



## **Local Union Finances Roles, Responsibilities and Best Practices**

### **Overview the Roles and Responsibilities.**

The purpose of this document is to provide a 'boots on the ground' guide to assist Local Financial Secretaries in understanding and implementing proper financial practices in their roles as outlined in the Unifor Constitution Article 15. Sec C subsection 9-16, Sec G concerning Local Union Dues and Sec H concerning Audits

### **Role of Financial Officer found in Article 15 Section C subsection 9-16 includes duties:**

1. Receive and deposit cash and cheques into the Local Union Bank Account.
2. Prepare cheques for properly authorized expenses including National Union Dues. Before preparing cheques, ensure recipient is entitled to receive payment for the expense incurred.
3. Countersign cheques issued for authorized expenses, along with the local union president
4. Properly account for all funds and expenditures of the local union by maintaining financial records and recording financial transactions of the local union in those financial records
5. Maintain all Local membership records
6. Prepare and present regular reports to the membership detailing money received and expenditures made.
7. Provide information required for trustees and/or auditors to conduct quarterly/annual audits of the local union finances

Overall the Financial Secretary is the custodian of all the local's books, records and assets

### **Best Practices:**

#### **Disbursement of Union Funds:**

Historically payments have been made only via cheque. As the number of payment methods have increased the internal controls concerning those methods has also evolved to add more layers of control. The basic internal controls still exists regardless of the method of payment.

#### **Cheques:**

1. All blank cheques must be locked away, with only the Secretary Treasurer having access.

2. All cheques issued must contain two signatures, preferably the president and the secretary treasurer, and MUST NOT be signed until the payee and amount have been written on the cheque.
3. Signing cheques in advance, without the payee and amount being completed, gives the second signing officer the chance to issue the cheque to whomever they want and in whatever amount they want
4. Cheques MUST NOT be made out to CASH. Cheques made out to cash can be cashed by anyone, which may not be the intended recipient, should the cheque be misplaced.
5. Cheques MUST NOT be issued and signed until the appropriate level of approval had been obtained to ensure the amount is a valid expenditure of the local union.
6. Once a cheque has been issued, the cheque number should be recorded on the supporting documentation that was used to issue the cheque. Supporting documentation would include copies of invoices, vouchers, credit card statements, expense reports, etc. This is to ensure it is not paid twice in error and that it can be matched to the cheque at a future date by the auditors.
7. Voided / Spoiled cheques must be kept as a record and defaced so they cannot be cashed. (e.g. write void on the cheque and cut out the signatures)
8. The cheque signer must not be the payee of the cheque unless there are only two signing officers
9. All cheques must be processed in timely manner, including any government remittances, to omit incurring interest charges.
10. As cheque theft is becoming more prevalent it is recommended that Local review their accounting programs and enquire with their banks to see if the Cheque Fraud Protection program is available if cheques are prepared using a computer program

#### **Pre-Authorized Payments:**

1. In certain instances pre-authorized payments may be taken automatically from the Local unions bank account such as utility invoices or credit cards.
2. For pre-authorized payments the local must still receive a detailed invoice from the provider and the authorization steps as noted above for cheques, should be followed. It is recommended that a copy of the bank statement where this pre-authorized payment appears be printed and signed by both the president and the secretary treasurer to ensure it has the proper approval and attached to the detailed invoice.

**On-line Payments:**

1. From time to time the local may also be required to make manual on-line payments, such as for credit cards which may be a requirement of the provider.
2. EFT/Wire payments via banking programs if the Local's bank and accounting program allows. All internal controls must be followed and either method is required to have 2 signers.
3. E-transfer via banking programs. All internal controls must be followed and each vendor receiving payment must also accept E-transfers

**Expenditures:**

To ensure expenditures are properly approved the following procedures must be adopted:

**1. Donations**

- a. The bylaws of the local union must contain a donation expense policy.
- b. Donations over a certain amount (e.g. \$1,000) must be approved by the local membership before the cheque is issued. Whatever limit the local decides upon, is to be documented in the bylaws of the local union.
- c. The recording secretary must prepare a voucher for all donations approved by the membership, sign it and give to the financial secretary for secondary approval and processing (sample attached).
- d. Smaller donations, under the threshold established in the bylaws, may be made without prior membership approval, as long as it has the approval of both the president and financial secretary. These smaller donations must be itemized and presented as part of the financial secretary's report at the next membership meeting, after issuance, for the members approval. This procedure must be documented in the local union bylaws.

**2. Travel expenses**

- a. The local union must prepare a travel policy and include it in their by-laws.
- b. This travel policy must outline the per diem that individuals are entitled to and what qualifies them to receive the per diem.
- c. If mileage is paid as part of travel, the rate must be stipulated in the bylaws. The rate must also be in accordance with CRA guidelines.
- d. Travel to conferences, conventions, education courses, etc. must be approved by the membership prior to incurring the expense (sample authorization form attached).

- e. From time to time travel may be required to be booked expeditiously. If this is the case, the travel must still be approved by the Executive, and it must be itemized and presented as part of the financial secretary's report at the next membership meeting for approval.
- f. The travel policy must outline the local unions policy around entitlements to airline and hotel upgrades.
- g. Expense reports are to be prepared and approved for all travel incurred that is reimbursable to a particular individual. As part of the approval process, you must ensure recipient is entitled to receive the expenses being claimed.

### **3. Local Union Credit Cards**

- a. In some locals, the local may elect to have its own credit card that is used to book travel.
- b. Where the local does have its own credit card, the Local needs to ensure that all credit card transaction slips and invoices are obtained. These are to be matched to the credit card statement that is received at the end of each month.
- c. Once all receipts are matched to the credit card statements, the statement needs to be approved by both the president and secretary treasurer, prior to payment being made.
- d. Guidelines must be implemented concerning the timeline that the receipts are to be provided and should be no more than 30 days after the statement is prepared. If receipts are not provided timely a hold should be placed on the card so no further transactions are incurred.
- e. Each user should sign a waiver of understanding concerning the controls and that the credit is only for Union purposes.
- f. At no time is the local's credit card to be used for personal use. In addition the credit card information must not be provided to anyone who is not authorized to use the card.
- g. It is recommended that a copy of the bank statement where this payment appears be printed and signed by both the president and the secretary treasurer to ensure it has the proper approval and attached to the credit card statement and receipts.

### **4. Stipends/Honorariums/Lost time**

- a. The local union bylaws must stipulate what the amount of the stipends/honorariums are and what qualifies an individual to receive the stipend/honorarium.

- b. For local unions with full time officers, their rate of pay must be in the local union bylaws, and the bylaws be updated whenever there is a change in pay.
- c. For those local unions that have part time officers, the bylaws must clearly stipulate how much time is provided to complete their tasks (e.g. 20 hours a month) as part of their stipend/ honorarium or lost time claim. Any amounts paid in excess of this pre-determined amount must be approved by the membership, prior to the expense being incurred.
- d. The bylaws must clearly define what constitutes lost time. Typically, lost time would represent hours that an individual was scheduled to work at their normal place of employment, but they were not able to as they were doing local union business. An individual must not claim more hours than what they would have worked at their regular place of business.
  - i. Lost time does not include anticipated overtime but can include vacation pay but only if vacation credit is lost.
  - ii. If the local union provides lieu (banked) days for individuals, who do union business, while on vacation from their employer or on their days off, this must be clearly identified in their by-laws and must be approved by the membership, prior to it being incurred. It is recommended a ‘banked days’ report by member be prepared and presented to the membership, at the regularly scheduled meeting.
  - iii. If lost time is paid to a member on their day off, they must not be paid for what would be their regular shift, but rather for a “pre-approved number of hours” based on the anticipated length of the meeting. Vacation pay would not be paid in this instance.
- e. All lost time must be pre-approved at the membership meeting, and must be recorded on a lost time form which is signed by the President and Recording Secretary. A copy of this form must be kept by the financial secretary.
  - i. Where the individual is on salary continuation, a book-off form must be completed and sent to the Unit for approval. The book-off form must be returned to the local once approved by the unit or the request should be rejected. Do not assume that the book-off was accepted. All completed book-off forms must be matched to the invoice received from the employer. The employer is then only to be paid once all lost time they have billed for has been matched to a form/letter.

A primary contact between the local and the Unit concerning book-offs, should be established, to avoid duplication and unauthorized book-offs. No bookoffs are to be sent to the Unit that is not initiated by this appointed person.

- ii. Where the individual is not on salary continuation, this form/letter is to be used to make payment directly to the individual
- iii. All payments of lost time should be accompanied by a book off form/letter
- f. All lost time paid should be reported at the next membership meeting.

## **5. Capital Expenditures**

- a. All capital expenditures, for computers, equipment, furniture, etc. must be approved by the membership prior to incurring the expense
- b. Any capital expenditures must undergo a tendering process to a minimum of 2-3 quotes. It is imperative that the local review the quotes details and insure that the "best quote" is accepted and not just accept the quote with the lowest price
- c. All capital assets or inventory purchases must tracked and all receipts kept for insurance purposes (see attached)

## **6. Other expenses**

- a. The local must develop a policy around "meals and entertainment" and what is considered an acceptable expenditure of the Local Union.
  - i. The local must set limits on the amount of meal expenses to be incurred based on each occurrence and also an acceptable monthly limit for local union officers
  - ii. In submitting claims for reimbursement, the itemized receipt from the restaurant must be attached to the individuals expense report, and must contain the names of the people that were in attendance and also the purpose of the meeting
  - iii. Consideration in the local union travel policy must also be given to the purchase of alcohol. Is the purchase of alcohol permitted and if so, is there a limit on the amount of drinks to be purchased
  - iv. Any expenditures outside the limits established by these policies must not be paid
- b. If a member is provided with a cell phone or laptop, the member must only utilize the item for Union Business. Any costs incurred for non-union business are to be reimbursed to the local including but not limited to: minutes charged, roaming charges, text charges, internet overages.
- c. All other expenses not listed above, outside of the normal course of running the local union, must be approved by the membership, prior to incurring the expense and supported by a voucher prepared by the recording secretary.

## **Reimbursements from National Office:**

1. All reimbursements requested from National Office need to be submitted on a proper invoice (see attached) and include an invoice number (ie YYYY- 001) that should be tracked by the local as part of standards accounting practices. This invoice should summarize the expenses being claimed and be supported by respective lost time forms.
2. The Lost time claim form (see attached) is considered back up to a local invoice and is not the local invoice. The claim form should all the items being invoiced, approvals and the cheque number that the local used to pay the member
3. It is important to include completed and proper back up when requesting reimbursement including but not limited to members paystubs that reflect the pay rate, hotel receipts, parking receipts, airline receipts and proof of mileage claimed. If information is missing it will increase the processing time and may result in a specific expenses being denied. The question to ask is 'would I reject an item' if it was requested to be paid by the local?
4. The National itself has an internal policy of 'no receipt no pay'
5. Ensure that reimbursement requests submitted to the National Office are done on a timely basis. Requests for reimbursement for work done or expenses incurred in excess of 1 year WILL NOT be reimbursed.

## **Dues**

1. Secretary-Treasurer must ensure that all members in good standing pay dues. They must received notification from employers concerning new hires, retirements, absences such as maternity/parental leave, accident related absence covered by provincial worker's compensation or any other leave such as temporary lay-off with or without sub dues plan.
2. Secretary-Treasurer must ensure that the dues deducted are in accordance with the local's dues formula, determined by the local's by-laws (per unit if composite) and that this formula respects the Constitutions article 15G.1 & 2 and 16.3. Note that if an employer changes payroll system, the Secretary-Treasurer must ensure that the migration of the dues formula was successful in the new system and send the information to the National's dues department.
3. Secretary-Treasurer must validate dues deduction after every year bargained wage increase and after any new increase resulting in new bargaining after current agreement is expired and ensure retroactive payments include dues deduction after ratification.
4. Secretary-Treasurer must advise the National's dues department of any changes sent to employer regarding dues formula voted by the membership.

5. Secretary-Treasurer must advise the National's dues department if an employer ceases operations (temporary shutdowns, reduction of shifts, complete closure).
6. Secretary-Treasurer must advise the National's dues department of any new 1st agreement was ratified and ensures that the employer starts the deduction of dues at the date of ratification and that any delays in the start will result in retroactive dues deducted at the start.
7. Dues are to be submitted to the National Secretary Treasurer by the last day of the month following collection. For example, dues collected in January would be owing to the National Union by the end of February. For composite locals dues must be remitted within deadline for all units received (if an employer is late, this should not delay the payment of paid units).
8. At the same time a complete dues list (requested in excel format from employer when possible) is to be sent to the National Secretary-Treasurer dues department. The employers should provide us with the following information:
9. The names of all active and inactive employees
10. The month or pay period (s) specification you are remitting- this should be clear with pay period and year for weekly, by weekly, semi-monthly you should know the dates covered by these pay periods.
11. The amount of dues deducted for each employee
12. The relevant rate of pay and job classification for each employee
13. The number of hours upon which union dues were calculated-if it's a % formula or hybrid then having separate columns for types of pay codes, such regular hrs , vacation hrs, stat holiday hrs.
14. A reason should there be no deductions (i.e. WSIB, layoff, etc.) for active members. This means that you should see if zero dues were deducted.

#### **Inventory:**

1. Keep a record of all Local union property, including date of purchase and amount paid. A physical copy of the invoice must also be included with the assets listing (see attached).
2. For laptops, equipment, cell phones, etc. that are handed out to local union officers, it is advised to keep track of what was given out and have those individuals sign for the equipment they were given.
  - a. Any local assets that are in the possession of a member should be recorded on a local acknowledgement form (a sample form is attached). This form is an agreement between the local and a member that the member received local

assets, for use during local business activities, and is an 'acknowledgement' that the assets are to be returned to the local after its usage.

3. At the end of their term, the equipment noted in 2 above is to be returned to the local union.

#### **Investments/Cash Assets:**

1. The local must prepare an investment policy that outlines the type of investments and the risk tolerance of the Local. It is strongly recommended that the Local invest in non-risky investments such as GIC's.
2. Note that some investment vehicles are not a liquid as others and the local should ensure that some of the cash assets are accessible on short notice.
3. At no time is a local to 'loan' or 'grant' money to a member. This is in violation of the Unifor National Constitution. This includes gift cards.
4. If a local utilizes a 'petty cash' system the physical cash needs to be secured and must be reconciled monthly. Only 1 member of the Executive should have access to the petty cash preferably the Financial Secretary. The petty cash must also only be used for Union activities. Attached is a petty cash voucher that should be used to record all cash transactions.

#### **Bank Reconciliations:**

1. Bank reconciliations are to be done on a monthly basis to ensure that there are no unauthorized transactions going through the Local Unions bank account.
2. It is vital that that reconciliations are completed timely in order to address any fraudulent activity with the bank and to report any errors on a timely basis. As there has been an increase in mail fraud it is becoming more important to find any such activity asap and report it to the bank in order to recover any stolen funds.
3. Where possible these bank reconciliations are to be done by someone other than the person that is responsible for issuing the cheques.

#### **Records Retention:**

1. Books and records are required to be kept for 7 years. It is advisable that the Local keep as many records electronically as possible and saved offsite.
2. Books and records must remain at the local unions premises under lock and key, with limited access.

3. Where there is a change in officers of the local union, and in particular the financial secretary, all books and records must be transferred to the new financial secretary in a timely manner. In order to ensure all books and records are handed over, it is recommended that both the outgoing and incoming financial secretaries sign a letter outlining everything that was handed over.
4. Records include but are not limited to:
  - a. Bank statements / cancelled cheques / blank cheques / credit cards / banking fobs + cards
  - b. Invoices / Vouchers for payment / PADS
  - c. Journals & ledgers used to record financial transactions of the local
  - d. Financial reports to membership
  - e. Trustee audit reports
  - f. Copies of minutes
  - g. Dues reports / dues check-off lists
  - h. Payroll records, if your local has a payroll account, including T4's, payroll journals and correspondence with CRA
  - i. Petty Cash

#### **Financial Reports to the Membership:**

1. Reports must be presented to the membership on a regular basis, preferably monthly
2. Reports must include details on the monies received and spent since the previous report, listed by type of income and expenditure, as well as the amounts remaining in the Local Unions funds
3. Detailed reporting must be provided to the membership on donations expenses, travel expenses, lost time expenses, stipends/honorariums/salaries and any other expenses outside the normally operating expenses of the local.
4. Copies of the minutes of all meetings must be kept on file for review by the trustees/auditors.

#### **Audits:**

1. Local Unions are required to submit their financial records for audit by the Local Union Trustees on a quarterly basis or have a professional chartered accountant audit the books annually. This is a requirement under the Constitution and ensures that the Local unions assets are being used for the benefit of the members of the local union.
2. Quarterly Trustee audits must be submitted to the Secretary Treasurer of the national union no later than 3 months following the end of the quarter or year end.

3. Should the local union decide to have the books audited annually by a chartered accountant, then an audited financial statement should be received no later than 3 months following the year end.

**Training:**

1. Unifor does offer training courses for financial secretaries and trustees, through our education department, and we strongly recommend that you sign up for these courses to get a thorough understanding of the important role you play within your local union.

If you want additional help in developing policies and procedures, then please reach out to the National Secretary Treasurer's office for assistance.

FR/kw:cope.343