

# NATIONAL HEADQUARTERS CIVIL AIR PATROL

## CAP REGULATION 173-1

11 FEBRUARY 2007



**Finance**

### **FINANCIAL PROCEDURES AND ACCOUNTING REPORT FOR UNITS BELOW WING LEVEL**

Civil Air Patrol's goal is to promote and ensure the integrity of financial management practices and financial reporting. Each region/wing commander will ensure that the requirements of this regulation are met and will be responsible for all region/wing and unit funds. **Note: Shaded areas identify new or revised material.**

This regulation establishes policies and procedures for administrating, auditing, accounting and reporting of Civil Air Patrol (CAP) funds in accordance with Public Law 88-504 of the Congress of the United States, the Constitution and Bylaws of the Civil Air Patrol and the decision of its National Board, National Executive Committee, and the Board of Governors.

Congressional Requirements. Under the provision of the Cooperative Agreement between Civil Air Patrol and the United States Air Force, CAP is required to maintain and audit its financial records. In addition, the law requires CAP to file with the Office of Management and Budget (OMB) an annual audit of its financial records not later than 31 March. This filing requirement cannot be met unless all units meet the filing dates of annual financial reporting and other year-end requirements as specified in this regulation.

#### **SUMMARY OF CHANGES.**

Incorporates additional guidance regarding implementation and participation in the Wing Banking Program.

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**1. Federal Tax ID Number.** The Civil Air Patrol Employer Identification Number (EIN) 75-6037853 must be used to establish and maintain all bank accounts.

**2. Finance Officer.** Each unit commander will assign a finance officer. New unit commanders must appoint a finance officer in writing within 30 days of appointment. The unit finance officer must not be a paid employee. A paid employee may perform bookkeeping duties under the supervision of the unit finance officer.

**3. Finance Committee.** Each unit commander will establish a finance committee in writing each year. The purpose of the finance committee is to ensure the proper management of the unit's funds. This committee will be composed of the unit commander as the chairperson, the finance officer, and at least one other staff member. Each unit finance committee will:

**a.** Establish policies and procedures for administering, accounting, and reporting unit funds. Units participating in the Wing Banker Program must forward a copy of these to wing director of finance.

**b.** Maintain an adequate system of internal accounting controls over all funds in accordance with generally accepted accounting principles.

**c.** Act on requests for fundraising projects in accordance with CAPR 173-4, *Fund Raising/Donations*.

**d.** Approve in writing or via e-mail all expense transactions in excess of \$250 unless the expenditure is a recurring expense already approved in writing. Units participating in the Wing Banker Program must provide approval notification to the wing, in writing, by fax or e-mail.

**e.** Establish in writing a recurring expense policy and limits. This policy will include a list of bills the committee considers to be recurring and whether there will be a limit on the expense amount.

**f.** Designate the banks/credit unions and savings and loan associations in which funds are deposited, except for units participating in the Wing Banker Program.

**g.** Approve in writing financial reports and audits before they are forwarded to a higher headquarters. Units participating in the Wing Banker Program are excluded from this reporting requirement.

**h.** Establish a written policy for bank transfers and limits, if applicable.

**i.** Meet at least quarterly.

**j.** Maintain written minutes of all finance committee meetings and approvals. These meetings and approvals may be conducted via teleconference or electronically; however, written minutes, dated and with a list of attendees, must be maintained on file.

**k.** Once per quarter, perform internal financial reviews of the financial records to ensure compliance with the provisions of this regulation using the Units Below Internal Financial Review checklist, which is located at [www.cap.gov/pubs](http://www.cap.gov/pubs) under indexes, regulations and manuals.

#### **4. Wing Banking.**

**a.** The Wing Banker Program offers a significant improvement in Corporate financial accountability by allowing a centralized audit of the entire organization. It will also end the problems encountered by the wings consolidating unit reports at year-end since this reporting requirement will be eliminated. The Wing Banker Program has been endorsed and mandated by the Board of Governors and the National Executive Committee. Once a wing has been selected to implement the Wing Banker Program, participation by units below wing level within that wing is mandatory. Universal enrollment in the Wing Banker Program is scheduled for completion by fiscal 2009.

**b.** In the Wing Banker Program the wing acts as the bank, accountant, reporter, and check-writer service for the subordinate units. Units continue to maintain control of the obligation and transference of their funds via the local unit finance committee. Wings may not transfer or obligate unit funds in any way without unit written approval. Wings must not impose internal service charges to units.

#### **5. Accounting Procedures and Policies.**

**a.** All Units must use the Civil Air Patrol approved accounting software, Quicken®. Units may be authorized to use QuickBooks® when approved by NHQ/FM. Access to this software must be password protected. Software data files must be backed up routinely (after each use is recommended) and stored off site. Units participating in the Wing Banker Program are excluded from this requirement.

**b.** Units participating in the Wing Banker Program will forward approved invoices to wing headquarters for payment by mail, e-mail or fax.

**c.** Each unit must use the Civil Air Patrol approved chart of accounts. All bank accounts will be included. It will not be permissible to establish any other account classification without the written approval of NHQ/FM. This standardization is necessary so that consolidated reports can be prepared at the national level. Related sub-accounts under a particular account classification are permitted; however, all reports will follow the account classifications shown in the approved Chart of Accounts.

**d.** Civil Air Patrol's fiscal year is 1 October to 30 September.

**e.** Estimating will not be used.

**f.** All policies will be renewed each year on 1 October.

**g.** All electronic approvals will be attached to invoices.

**h.** Units will not establish or maintain petty cash accounts. Reimbursement for out of pocket expenditures will be made by check.

**i.** Itemized invoices or other documentation must support all checks issued. Expenditures must be approved in writing by a designee established in the invoice approval policy.

**6. Banking Policies.** Units participating in the Wing Banker Program are excluded from these banking requirements.

- a. Pre-numbered checks will be used for the checking account. It is suggested that the unit use Quicken® three-part voucher checks or carbon-copy handwritten checks.
- b. Voided checks will be defaced, recorded in the accounting software and kept on file.
- c. Checks must not be pre-signed.
- d. All checks require original signatures. Stamped or electronic signatures are not allowed on checks.
- e. All checks require two original signatures.
- f. Check signatories must not be members of the same household.
- g. Paid employees will not be signatories on any account.
- h. All electronic payments require two signatures or e-mail approvals prior to release of payment.
- i. Signatories must never sign checks made payable to themselves or to members of the same household.
- j. Checks must not be made payable to “cash.”
- k. All bank account signatories will be selected from members of the finance committee. Units must maintain a record of current signatories.
- l. CAP units will maintain checking accounts, saving accounts, and certificates of deposit (if authorized) only with banks, credit unions, and savings and loans that are federally insured (FDIC, NCUA). All unit funds will be deposited into a checking account requiring two signatures for withdrawal. Each unit is authorized one checking account and one savings account. Additional bank accounts will be justified and approved by the appropriate wing commander.
- m. The unit must use the services of a bank that provides the original cancelled check with the monthly bank statement, an imaged copy of the check, or an imaged copy must be available from the banking institution on-line. If the bank has a policy that the imaged copy is only available on-line for a limited amount of time, the unit must print all copies of the cleared checks and maintain copies with the bank statement or paid documentation. Banks, credit unions, or savings and loans that only provide the number of the cleared check must not be used.
- n. All checking accounts must be reconciled on a monthly basis. Other accounts will be reconciled when a statement is received. The bank reconciliation report will be filed with the bank statement. The bank reconciliation will be reviewed and signed by a member of the finance committee other than the individual who prepared the reconciliation at least quarterly.
- o. All savings account withdrawals require two signatures. The finance committee may authorized transfers of funds to unit accounts within the same financial institution using a single signature, but will establish a policy, in writing, to authorize these transfers with limits.

**p.** Financial institutions often require proof of the status of the unit as an administrative subdivision of Civil Air Patrol, its charitable status, and the EIN number. These can be provided through a form letter from the General Counsel Office. Request the letter by e-mail at [gc@capnhq.gov](mailto:gc@capnhq.gov) or fax at (334) 265-4352. Provide the contact information for the bank (i.e. name, address, telephone number, fax number and the name of the point of contact) and the unit name (as it will appear on checks) and unit charter number.

**7. Investments.** Units must obtain written approval from the wing commander to invest funds in additional savings accounts, certificates of deposit, or money market accounts. All funds so invested must be readily available without loss of principal. Donor-restricted contributions or bequests of investments must be reviewed by NHQ CAP/FM prior to acceptance. Units participating in the Wing Banker Program must provide, at a minimum, quarterly investment statements to the wing director of finance.

**8. Deposits.** All unit funds will be deposited in the name of the CAP unit. Units will maintain copies of all deposit slips. Funds should be deposited daily, if possible. Units participating in the Wing Banker Program must deposit funds into the unit checking account maintained by the wing. Copies of the deposit advice must be forwarded to the wing director of finance to ensure the funds are properly credited to the Unit. Units may also forward checks for deposit to the wing. Cash must not be sent to wing for deposit. Cash must be converted to a money order or certified check before submitting to wing for deposit.

**9. Debit Cards.** Debit cards must not be used.

**10. Credit Cards.** Credit card use is permitted for units. In order to use credit cards, each unit will establish, in writing, a credit card usage and approval policy. This policy must be forwarded to the wing director of finance. Credit card accounts will be issued in the name of the CAP unit. Credit cards must be used for authorized purchases only. Credit cards will not be used for cash advances. Personal expenditures are not authorized including personal proficiency flying. Lost or stolen credit cards must be reported to the credit card issuer and the region/wing commander immediately. Aggregate balances must not exceed the credit limit. All usage must be documented with receipts. All losses incurred from the use of these credit cards will be the responsibility of the unit.

**11. Payroll.** Units will not have paid employees unless approved in writing by the appropriate wing commander. If so approved, all payroll must be processed through NHQ.

**12. Contracts.** The region/wing commander is the only corporate officer who can sign contracts. Units below wing level will not enter into any contracts.

**13. Fixed Assets.** Assets purchased or donated with a per item value of \$5000 or more and a useful life of more than one year will be recorded as a fixed asset and reported to the wing director of finance using the Asset Report. Assets purchased or donated with a per-item value of less than \$5000 will be expensed in the month purchased/donated. Any changes to current fixed assets, such as disposals, sales and/or improvements, will be reported to the wing director of finance.

**14. Financial Records.** All financial records must be made available to wing directors of finance, wing financial analysts, United States Air Force auditors, state directors, external auditors, CAP/IG and CAP-USAF/IG. All journals, ledgers, bank reconciliations, cancelled checks, books of original entry and all other supporting documentation will be retained by the unit in accordance with CAPR 10-2, *Files Maintenance and Records Disposition*. CAPR 10-2 specifies the record retention requirements. Units participating in the Wing Banker Program are excluded from this requirement as all financial documentation will be retained at wing level.

**15. Financial Review.** Upon change of a unit commander and/or finance officer, an internal review must be performed. This must also be done quarterly in accordance with paragraph 3k of this regulation. Unit funds may be subjected to an internal review at the end of the fiscal year. Reviews may be performed by senior members of the unit when designated in writing by the unit commander. Items are to be reviewed in accordance with The Units Below Internal Financial Review. Units participating in the Wing Banker Program will be provided with an updated financial report from wing level, detailing the unit's banking activity and fund balances for the past year and will not be required to perform an Internal Financial Review.

**16. Reporting.** Financial information from each unit is consolidated and reported to the Internal Revenue Service annually on the IRS Form 990, Return of Organizations Exempt from Income Tax. The IRS may assess penalties when an organization files a return that is incomplete or inaccurate. Each commander is responsible for timely filing accurate financial information.

a. The finance officer will provide quarterly financial reports to the finance committee. At a minimum the report should include a summary of all financial transactions. Units participating in the Wing Banker Program will be provided with this report by wing.

b. The finance officer prepares and delivers to the unit finance committee a full and complete report of all transactions for the preceding fiscal year on or before 31 October of each year. This report will include the complete financial report from the CAP financial record of the unit. Units participating in the Wing Banker Program will receive a report from wing detailing the unit's financial transactions.

c. Each group, squadron, and flight will, on or before 1 November of each year, submit direct to wing headquarters one copy of the Financial Report for Year for the preceding fiscal year. Units with no financial transactions during the year must still submit a report to wing showing zero transactions. The report must be submitted with copies of each checking, savings and investment account statement showing balances as 30 September. Units participating in the Wing Banker Program are excluded from this reporting requirement. The unit commander for units participating in the Wing Banker Program will sign and submit the Financial Disclosure Statement to the wing commander by 1 November each year.

**17. Fundraising.** All fundraising activities must be conducted in accordance with CAPR 173-4.

**18. Unit Deactivations.** Wing commanders must ensure that there has been a proper accounting of the unit's funds. The following procedures must be accomplished:

a. The wing commander, or his/her designee, will perform a reconciliation of the unit's bank account(s).

b. All funds remaining in the account(s) will be turned over to the wing. If the remaining funds are to be transferred to another unit, the wing finance committee must be informed of the unit receiving the funds and the amount of funds transferred.

c. All financial records will be forwarded to the wing headquarters within 30 days of unit deactivation.

d. A final consolidated unit financial report will be filed for the fiscal year to date indicating a zero balance. Verification from the financial institution which held the unit funds indicating that all accounts are closed must be included with this report.

**19. Financial Noncompliance.** Units that fail to comply with any portion of this regulation may be subjected to disciplinary or administrative action including deactivation by the wing commander.

**20. Financial Report for Year.** This report must be completed and is available in Quicken®. Instructions for completing this report are found in the Quicken® Manual. This report must be transmitted electronically to the wing director of finance and the signed certification letter must be mailed, e-mailed or faxed to the wing headquarters.