



## **Reporting Officer and Employee Payments on Form LM-2**

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 that unions meet basic standards of fiscal responsibility. In particular, the LMRDA requires unions to file annual financial reports, such as the Form LM-2, required to be filed by the largest labor organizations with \$250,000 or more in total annual receipts. The Form LM-2 includes payments to officers (Schedule 11 of Form LM-2) as well as union employees who are not officers (Schedule 12 of Form LM-2). This *Compliance Tip* deals with two frequently-occurring problems experienced by many Form LM-2 filers and how they can be avoided with proper reporting practices. The first section discusses the requirement that *all* office-holders must be listed in the appropriate items and schedules, regardless of how *long* they held office during the reporting year and regardless of whether or not they received any payments. The second section deals with what direct and indirect reimbursements must be reported and where they must be reported on Form LM-2.

### ***List all individuals who held office during the reporting year, regardless of how long they held office and whether or not they received any payments***

A frequent reporting deficiency is the failure to report *all* officers in Schedule 11 of the LM-2, regardless of how long they held office or whether they received any payments at all. The requirement from the *Instructions* reads:

“Enter in (A) the last name, first name, and middle initial of each person who held office in the labor organization *at any time during the reporting period*. Include all the labor organization's officers *whether or not any salary or other disbursements were made to them* or on their behalf by the labor organization.”

(emphasis added). For example, assume a union's reporting year begins January 1 and elections are held in December, but new officers are not sworn in until mid-January. Assume also the President did not run in the December election and a new president was elected; also, that the vice president ran without opposition. In this case, the past president must be listed with the “past” or “P” designation and the new president must be listed with the “new” or “N” designation. The Vice President must be listed in Schedule 11 with the “continuing” or “C” designation. In this example, officers who are “past” but no longer serve for the remainder of the reporting year are labeled “P.” Those who were re-elected are labeled “C” for “continuing” and those who are newly-elected are labeled “N” for “new.”

An “officer,” according to Section 3(n) of the LMRDA, includes: “any constitutional officer, any person authorized to perform the functions of president, vice president, secretary, treasurer, or other executive functions of a labor organization, and any member of its executive board or similar governing body.”

## **Reporting of direct and indirect disbursements**

Another frequent reporting violation for Form LM-2 filers is reporting certain disbursements to officers and employees in the wrong place on the form. All salaries and other direct and indirect disbursements to officers during the reporting period must be reported in Schedule 11, and to employees in Schedule 12. A **direct disbursement** to an officer or employee is a payment made by the union for goods, services, or other things of value. An **indirect disbursement** to an officer or employee is a payment made by the union to another party for cash, property, goods, services, or other things of value received by or on behalf of the officer or employee. This includes payments made through a credit arrangement where charges are made to the union's account and paid for with union funds.

- **Direct disbursement example:** A union officer or employee pays out of pocket for a lunch meeting and the union writes a check directly to the officer or employee for reimbursement.
- **Indirect disbursement example:** A union officer or employee charges a lunch meeting expense to a union credit card, and the union pays the credit card company for the charges made by the officer or employee.

On Form LM-2, in Schedule 11 (Officers) and Schedule 12 (Employees), **direct** and **indirect** disbursements other than salary are reported in Column E (Allowances), Column F (Disbursements for Official Union Business), and Column G (Other Disbursements). Payments reported in these columns include **direct** and **indirect** disbursements to officials on a daily, weekly, monthly, or other periodic basis; allowances paid on the basis of mileage or meals; all expenses that were reimbursed directly to an official; expenses for officials' meals and entertainment; and various goods and services furnished to officials but charged to your organization. If an officer or employee is assigned an automobile owned or leased by the union, all associated maintenance and operating costs (including insurance) are reported in Schedules 11 and 12. Please refer to the *Instructions* for detailed guidance on what types of expenses are reported in each column.

While most direct and indirect disbursements to officers and employees are reported in Schedules 11 and 12, there are limited exceptions. The most common exception is for indirect disbursements made on behalf of officials for temporary lodging (room rent only) and transportation by a public carrier (such as an airline) *necessary for conducting official business*, which are reported in the functional activity categories in Schedules 15-19.

- **Direct disbursement example:** A union officer or employee uses personal funds to pay \$80 room rent for one night of lodging and \$150 roundtrip airfare to travel while conducting official union business and the union reimburses the officer or employee for the out-of-pocket payments. These disbursements are reported in Column F of Schedule 11 (Officers) or Schedule 12 (Employees).
- **Indirect disbursement example:** A union officer or employee charges the union credit card for \$80 room rent for one night of lodging and \$150 roundtrip airfare to travel while conducting official union business and the union pays the credit card company for the charges made by the official. These disbursements are reported in the functional activity categories in Schedules 15-19.

