



Welcome

**11th Annual National
Labor Union Conference
~Annual Update~**



**CALIBRE CPA GROUP
JUNE 28, 2023**

2023 National Labor Union Conference

JUNE 28, 2023



A&A Update

MARY MARGARET PRANGE, CPA | PARTNER
CALIBRE CPA GROUP, PLLC

Accounting Standards Updates



2016 - Leases



2020 Accounting Standards Updates



2021 Accounting Standards Updates



2022 Accounting Standards Updates

ASU 2016-02 More Specifics



Prior to ASU 2016-02 (Current GAAP)

- Recognition, measurement and presentation of lease expenses and cash flows depended on whether it was a capital or operating lease.
- Only capital leases were required to be recognized on the balance sheet.

After ASU 2016-02 (Balance Sheet)

- Recognize right-of-use asset and a lease liability for virtually all leases over 12 months in term.
- Liability equal to the present value of lease payments.
- Asset will be based on the liability, subject to adjustment for initial direct costs.

ASU 2016-02 More Specifics



For Lessees

After ASU 2016-02 (Income Statement)

- Leases will be required to be classified as either operating or finance.
- Operating Leases - result in straight-line expense (similar to current operating leases).
- Finance Leases - result in a front-loaded expense pattern (similar to current capital leases).

ASU 2016-02 More Specifics



For Lessors

- ▶ Similar to current GAAP.
- ▶ Leases still classified as either operating, direct financing, or sales-type (Leveraged lease accounting has been eliminated).

Disclosure Requirements



Information about the nature of leases (and subleases)

- General description of leases
- Basis, and terms and conditions, on which variable lease payments are determined
- Existence, terms and conditions of options to extend or terminate the lease
- Existence, terms and conditions of lessee residual value guarantees
- Restrictions or covenants imposed by leases

Disclosure Requirements



Information about leases that haven't yet begun, but that create significant rights and obligations for lessees

Information about significant judgements and assumptions made in accounting for leases

- Determination of whether a contract contains a lease
- Allocation of the consideration in a contract between lease and non-lease components
- Determination of the discount rate

Disclosure Requirements



Main terms and conditions of any sale-leaseback transactions

Whether an accounting policy election was made for the short-term lease exemption. If so, lessees should disclose if the short-term lease expense doesn't reflect amounts attributable to the lessee's short-term lease commitments and the amount of its short-term lease commitments

Key Questions to Ask – Guidance



Do I
have
a
lease?

GUIDANCE:

Lease defined as *"the right to control the use of an identified asset for a period of time in exchange for consideration."*

- ▶ CONTROL:
 - Right to economic benefits
 - Right to direct use of asset
- ▶ Determining "right to direct use" may require judgement
- ▶ If supplier has substantive substitution rights, customer does not have control; therefore, no lease.

Key Questions to Ask – Guidance



What
is the
term?

GUIDANCE:

- ▶ Term is Noncancelable period for which lessee has right to use asset plus periods covered by:
 - Option to extend if lessee is *reasonably certain* to exercise the option
 - *Option to terminate if lessee is reasonably certain* not to exercise option
 - Renewals or extensions of lease at option of lessor
- ▶ Exception to the general rule to recognize all leases on the balance sheet for leases with terms of 12 months or less

Key Questions to Ask – Guidance



What is
the
discount
rate?

GUIDANCE:

- ▶ Rate implicit in the lease is rate that causes the PV of the new investment in the lease to equal sum of:
 - Fair value of asset minus related investment tax credit
 - Capitalized initial direct costs incurred by lessor
- ▶ If rate can not be determined, use incremental borrowing rate
- ▶ Private companies may elect a policy for all leases to use risk-free discount rate

Key Questions to Ask – Guidance



Any non-
lease
components?

GUIDANCE:

- ▶ Non-lease components accounted for separately
- ▶ Example: equipment lease contract also includes maintenance services
- ▶ Allocate contract consideration and initial direct costs to components based on relative standalone price of separate components.

Initial Measurement



Very narrowly defined – excludes costs that would have been incurred regardless of whether the lease was obtained

Classification of Initial Lease



- ▶ 842-10-25-2 Finance lease for lessee & sales-type lease for lessor...if any of the following are met at commencement:
 - ▶ The lease transfers ownership of the underlying asset to lessee by end of lease term
 - ▶ Lease grants lessee option to purchase the underlying asset that the lessee is reasonably certain to exercise
 - ▶ Lease term is for the MAJOR part of the remaining economic life of the underlying asset
 - ▶ Present value of the sum of the lease payments & any residual value equals or exceeds substantially all of the fair value of the underlying asset
 - ▶ The underlying asset is of such a specialized nature & would have no alternative use at the end of the lease term

Lease ASU Transition: Practical Expedients



You may be able to elect “practical expedients” to ease the burden of adoption

You do not need to:

- Reassess whether expired or existing contracts are or contain leases
- Reassess lease classification for any expired or existing leases
- Reassess initial direct costs for existing leases

You may:

- Use hindsight in determining lease term

2020 Accounting Standards Update



ASU and Topic	Effective Date
2020-07 Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets	Years beginning after 6/15/21. Early adoption permitted

ASU 2020-07



- ▶ Objective
 - ▶ Increase transparency about contributed nonfinancial assets through enhancements to presentation & disclosure
- ▶ Who is Affected?
 - ▶ NFPs that receive contributed nonfinancial assets. (Gifts, donations, grants, gifts-in-kind, donated services, or other terms)
 - ▶ Amendments address presentation and disclosure of contributed nonfinancial assets
 - ▶ The term nonfinancial asset includes **fixed assets** (such as land, buildings, and equipment), **use of fixed assets** or **utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets**

ASU 2020-07 Main Provisions



- ▶ Present as a **separate line item** in the statement of activities
- ▶ Disclose:
 - ▶ **Disaggregation** of the amount by category that depicts the **type of contributed nonfinancial assets**



- ▶ How does this differ from current GAAP?
 - ▶ Subtopic 958-605, specifies requirements for the recognition and initial measurement of contributions and disclosure requirements for contributed services
 - ▶ Subtopic 958-605 does not include specific presentation requirements for contributed nonfinancial assets or specific disclosure requirements for contributed nonfinancial assets other than contributed services.
 - ▶ The amendments in this Update improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for NFPs, including additional disclosure requirements for recognized contributed services.
 - ▶ The amendments will not change the recognition and measurement requirements in Subtopic 958-605 for those assets.

ASU 2020-07 Illustration (separate line)



	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support			
Contributions, primarily from individuals:			
Cash and other financial assets	67,920	74,330	142,250
In-kind	528,140		528,140
Government grants	52,600	-	52,600
Other income	66,580	-	66,580
Net assets released from restrictions	19,200	(19,200)	-
Total revenues, gains, and other support	734,440	55,130	789,570
Expenses			
Animal shelter operations	212,960	-	212,960
Supporting services:			-
Management and general	20,385	-	20,385
Fundraising	21,570	-	21,570
Total expenses	254,915	-	254,915
Change in net assets	479,525	55,130	534,655

ASU 2020-07 Illustration (separate column)



	Without Donor Restrictions			With Donor Restrictions	Total
	In-Kind	Other	Total		
Revenues, gains, and other support					
Contributions, primarily from individuals	528,140	67,920	596,060	74,330	670,390
Government grants	-	52,600	52,600	-	52,600
Other income	-	66,580	66,580	-	66,580
Net assets released from restrictions	-	19,200	19,200	(19,200)	-
Total revenues, gains, and other support	528,140	206,300	734,440	55,130	789,570
Expenses					
Animal shelter operations	111,570	101,390	212,960	-	212,960
Supporting services:					
General and Administrative	-	20,385	20,385	-	20,385
Fundraising	-	21,570	21,570	-	21,570
Total expenses	111,570	143,345	254,915	-	254,915
Change in net assets	416,570	62,955	479,525	55,130	534,655

ASU 2020-07 Illustrations



Contributed Nonfinancial Assets

For the years ended December 31, contributed nonfinancial assets recognized within the statement of activities included:

	<u>20X9</u>	<u>20X8</u>
Building	\$ 550,000	\$ -
Household goods	95,556	100,486
Food	85,407	86,633
Medical Supplies	90,389	115,173
Pharmaceuticals	111,876	113,982
Clothing	85,765	83,890
Vehicles	127,900	-
Services	73,890	65,392
	<u>\$ 1,220,783</u>	<u>\$ 565,556</u>

ASU 2020-07 Illustrations



NFP K recognized contributed nonfinancial assets within revenue, including a contributed building, vehicles, household goods, food, medical supplies, pharmaceuticals, clothing, and services. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

It is NFP K's policy to sell all contributed vehicles immediately upon receipt at auction or for salvage unless the vehicle is restricted for use in a specific program by the donor. No vehicles received during the period were restricted for use. All vehicles were sold and valued according to the actual cash proceeds on their disposition.

The contributed building will be used for general and administrative activities. In valuing the contributed building, which is located in Metropolitan Area B, NFP K estimated the fair value on the basis of recent comparable sales prices in Metropolitan Area B's real estate market.

Contributed food was utilized in the following programs: natural disaster services, domestic community development, and services to community shelters. Contributed household goods were used in domestic community development and services to community shelters. Contributed clothing was used in specific community shelters. Contributed medical supplies were utilized in natural disaster

ASU 2020-07 Illustrations



services. In valuing household goods, food, clothing, and medical supplies, NFP K estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

Contributed pharmaceuticals were restricted by donors to use outside the United States and were utilized in international health services and natural disaster services. In valuing contributed pharmaceuticals otherwise legally permissible for sale in the United States, NFP K used the Federal Upper Limit based on the weighted average of the most recently reported monthly Average Manufacturer Prices (AMP) that approximate wholesale prices in the United States (that is, the principal market). In valuing pharmaceuticals not legally permissible for sale in the United States (and primarily consumed in developing markets), NFP K used third-party sources representing wholesale exit prices in the developing markets in which the products are approved for sale (that is, the principal markets).

Contributed services recognized comprise professional services from attorneys advising NFP K on various administrative legal matters. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar legal services.

ASU 2020-07 Illustrations



Contributed Nonfinancial Assets

	<u>Revenue Recognized</u>	<u>Utilization in Programs/Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
Building	\$550,000	General and Administrative	No associated donor restrictions	In valuing the contributed building, which is located in Metropolitan Area B, NFP K estimated the fair value on the basis of recent comparable sales prices in Metropolitan Area B's real estate market.
Household goods	\$95,556	Domestic Community Development; Community Shelters	No associated donor restrictions	NFP K estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Food	\$85,407	Natural Disaster Services; Domestic Community Development; Community Shelters	No associated donor restrictions	NFP K estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

2021 Accounting Standards Updates



ASU and Topic	Effective Date
2021-03 Intangibles—Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events	Alternative for NFPs, open-ended effective date. One time ability to elect without having to demonstrate preferability

2021-03 Goodwill & Intangibles



- ▶ Extends private company alternatives to NFPs, as a package
 - ▶ Amortize goodwill over 10 years (or less)
 - ▶ Subsume certain customer-related intangibles, all noncompete agreements into goodwill & amortize
 - ▶ Test goodwill for impairment at the end of the reporting period, instead of upon a triggering event
 - ▶ Option to do impairment test at entity level instead of reporting unit level

2022 Accounting Standards Updates



ASU and Topic	Effective Date
2022-06 Reference rate Reform (Topic 848)	All entities. Moves the sunset date from December 31, 2022 to December 31, 2024.

2023 Accounting Standards Updates



ASU and Topic	Effective Date
2023-01 Leases (Topic 842): Common Control Arrangements	All entities. Calendar year 2024, early adoption is permitted

ASU 2023-01 Common Control Arrangements



- ▶ Issue 1 – Practical Expedient – Using Written terms and Conditions of Common Control Leases
 - ▶ Practical (as opposed to enforceable) right to control the use of an identified asset for a period of time.
 - ▶ NO written terms/conditions- entity CANNOT apply practical expedient.

ASU 2023-01 Common Control Arrangements



- ▶ Issue 2: Accounting for Leasehold Improvements
 - ▶ Amortize leasehold improvements over useful life of the leasehold improvements to the common control group as long as the lessee controls the use of the underlying asset through a lease
 - ▶ Account for any remaining leasehold improvements as a transfer between entities under common control through an adjustment to net assets if, and when the lessee no longer controls the use of the underlying asset

New Auditing Standards & Other Releases



SAS 144 – 145 – Issued 2021



SAS 144 Use of Specialists & Use of Pricing Info from External Sources



- ▶ AU-C Section 501 Changes
 - ▶ Amendments to various application material paragraphs provide guidance on applying AU-C section 540 when management has used the work of a specialist in developing accounting estimates.
 - ▶ Certain amendments enhance guidance about evaluating the work of the management's specialist.
 - ▶ Other amendments are made to no longer refer to using the work of an external inventory-taking firm as using the work of a management's specialist.

These amendments are not intended nor expected to change existing practice.

SAS 144 Use of Specialists & Use of Pricing Info from External Sources



▶ AU-C Section 540 Changes

- ▶ AU-C 500 requires the auditor to take into account the relevance and reliability of information to be used as audit evidence, including its source, and contains an appendix addressing the use of external information sources.
- ▶ AU-C section 540 has been amended to add a new appendix, "Use of Pricing Information From Third Parties as Audit Evidence," to provide guidance on using such information as audit evidence for estimates related to the fair value of financial instruments.
- ▶ The appendix is based on appendix A, "Special Topics," of PCAOB Auditing Standard 2501, Auditing Accounting Estimates, Including Fair Value Measurements, which contains requirements for auditors of issuers.
- ▶ The ASB believes that the requirements included in appendix A of AS 2501 are consistent with procedures that would be performed by auditors to comply with the principles-based requirements in AU-C section 540 when using pricing information from third parties as audit evidence for estimates related to the fair value of financial instruments.

SAS 144 Use of Specialists & Use of Pricing Info from External Sources



- ▶ AU-C Section 620 Changes
 - ▶ Amendments to various application paragraphs in AU-C section 620 enhance the guidance related to using the work of an auditor's specialist

SAS 145 Understanding the Entity & Its Environment & Assessing RMM



- ▶ Deficiencies in the auditor's risk assessment procedures are a common issue identified by practice monitoring programs in the United States and worldwide.
- ▶ In 2020 U.S. peer reviews, the currently effective AU-C section 315, Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement, was the leading source of matters for further consideration.
- ▶ This SAS was issued in October 2021 to address.

SAS 145 Understanding the Entity & Its Environment & Assessing RMM



- ▶ The Standard also:
 - ▶ Includes extensive guidance regarding the use of information technology and the consideration of general IT controls;
 - ▶ Revises the definition of significant risk;
 - ▶ Includes a new requirement to separately assess inherent risk and control risk;
 - ▶ Includes new guidance on maintaining professional skepticism; and
 - ▶ Includes a new "stand-back" requirement that is intended to drive an evaluation of the completeness of the identification of significant classes of transactions, account balances, and disclosures by the auditor.

2023 National Labor Union Conference

JUNE 28, 2023

Best Practices for Managing Fraud Risk



ARTHUR E. BUDICH, CPA, CFE | PARTNER
CALIBRE CPA GROUP, PLLC

Fraud Defined



Fraud – any intentional act or omission designed to deceive others, resulting in the victim suffering a loss and/or the perpetrator achieving a gain.

Fraud – A Global problem



- **Report to the Nations**

Issued by the Association of Certified Fraud Examiners every two years, the ACFE conducts a global survey studying the types, causes, signs and costs of fraud across industries.

The latest survey, issued in early 2022, studied over 2,000 cases from over 130 countries in 23 distinct industry categories and total losses of more than \$3.6 Billion.

Fraud Schemes

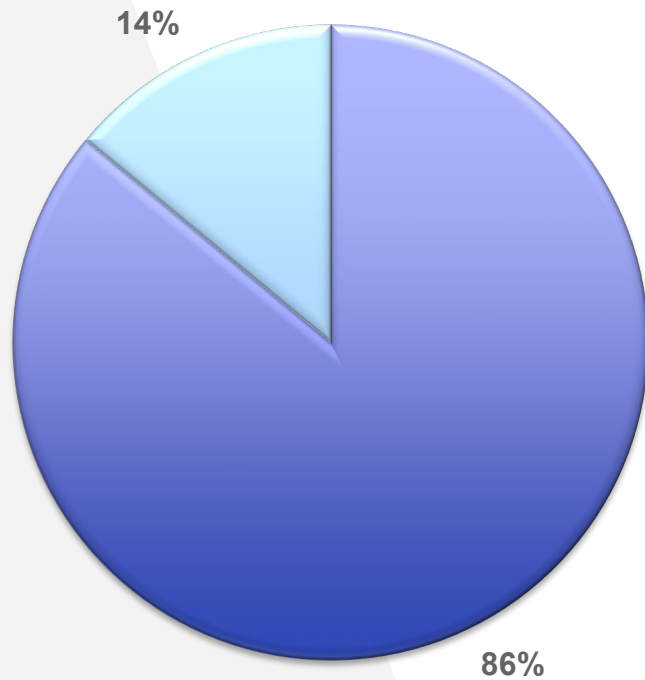


- **Misappropriation of assets** – theft or misuse of organization's assets.
 - Theft of cash
 - Fraudulent disbursements
 - Misuse and/or theft of other assets
- **Fraudulent financial reporting** – misrepresentations in financial reports.
 - Misstatement of financial condition
 - Improper financial statement disclosure
- **Corruption**
 - Conflicts of interest
 - Bribery
 - Illegal gratuities

Fraud Schemes

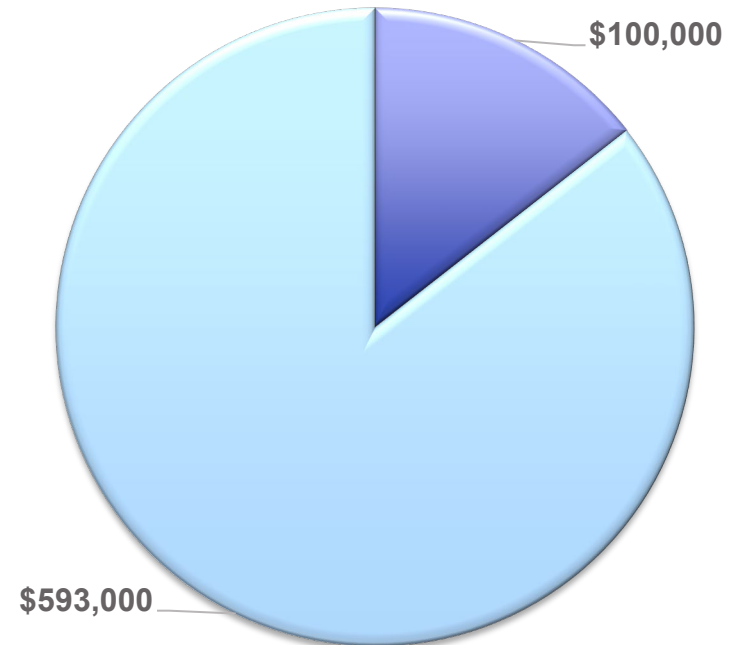


Percent of Cases



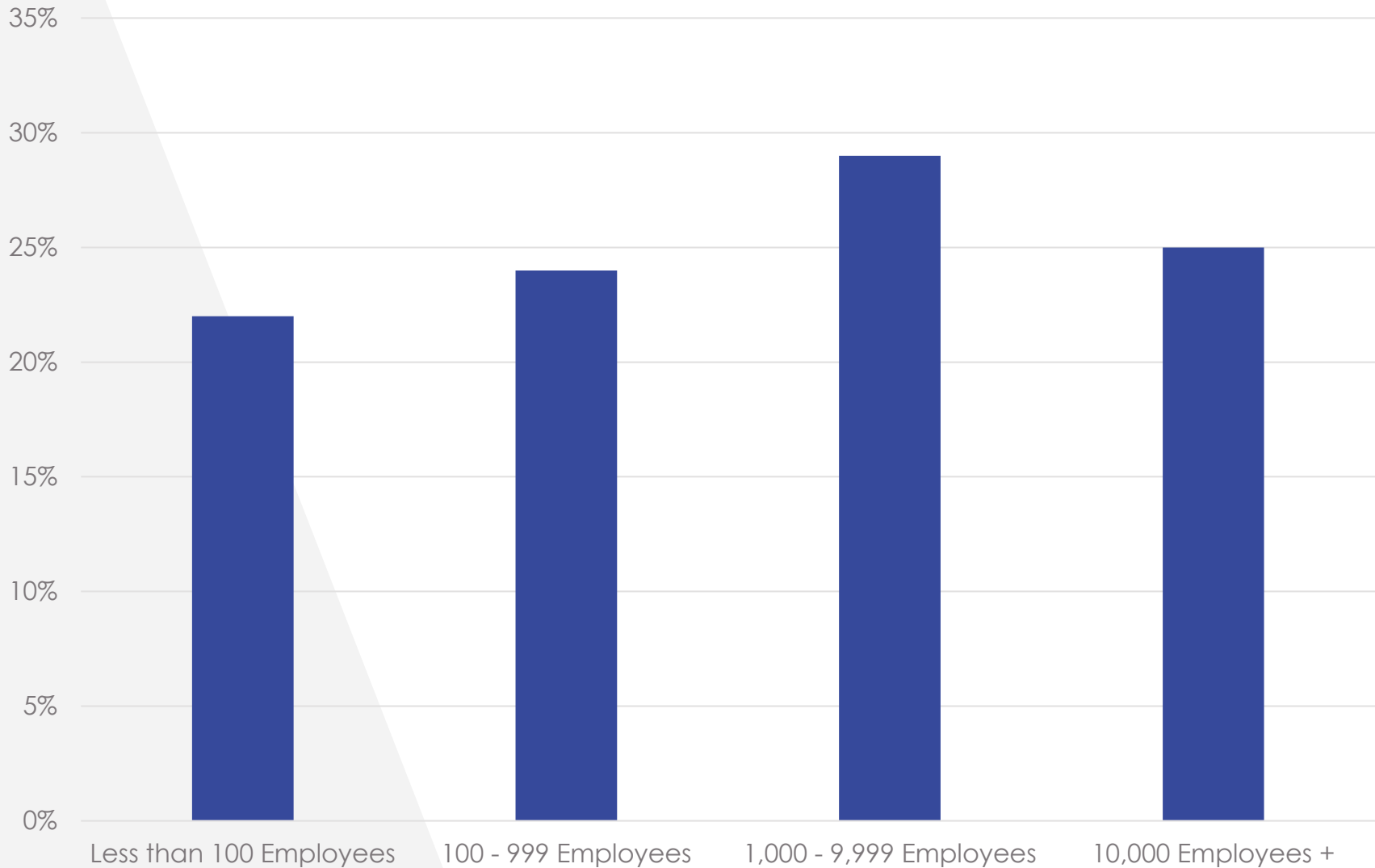
- Asset Missappropriation
- Financial Statement Fraud

Median Loss

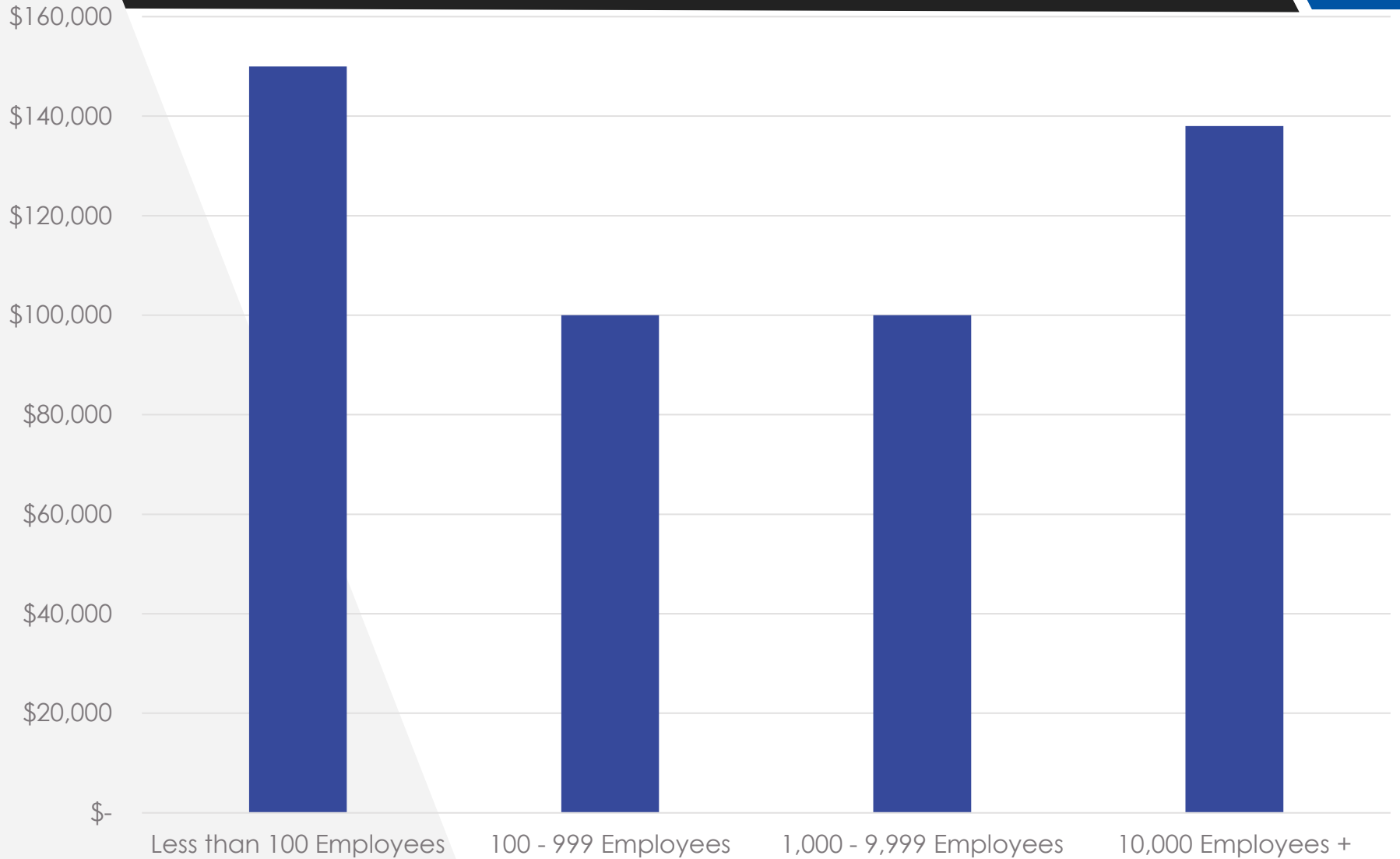


- Asset Missappropriation
- Financial Statement Fraud

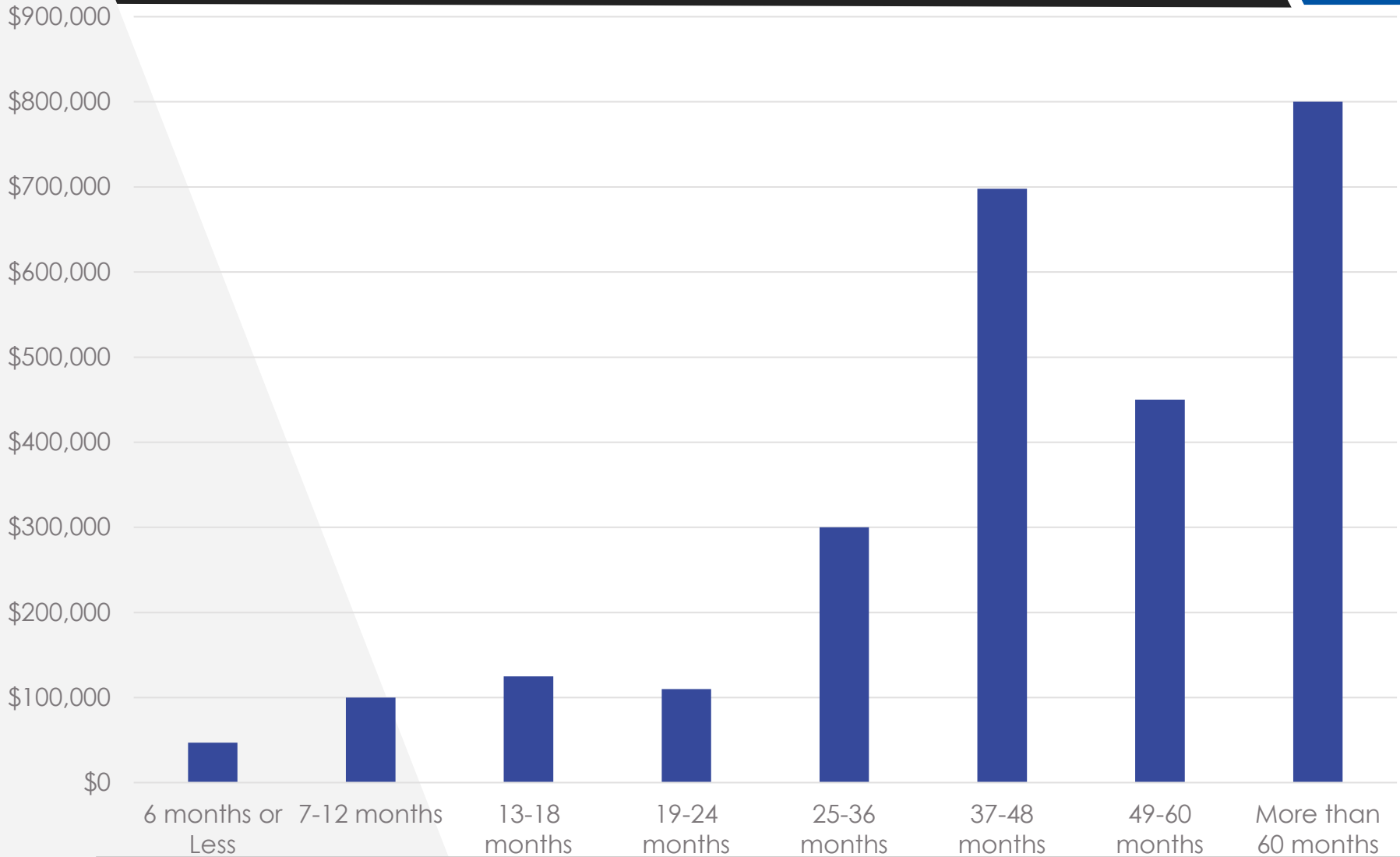
Percent of Cases by Organization Size



Median Loss by Organization Size



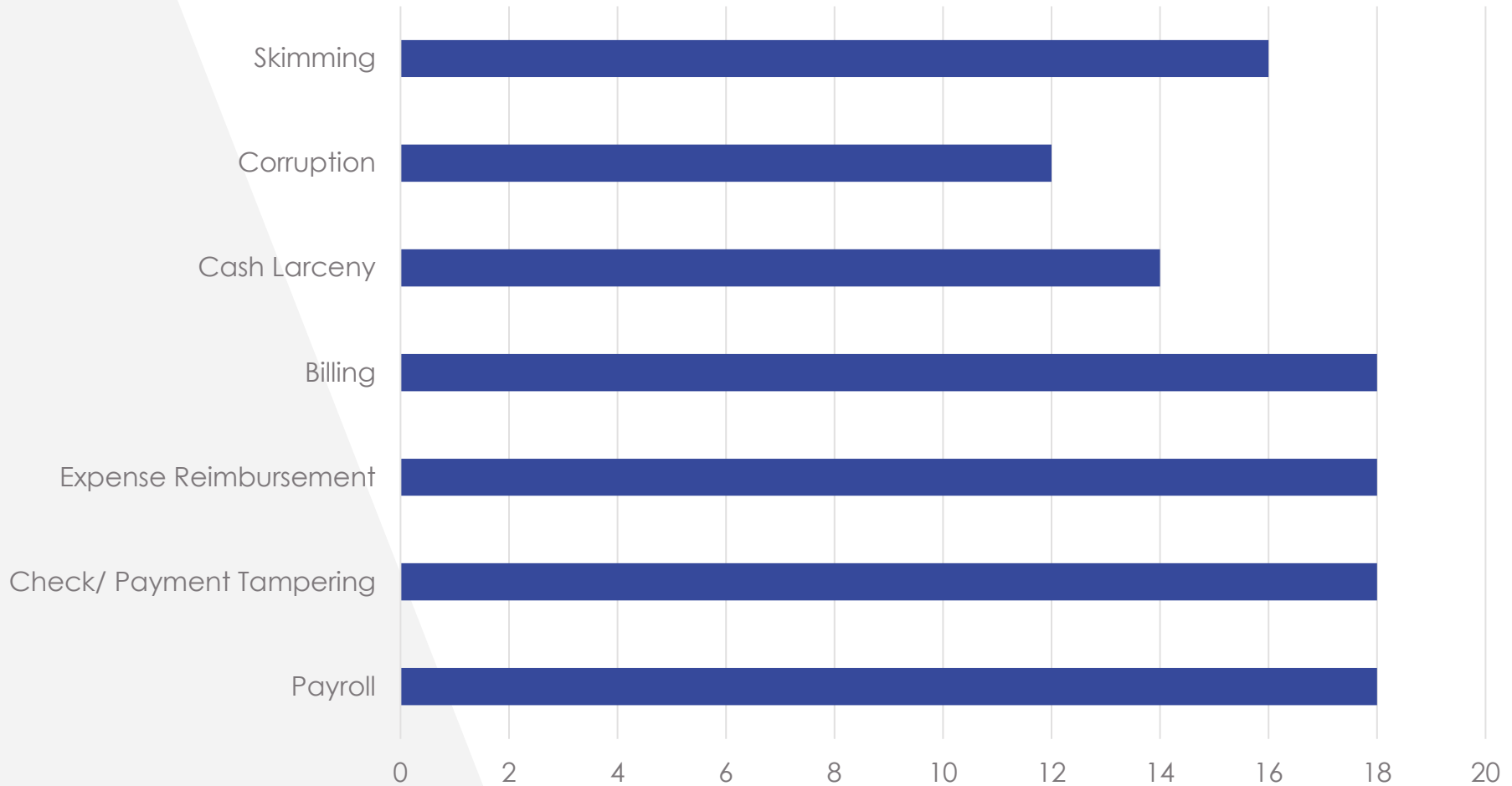
Median Loss by Duration



Duration by Type



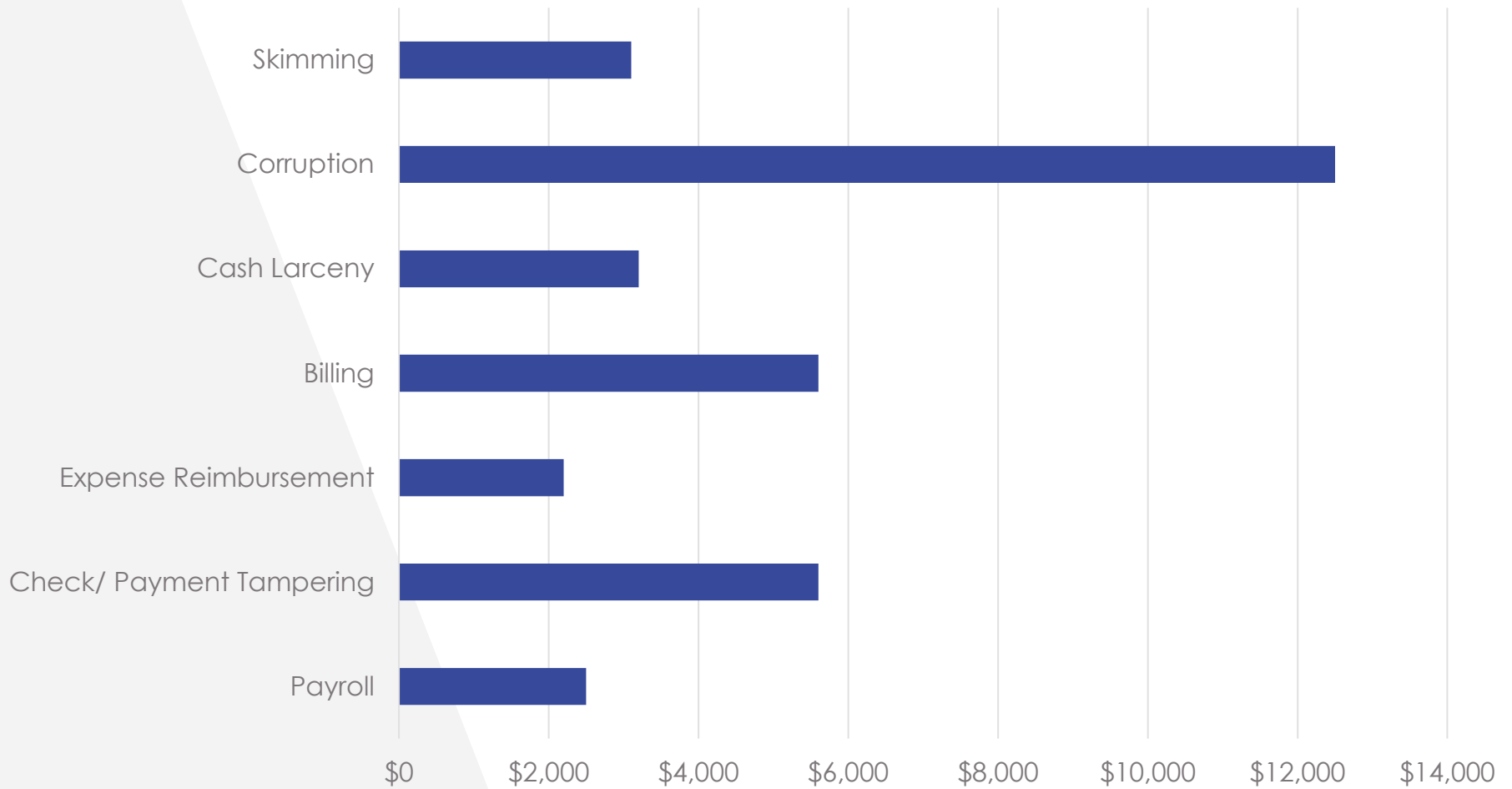
Months



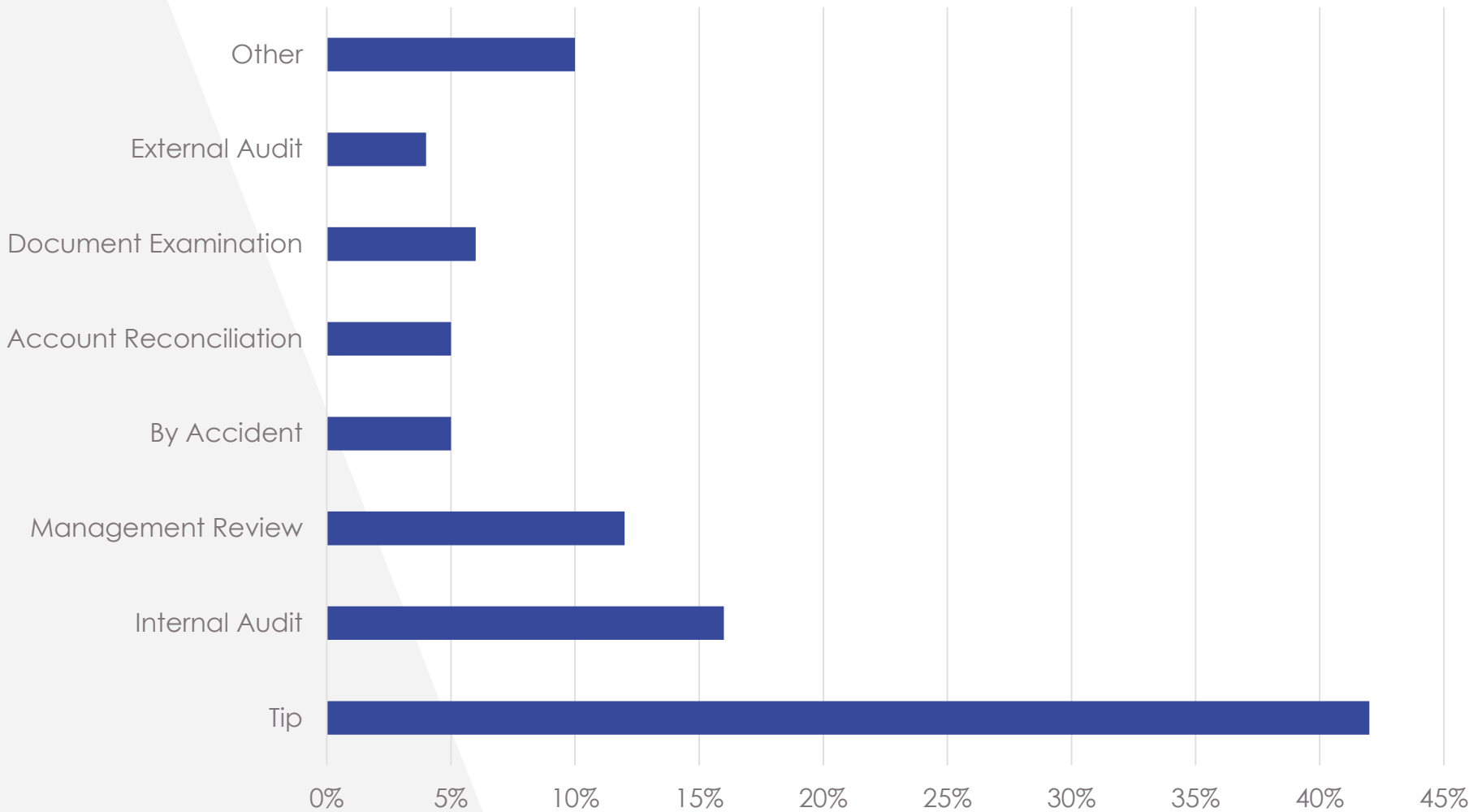
Velocity by Type



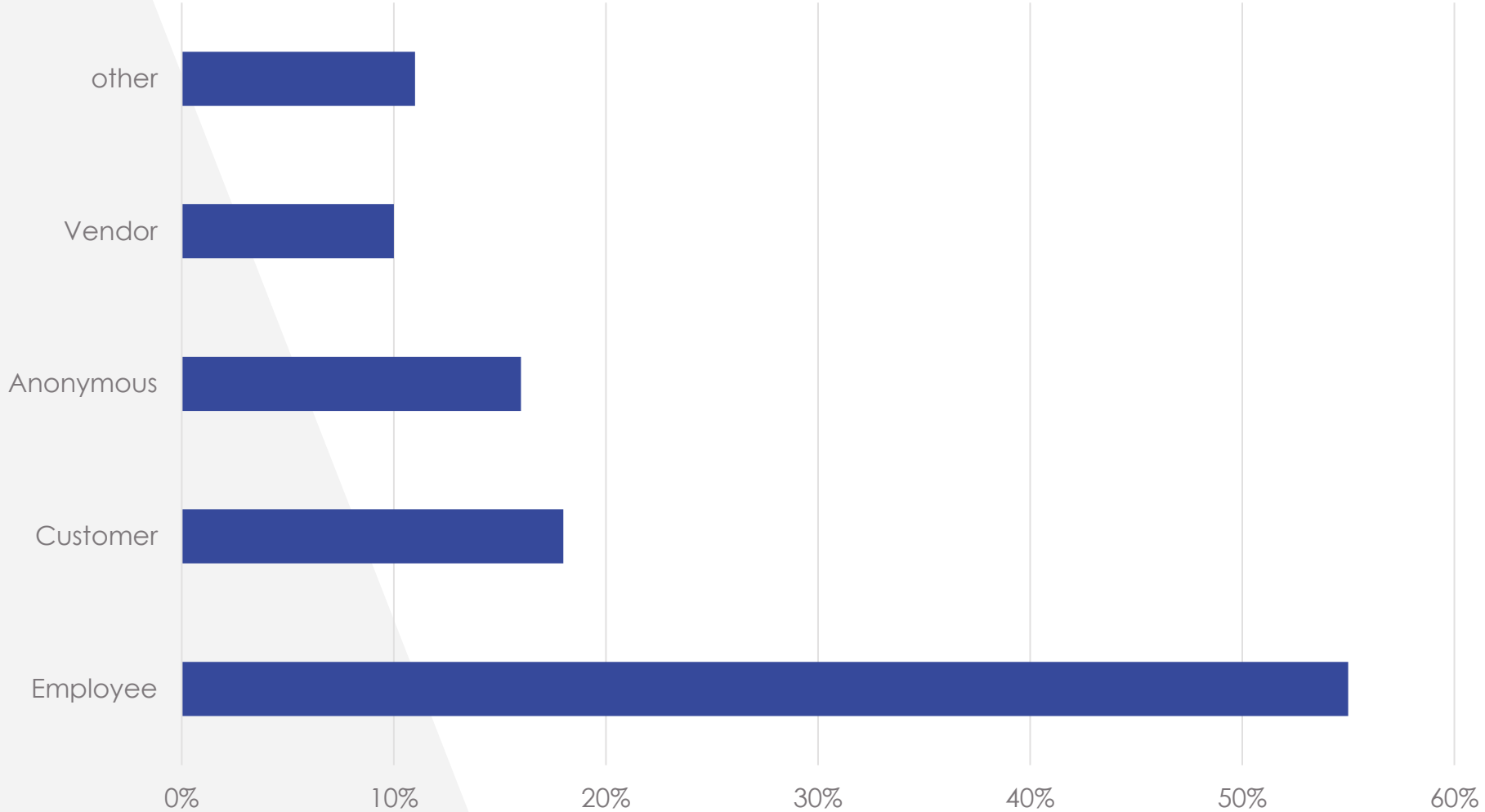
Median Loss per Month



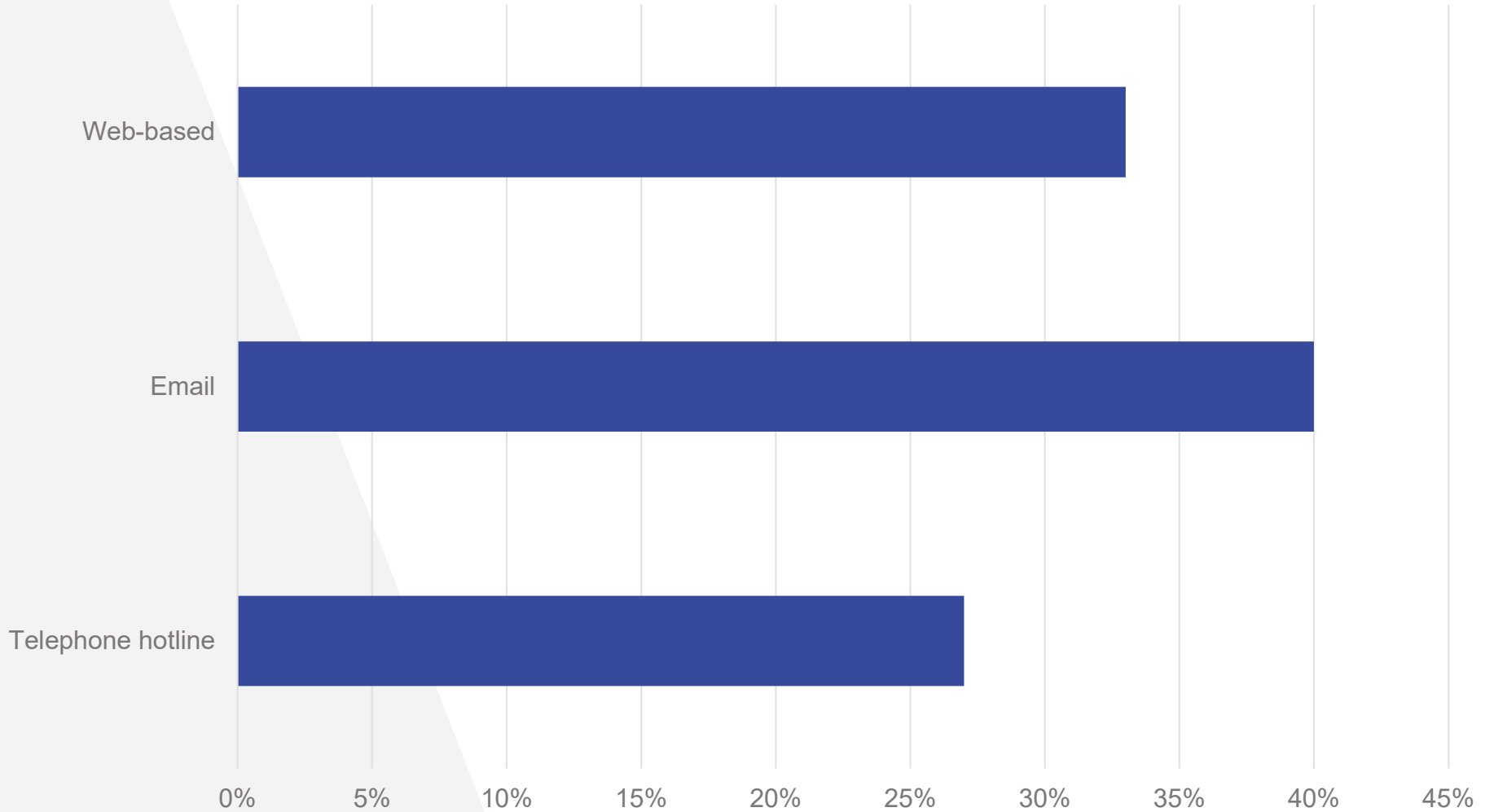
How is Fraud Detected



Who Reports Fraud



What Reporting Mechanisms Are Used?



Non-quantifiable Costs



- Loss of trust in management
- Breakdown of organizational cohesion
- Increased scrutiny from outside
- Employee/management turnover
- Loss of trust of members
- Reputational damage

COVID's Effect on Occupational Fraud



Pandemic related issues have further contributed to occupational fraud. Organizations have had to account for unprecedented process and internal control changes, overnight shifts to remote work, technology changes, staffing changes and various other issues. All of which have increased the opportunities for fraud and the need for comprehensive internal and anti-fraud controls.

What Can We Do?



It is not possible or practical to eliminate fraud risk. Our goal should be to manage fraud risk. This first needs to be done at an organizational level, but then, individuals within the organization also need to be responsible for fraud prevention and detection.

Fraud Risk Management Program



Establishing a FRMP



Establish and communicate a Fraud Risk Management Policy. Important characteristics include:

- Clearly states the expectations of governance as well as management.
- Demonstrates commitment to high integrity and ethical values.
- Regularly reviewed and updated.
- Regularly communicated with a focus on deterrence, prevention and detection.

Establishing a FRMP



The demonstration of ethical behavior by governance and management greatly impacts the success of the Fraud Risk Management Program.

- Decision making based on business ethics.
 - Foundation for deterring, preventing and detecting fraud.
- Decision making based on compliance.
 - Focus on preventing the wrong decision, prevent legal and regulatory violations.

Fraud Risk Assessment



Perform a comprehensive fraud risk assessment of the organization.

- This assessment should address the risk of fraudulent financial reporting, asset misappropriation, and corruption.
- Assessment of both internal and external risk.
- This needs to be a unique process to each organization addressing individual needs, specific organizational complexities and organizational goals. The initial assessment will form the basis for subsequent assessments.

Fraud Risk Assessment



A key difference between internal control weaknesses that result in errors and weaknesses that result if fraud is *intent*. Fraud entail intentional misconduct designed to evade detection. A fraud risk assessment is strategic in nature. Considerations should include the following:

- Are there weaknesses? How could they be exploited?
- How can a control be circumvented or overridden?
- Who has motive to commit fraud?

Fraud Risk Assessment



Considerations (continued):

- Which controls are most critical?
- Are there risks, pressures or incentives specific to members of management or governance?
- What level does technology play in a specific process?
- Are there new fraud risks or schemes since the last assessment?

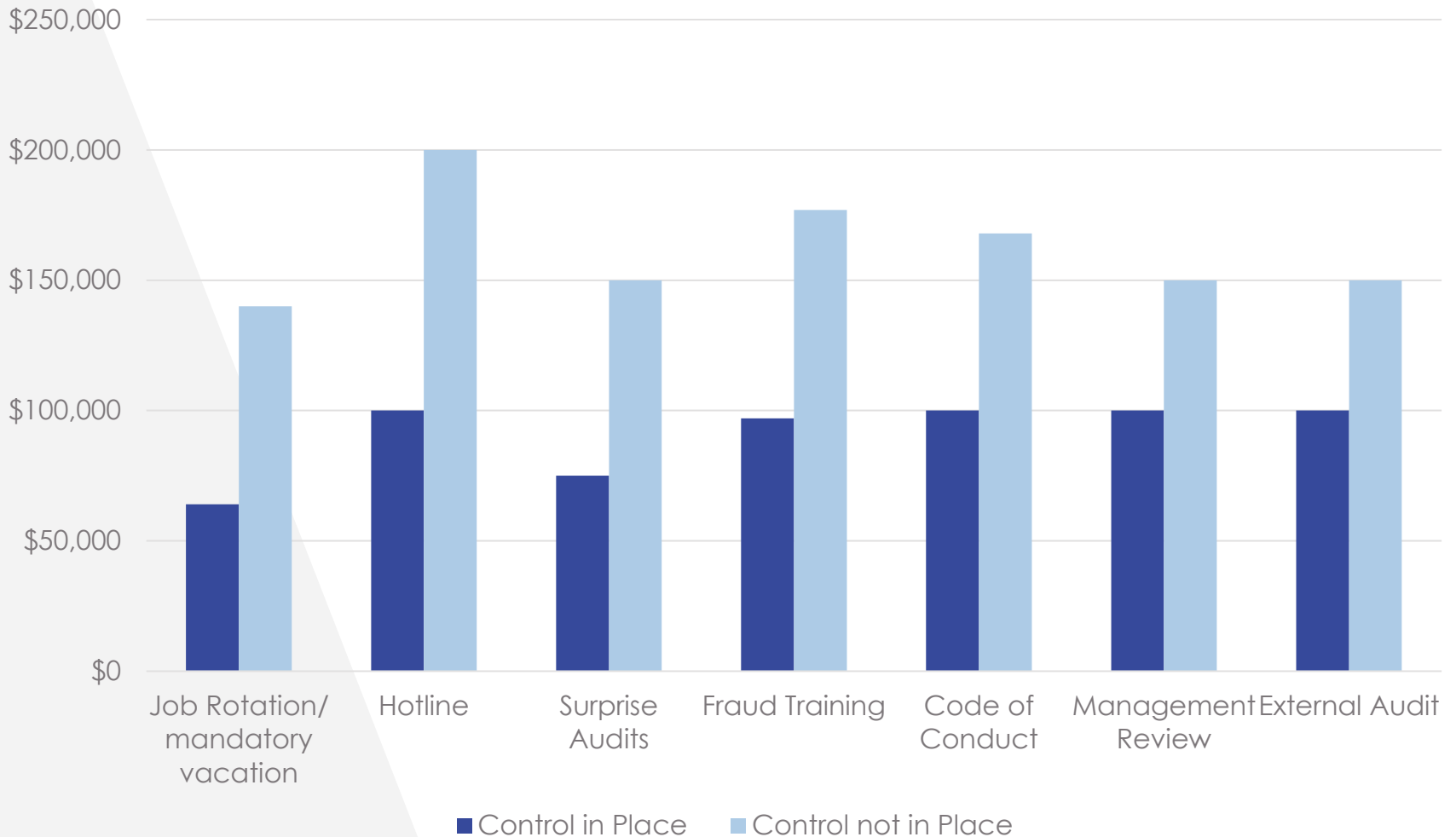
Select, Develop and Implement Controls



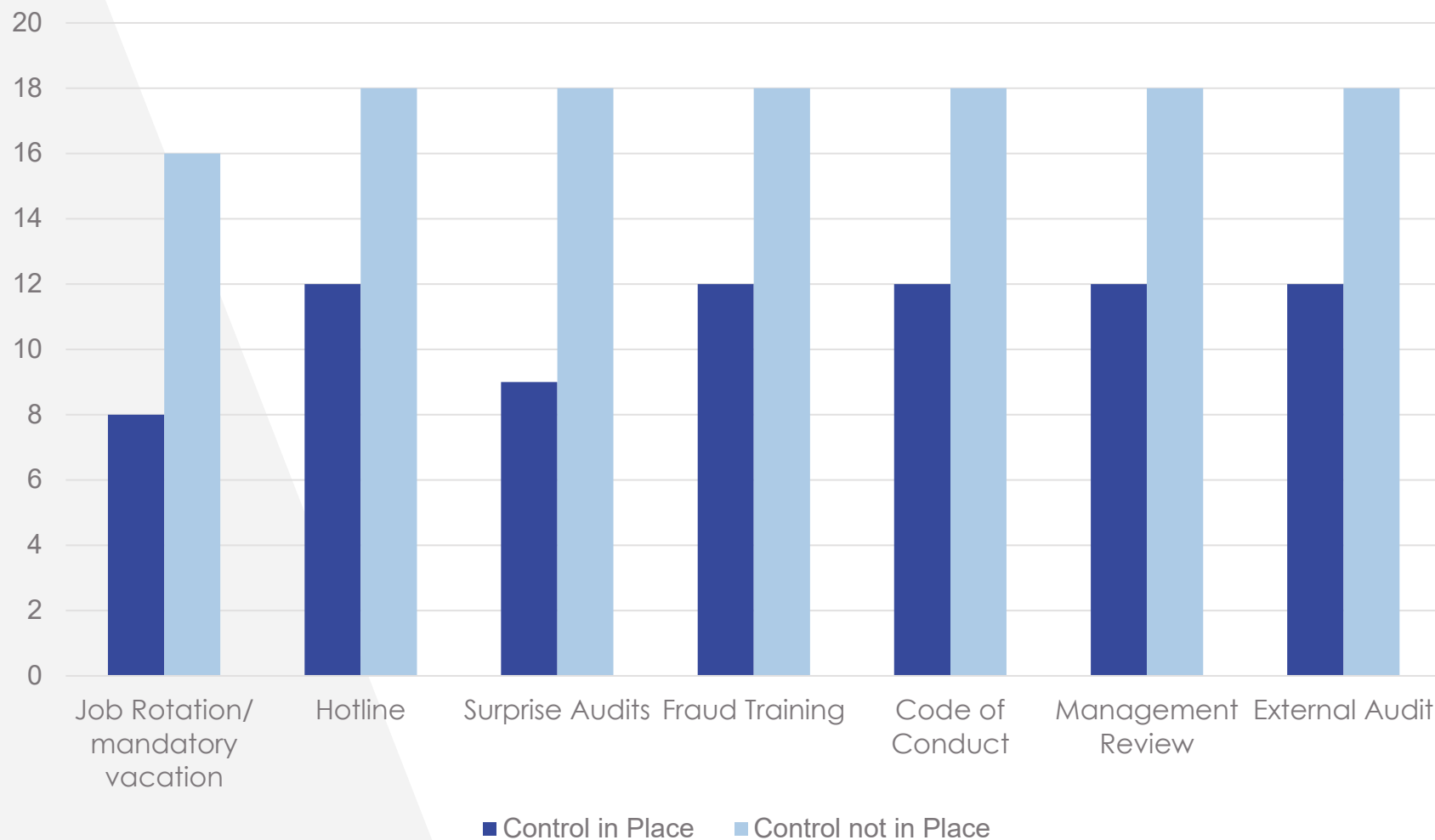
Develop and implement preventative and detective fraud controls to mitigate the risk of fraud events occurring and not being detected.

Preventative – most effective. Among other benefits, a properly designed and communicated fraud risk management program will increase the perception of detection and reduce perceived opportunity.

Anti-Fraud Controls and Median Loss



Anti-Fraud Controls and Duration (in months)



Fraud Training

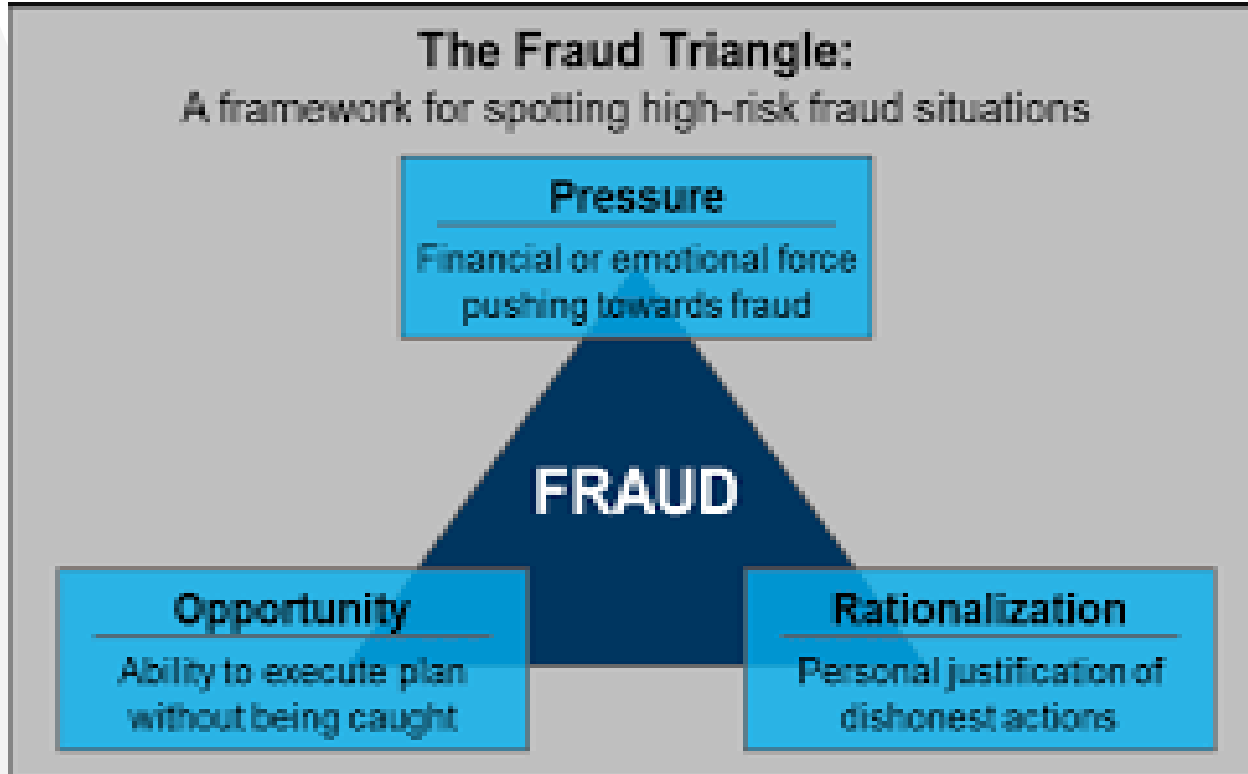


- Periodic, mandatory training of all employees, as noted above, is an effective tool available to reduce fraud. This training should be increased and be more comprehensive for individuals in finance positions and those with fiduciary responsibility.
 1. Review of the code of conduct
 2. Review of organizations reporting methods
 3. Technology related training

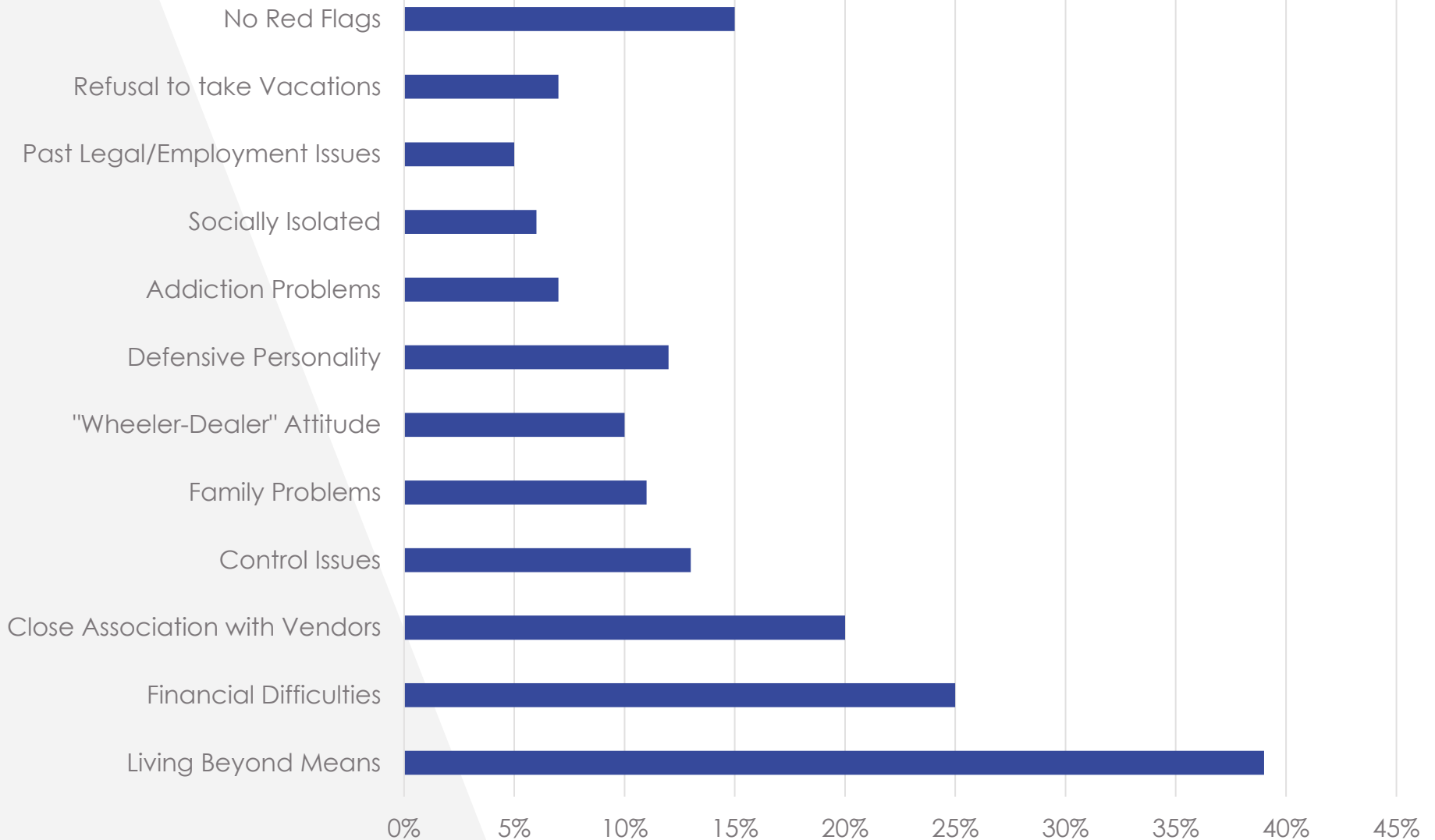
Fraud Triangle



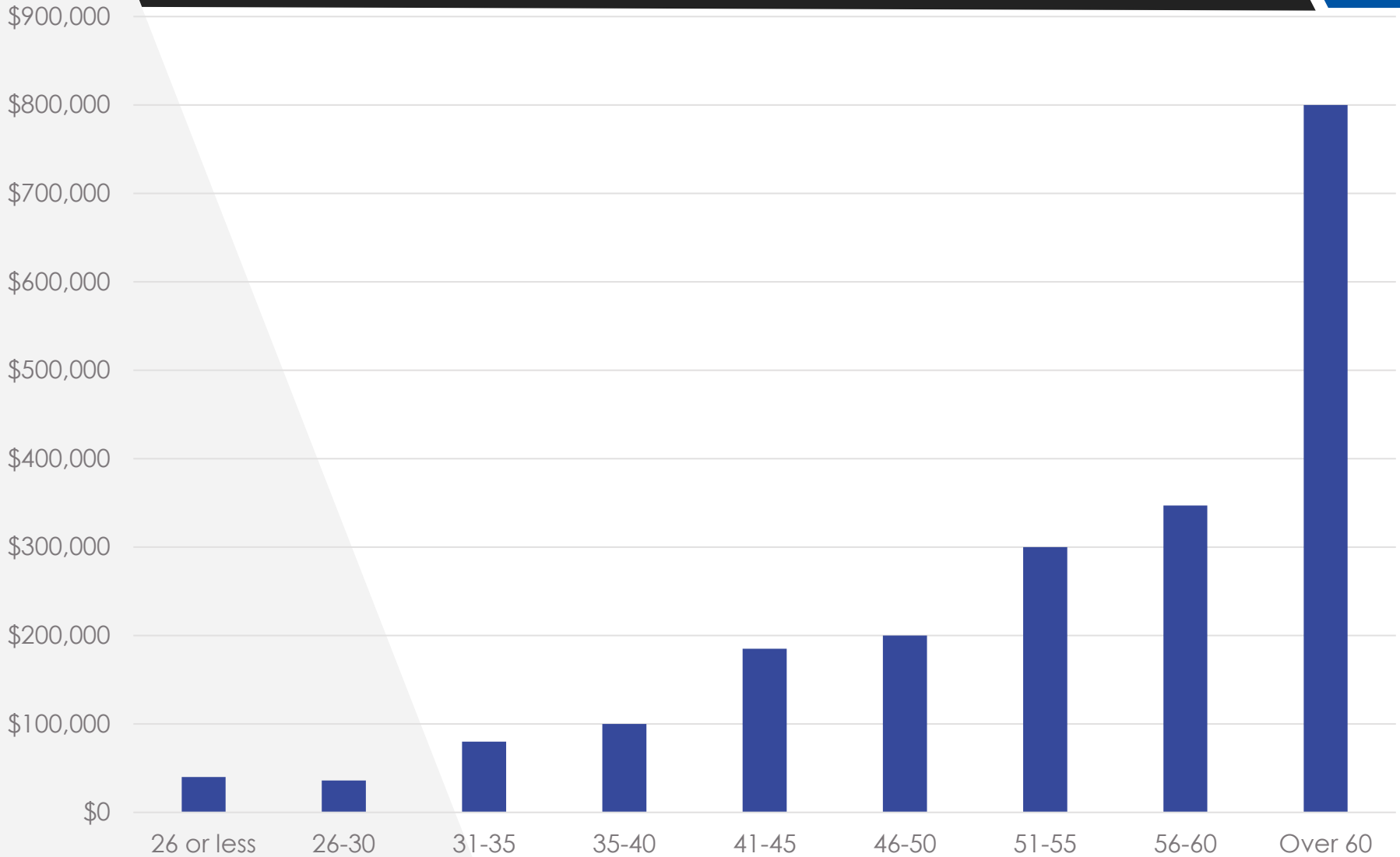
- ▶ Provide periodic training for logical individuals so they know what to look for?



What Can We Look For - Behavioral Red Flags



Age and Median Loss



Establish a Reporting Process



Ensures an organization develops and implements a process for prompt, competent and confidential review, investigation and resolution.

What If You Find Fraud?



- Restrict access – stop the bleeding!
- Determine the magnitude
- Report to your auditor and legal counsel
- Determine what regulatory reporting exists
 - Must report on Form LM2.
 - Must report “significant diversion” of assets in the governance section of Form 990
 - Nature
 - Dollar amount
 - Corrective action taken

Monitor the Process



This can not be an annual exercise to check a box!
The overall program needs to be regularly monitored and updated to account for organizational, operational, and outside changes.

The background is a dark blue gradient with several white gear outlines of various sizes scattered across it. On the right side, there is a large white starburst or sunburst graphic. A diagonal line separates the blue gear background from a light gray background on the right.

Break

11th Annual National
Labor Union Conference
~Annual Update~

CALIBRE CPA GROUP
JUNE 28, 2023

Best practices for labor union financial compliance

John Lund, PhD

Professor Emeritus, School for Workers, University of
Wisconsin and

Former Director, Office of Labor-Management
Standards (“OLMS”), US Department of Labor, 2009-
2013

Preparing for a CAP Audit

Preparing for a CAP Audit

- Why was my union selected? *OLMS targets based on red flags and the likelihood of a “fallout”.*
- When do I find out about the audit? *You’ll get a letter with a questionnaire to complete, followed by a phone call.*
- How can I prepare? *Look over any previous CAP closing letters involving both your union and other unions (<https://www.dol.gov/agencies/olms/audits>) ; make sure you have all your records handy along with your minutes, receipts, ledgers and documentation for the previous year (at least).*
- What does an audit consist of? *First, an opening conference; secondly, OLMS will usually take the records it needs (make sure you get a receipt for all the records!) and it may do some interviews; thirdly, when complete, there is a closing conference and finally, you’ll receive a “closing” letter which is also posted on-line.*
- What does the audit focus on? *Reporting issues which may result in you filing an amended LM report; recordkeeping issues and “policy” matters, like needing to update expense or travel policies.*

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principal officers) of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records.

2. Meal Expenses

Local 846 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$300. The union must maintain itemized receipts provided by restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

Local 846 records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, two officers charged a meal totaling \$90, with no union business purpose on the receipt and no itemized receipt attached. It is the policy of Local 846 that union officers are not entitled to charge meals on their union credit cards because they are already compensated at allowance rate of \$35 per day.

Based on your assurance that [REDACTED] will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violations

The audit disclosed a violation of LMRDA Section 201(b), which requires labor organizations to file annual financial reports accurately disclosing their financial condition and operations. The Labor Organization Annual Report Form LM-2 filed by Local 846 for the fiscal year ended June 30, 2022, was deficient in that it failed to list complete information concerning the forgery of six checks.

I am not requiring that Local 846 file an amended LM report for 2022 to correct the deficient items, but Local 846 has agreed to properly report the deficient items on all future reports it files with OLMS. Local 846 has also agreed to file all future reports electronically.

Other Issues

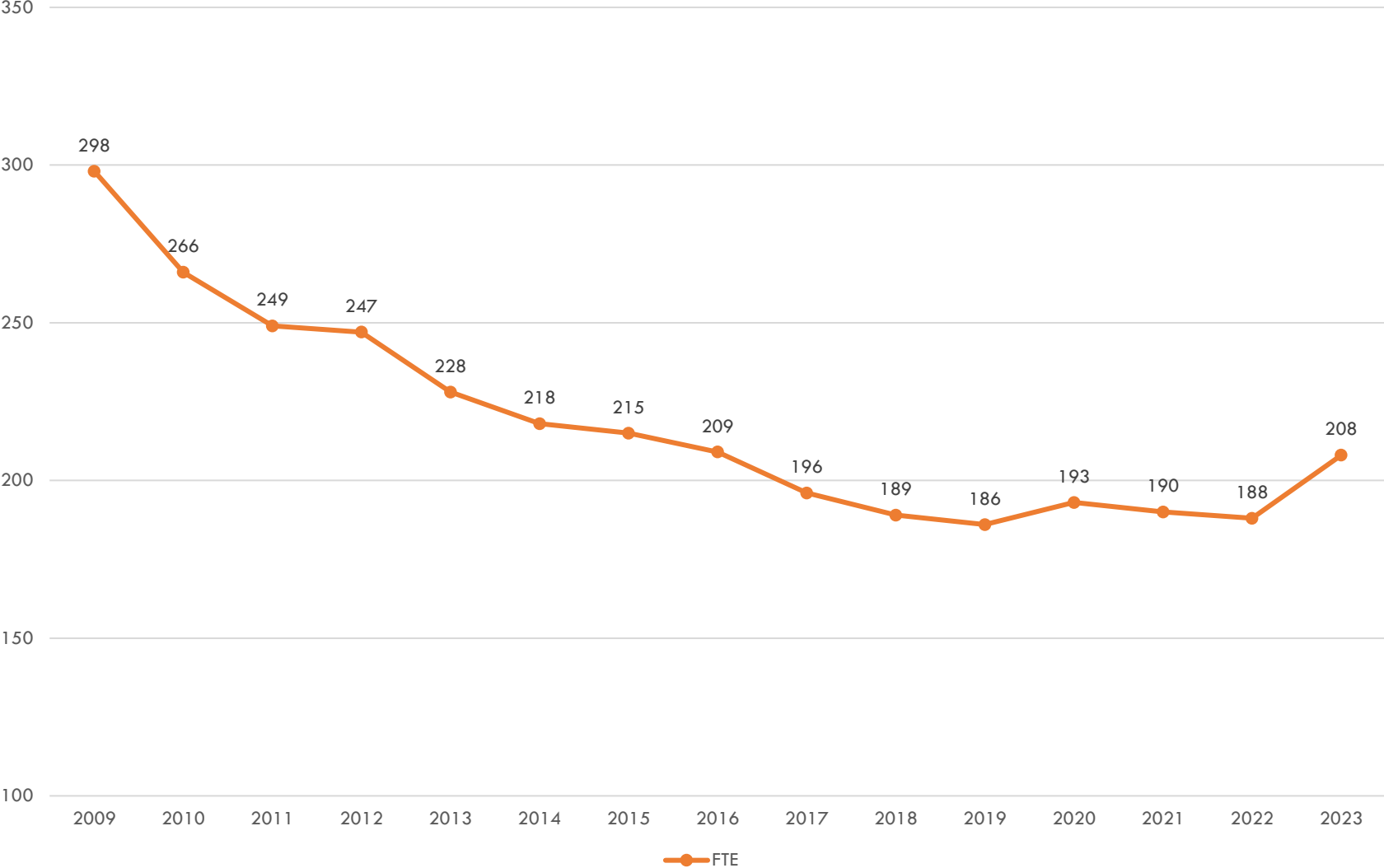
Local 846 has undergone several structural changes not listed in its current bylaws on file with the Department of Labor. The local's officers have assured OLMS that when the new bylaws have been completed and approved, they will be uploaded to the OLMS website.

Typical OLMS CAP Audit findings (partial, not in order of occurrence)

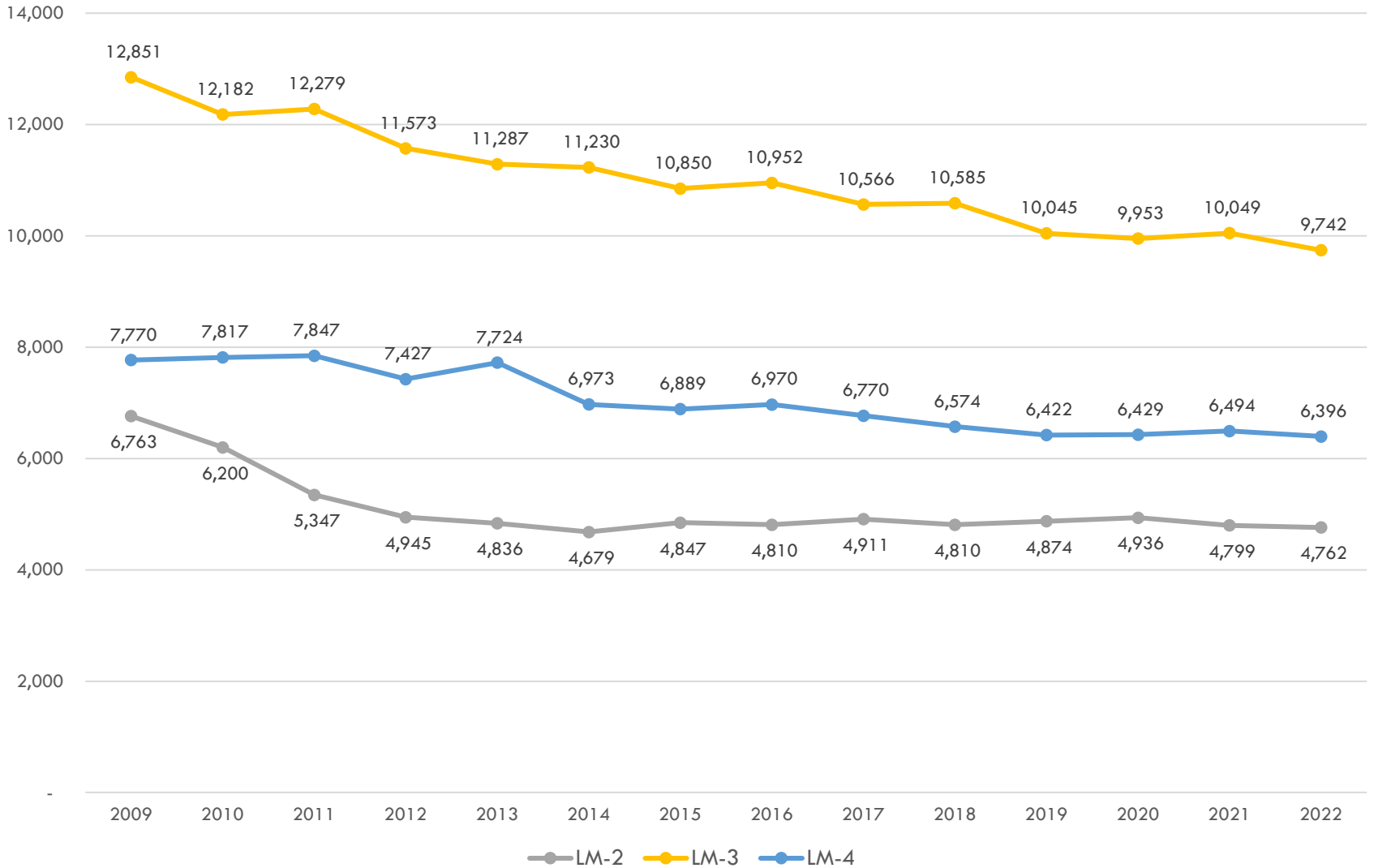
- Failure to retain original receipts for all expenses (there is no de minimis amount)
- Failure to retain credit card records
- Failure to maintain proper vehicle records
- For meal receipts, failure to document contemporaneously the names and titles of those attending the meal and the union business purpose of the meal.
- Poor recordkeeping on sale of union supplies or giveaways
- Lack of authorization for salaries
- Lack of recordkeeping on paid time off including authorization, leave balances
- Reporting issues: late filings, inadequate bonding, insufficient information on itemization pages, failure to list all officers, failure to update bylaws

OLMS Key Performance Measures

OLMS Authorized FTE, by Fiscal Year (Source: Congressional Budget Justification)

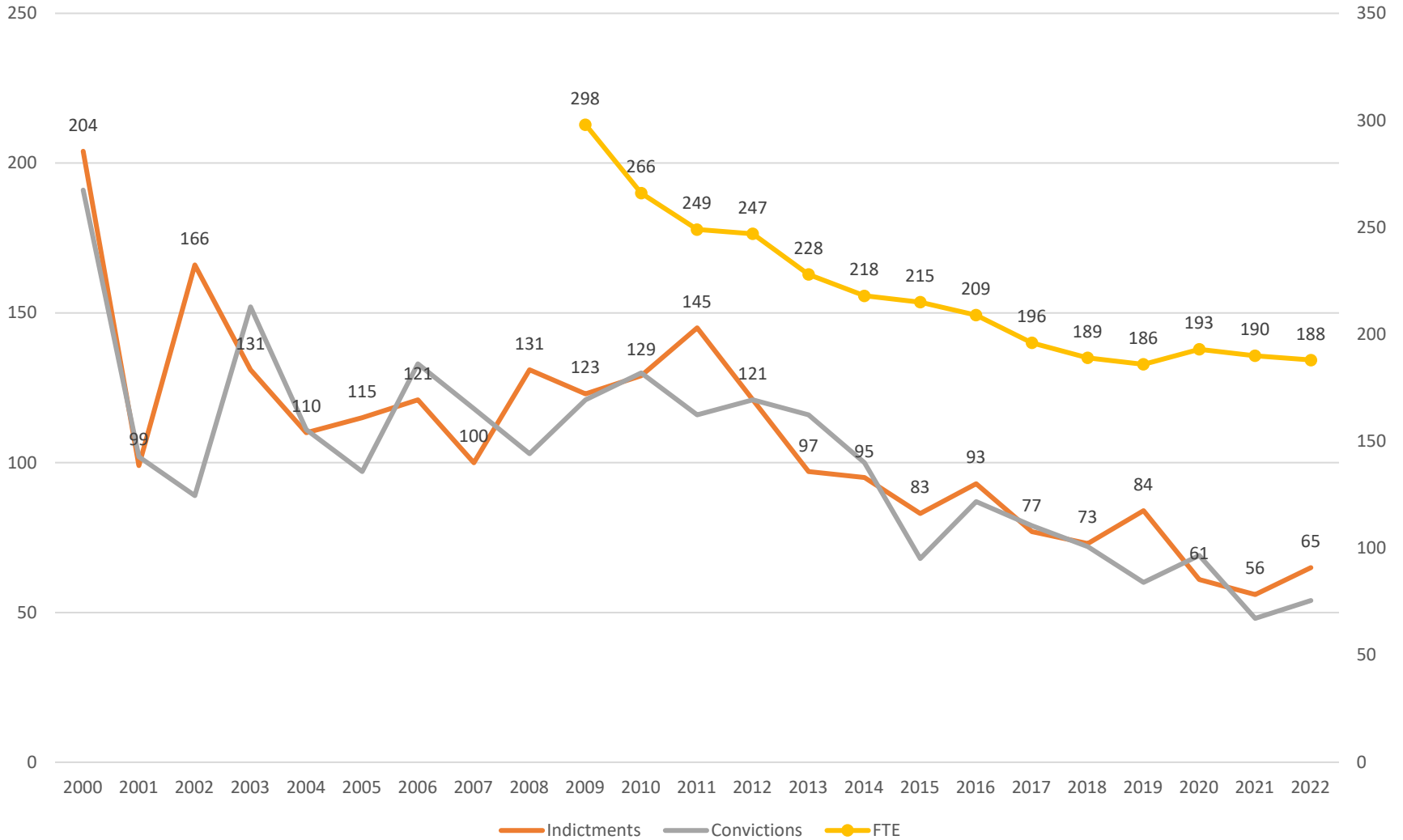


LM-2, -3 and -4 filings by FY



FY	CAPs completed	Fall-out rate	FTE	CAPS/FTE
2009	754		298	2.53
2010	541		266	2.03
2011	461		249	1.85
2012	333	13.8%	247	1.35
2013	329	21.0%	228	1.44
2014	258	21.7%	218	1.18
2015	261	21.4%	215	1.21
2016	245	17.1%	209	1.17
2017	256	18.8%	196	1.31
2018	215	20.0%	189	1.14
2019	252	19.0%	186	1.35
2020	245	20.0%	193	1.27
2021	221	15.3%	190	1.16
2022	250	13.7%	188	1.33

OLMS Indictments and Convictions



Recent criminal convictions of
international union staff: what
lessons can be learned?

In May 2022, a former employee (for an international union) was sentenced to 15 months in prison followed by three years of supervised probation and ordered to complete 200 hours of community service and ordered to pay restitution over \$250,000.

This followed a joint investigation with OLMS and the FBI finding that over a three-year period, this ex-employee submitted false and fraudulent check requests for payments related to services that were purportedly provided to the union by vendors, who were associates of this employee.

This ex-employee also used the union's Amazon account and linked credit card to embezzle more money, providing falsified signatures, fraudulent expense vouchers, and altered receipts for these items.

In 2022, as a result of a joint investigation conducted by OLMS and the Labor Department OIG, a former union employee at another international union pleaded guilty to one count of embezzlement from a labor organization and one count of conspiracy to commit embezzlement from a labor organization after embezzling over \$500,000 from the union by using the union credit card to purchase personal items, to pay several shell companies created by this former employee and their associates, to purchase more than \$200,000 in gift cards that she used for personal purchases, and booking personal travel costs for family, friends, and associates through the union's travel booking platform and then keeping the money that they paid to a fake company that she created.

Trusteeship Reports

These are publicly-available filings and OLMS does investigate both delinquent and deficient trusteeship report filings and investigate union member complaints about trusteeships

Initial Trusteeship Report - Within 30 days after imposing a trusteeship over a subordinate union, the parent body must file electronically, via the [OLMS Electronic Forms System \(EFS\)](#), an initial Trusteeship Report, Form LM-15, containing the following information:

- The name and address of the subordinate union;
- The date the trusteeship was established;
- Provisions of the constitution which specifically authorize imposition of the trusteeship;
- A detailed statement of the specific reason or reasons for establishing the trusteeship;
- Whether a convention met to which the trustee labor organization sent delegates or would have sent delegates if not in trusteeship;
- Whether the labor organization imposing the trusteeship held an election of officers; and
- A full account of the assets and liabilities of the subordinate as of the time the trusteeship was established.

Semiannual Trusteeship Reports - The parent union must file a report covering each 6-month period for the duration of the trusteeship. Reports must be filed semiannually, using Form LM-15 but omitting the Statement of Assets and Liabilities on page 2 of the form. The first semiannual report is due within 30 days after the end of the 6-month period following the establishment of the trusteeship. Thereafter, a report is due within 30 days after the end of each 6-month period following the closing date of the previous semiannual report. Reports must explain in detail the reasons for continuing the trusteeship during the preceding 6 months.

Annual Financial Reports - For the duration of the trusteeship, the parent union must file an annual financial report on Form LM-2 on behalf of the trustee subordinate union within 90 days after the end of the trustee union's fiscal year. Any Form LM-2 filed on behalf of a trustee organization must include the signatures of the president and treasurer or corresponding principal officers of the parent union and the trustees of the subordinate union. A Form LM-2 must be used for any union under trusteeship, even though it might otherwise be eligible to file its annual report on the shorter Form LM-3 or LM-4.

Terminal Reports - Within 90 days after the termination of the trusteeship or the loss of identity as a reporting union by the trustee union through dissolution, merger, consolidation, or otherwise, the parent union must file electronically, via the [OLMS Electronic Forms System \(EFS\)](#):

- A Terminal Trusteeship Information Report, Form LM-16, disclosing the date and method of terminating the trusteeship, the names and titles of the subordinate union's officers, the method of selecting them, and other information; and
- A terminal financial report on Form LM-2, giving a detailed account of the subordinate's financial condition at the time of the termination.

Cross-matching grants and transfers to affiliates

OLMS routinely cross-matches grants and transfers exceeding \$5,000 to affiliates who file Form LM-2 (Schedule 14) and compare this with the parent unions corresponding Schedule 15-19 itemization page.

If the fiscal years of the parent and affiliate don't line up, you may have some difficulty, but itemized payments should line up (see next two slides)

Name and Address (A)	Purpose (C)	Date (D)	Amount (E)
[REDACTED]	ORGANIZING SUBSIDY	01/10/2022	\$11,250
	ORGANIZING SUBSIDY	02/01/2022	\$11,250
	ORGANIZING SUBSIDY	03/02/2022	\$11,250
	ORGANIZING SUBSIDY	03/14/2022	\$23,742
	ORGANIZING SUBSIDY	03/14/2022	\$16,392
Type or Classification (B)	ORGANIZING SUBSIDY	04/04/2022	\$11,250
CHARTERED BODY	ORGANIZING SUBSIDY	04/04/2022	\$6,179
	ORGANIZING SUBSIDY	05/04/2022	\$6,179
	ORGANIZING SUBSIDY	05/04/2022	\$11,250
	ORGANIZING SUBSIDY	06/03/2022	\$6,179
	ORGANIZING SUBSIDY	06/03/2022	\$11,250
	ORGANIZING SUBSIDY	07/01/2022	\$11,250
	ORGANIZING SUBSIDY	07/18/2022	\$7,067
	ORGANIZING SUBSIDY	08/02/2022	\$11,250
	REPRESENTATIONAL MEDIA/WEB	08/15/2022	\$6,527
	ORGANIZING SUBSIDY	08/24/2022	\$6,179
	ORGANIZING SUBSIDY	08/24/2022	\$6,179
	ORGANIZING SUBSIDY	09/02/2022	\$6,179
	ORGANIZING SUBSIDY	09/02/2022	\$11,250
	ORGANIZING SUBSIDY	10/05/2022	\$11,250
	ORGANIZING SUBSIDY	10/31/2022	\$11,250
	ORGANIZING SUBSIDY	12/08/2022	\$11,250
	ORGANIZING SUBSIDY	12/28/2022	\$11,250
	Total Itemized Transactions with this Payee/Payer		\$237,052
	Total Non-Itemized Transactions with this Payee/Payer		\$0
	Total of All Transactions with this Payee/Payer for This Schedule		\$237,052

Name and Address (A)	Purpose (C)	Date (D)	Amount (E)	
[REDACTED]	ORGANIZING SUBSIDY	01/11/2022	\$11,250	
	ORGANIZING SUBSIDY	02/02/2022	\$11,250	
	ORGANIZING SUBSIDY	03/03/2022	\$11,250	
	SPUR REIMBURSEMENT	03/15/2022	\$40,134	
	ORGANIZING SUBSIDY AND REIMBURSEMENT	04/04/2022	\$17,429	
	ORGANIZING SUBSIDY AND REIMBURSEMENT	05/05/2022	\$17,429	
	ORGANIZING SUBSIDY AND REIMBURSEMENT	06/06/2022	\$17,429	
	ORGANIZING SUBSIDY	07/01/2022	\$11,250	
	FRONTLINE WORKER REIMBURSEMENT (RECEIVED IN ERROR)	07/20/2022	\$7,067	
	ORGANIZING SUBSIDY	08/03/2022	\$11,250	
INTERNATIONAL UNION	REIMBURSEMENT	08/15/2022	\$6,527	
	ORGANIZING SUBSIDY	08/26/2022	\$12,358	
	ORGANIZING SUBSIDY	09/06/2022	\$17,429	
	ORGANIZING SUBSIDY	10/05/2022	\$11,250	
	ORGANIZING SUBSIDY	10/31/2022	\$11,250	
	SPUR REIMBURSEMENT	11/28/2022	\$37,676	
	ORGANIZING SUBSIDY	12/08/2022	\$11,250	
	ORGANIZING SUBSIDY	12/29/2022	\$11,250	
	Total Itemized Transactions with this Payee/Payer			\$274,728
	Total Non-Itemized Transactions with this Payee/Payer			\$0
Total of All Transactions with this Payee/Payer for This Schedule			\$274,728	

Building a tracking system

You can track all your affiliates or just several at a time; we'll show you the latter here, but I can help you build the former off-line. Start at the OLMS [Public Disclosure website](#)

Export ▾

View Reporting History

(Select "Export" to export reporting history, "View Reporting History" to view reporting history and "Add" to compare multiple reports).

FY ▾	Latest FY Report Received ▾	FY Filing Status ▾	Amendment ▾
2022	LM-3(Apr 12, 2023) Add	Received On Time	View
2021	LM-3(Jan 17, 2022) Add	Received On Time	N/A
2020	LM-3(Mar 26, 2021) Add	Received On Time	N/A
2019	LM-3(Jan 27, 2020) Add	Received On Time	N/A
2018	LM-3(Jan 17, 2019) Add	Received On Time	N/A
2017	LM-3(Jan 17, 2018) Add	Received On Time	N/A

1 of 3 pages

1 - 10 of 23 items

LM-1, Constitution Bylaws and Other Attachments:

Description ▾	Year ▾	Received ▾
Constitution, Bylaws and Other Attachments	2005	Feb 28, 2005
Constitution, Bylaws and Other Attachments	1989	Feb 28, 1989
62183-LM1-1	1989	Jan 26, 1989
62183-LM1-0	1965	Mar 21, 1965

Export ▾

View Reporting History

(Select "**Export**" to export reporting history, "**View Reporting History**" to view reporting history and "**Add**" to compare multiple reports).

Export All	Report Received ▾	FY Filing Status ▾	Amendment ▾	
2022	LM-3(Apr 12, 2023)	Add	Received On Time	View
2021	LM-3(Jan 17, 2022)	Add	Received On Time	N/A
2020	LM-3(Mar 26, 2021)	Add	Received On Time	N/A
2019	LM-3(Jan 27, 2020)	Add	Received On Time	N/A
2018	LM-3(Jan 17, 2019)	Add	Received On Time	N/A
2017	LM-3(Jan 17, 2018)	Add	Received On Time	N/A

1 of 3 pages

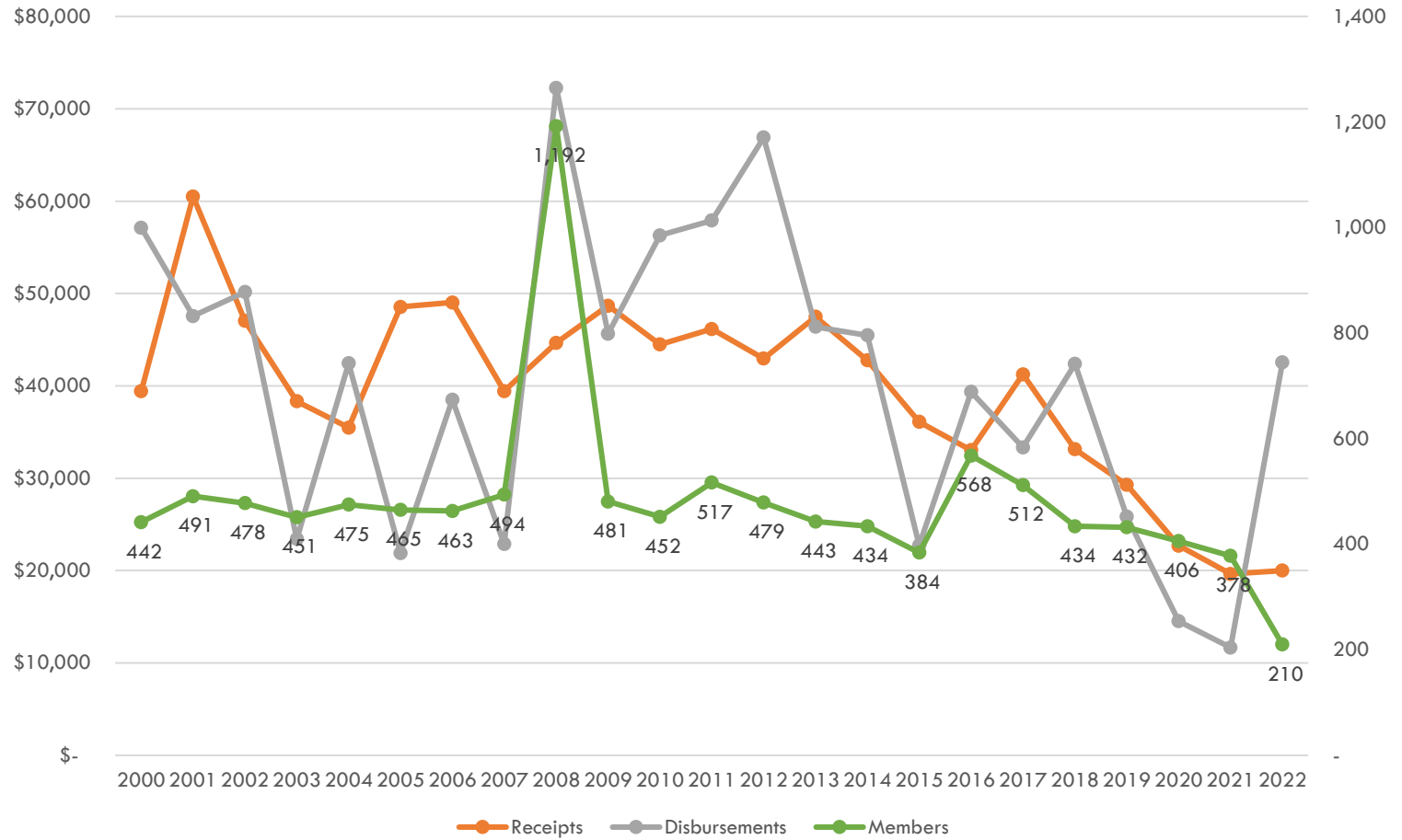
1 - 10 of 23 items

LM-1 Constitution Bylaws and Other Attachments:

Once you have selected the affiliate, select *Export All* and the information will be downloaded in "CSV" format, which can be uploaded into an Excel spreadsheet (next slide).

FY	Latest FY Report Received	FY Filing Status	Amendment	Receipts	Disbursements	Assets	Liabilities	Members
2000	LM-3 (Jan 30, 2001)	Received On Time	0	\$ 39,416	\$ 57,128	\$ 5,684	\$ -	442
2001	LM-3 (Feb 24, 2002)	Received On Time	1	\$ 60,518	\$ 47,566	\$ 18,636	\$ -	491
2002	LM-3 (Feb 24, 2003)	Received On Time	0	\$ 47,044	\$ 50,173	\$ 15,507	\$ -	478
2003	LM-3 (Feb 17, 2004)	Received On Time	0	\$ 38,341	\$ 23,412	\$ 30,436	\$ -	451
2004	LM-3 (Mar 23, 2005)	Received On Time	0	\$ 35,481	\$ 42,456	\$ 23,557	\$ -	475
2005	LM-3 (Mar 29, 2006)	Received On Time	0	\$ 48,552	\$ 21,905	\$ 50,204	\$ -	465
2006	LM-3 (Mar 30, 2007)	Received On Time	0	\$ 49,032	\$ 38,520	\$ 60,716	\$ -	463
2007	LM-3 (Aug 18, 2008)	Received After Due Date	0	\$ 39,438	\$ 22,878	\$ 77,276	\$ -	494
2008	LM-3 (Apr 1, 2009)	Received On Time	0	\$ 44,666	\$ 72,282	\$ 49,660	\$ -	1,192
2009	LM-3 (Mar 31, 2010)	Received On Time	0	\$ 48,680	\$ 45,653	\$ 52,687	\$ -	481
2010	LM-3 (Mar 27, 2011)	Received On Time	0	\$ 44,489	\$ 56,296	\$ 40,880	\$ -	452
2011	LM-3 (Mar 30, 2012)	Received On Time	0	\$ 46,169	\$ 57,906	\$ 29,143	\$ -	517
2012	LM-3 (Mar 28, 2013)	Received On Time	0	\$ 42,957	\$ 66,903	\$ 5,197	\$ -	479
2013	LM-3 (Mar 18, 2014)	Received On Time	0	\$ 47,492	\$ 46,409	\$ 6,280	\$ -	443
2014	LM-3 (Apr 21, 2015)	Received After Due Date	0	\$ 42,766	\$ 45,483	\$ 3,563	\$ -	434
2015	LM-3 (Oct 21, 2016)	Received After Due Date	0	\$ 36,101	\$ 22,754	\$ 16,910	\$ -	384
2016	LM-3 (Apr 24, 2017)	Received After Due Date	1	\$ 33,046	\$ 39,358	\$ 10,598	\$ -	568
2017	LM-3 (Jan 17, 2018)	Received On Time	0	\$ 41,261	\$ 33,352	\$ 18,507	\$ -	512
2018	LM-3 (Jan 17, 2019)	Received On Time	0	\$ 33,138	\$ 42,387	\$ 9,258	\$ -	434
2019	LM-3 (Jan 27, 2020)	Received On Time	0	\$ 29,286	\$ 25,845	\$ 12,699	\$ -	432
2020	LM-3 (Mar 26, 2021)	Received On Time	0	\$ 22,700	\$ 14,528	\$ 20,871	\$ -	406
2021	LM-3 (Jan 17, 2022)	Received On Time	0	\$ 19,642	\$ 11,661	\$ 28,852	\$ -	378
2022	LM-3 (Apr 12, 2023)	Received On Time	1	\$ 20,005	\$ 42,550	\$ 6,307	\$ -	210

Sample Chart



Questions, comments, need help?

John Lund, PhD

nwlaborresearch@gmail.com

608-698-0062

2023 National Labor Union Conference

JUNE 28, 2023

2023 National Labor Union Report



JAMES A. POULOS, CPA | PARTNER
CALIBRE CPA GROUP, PLLC

Background & Methodology



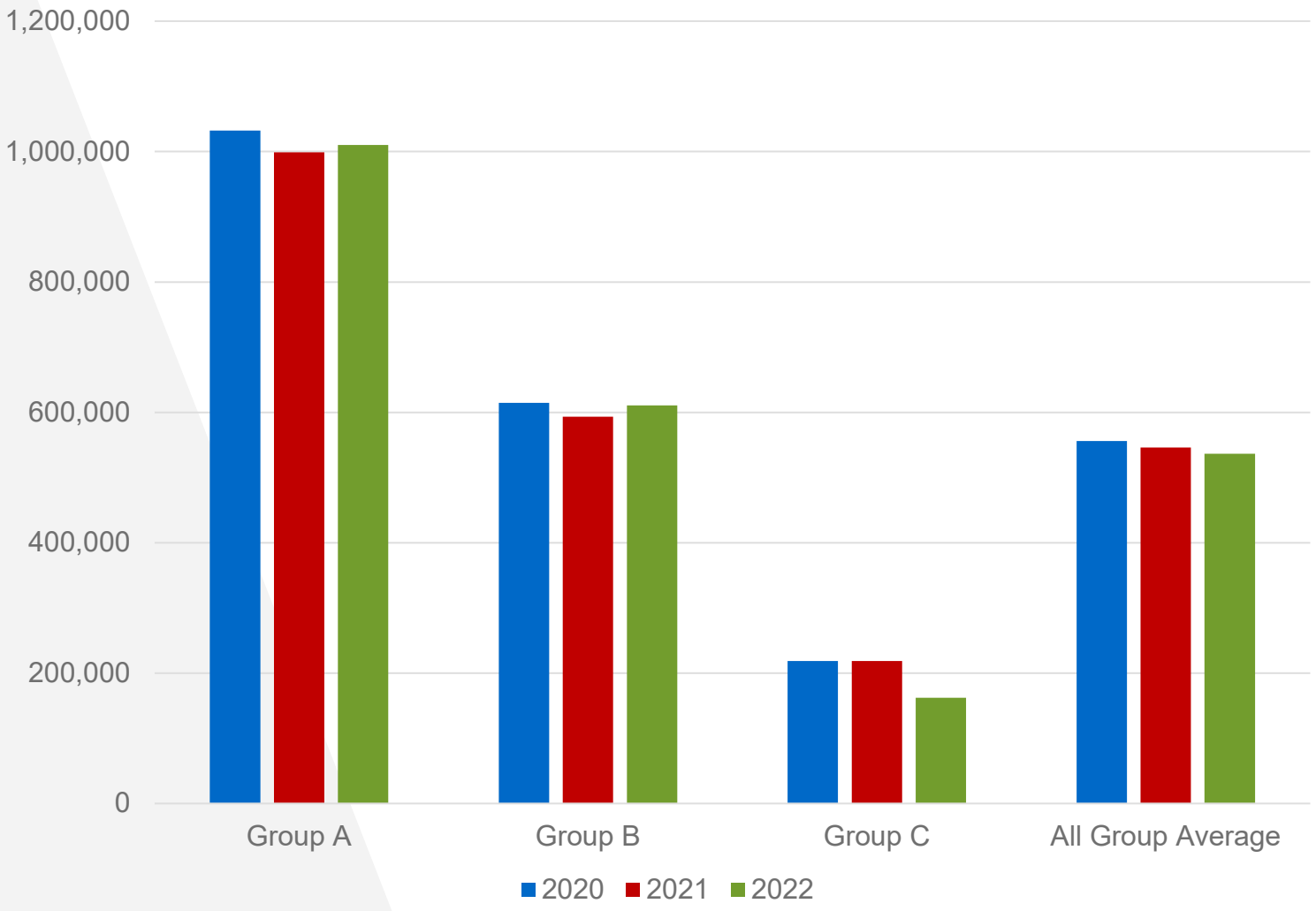
- ▶ Data compiled from 2022 LM-2s filed on DOL Website
- ▶ 63 National and International Labor Unions
- ▶ Grouped into 3 categories:
 - ▶ Group A: Over \$100 million Dues and Agency Fees/Per Capita Tax (13 unions)
 - ▶ Group B: Between \$20-100 million in Dues and Agency Fees/Per Capita Tax (28 unions)
 - ▶ Group C: Less than \$20 million in Dues and Agency Fees/Per Capita Tax (22 unions)
- ▶ Labor union names have not been disclosed in report
- ▶ Analyzed and compared data over previous years

Background & Methodology

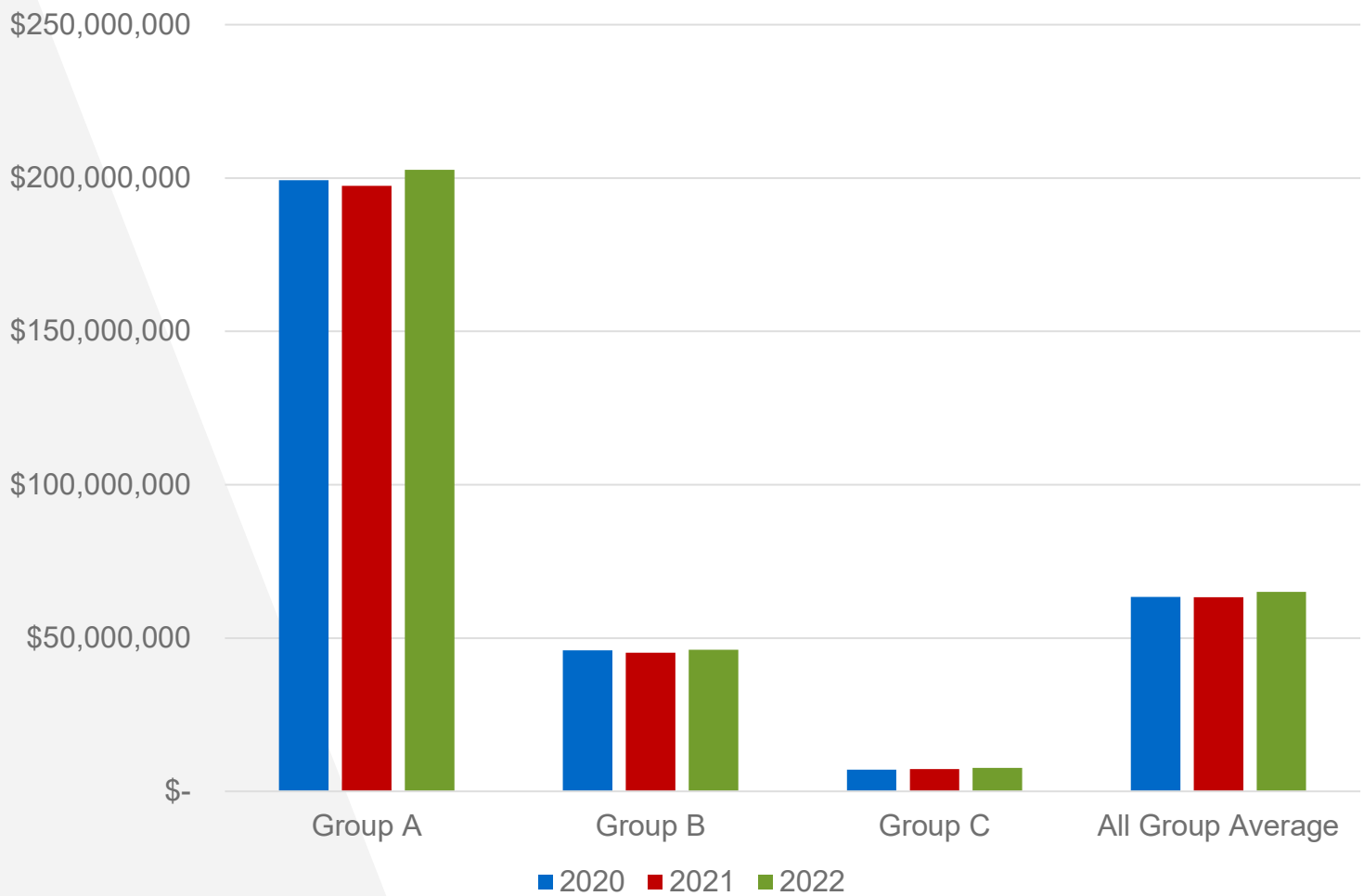


- ▶ Notes and Comments
 - ▶ Some Unions may be cash basis or modified cash basis of accounting, so statement A – Assets and Liabilities may not be comparable for all organizations
 - ▶ Impact of Multi-employer Plans vs. Single Employer Plans
 - ▶ Investments report at lower of cost or market
 - ▶ Total Receipts – not Revenue
 - ▶ Includes sales of investments, loans obtained, collections on behalf of affiliates and from members
 - ▶ Total Disbursements – not Expenses
 - ▶ Includes purchases of investments, loan repayments, disbursements to affiliates of funds collected on their behalf to individual members

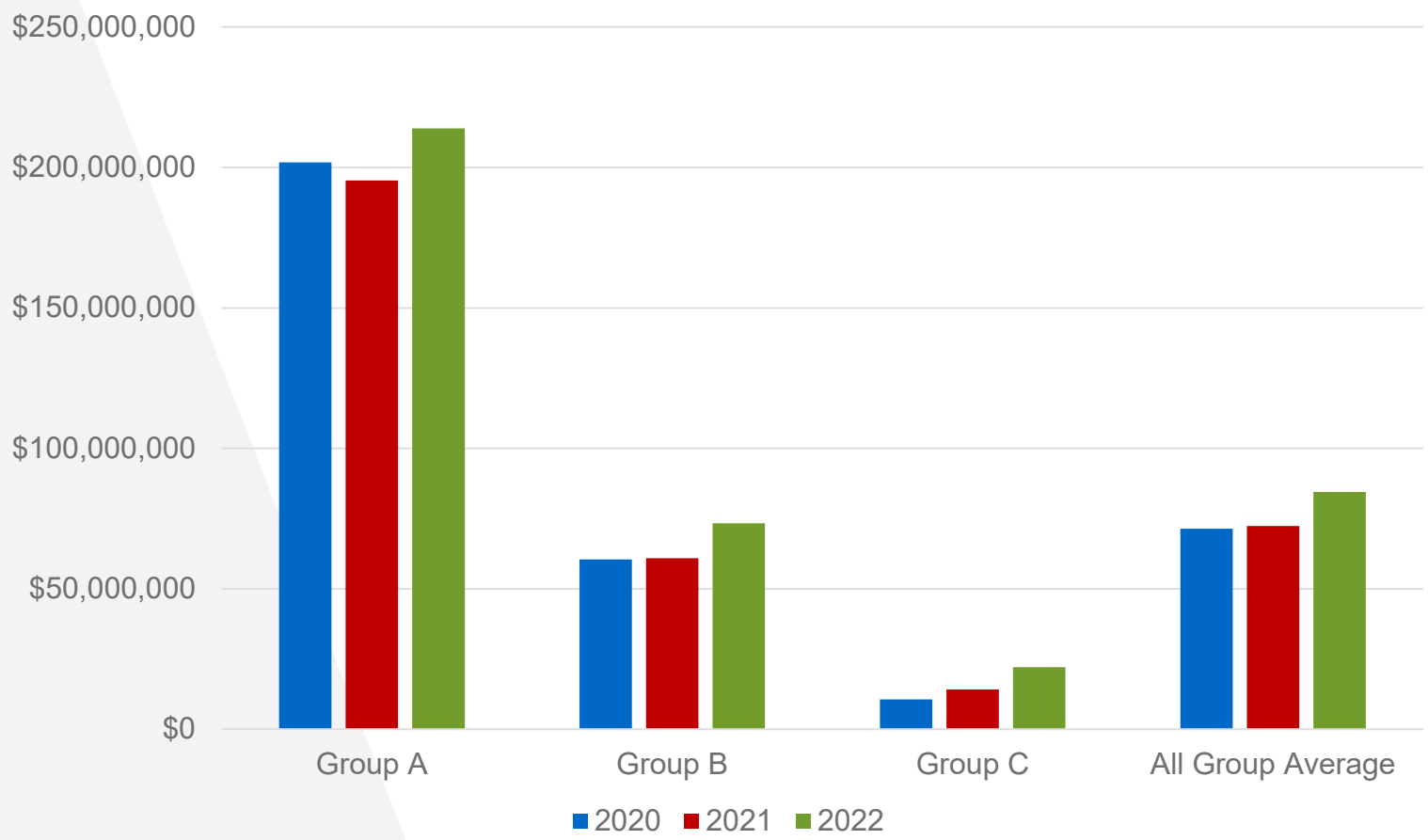
Membership



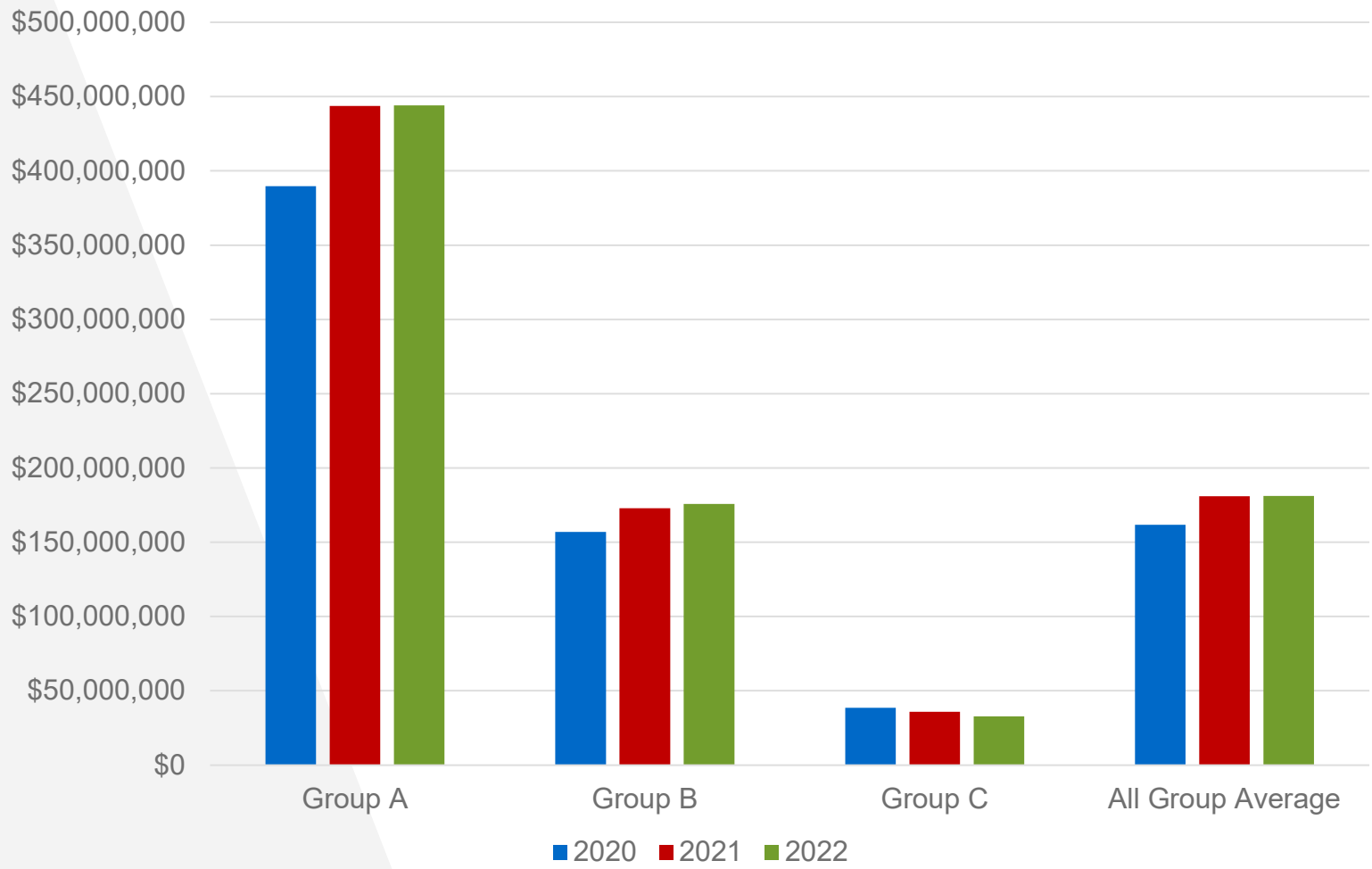
Per Capita Tax/Dues



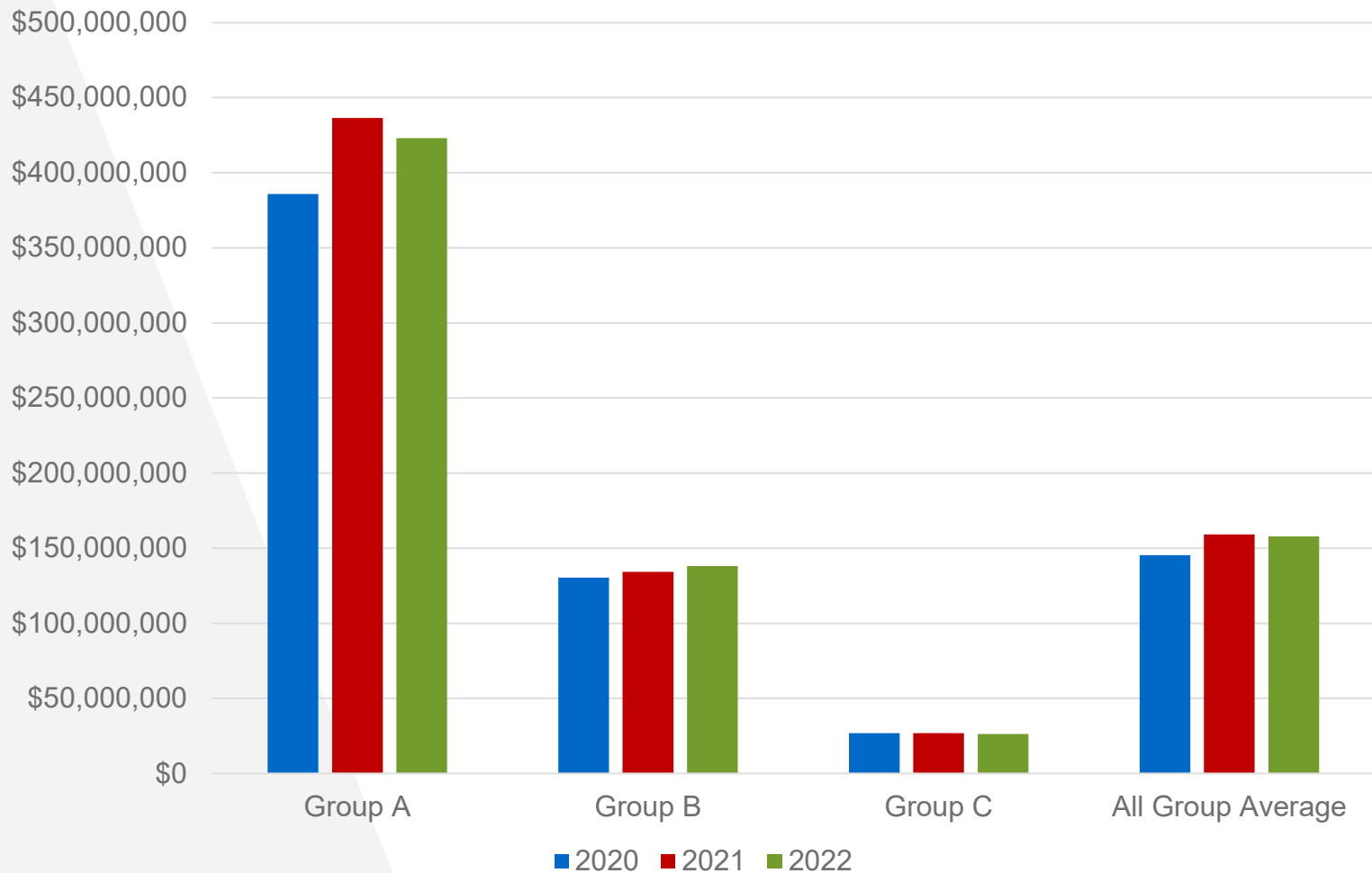
Modified Disbursements



Net Assets



Investments and U.S. Treasuries



Liabilities

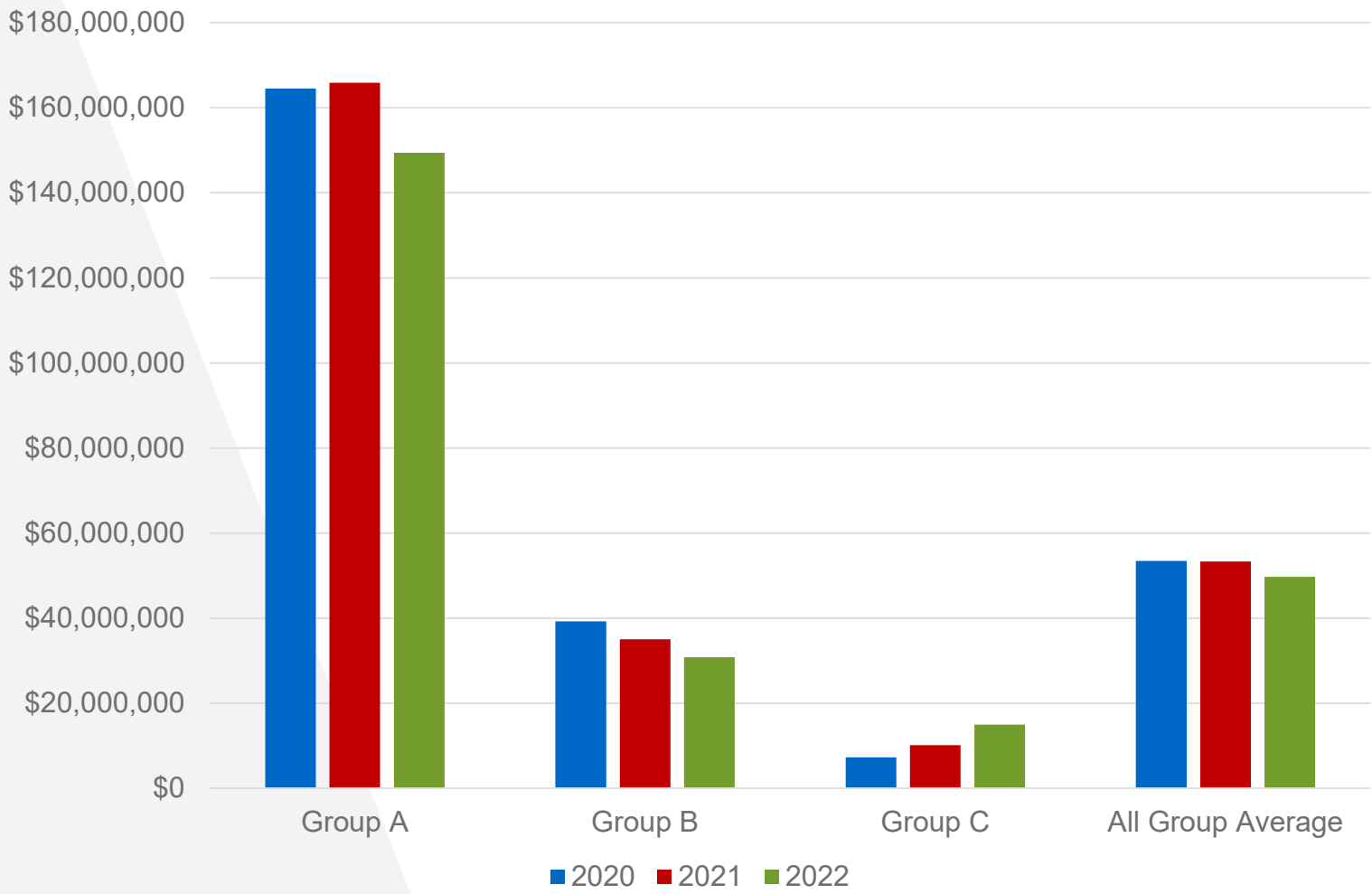


Chart 9 – Operating Reserves Number of Months

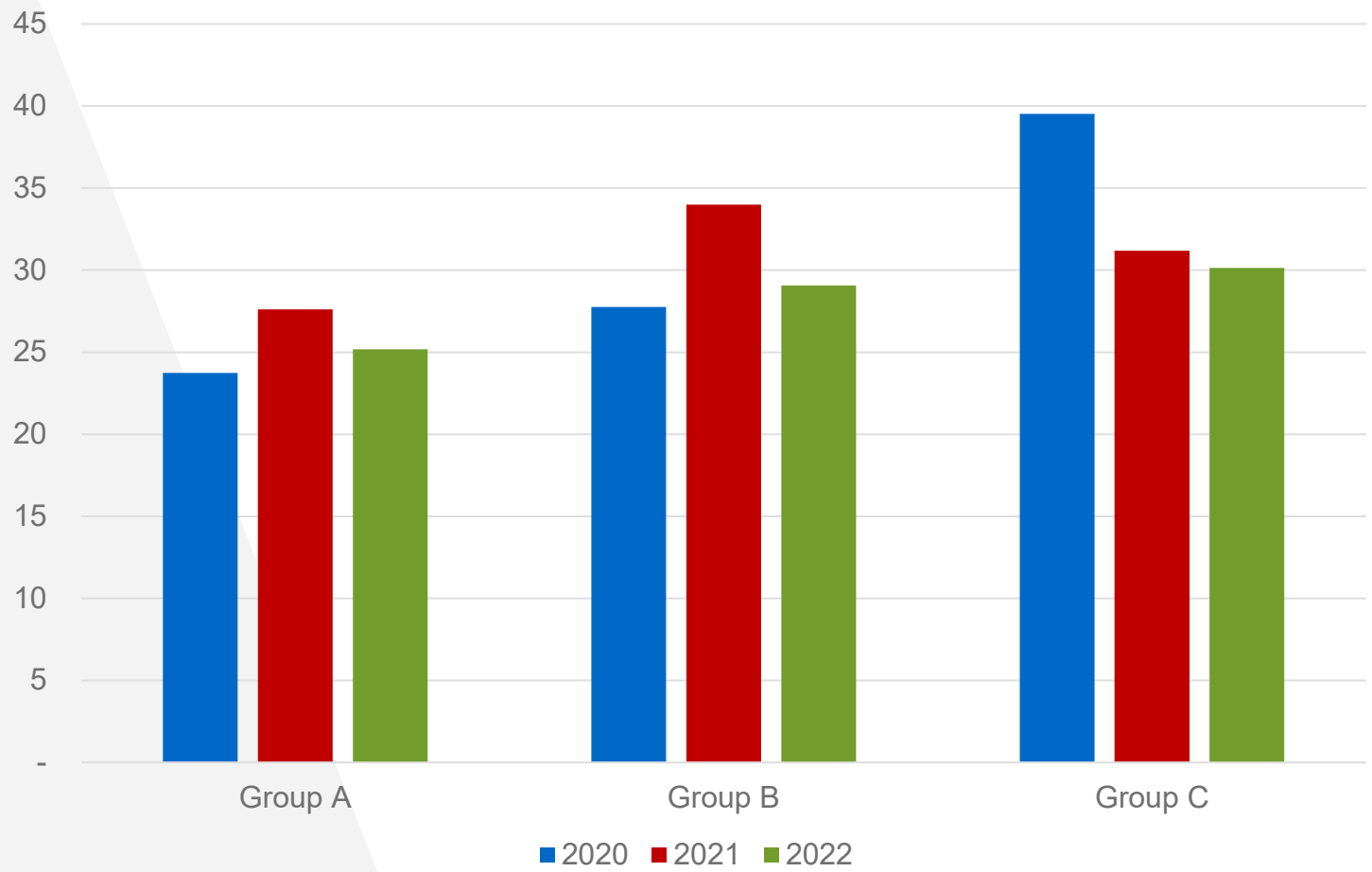
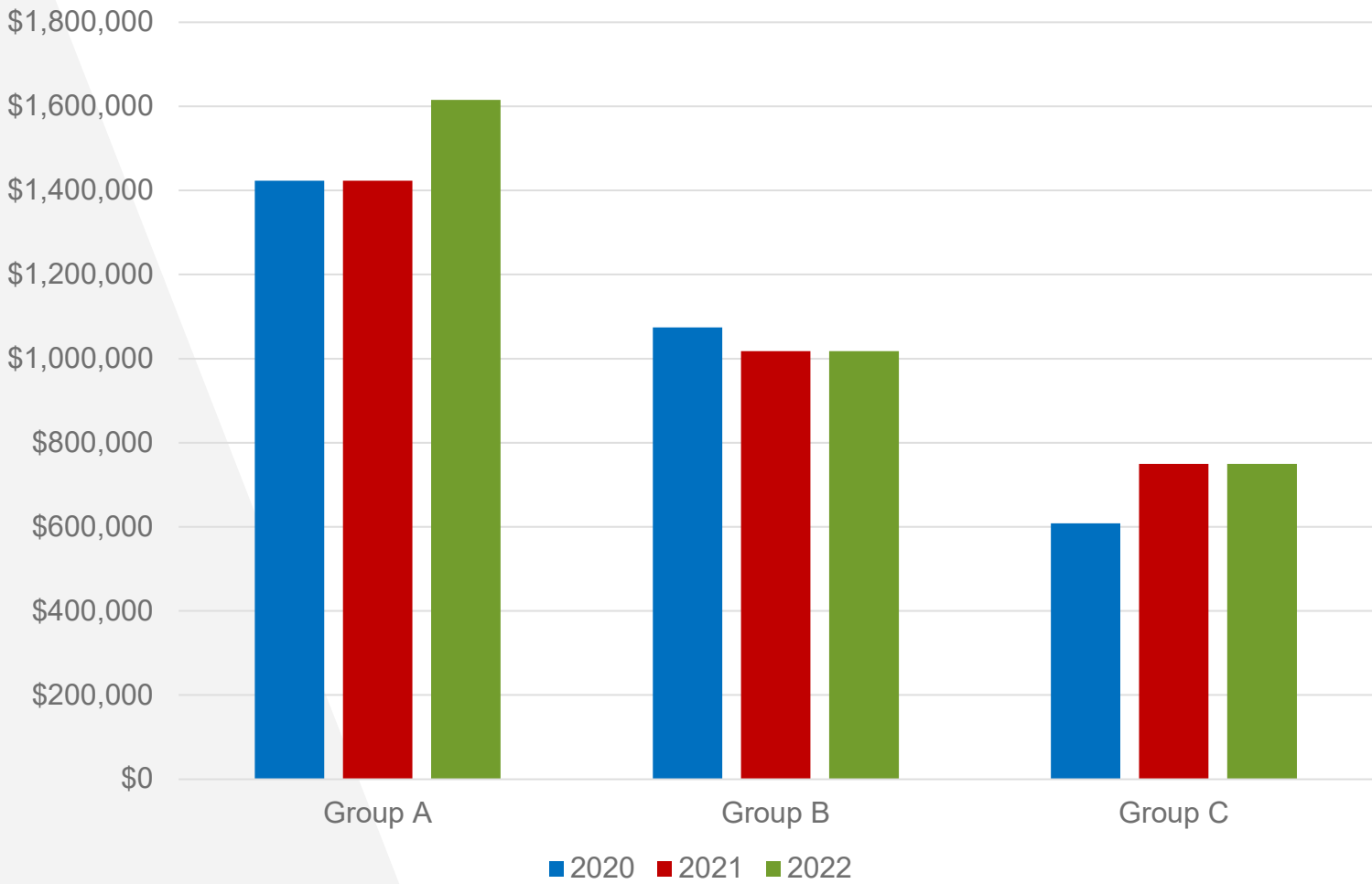


Chart 2 – Responses to Selected Questions 10-17



	Administers a Trust	Has a PAC	Had an Audit	Pledged Assets	Contingent Liabilities
Group A Average	100%	92%	100%	54%	46%
Group B Average	93%	93%	100%	43%	21%
Group C Average	64%	64%	100%	27%	14%

Chart 2 – Bonding Amount



Functional Expense Breakdown



Group A	2020	2021	2022
Representational (15)	46%	47%	46%
Political (16)	14%	13%	12%
Contributions (17)	5%	4%	5%
Overhead (18)	23%	23%	23%
Union Administration (19)	12%	13%	14%
Total	100%	100%	100%

Functional Expense Breakdown



Group B	2020	2021	2022
Representational (15)	42%	41%	38%
Political (16)	10%	10%	10%
Contributions (17)	2%	2%	3%
Overhead (18)	24%	25%	24%
Union Administration (19)	22%	22%	25%
Total	100%	100%	100%

Functional Expense Breakdown



Group C	2020	2021	2022
Representational (15)	40%	41%	38%
Political (16)	4%	5%	4%
Contributions (17)	2%	2%	2%
Overhead (18)	34%	34%	34%
Union Administration (19)	20%	18%	22%
Total	100%	100%	100%

Chart 8 – Payments to Officer, Employees & Benefits as % of Total Functional Expenses

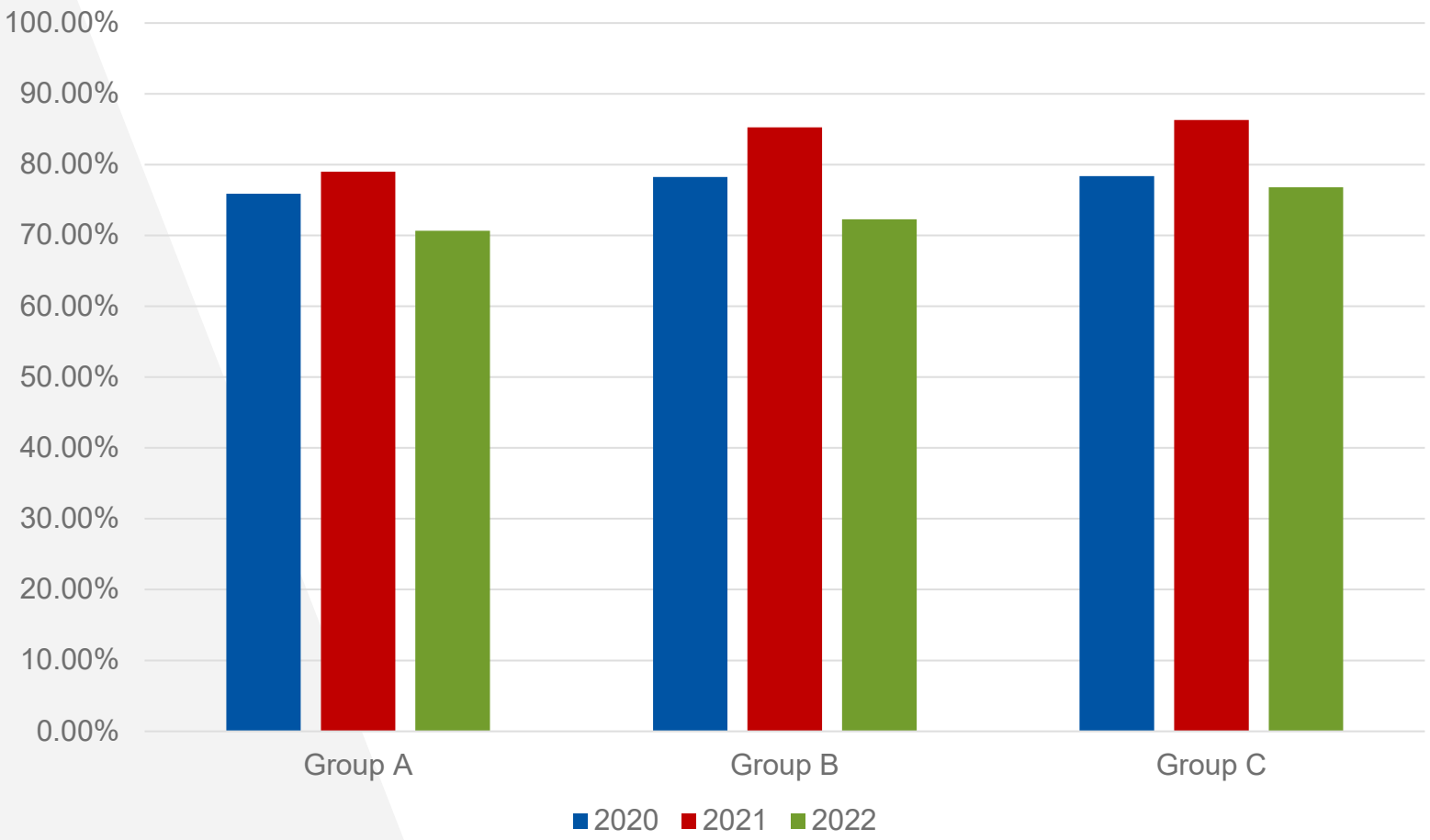


Chart 13 – Average Officers Salary > \$100,000

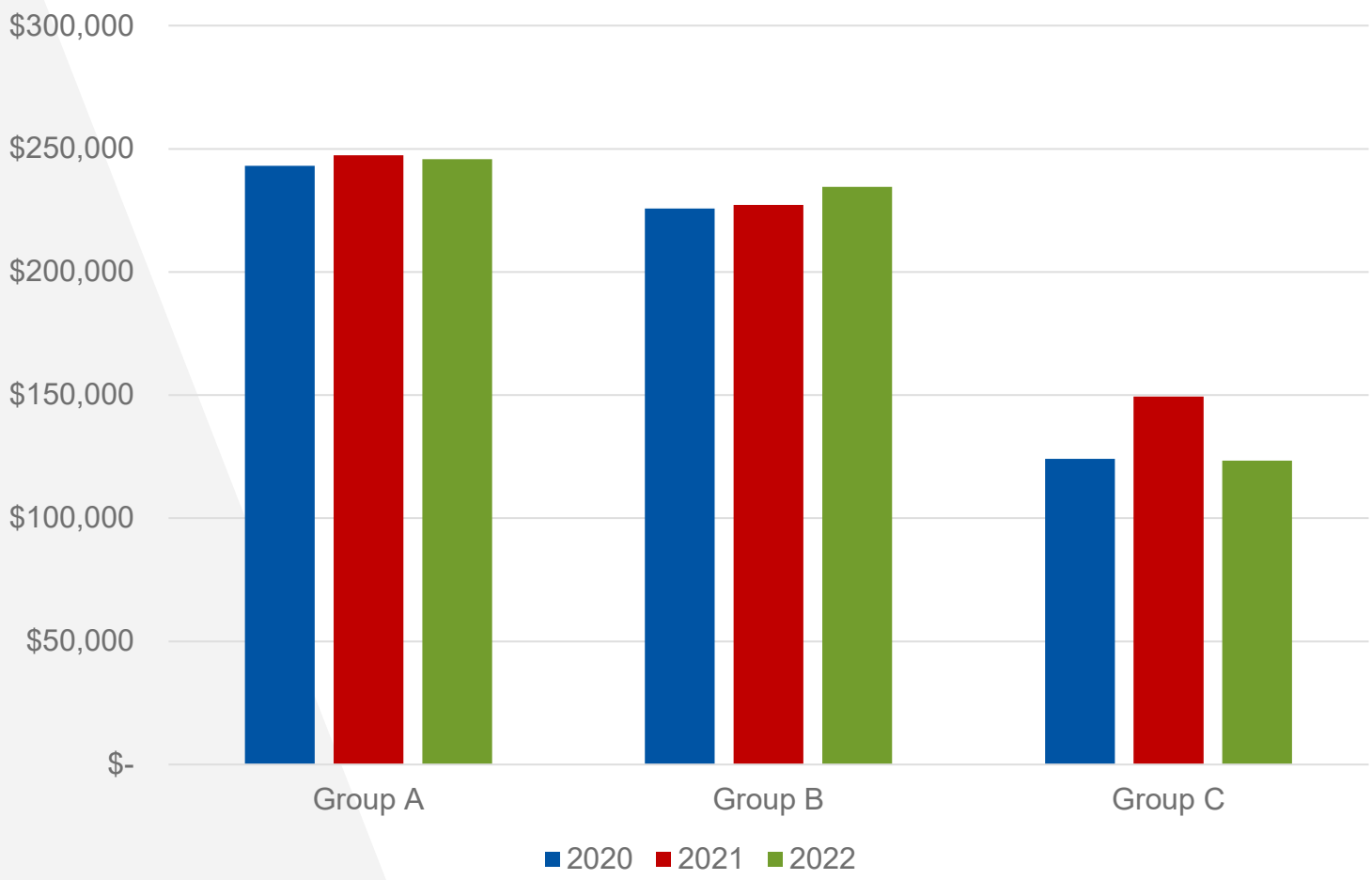
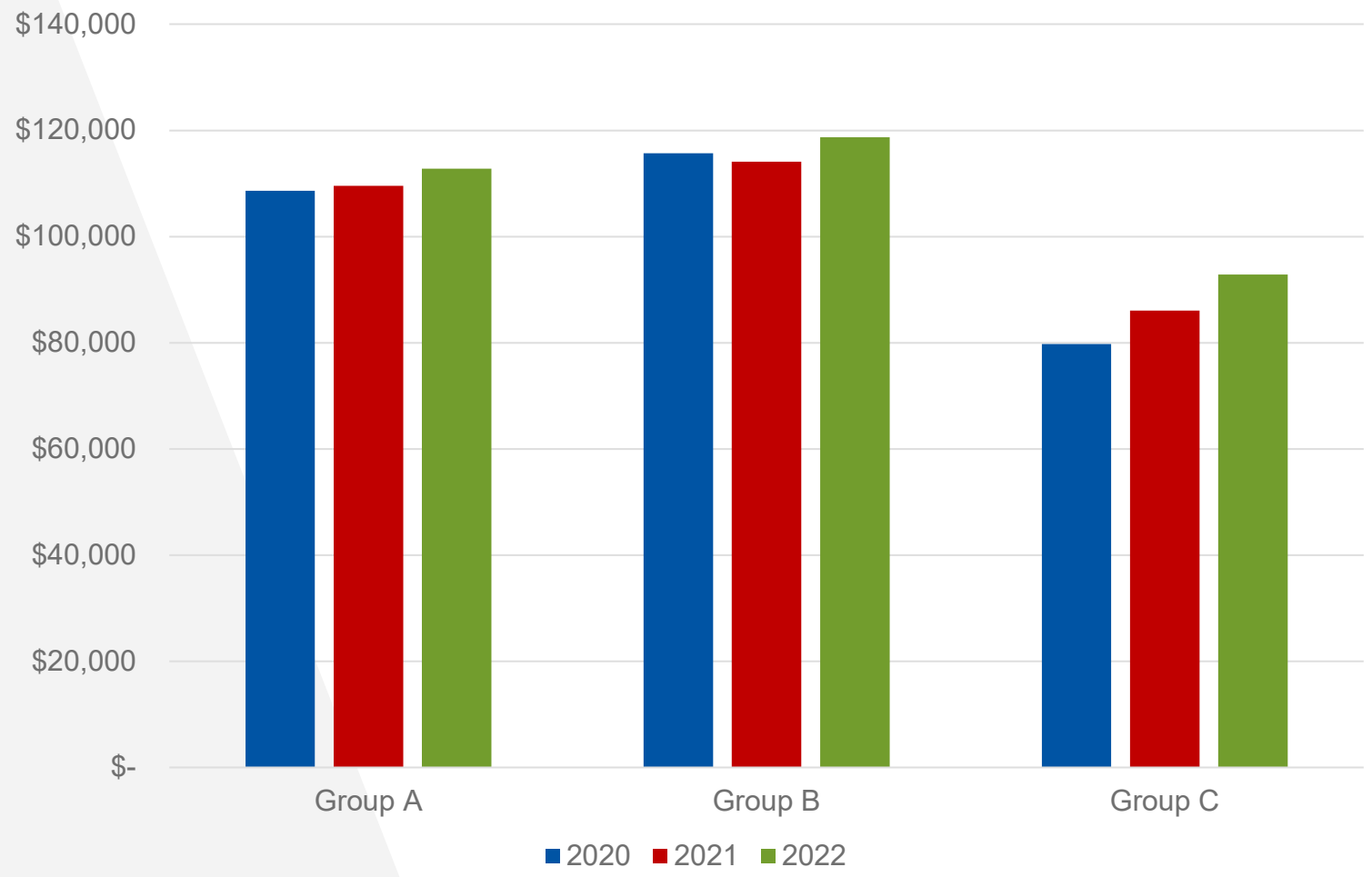
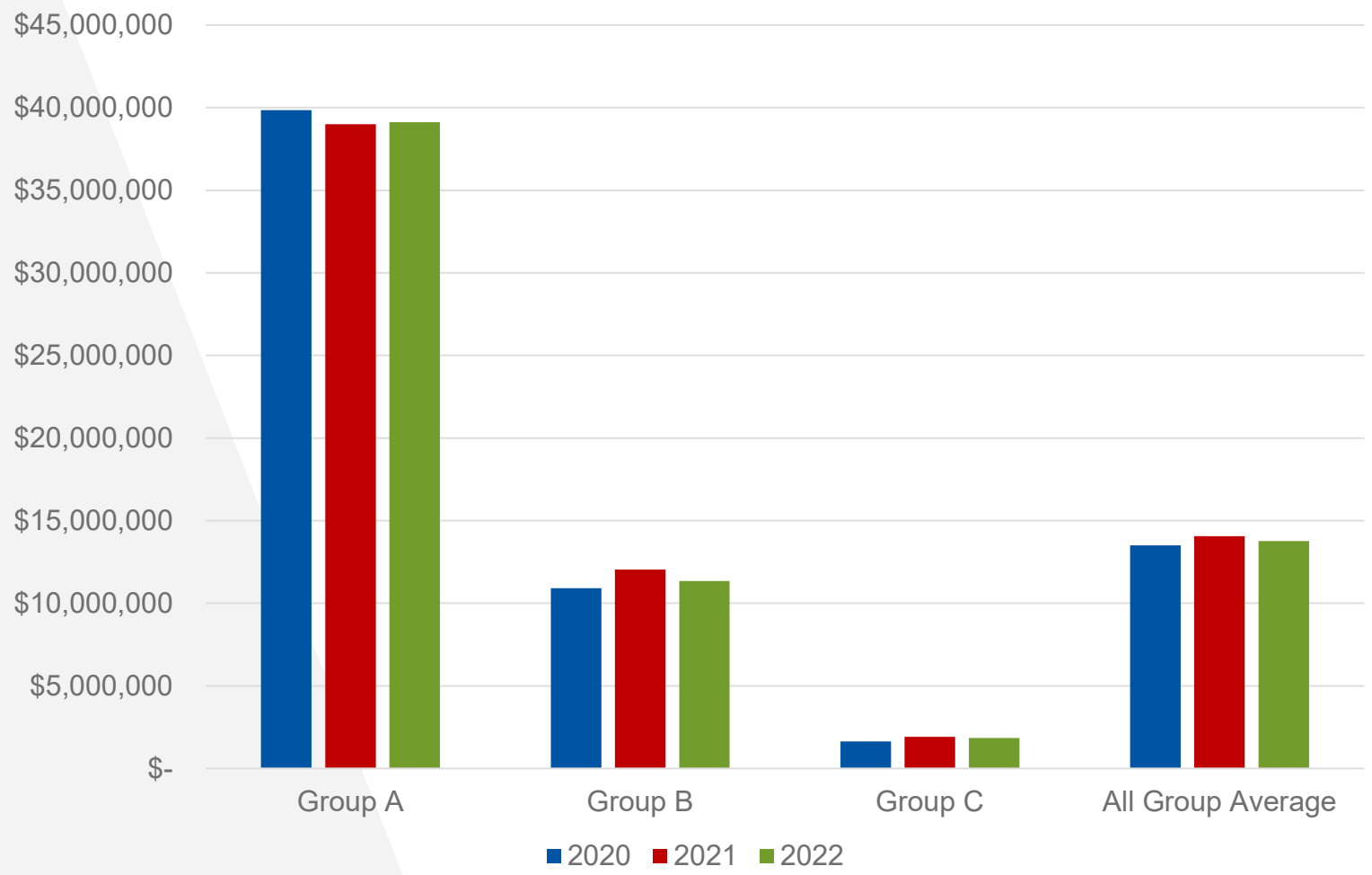


Chart 14 – Average Employee Disbursement



Benefits Cost



2023 National Labor Union Conference

JUNE 28, 2023



Tax Update

KRISTIN A. JACQUELIN, CPA | DIRECTOR
CALIBRE CPA GROUP, PLLC

Updates & Reminders



- ▶ E-signatures and the IRS
 - ▶ For 990's set to expire in October, expect it to be extended
 - ▶ Form 2848 –Power of Attorney still needs a wet signature
- ▶ Returns from 2020 – current have been released for public posting
- ▶ Changes to the form 5500
 - ▶ 2022 – Characteristic Codes, Schedule R
 - ▶ 2023 – Breakout of administrative expenses, Consolidated Return for D.C. Retirement Plan Groups

Updates & Reminders



- ▶ Political Contributions
 - ▶ Direct Contributions must be made from the PAC/527 Funds
 - ▶ Independent Expenditures should run through the Super PAC
 - ▶ 1120-POL can be e-filed in 2023
 - ▶ Please notify us ASAP if one will be required

Expanded Electronic Filing Requirement



- ▶ Begins in 2024 for the 2023 plan or calendar year
- ▶ Reduced to 10 or more returns
 - Requires an aggregation of applicable returns
 - Aggregation varies based on the type of return
- ▶ Controlled or Affiliated Service Group
 - Must aggregate count from all members
 - EBP would include count from the plan sponsor
- ▶ Free E-File forms 1099 with IRIS
 - <https://www.irs.gov/filing/e-file-forms-1099-with-iris>

Expanded Electronic Filing Requirement



<u>Returns to be Filed</u>	<u>Forms to Count to 10 to Determine E-filing Requirement</u>	<u>Excluded from Count</u>
Information Returns	1042-s, 1094 series, 1095-B, 1095-C, 1097-BTC, 1098, 1098-C, 1098-E, 1098 Q, 1098-T, 1099 series, 3921, 3922, 5498, 8027, W-2 and W-2G	Form 8300, 8955-SSA
Corporate Returns (1120, 1120s)	information returns, income tax returns, employment tax returns and excise tax returns	
Partnership Returns (1065)	income tax returns, excise tax returns and information returns	K1, K2, K3
Form 5500 Series	may impact small employers that are currently paper filing Forms 5500-EZ	
Exempt Organization Returns:		
Form 4720	information returns, income tax returns, employment tax returns and excise tax returns	
Form 1120-POL	information returns, income tax returns, employment tax returns and excise tax returns	

Updating Responsible Party



- ▶ IRS Form 8822-B (<https://www.irs.gov/forms-pubs/about-form-8822-b>)
- ▶ District of Columbia
 - Needs to be updated in your mytax.dc.gov account
- ▶ Maryland
 - Done through the Form 1 (if required)

IRS Website



- ▶ Resources for NFP on Charities and Nonprofits Page
- ▶ Exempt Org Search
 - ▶ Can view Forms 990
 - ▶ Determination letters
 - ▶ Automatic Revocations*
- ▶ <https://www.irs.gov/charities-and-nonprofits>

The background is split into two main sections. The left section is dark blue with several white gear outlines of various sizes. The right section is light gray and features a large white star with eight points. The text 'Questions & Answers' is written in a green, cursive font across the top, overlapping both sections.

Questions & Answers

11th Annual National
Labor Union Conference
~Annual Update~

CALIBRE CPA GROUP
JUNE 28, 2023



CALIBRE

CPA GROUP

Washington, DC

(202) 331-9880

Chicago, IL

(312) 655-0037

New York, NY

(212) 695-1300

Los Angeles, CA

(213) 341-4684