

Form LM-3 Common Reporting Errors



The Office of Labor-Management Standards (OLMS) enforces certain provisions of the Labor-Management Reporting and Disclosure Act (LMRDA), including reporting and disclosure requirements for labor unions, their officers and employees, employers, labor relations consultants, and surety companies. The LMRDA also requires, in part, that unions meet basic standards of fiscal responsibility. The purpose of this Compliance Tip is to help union officials and accountants who prepare the Form LM-3 (Labor Organization Annual Report) avoid some common reporting errors.

The six most common errors:

1. All required information is not always entered in Item 23 (Rates of Dues and Fees).
2. Insufficient details are provided for Items 10 – 18. When Items 10 – 18 are checked “Yes,” the filer is required to provide an explanation in Item 56 (Additional Information).
3. All required information is not always entered in Item 24 (All Officers and Disbursements to Officers).
4. All required information for Statement A (Assets and Liabilities) and Statement B (Receipts and Disbursements) is not always entered.
5. Filers provide inadequate information for the Fidelity Bond (Item 20).
6. Insufficient details are provided when cash does not reconcile.

Most of these reporting errors will be brought to your attention when you complete your validation process using the Electronic Forms System (EFS). However, even though EFS will direct you to Item 56 to provide additional information if you check “Yes” for Items 10 – 18, it does not determine whether the additional information is adequate. Additionally, EFS will not automatically calculate your minimum bonding required (Item 20).

The following recommendations are made to help you prepare an accurate Form LM-3 Report:

1. Properly complete Item 23:

In Item 23, you must enter information on dues or fees in lines (a) through (d), even if the entry is a zero or “N/A.” In the following example, if regular monthly dues are \$25.50 per month, and the initiation fees are a minimum of \$50.00 and a maximum of \$250.00 per member and there are no other transfer fees or work permits, the completed Item 23 should correspond to the example below.

Rates of Dues and Fees				
Dues/Fees	Amount	Unit	Minimum	Maximum
(a) Regular Dues/Fees	\$ 25.50	per Month	N/A	N/A
(b) Initiation Fees	N/A	per Member	\$50.00	\$250.00
(c) Transfer Fees	N/A	per	N/A	N/A
(d) Work Permits	N/A	per	N/A	N/A

2. Provide sufficient detail for Items 10 – 18:

Another reporting error by Form LM-3 filers is when “Yes” is checked for Items 10 – 18, but filers do not provide the required detailed explanation in Item 56. In the following table, the required details from the Form LM-3 *Instructions* are spelled out in summary form for easy reference.

Item Number and Description	Detail required in Item 56, if "Yes" checked
10. Subsidiary Organization	Provide the name, address and purpose of each subsidiary organization and indicate whether the information concerning its financial condition and operations are included in this Form LM-3 or in a separate report.
11. Trusts or Funds	Provide the name, address and purpose of each trust. If a report has been filed for the trust under the Employee Retirement Income Security Act (ERISA), report the ERISA file number and plan number, if any.
12. Political Action Committee	Provide the name of each political action committee (PAC) and list any government agency with which the PAC has filed a publicly available report, including the file number of the PAC.
13. Acquisition or Disposition of Assets	Describe the manner in which your organization acquired or disposed of assets, such as donating office furniture or equipment to charitable organizations, trading in assets, writing off a receivable, or giving away other tangible or intangible property. Include the type of asset, its value, and the identity of the recipient or donor, if any. Also report the cost or other basis at which any acquired assets were entered on your organization’s books or the cost or other basis at which any assets disposed of were carried on your organization’s books. For assets that were traded in, enter the cost, book value, and trade-in allowance.
14. Audit or Review of the Books and Records	Indicate whether the audit or review was performed by an outside accountant or a parent body auditor/representative. If it was performed by an outside accountant, provide the name of the accountant. Report any audit or review in which your organization’s books and records were examined to verify their accuracy and validity.
15. Losses or Shortages	Describe the loss or shortage in detail, including such information as the amount of the loss or shortage or a description of the property that was lost, how it was lost, and to what extent, if any, there has been an agreement to make restitution or any recovery by means of repayment, fidelity bond, insurance, or other means.

16. Additional Positions of Officers	For those officers paid \$10,000 or more in salary from <u>your organization</u> <u>and</u> also paid \$10,000 or more from another labor organization or employee benefit plan, list the name of each such officer, the name of the other labor organization(s) or benefit plan(s), and the officer's position in the other labor organization(s) or employee benefit plan(s).
17. Employees	If any employee received more than \$10,000 in gross salaries, allowances and other direct or indirect disbursements, report the name and position of each employee and the names of the other affiliated labor organizations which made disbursements to or on behalf of the employee. Also report the total disbursements made to each employee or on the employee's behalf by your organization, including all salary and allowances (before any deductions) and other disbursements (including reimbursed expenses).
18. Loans	Report in Item 56 the name of each individual and business enterprise, the amount each individual owed at the end of the reporting period, and the amount loaned to each business enterprise during the reporting period. Also report in Item 56 the purpose, terms for repayment, and any security for each such loan.

3. Properly Complete Item 24:

Item 24 (All Officers and Disbursements to Officers) requires reporting all the labor organization's officers' salaries and other direct and indirect disbursements during the reporting period. Columns (A) through (F) must be completed with an amount or zero. Item 24 should be completed as in the example below.

24. ALL OFFICERS AND DISBURSEMENTS TO OFFICERS FILE NUMBER: _____

(A) Name (List all persons who held office during the reporting period even if they received no salary or other disbursements. Use all capital letters.)				Gross Salary (before taxes and other deductions) (D)	Allowances and Other Disbursements (E)	TOTAL (F)
(B) Name (Enter title of officer, such as PRESIDENT or TREASURER) (C) Status *						
1.	Last Name Johnson	First Name Scott	Initial A	\$480	\$0	\$480
	Title President		Status C			
2.	Last Name Smith	First Name James	Initial C	\$540	\$0	\$540
	Title Vice President		Status C			
3.	Last Name Brown	First Name David	Initial V	\$588	\$0	\$588
	Title Financial Secretary		Status C			
4.	Last Name Scott	First Name Jane	Initial D	\$720	\$0	\$720
	Title Treasurer		Status C			
5.	Last Name	First Name	Initial			
	Title		Status			
6.	Last Name	First Name	Initial			
	Title		Status			
Total				\$2,328	\$0	\$2,328
					Less Deductions	\$0
The Total from Net Disbursements will be entered in Item 45					Net Disbursements	\$2,328

* Code for (C) Status: past officer - P; continuing officer - C; new officer during the reporting period - N (If the officer was not elected at a regular election in accordance with your organization's constitution and bylaws, explain in Item 56 on Page 1.)

4. Properly complete Statements A and B:

EFS will validate Statement A (Assets and Liabilities) and Statement B (Receipts and Disbursements) only if all items are completed with an amount or zero. Blank entries are not permitted in Statements A and B.

Below is an example of an accurately completed Statement A and B.

Enter Amounts in Dollars Only - Do Not Enter Cents				FILE NUMBER:		
STATEMENT A ASSETS AND LIABILITIES	ASSETS		Start of Reporting Period (A)	End of Reporting Period (B)	LIABILITIES	
	Item				Item	
	25. Cash		\$117,302	\$115,712	32. Accounts Payable	\$0
	26. Loans Receivable		\$0	\$0	33. Loans Payable	\$0
	27. U.S. Treasury Securities		\$0	\$0	34. Mortgages Payable	\$0
	28. Investments		\$0	\$0	35. Other Liabilities	\$0
	29. Fixed Assets		\$0	\$0	36. TOTAL LIABILITIES	\$0
30. Other Assets		\$0	\$0			
31. TOTAL ASSETS		\$117,302	\$115,712	37. NET ASSETS (Item 31 Less Item 36)	\$117,302	\$115,712
STATEMENT B RECEIPT AND DISBURSEMENTS	CASH RECEIPTS		AMOUNT	CASH DISBURSEMENTS		AMOUNT
	Item			Item		
	38. Dues		\$43,992	45. To Officers (from Item 24)		\$10,476
	39. Per Capita Tax		\$0	46. To Employees (less deductions)		\$1,952
	40. Fees, Fines, Assesments & Work Permits		\$0	47. Per Capita Tax		\$19,976
	41. Interest & Dividends		\$290	48. Office & Administrative Expense		\$1,971
	42. Sale of Investments & Fixed Assets		\$0	49. Professional Fees		\$11,258
	43. Other Receipts		\$50	50. Benefits		\$0
	44. TOTAL RECEIPTS		\$44,332	51. Contributions, Gifts & Grants		\$50
	If total receipts reported in Item 44 are \$250,000 or more, your organization must file Form LM-2 instead of this form			52. Purchase of Investments & Fixed Assets		\$0
				53. Loans Made		\$0
54. Other Disbursements					\$239	
55. TOTAL DISBURSEMENTS					\$45,922	

The most common mistake made is that items are left blank that should contain an amount or zero.

5. Adequately Calculate Bonding:

If your organization had property and annual financial receipts that total more than \$5,000, each of your organization’s officers, employees, and agents who handles funds or other property of your organization must be bonded. The amount of the bond must be at least 10% of the value of the funds handled by the individual during the last reporting period, up to a maximum bond of \$500,000.

The amount of bonding must be calculated each year and updated if necessary.

EFS will not compute the required annual bonding amounts. We recommend completing the Bonding Computation Worksheet prior to submitting the Form LM-3. Using the Bonding Computation Worksheet will enable an accurate calculation. If based on the calculation an increase is necessary, the surety company must be contacted to update the policy and the updated amount reported in Item 20 (Fidelity Bond).

The common error is not reporting the correct amount or not having enough bonding.

Bonding Computation Worksheet

Line #	Detail	Amount	LM-3 Item #
1	Liquid Assets as of the start of the fiscal year		
1A	Cash on hand and in banks	\$	25A
1B	Accounts Receivable and Other Liquid Assets	\$	30A
1C	Loans Receivable	\$	26A
1D	U.S. Treasury Securities (Market Value)	\$	27A
1E	Other Investments (Market Value)	\$	28A
2	Total Liquid Assets (Sum of Lines 1A through 1E above)	\$	
3	Receipts during the fiscal year	\$	44
4	Total Liquid Assets plus Receipts (Line 2 plus Line 3)	\$	
5	Deduct Receipts included in Line 3 which resulted from converting Liquid Assets held at the beginning of the year into cash from rollovers of securities		
5A	Payments received on Accounts Receivable in Item 30A	\$	43
5B	Payments received on Loans Receivable in Item 26A	\$	43
5C	Sales of U.S. Treasury Securities in Item 27A	\$	42
5D	Sales of Other Investments in Item 28A	\$	42
5E	Sales of Other Liquid Assets held in Item 30A	\$	42
6	Total deductions (Lines 5A through 5E above)	\$	
7	Total funds handled during fiscal year (Line 4 minus Line 6)	\$	
8	Amount of bonding required (Line 7 times 10%)	\$	
9	Maximum Amount recoverable on union's bond (Item 20)	\$	20
10	Are you adequately bonded? If Line 9 is greater than Line 8, you <i>are</i> adequately bonded; but if Line 8 is greater than Line 9, you <i>are not</i> adequately bonded		

6. Properly Reconcile Cash:

The cash reconciliation process verifies the cash balance at the end of the year. This includes the addition of all receipts and the subtraction of all disbursements occurring during the course of the fiscal year. EFS will automatically reconcile end of year cash, and if cash does not reconcile, EFS will advise you. You must either review the receipts, disbursements and cash items to determine the error or provide an adequate explanation as to the reconciliation difference in Item 56. EFS validation cannot be completed unless cash can be reconciled or an explanation provided.

We recommend using EFS to assist in correcting and detecting common reporting errors, such as cash reconciliation. However, if you do not use EFS, you should use the worktable below.

The following worktable may be used to determine that the figures for receipts, disbursements, and cash are correctly reported on your organization's Form LM-3:

A. Cash at Start of Reporting Period – Item 25, Column (A)	\$ _____
B. Add: Total Receipts – Item 44	\$ _____
C. Total of Lines A and B	\$ _____
D. Subtract: Total Disbursements – Item 55	\$ _____
E. Cash at End of Reporting Period – Item 25, Column (B)	\$ _____

If Line E does not equal the amount reported in Item 25, Column (B), then there is an error in your organization's report which should be corrected.

If outside accountants prepare your union's Form LM-3, we recommend you share this Compliance Tip with them. If you have any questions, please email us at OLMS-Public@dol.gov or contact your nearest OLMS field office below.

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OLMS

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