

Finance Guidelines and Policy

This document on Detachment finance is designed to offer clear guidelines to Detachment Officers in the key areas of Detachment finances. The information included here is designed to outline essential financial decision-making as well as offering detail of special significance in the development and management of financial systems. All officers will benefit from a review of this document. The Detachment Commander, Finance Officer and the Department SAL Commission with fiscal responsibility – the finance, audit committees- will find their areas of function addressed. The Finance Officer will benefit further from the Department's Finance procedures manual available from Department Headquarters.

Financial Responsibility, Roles, and Systems

I. Detachment Executive Committee, Officers and Committees

A. Detachment Executive Committee

The Detachment Executive Committee is ultimately responsible for the wise and effective management of the Detachment's financial resources. To meet these responsibilities, the Board performs the following functions

1. Adopts an annual budget consistent with the Detachment's goals and financial resources.
2. Established written financial policies and procedures and reviews them at least once a year
3. Monitors the income and disbursements of funds on a regular schedule
4. Assumes an annual audit/review with an external audit commissioned at least biennially
5. Provides for annual finance reports to Detachment members

B. Finance Officer

The Finance Officer manages the Detachment's financial affairs in accordance with the Detachment's established financial policies and procedures.

1. Assumes responsibility in conjunction with the Finance Commission for budget preparation
2. Manages the Detachment's financial records and financial information systems and recommends system changes when indicated
3. Recommends financial policy and procedure to the Board
4. Presents a written financial report to the Board at least quarterly and to the membership annually
5. Works closely with the external auditor and/or internal audit committee in the examination of the Detachment's financial policies, procedures, records, and status
6. Initiates and prepares al Detachment finance reports required by Headquarters

C. The Finance Commission

The finance Commission advised the Finance Officer and the Detachment Executive Committee in the financial matters and is responsible for the financial budgeting and monitoring the Detachment's financial procedures and status.

1. Plans the budget in conjunction with the Detachment Finance Officer based on Detachment financial resources and Detachment goals.
2. Recommends the proposed budget to the Board for action
3. Monitors budget performance on a regular basis and analyzes variances in expense and revenue from expected performance
4. Participated in the selection of an auditor, reviews the audit report, and recommends any corrective action required
5. May function as an internal audit committee at the discretion of the Board
6. Provides direct assistance the Detachment Finance Officer in financial management functions when needed

II. Financial Management

A. Financial Management and Information Systems

The Detachment's financial management and information systems provide a means of identifying sources of income and justifying and tracking expenditures in accordance with the approved budget. It permits reporting of the current financial state of the Detachment, supports economic decisions, facilitates budget projections, and provides evidence of responsible financial management. All records of income and expenses and support documents comprise the system.

1. Deposits and deposit receipts – Deposits should be made promptly to protect funds and take advantage of interest accrual. Bank deposit records should be filed, retained and checked against monthly bank statements.
2. Disbursements – All disbursements including those from Ways and Means should be made by check. Supporting vouchers for each disbursement indicating the payee, check number, and the date of reimbursement should be issued and retained.
3. Checkbook Ledger – All bank deposits should be correctly and promptly recorded. The ledger must agree with (i.e., be reconciled with) the bank account statement each month. Having a Detachment officer or finance Commission member, in addition to the Finance Officer, check the reconciliation and sign to that effect provides a double check of the accounts and is a safeguard for officers and finance Commission members.
4. General Ledger – A general ledger lists all of the Detachment accounts – Checking savings, all investment accounts, review and disbursements – by source and account number. It provides an organized way to record all receipts, disbursements, and transfers of funds which should be entered in a timely fashion, in chronological order, and itemized by individual transaction. Ledgers should be summarized monthly, and all bank investment balances must be reconciled (agree) with bank and investment statements.

5. Financial Management Systems – There is no specific format required for a Detachment’s financial management system. Formats for recording and summarizing income and expenses by category are available in business supply shops along with forms for supporting documents like vouchers and receipts. Department Headquarters recommends the use of an automatic accounting system. A growing number of Detachments currently have an automated financial system providing them with a budget format, a tracking system for checking, savings and money market accounts; quarterly and year-end actual versus budgeted expenses, and income statements; a year-end balance sheet; and a year-end performance reports of investments. Advantages of automated systems are many including ease of record keeping, ease of transfer to incoming Finance Officers and uniformity of the system over time. There are a number of automated accounting systems that have been identified as user-friendly and comprehensive.

B. Protecting Detachment Assets

The financial trust is a major Detachment leadership responsibility. This trust requires careful attention to policies and procedures designed to protect the Detachment’s assets. It requires that Board members become conversant with the Detachment’s system along with the methods for safeguarding fund. Regular reports from the Finance Officer along with the opportunity to monitor budget performance are basic to reasonable understanding. In general, good business practices should guide the Detachment Executive Committee.

1. Internal Accounting Safeguards – Certain financial policies and procedures must be in place to ensure that Detachment funds are secure. Among financial safeguards requiring Board direction through policy and procedures are: signatory authority for those persons authorized to accept money; approve disbursements and sign checks; approval of those persons authorized to place orders or purchase goods and services; how a petty cash fund is to be handled; which financial transactions require dual signatures; provisions for a fidelity bond, if desired; and acceptable and unacceptable investment instruments (see policy ad development)
2. Fidelity Bonds – It is not required by the headquarters that the Finance Officer and other Detachment officers be bonded and in practice, few Detachments elect to do so. Fidelity bonds, however, are designed to protect the Detachment against unwarranted financial loss through the actions of a person authorized to handle Detachment funds. In considering a fidelity bond, it is generally true that the greater the assets, the need might be for such insurance. If bond is desired. All officers with the power to manage the Detachment’s money – sign checks, withdraw money, make investments – should be bonded. Fidelity bonds can be obtained from insurance agencies and brokers. Note that cost can vary widely. More information is available from headquarters if needed.
3. Financial Reporting and Budgetary Control – The Finance Commission should review the status of the budget on a regular basis, examining actual versus budgeted income and expenses, and analyzing significant variances. The Detachment Executive Committee should also review budget performance on a regular schedule, taking into account Finance Commission analysis and initiating corrective action when indicated. Quarterly reviews are recommended as a minimum for both the Finance Commission and the Detachment Executive Committee. Many Detachments schedule a financial report at each Board meeting. Appending written financial reports to minutes of the Board meeting is a wise plan.

Further, an annual financial report to the membership is essential in fulfilling the Detachment's financial trust.

4. Record Keeping – Certificates of deposit, treasury bills, and other official records of investment documents should be retained in a safe place. All financial records must be retained in Detachment files for seven years. In addition to ledgers and reports, registration lists, vouchers, and receipts must be saved.

C. Budget Preparation

The budget is a financial management tool of many uses. It serves as a financial plan for carrying out the goals and programs of the Detachment and is basis on which actual financial performance can be measured against planned performance. Regular review over the course of each year provides opportunities to control costs and/or expand programs.

1. Annual Budget – It is suggested that Detachments construct an annual budget. A one-year budget plan offers greater continuity in support of Detachment goals, and program development. A Detachment budget will begin in the first term of the Detachments Commander's term of office.
2. Long-Term Budget and Detachment Goals – In adopting a new annual budget, care should be given to insure that continuing programs of the Detachment are given top priority. The long-term goals are established by the Detachment Executive Committee and are funded before any of Commanders special projects or other short-term goals.
3. Revenue Considerations – Addition of new programs requires thorough identification of anticipated costs and the income necessary to cover the costs. The main sources of Detachment income is typically provided by membership fees. New member and renewing membership projections are essential in determining anticipated revenue.

D. The Audit

Financial Audits are performed primarily to determine if accounting procedures are fair, complete, objective, and accurate. In addition to the audit trail – a detailed examination of the recording of each financial transaction and support documentation like vouchers and invoices – the auditor looks for clear lines of decision making. The auditor provide a written report of the audit process and renders an opinion about the soundness of the Detachment procedures as well as offers suggestions for improvements, if indicated.

1. Audit Frequency – It is recommended that an external audit be performed at the end of each fiscal year.
2. External Audit – An audit is only performed by a certified public accountant (CPA) who is completely independent of the Detachment. These individuals or firms are licensed and are qualified to issue official opinions regarding the fairness of the financial statements.
3. Internal Audits/Review – An internal audit/review may be performed by Detachment members appointed by the Board. They may be members of the Financial Commission or a special audit committee appointed by the board. Internal audits procedures are designed to look at the same variables as an outside reviewer would examine. They include:
 - a. Evidence of clear lines of responsibility for decision making regarding the recording and monitoring income and expenses

- b. A system in place that facilitates the prompt and accurate classification and recording of revenue received and expense disbursed.
 - c. Evidence that all distributions of money are supported by documentation such as invoices
 - d. Evidence that those persons receiving and depositing income and distributing Detachment funds are authorized by the Detachment to do so.
 - e. Evidence that bank account balances are reconciled with bank statements on a regular and timely basis.
 - f. Evidence that Detachment cash is handled by authorized persons. An internal audit/review group should submit a brief report of their review and their findings to the board along with any recommendations they might have for improving financial systems.
4. Audit Cost – The cost of an external audit is related to the scope of the audit the amount and intensity of the financial activity, ease of the data retrieval, and overall time required. Therefore audits will vary in cost so it may be a good idea to shop around.

E. Transition in Office

The Detachment financial function is greatly facilitated by a planned transition from Finance Officer to Finance Officer at the time of office turnover. Detachments with successful transition programs include such arrangements as a meeting between incoming and outgoing Board members, individual meeting for officers and commitment from outgoing officers to remain available for any desired consultation. Transition information for incoming Finance Officers should include a joint review of the budget and budget performance, a review of the financial information system, a review of the latest audit and the identification of outstanding financial problems.

F. Consultation

It is not unusual that Finance Officers come to their responsibilities with little preparation for the role and modest experience with budgets and financial record keeping. The role of the Finance Officer is full and time consuming. And experience has shown that the need for expert assistance is felt by the majority. The financial staff at headquarters is more than pleased to offer assistance directly and through referral to others who can help.

III. Policy Development

The Detachment Executive Committee holds both legal and ethical responsibility for the Detachment's financial management. Fulfilling this responsibility is central to effective management of the nonprofit organizations. The laws of both federal and state governments speak of many aspects of nonprofit organizations granting both privileges and restrictions in the protecting of these organizations committed to the public good. As guardians for the Sons of the American Legion's mission, the board works to assure the stability and growth of the Detachment as well as meeting its legal responsibilities for controlling and safeguarding the Detachment's assets. The Board's primary mechanism for fulfilling the fiduciary trust is through policy development and the monitoring of the procedures and practices designed to implement policy.

- A. Financial Operation Policy and Procedures – There are several key areas in financial operations management in which Board policy is recommended. They are in areas that deserve clear direction from the board and in turn, serve to protect members of the Board and committees as they carry out financial functions. Major recommended policy and/or procedures areas are identified here.
1. Bank Accounts – Bank accounts the Detachment requires to do business should be identified by type and function. For example, the Board could state where bank accounts would be established by safety standards. A policy might read “All Detachment checking and savings accounts will be established only in banks and savings institutions insured by the FSLIC.”
 2. Bank Account Limits – Setting bank account limits helps to make decisions about when accumulating revenue should be redistributed to additional accounts earning higher than usual checking or savings account interest. Examples of policies might be “Only the amount of monies necessary to operate the business if the Detachment for a specific period of time will be kept in a checking account. Other unrestricted income will be kept in a savings account for redistribution to other accounts as indicated and approved.”
 3. Checking and Savings Account Signatory Authority – It is important to define who can sign checks, who can withdraw and transfer funds from checking and savings accounts, under what circumstances dual signatures may be required, and total amounts permitted to be deposited withdrawn. This authority usually resides with the Commander and the Finance Officer of the Detachment.
 4. Purchase Authority – It is important to define who holds the authority to make or commit the purchase of goods or services on behalf of the Detachment. This authority usually resides with the Commander and the Finance Officer of the Detachment.
 5. Reporting Requirements – Expectations for reporting to the Detachment Executive Committee by the Commander or Finance Officer should be outlined in terms of the content, frequency and format for the reports. Usually it is recommended that there be a written report provided for each board meeting.
 6. Detachment Audit Procedures – Detachment audits serve a very important safeguarding function and external audits are recommended by Headquarters at least every two years. A policy statement by the Detachment makes both a calendar for audits and a mechanism.
 7. Other Areas for Operations Policy Development – The Board should address policy development with the principles of clarifying and safeguarding the intention and direction of the board. There is not an absolute list so that Board judgment and discretion drive these directions. Other areas for consideration are controls for handling petty cash; bonding and bonding levels; and budget calendars.

Reimbursement Policy

- I. Coverage
 - a. Persons covered by this policy are
 - i. all Detachment Officers,
 - ii. all Past Detachment Commanders,
 - iii. all commission and committee members
 - iv. all members of the Detachment Executive Committee including District Commanders
 - v. Any person subject to a “Call-in” by the Detachment Commander
 - vi. Any person seeking reimbursement from the Detachment of California
 - b. Persons NOT subject to this policy are
 - i. Department of California SAL Commissioners
 - ii. Persons traveling at their own expense
 - iii. Non Sons of The American Legion members such as guests and dignitaries.
- II. Detachment Executive Meetings
 - a. All members subject to Call-ins to the Detachment Executive meetings shall be reimbursed according to the Detachment Constitution and By-Laws of the Detachment of California
 - b. No monies will be paid in excess of this amount regardless of cause.
 - c. No person subject to a call-in is entitled to more than one call-in payment for any given meeting. They may not draw money from more than one source. The person may elect to be paid from the one most beneficial, however; in the case of dual members, no member may draw from both the Department of Detachment.
- III. Official Call-ins – From time to time the Detachment Commander may call-in committees and commission to meet. This section deals with expenses not covered in the Detachment Constitution and By-Laws or any other financial policy.
 - a. Expense reimbursement
 - i. All requests for reimbursement must be made on an official Detachment of California request form available on the Detachment web site. While no specific color of ink must be used, it should be demonstrated that the voucher is an original document, and not a photocopy.
 - ii. All receipts must be original documents

- iii. Requests for mileage must be accompanied by a documented source of a mileage claim such as routing or driving directions from Mapquest or similar source of information.
- iv. Requests must be made in accordance to current Detachment Constitution and By-Laws in regards to the timeliness of the request. In general, all requests for reimbursement should be made within thirty (30) days from the time that the expense occurred. The Finance Officer is under no obligation to pay requests made over thirty (30) days unless directed by the Finance Commission of the Detachment Executive Committee.

b. Allowable Expenses

i. Transportation

1. All reasonable transportation costs will be reimbursed. Travel by air is permitted, however, the traveler should seek out the lowest possible airfare for travel
2. Auto expenses are paid by mileage based on a source of documentation such as Mapquest or similar routing or driving directions provided by that source.
3. Mileage will be paid in accordance to guidelines set up by the Department of California and shall not exceed that rate.
4. In the event that two (2) or more Detachment Officers share transportation, only one shall be entitled to reimbursement. The reimbursement will be made to the owner or leaser of the vehicle only.

ii. Lodging

1. Lodging at a headquarters motel or hotel is permitted. Members should take precautions to insure that they are receiving the best possible rates
2. Under normal circumstances members should not accept up-grades or larger than needed rooms unless the upgrade is at no charge to the member (Detachment)

iii. Meals

1. Reimbursement for meals is limited to the exact amount spent on the meal plus a tip as related elsewhere in this policy
2. Meals are limited to three (3) per day during normal travel
3. If an individual member pays for the meals of several persons subject to this policy, he must list their names and titles on the voucher. Reimbursement for non members will be at the discretion of the Finance Commission.

c. Disallowed Expenses

- i. In-room Movies
- ii. Food and Beverage – The Detachment will not reimburse for food or beverage outside of normal meals.
- iii. Unauthorized Travel – No unauthorized travel will be reimbursed.
- iv. Accompanied travel
 1. Accompanied travel by other SAL members – The Detachment does not pay for any members not subject to this travel policy. However, when rooms or transportation are shared, an SAL member not subject to this travel policy, expenses can be reimbursed for transporting a person who is subject to this policy. This is to allow disabled Detachment Officers and other persons subject to this policy to have transportation and companionship as needed.
 2. Accompanied travel by other non-members - The Detachment does not pay for any persons not subject to this travel policy. However, when rooms or transportation are shared, a person not subject to this travel policy, expenses can be reimbursed for transporting a person who is subject to this policy. This is to allow disabled Detachment Officers and other persons subject to this policy to have transportation and companionship as needed.

IV. Other Budgeted Travel

- a. Travel – Travel guide lines and reimbursement policy is the same as listed under “Call-ins” in this policy.
- b. Other Expenses - Other Expense guide lines and reimbursement policy is the same as listed under “Call-ins” in this policy.
 - i. Where Chairmen or others having a line item in the Annual Budget are not limited, the discretion of the member in charge shall be sufficient to cause disbursement without further question.
 - ii. All members subject to line item spending will be held to account for any questionable expenses not normally incurred in the pursuit of the goals of the Detachment of California.

- V. Extraordinary Expenses - The Detachment recognized that from time to time the Detachment Commander, other Detachment Officers, or Detachment Committees or Commissions may incur extraordinary expenses. Guidelines are listed herewith.

- a. Excessive food and beverage. Any amount of unbudgeted food or beverage exceeding \$20.00 will not be approved by the Finance Officer without specific approval from the Detachment Finance Commission. This includes meals for Detachment guests, official visitors, or any person subject to this policy seeking reimbursement for meals.
- b. Donations for cause. Any person subject to this policy making a donation to any cause or appeal of an unbudgeted nature does so on his own. The Finance Officer is forbidden to pay any reimbursements for donations, fines, fees, or other assessments levied on any member for any reason.
- c. Tips and gratuities - Tips and gratuities are a part of life. As such are reimbursable. Reasonable tips and gratuities guidelines are 15% for food and beverages, and one dollar (\$1.00) per bag for porters, skycaps and other baggage handlers. Other tips and gratuities will be taken on a case-by-case basis.

VI. Enforcement

- a. Upon being elected, each new Detachment Officer will be given a copy of this Policy & Guidelines
- b. Upon approval of the Detachment Executive Committee, newly appointed committeemen and Commissioners will be given a copy of this Policy and Guidelines.
- c. Upon approval of the Detachment of Executive Committee, all Past Detachment Commanders will be mailed a copy of this Policy and guidelines.
- d. Any person subject to this Policy and Guidelines who causes a violation or deviation from this policy shall be subject to disciplinary action of the Detachment Executive Committee
 - i. Disciplinary actions may be as follows:
 1. A letter of Reprimand
 2. Returning of all funds disbursed
 3. Removal from Office
 - ii. All disciplinary actions must be approved by the Department SAL Commission.