



Authorization and Documentation of Expenditures

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, one key element of which is keeping good records of authorization of expenditures, including officer and employee salaries and expenses, non-recurring purchases, and other expenditures. These records ensure that proper authorization has not only been given but that documentation of that authorization has been preserved. Typically, this authorization occurs in the minutes of the union's governing body, either the executive board or the membership meetings, although some unions do authorize certain expenditures, such as salary levels, in their by-laws or in standing orders or other policy documents.

This *Compliance Tip* discusses how authorization may be documented for expenditures such as officer and employee salaries, allowances and expenses; non-recurring expenditures such as purchase of investments, furniture, and equipment; and even recurring monthly expenditures such as rent, utility payments, and telephone bills.

Recording authorization for officer and employee salaries, allowances, and expenses

Although OLMS does not recommend one best policy for authorizing officer and employee salary, allowances and expenses, and/or paid leave, it strongly recommends a written policy approved by the governing body to ensure compliance with the LMRDA and to safeguard union assets. This authorization must be documented in at least one union record. Salary authorizations are the subject of a separate *Compliance Tip*, but authorization for allowances such as payment of union dues for shop stewards, car allowances, and other allowances, as well as payment of reimbursed expenses, should also be documented. A record of such documentation must be maintained.

- In some unions, officer and employee salary *levels* and allowances are authorized in the local's union constitution or by-laws; in these cases, salaries may be tied to journey worker pay levels or other key job classification under a collective bargaining agreement administered by the union. A record of the applicable rates must be maintained.
- In other unions, a standing order or policy is adopted in accordance with the organization's constitution and practices. A standing order or policy is a motion that carries over from meeting to meeting, unless properly amended, usually for a pre-determined period of time, such as one year. But an authorization in the form of a standing order or policy must also be documented in at least one union record. If authorization is obtained during a union meeting, it must be documented in the minutes.
- Other unions authorize salaries, allowances, and reimbursed expenses of officers and employees at union meetings, and document such authorization in the meeting minutes.

Recording authorization for non-recurring purchases of equipment, furniture and related items

Any time authorization is obtained at a union meeting to purchase equipment (such as computers, copiers, or fax machines or furniture), as well as investments such as stocks or bonds, the authorization must be recorded in the minutes. The authorizing motion should be as specific as possible, for example:

- "Authorized purchase of a laptop computer not to exceed \$1300."

- “Moved that the union authorize purchase of a new conference table and eight chairs from the lowest competitive bidder.”
- “The local union is authorized to reinvest the proceeds from its maturing certificate of deposit with XXX into a stock account with the ABC brokerage account.”

The minutes should include both the motion and the notation that the motion passed or carried. Documentation of any bids received must be maintained. Remember, if new equipment or furniture is purchased, make sure that it is added to the union’s fixed assets inventory and that the fixed asset information in the union’s Form LM-2 or LM-3 is updated when the appropriate report is filed.

Recording authorization for recurring expenses, such as telephone, rent, and utilities, as well as per capita payments and taxes

Finally, unions should also authorize recurring expenditures, including monthly payments for utilities and rent. A number of unions have already adopted standing orders or policies that authorize payment of recurring expenditures. If such a standing order or policy has been adopted, the union must maintain records of authorizing such a policy or standing order in at least one union record. All authorizations obtained during union meetings must be documented in the minutes.

When membership authorization is required

Many unions require membership approval for certain expenditures, such as all expenses over a stipulated dollar amount. Authorization obtained at union meetings must be documented in the minutes. Union trustees or auditors should request and carefully review meeting minutes to ensure that required authorization for expenditures has been properly documented.

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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OLMS

Office of Labor-Management Standards

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