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RECORDS AND REPORTS FOR LABOR UNIONS

By HAZEL J. SKOG, C.P.A., Spokane Chapter

“And now for the latest news on the labor front”. How many times have we heard this over the radio these last months—how many of our papers have headlined labor scandals? It has come to the point where Mr. and Mrs. Average America must think every labor union official is dishonest; every member a poor misguided soul, because of affiliation.

While it would be far from my intent to question any of the information that has been published, the sad part is that only the bad news is news to the public. This could be put in the same category as teenage news. We read and hear about the wild, reckless and even criminal-minded acts of teenagers and ask “what are the teenagers coming to?” Unless one has worked with teenagers, one does not recognize the fact that for every one who disobeys the laws, there are hundreds who are a joy and make our chests swell with pride over the coming generation.

So it is with labor unions; for the ones with self-centered officials, there are hundreds of others with officials who recognize their responsibility to the members and the public, who insist on regular audits by qualified accountants, who depend on the accountant for advice and guidance so that their records will, at all times, be consistent with good accounting principles and their funds used only for the purpose for which they were established.

A labor union is a non-profit organization: unless it owns income-producing property or is engaged in an income-producing venture. It is not taxable for income tax purposes for the reason that the funds received from members in the form of dues, fees, fines, etc., have already been taxed to the individual members.

Inasmuch as reports to members must be in a form understandable to individuals not accustomed to accounting terminology, a cash statement is used. Because a union is not taxable, do not think there are no annual reports. A labor union makes more reports at the end of its year than a partnership or a sole proprietorship. In lieu of an income tax return, a union reports on Form 990, which includes a statement of income and expenses, balance sheet and

analysis of worth. The statements mentioned above as well as answers to questions on method of selecting and compensating officers, bargaining authority, and other information are also required to be filed with the National Labor Relations Board. Non-communist affidavits are required of officers and trustees, and the annual report is made available to the membership.

For every national labor organization there are probably forty-eight state offices and hundreds of locals. As accountants, most of us will deal either with state or local unions. Although local and state audits are usually detailed audits, it is still necessary to determine the scope of the audit before a program is set up. The method in which the union handles funds is a consideration. Following are common practices:

A. The treasurer maintains the records, receiving periodically a check from the financial secretary for funds collected.

B. The financial secretary maintains all records, receiving all income and making all authorized disbursements with the treasurer co-signing checks.

C. A non-member is employed as bookkeeper or secretary-bookkeeper, to receive all income, maintain records and write authorized checks, which are signed by designated officers.

In example A, is the audit to be of the treasurer's records only or are the records of the financial secretary to be examined also? In both B and C full detailed audit of all receipts and disbursements is advisable.

The next problem to be considered is the type of records that have been kept. Usually national offices set up forms for recording receipts and disbursements. This constitutes a simple cash-book form of accounting either in loose-leaf or bound form. There may be no check register, or the bank balance may be far from correct due to checks having been written and included in the monthly reports for a membership meeting, then voted down, but never cancelled. To be able to comply with annual report requirements, it is necessary to set up double entry records and to instruct the proper individual how to

keep the records. This education responsibility never ends because with every change in officers, the instruction process must be repeated, particularly where the records are kept by a member.

Although in an article such as this, it is only possible to mention the matter, a big responsibility in auditing and reporting on labor union records has to do with knowing the funds. These funds may be of many kinds, some set up temporarily for some extra-ordinary expense, such as major repair on the labor hall; trust funds for death benefits; contingent funds for aid to ill or pensioned members, or possibly for convention delegate expense. The accountant needs to know the purpose of each fund, how it is established and maintained if permanent, and what payments are authorized.

As in all audits, it is necessary to report on real and personal property owned by the union, including possibly a labor hall, bonds and other investments. Permanent records of property often are non-existent since a cash-book system usually does not provide for a record of assets having a continuing life.

A simple cash statement has been prepared to permit a discussion of some of the problems relating to reports for unions. This statement is not complete, even for a small local, but it will illustrate some of the points to be considered.

Under receipts there is an item of contingent fund dues, the same amount is paid to the contingent fund. It is important that when funds are collected by one general treasurer, financial secretary or other officers, that these funds, to the penny, be transferred to the designated fund. In general, labor unions are very strict in guarding these special funds. Often it is necessary to have permission from General or International Headquarters to establish such a fund, and once set up, the fund cannot be loaned, even temporarily, to any other fund.

To illustrate, it may be assumed that the statement used as an example is for a local union going through a seasonal period of low employment when members do not pay full working dues. It may further be assumed that the contingent fund has a balance of \$5,000.00 not immediately required for disbursement. It would appear expedient to borrow from the contingent fund in this instance for the period until members are back on full

working dues, rather than to cash savings bonds. In many unions, even with unanimous approval of the board of directors, or membership sanction, the officers bonded for the funds could find themselves subject to special investigation or even fined, if they had made such a transfer.

Notice that under disbursements, affiliation dues are grouped and subtotaled. There are three reasons for this manner of presentation:

1. Since annual reports of labor unions call for a total of affiliation fees, year-end work can be saved by maintaining this information on a current basis.
2. A summary of the monthly statement is usually given to the membership rather than a detailed report.
3. By grouping items and using a more or less uniform form for each monthly report, the officer in charge of finance can more readily resolve the questions which arise in the administration of the union's affairs.

An illustration of using understandable terms is found in the matter of payroll taxes. When the "man on the street" mentions his payroll deductions, he usually calls it either "social security" or "that old-age pension deduction". Therefore similar terms are employed in preparing the statement, especially since the auditor generally is not present when the report is presented.

In the matter of furnishing "full information", there is the listing of all wages paid, full payroll less deductions. If the payroll is large, it may be advisable to prepare a separate schedule of salaries, showing the net amount on the statement. Salaries of officials of non-profit organizations are set by the membership, which has a right to know that the salary which has been voted has been paid, nothing more and nothing less.

Notice also the parenthetical insert (4 payroll periods). The following month the payroll may be higher, and some alert member will notice the amount as it is given. If the officer can state "there were five payroll periods this month" the few moments of the accountant's time necessary to add this information may be considered time well spent.

Under the salary figure there is illustrated still another point, and should a local's treasurer read this article he need not feel it a deliberate attempt to under-rate his value to the organization. The

CASH STATEMENT

Month of February, 1958

RECEIPTS:

Dues	\$2,000.00	
Contingent Fund dues	200.00	
Fines	75.00	
Application fees	200.00	
Rent	150.00	
Total receipts — month ended February 28, 1958		\$2,625.00

DISBURSEMENTS:

Per capita taxes:		
General Brotherhood	\$ 500.00	
State Brotherhood	200.00	
State Labor Council	25.00	
City Labor Council	10.00	735.00
Salaries (4 payroll periods)		
Financial Secretary	500.00	
Business Agent	460.00	
Bookkeeper	350.00	
Treasurer	10.00	
Total salaries	1,320.00	
Less withholding of:		
Social Security	\$29.50	
Withholding tax	135.00 164.50	1,155.50
Office expense		15.00
Legal and accounting		100.00
Travel expense		75.00
Car expense		50.00
Local union expense		25.00
Contingent Fund		200.00
Payroll taxes:		
Social Security — employer's tax	28.00	
Social Security — employees' tax	28.00	
Withholding tax — employees' tax	132.00	188.00
Total disbursements — month ended February 28, 1958		2,543.50
Increase in funds — February 1958		81.50
Add:		
Bonds cashed — funds received February 1958		750.00
Interest on bonds cashed		108.50
Total increase in funds — February 1958		940.00
General Fund checking account — Balance February 1, 1958		60.00
General Fund checking account — Balance February 28, 1958		1,000.00
Checking account — National Bank — as reconciled to February 28, 1958		1,000.00

\$10.00 monthly wage is used to illustrate the fact that salaries under \$50.00 a quarter are exempt from quarterly Federal Insurance Contribution tax, and in most states from Employment Security tax. It is well to check this matter in the states of your region. What is the problem? Mr. Treasurer received his regular \$10.00 monthly stipend during the first quarter, no tax; through the second quarter, no tax; July and August, no tax; but the last week in September he is elected to represent his local as a delegate to the state convention. This means he will miss two working days for which the local will pay him journeyman wages. Now the office has to go back to July and August to pick up his wages because the total for the quarter is over \$50.00. While this may not seem to be a problem with one isolated case, if there are twenty-five or thirty officers, officers pro tem, directors or committee chairmen receiving nominal amounts for services, constant watching is needed. As another example a member serves on a special committee in July, for which he received \$5.00, the first amount he had received during the year. In September he, too, is elected a delegate and receives \$45.50 wages. Had the convention come in October, neither of the amounts would have been taxable.

An important point deals with the increase or decrease in funds during the period. To a labor union this shows whether it is living within its means. Labor unions have little in the form of receivables since their members must pay dues or forfeit working rights; and they have little in the form of accounts payable as the two large items of expense relate to affiliation fees and wages. Affiliation fees must be paid promptly because membership benefits would often be lost should these per capita taxes become delinquent, and employees in any organization demand that their wages be paid promptly.

Some may think it double talk to add as a last line "as reconciled to bank statement". Although reconciliation with the bank is a matter of course in preparing a cash statement, all questions must be anticipated. Direct bank confirmations and other auditing procedures are not generally known by the layman, but most Americans who have kept a checking account know there is such a thing as a bank reconciliation. In one instance each month a copy of the bank reconciliation had been furnished the treasurer. One day a trustee

called to ask: "Do you reconcile with the bank?" He had no fault to find with the statement, but this appeared to be his way of mentioning the fact that he had been reviewing the statement. He was told that an audit would not be complete without this important reconciliation, and that the treasurer had had this information on a monthly basis. From such instances we learn never to take a single thing for granted.

Before leaving the cash statement there is the matter of the authorizations for disbursements. Because labor unions are organizations of members from a particular craft or trade, and because no one member can hold more than one voting right, authorization for payment even of routine bills can be quite different from the methods employed in commercial enterprises. These are some of the methods used:

1. All bills are presented to the membership at the weekly meeting. Upon approval, the recording secretary completes a printed pre-numbered voucher with the following information: Date, payment authorized to, payment authorized for, and the amount. This form is signed by the recording secretary and the president. This method saves checking minute books, and, since the forms may be filed in numerical order, they will show not only that the payments have been authorized, but also that payment of authorized expenditures has not been deferred.

2. The bylaws may provide for payment of ordinary expenses such as rent, telephone, etc., thereby eliminating the necessity for authorization of regular monthly expenses. Special authorization would still be required for all other expenditures.

3. A finance committee is elected to pass on routine bills. This committee also makes recommendations to the membership of the advisability of unusual expenditures, which may take the form of purchase of equipment, repair or improvements to the labor hall, and other non-recurring items.

4. Some labor unions pass on all bills at their meetings, with the minutes as the only proof of authorization.

Working with labor unions can be an interesting and challenging phase of the accounting profession. Each has its own problems with enough variation to prevent the work from becoming routine.