

Recordkeeping for and Reporting of Receipts



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. This compliance tip provides guidance on proper recordkeeping and reporting of union receipts. While union receipts often come in the form of membership dues, many unions also have other forms of receipts, including: interest from checking accounts, savings accounts, and certificates of deposit; sale of union supplies (hats, T-shirts, etc.); and rent; as well as other receipts from raffles, refunds, rebates and other sources. Unions who receive all their dues and initiation fees in the form of employer dues check-off may still handle cash receipts; properly handling these receipts is also a subject of this compliance tip.

General principles for receipt recordkeeping

The general principle of receipt recordkeeping is to ensure that for all funds received, at least one union record contains the following basic information:

- source of funds (employer, member, or vendor);
- amount received;
- the purpose of each payment (e.g. membership dues, initiation fee, rebate or rent payment); and
- the *date* the payment was received.

When recording the receipt in the cash journal or ledger, the date the money was actually received should be used rather than the date it was deposited, since this method corresponds to the manner in which receipts information must be reported on the appropriate LM report.

Finally, where cash receipts are handled, unions are strongly urged to issue a duplicate, numbered receipt to each individual making the payment, similar to when a salesperson completes a sales invoice (where the store retains the original receipt for recordkeeping purposes and provides the customer with a duplicate receipt).

Segregation of duties and handling of cash receipts

Unions should also adopt internal controls, which consist of various checks and balances that ensure proper handling of all receipts and minimize the possibility of theft or embezzlement. One such control for receipt handling is *segregation of duties*. Here, *at least two* (and preferably three) different people should be involved in handling all receipts, as follows:

- One individual (either an officer such as the recording secretary or an employee) makes a list of all receipts (cash or checks), the source, amount and date, and then passes the receipts (but not the list) to a second person. This list should be retained by the individual preparing the list for reconciliation with the cash journal or ledger entries, bank deposit slips and bank records (see next steps below) each month. The person making the list should be the one doing the cash reconciliation at the end of the month. As noted above, where cash is received, a duplicate, numbered receipt should be issued to the payer as well.

- The second person (either an officer, such as a financial secretary or treasurer, or employee) enters the receipts in either the cash journal or ledger and then prepares the bank deposits, which are passed to a third person.
- The third person (either an officer or employee) physically takes the deposits to the bank and obtains deposit slips, which are provided to the first person, who compares the deposit slips as well as the cash journal/ledger entries and bank deposit records with the list of receipts.

While the duties of the second and third person may be combined in smaller local unions, the advantages of segregating these duties is obvious: splitting these functions among different individuals significantly reduces the likelihood of improper handling of receipts and allows for early detection of any potential problems. Audit committees or trustees can easily compare the list, daybook, or receipt book from the first step to the cash journal or ledger, deposit slips, and bank records for the same time period.

Where do receipts get reported on the annual LM form?

Form LM-4 filers (unions with less than \$10,000 in annual receipts) must report *all* receipts in Item 16. Form LM-4 filers are not required to itemize or separate receipts into additional categories, as is required for Form LM-3 and LM-2 filers.

Form LM-3 filers report receipts as follows:

- Dues from members, whether received from employer payroll deduction or cash payments by members, are reported in Item 38.
- Per capita taxes, when received by parent or intermediate unions, are reported in Item 39.
- Initiation fees, assessments, and payments for work permits or fines received from union members are reported in Item 40.
- Interest on checking, savings, and certificates of deposit is reported in Item 41.
- Dividends on investments, such as stocks and bonds, are also reported in Item 41.
- Sales of investments and fixed assets are reported in Item 42.
- All other receipts are reported in Item 43, including rent, sale of union supplies, rebates, refunds, proceeds from loans to union, repayments of loans made by union, funds collected for transmittal to third parties, and any other receipts that cannot be placed in the above categories.

Form LM-2 filers report receipts in greater detail than Form LM-3 filers, as follows:

- Dues from members, whether received from employer payroll deduction or cash payment by members, and agency fees are reported in Item 36.
- Per capita taxes, when received by parent or intermediate unions, are reported in Item 37.
- Initiation fees, assessments, payments for work permits or fines received from union members are reported in Item 38.
- Receipts from sale of union supplies, including the sale of union logo apparel, lapel pins, and so forth, are reported in Item 39.
- Interest on checking, savings, and certificates of deposit (even if identified by credit institution as “dividends”) is reported in Item 40.
- Dividends on investments, such as stocks and bonds, are reported in Item 41.
- Rent income (including rent on meeting space) is reported in Item 42.
- Sales of investments and fixed assets are reported in Item 43.

- Proceeds from loans made to union are reported in Item 44.
- Repayments of loans made by union are reported in Item 45.
- Payments made on behalf of affiliates for transmittal to them are reported in Item 46 (see Form LM-2 Instructions for more detail).
- Payments from members for disbursement on their behalf are reported in Item 47 (see Form LM-2 Instructions for more detail).
- Finally, all other receipts are reported in Item 48 but note that receipts from a single payer of \$5,000 or more must be itemized (see Form LM-2 Instructions for more detail).

If you have any questions, please e-mail us at OLMS-Public@dol.gov or contact your nearest OLMS field office below.

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