
- **Gather Materials** – any forms, manuals, or handbooks issued which pertain to your duties; the most recent CWA Constitution and Local Bylaws with relevant sections for reference as necessary throughout the audit; the most recent audit report, IRS 990 and the most recent LM-2/3/4 annual financial report filed with OLMS.
- **Meet with the Principal Officers** – to seek their cooperation and support "up-front" to avoid any later problems or misunderstandings. Determine the person who should be dealt with as a point of contact within the local. Ascertain how the records are maintained on a computer system and arrange for the necessary printouts of the appropriate financial information. Decide where the examination is to take place. Finally, determine if and when "lost time" will be made for the auditors.
- **Schedule the Audit** – decide the time frame that the audit will cover and when it will begin. You may want to begin shortly after the local union has filed its annual financial report with the OLMS. This will ensure that the audit will not interfere with the ongoing operations of your local and can be used as a comparison with information reported on the LM filings.
- **Request Records** – create a list of financial records needed for the audit and provide this to the principal financial officers of the local.

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## 10. How to Select an Accounting Firm

If your Local feels the need to hire a professional accounting firm or accountant, it is important to inquire as to the type of services they could provide.

Some of the possible services are:

### **Annual audit of financial statements.**

The accounting firm will review and document your accounting system, test the activity in your general ledger, propose any adjustments needed for your financial statements to keep in conformity with generally accepted accounting principles and issue an opinion on the fairness of your financial statements.

### **Preparation of tax forms.**

Sometimes it is cost efficient to have the accounting firm prepare the Local's 990 or LM report because during the audit of your financial statements they have already accumulated most of the information needed to prepare these forms.

### **Management advisory series.**

Many firms now act as consultants in updating computer systems, improving the efficiency of accounting procedures and gathering any type of statistical data you might need.

### **Technical assistance throughout the year.**

Whichever firm you might choose, they should be willing to answer any type of accounting or tax question whenever the need arises and usually at no charge.

Check with neighboring CWA Locals, or other unions, for recommendations of firms familiar with 501©(5) organizations. Not every CPA firm has experience with 501©(5) organizations and knows the requirements / deadlines of the DOL or 990s.

After you have decided which services would be best for your Local, have at least two or three accounting firms bid a fixed fee on the cost of providing service to your Local and references of other 501©(5) organizations they provide services for.

Remember, large does not always mean better when it comes to accounting firms. Many smaller local firms might be able to give your questions and accounting problems more attention throughout the year at a lower billing rate.

Each year you should review and evaluate the services the accounting firm has provided and decide whether another accounting firm could better serve your purpose or, perhaps, you may need to expand on the services the current accounting firm is performing.

**NOTE: An accounting firm is only held accountable for what they did with the information you provided them. Because you engage an accounting firm does not mean they have the fiduciary responsibilities, or take over your responsibility, to the Department of Labor.**

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## **11. Federal Reporting**

For information on required Local Reporting to the Federal government see Part V of the Union Operating Procedures Manual on Federal Reporting.