



*EMERGENCY SERVICE
ORGANIZATION*

Financial Management Practices

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Please Read Carefully

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Chapter 1: Managing Emergency Service Financial Systems

Too frequently there is news about an emergency service organization that has experienced a theft of funds, misappropriation of funds or some similar “fidelity” related loss. These types of situations create not only a financial challenge for the organization but present a negative image in the community.

Financial management issues are typically well managed with the implementation of specific systems providing checks and balances for managing funds.

It is up to your organization to verify it has the appropriate methods in place to manage fidelity issues.



Financial management is just one of several general management practices needing scrutiny by today’s emergency service leadership. Along with finances and budgeting, other topics that may need solid financial management include identifying and dealing with risks, legal issues, social media, personnel concerns and strategic planning.

Be concerned and proactively deal with financial management issues. A financial problem within an organization may not only financially devastate a department, but may portray the department negatively within the community. Both leaders and organizations may suffer the consequences including:

- Embarrassment.
- Bad public relations.
- Loss of members or no new members.
- Criminal charges.
- Monetary fines.
- Lawsuits.

It is important to take the necessary steps to help eliminate the opportunity, means and motive for members to want to commit a financial wrong against the organization.

Embezzlement can often start out subtle. This reference tool is intended to discuss the issues, concerns and effective practices related to managing the financial systems of fire and EMS agencies.

The Issues

Emergency service organizations (ESO) take a variety of steps to protect their members and their property. They guard against injury with protective gear and secure equipment to prevent damage. Yet two less-visible assets also need their attention: their funds and their reputation in the community.

Unfortunately, losses as a result of employee dishonesty are increasing. ESO funds are at risk of misuse and embezzlement. This type of loss not only disrupts the ESO but families and communities as well. The damage to an ESO's reputation in the community can hinder fundraising efforts and good will and can be extremely difficult to repair. The loss of funds can jeopardize high-quality response, equipment and services to the community. Preventive measure, early detection and appropriate insurance are extremely important.

Initially a member may intend to borrow a small amount of money that he or she expects to repay. When such an act goes undetected, repeated theft may not be far behind. Without oversight, this type of loss can go undetected for months or even years.

Fortunately, there are steps that ESOs can take to protect department funds – and the people who handle them.

Today's emergency service organizations are diverse and may:

- Operate as a social center.
- Manage buildings, apparatus and assets (such as stations, vehicles, equipment, halls, picnic pavilions, field day grounds and so on).
- Be incorporated or a public agency.
- Be a 501c3 or 501c4 not-for-profit corporation under the Internal Revenue Service Code.

The scenario described earlier is only one of many for a fidelity loss. Every year, many unknowing ESOs have money siphoned off by someone they trust. When these kinds of losses occur, the amount that can be documented may be only a portion of what was taken. Remember that the person or persons doing the embezzling are often in charge of the finances so they can manipulate the books. Directors, managers, chief officers, treasurers, financial secretaries and special event managers all have the potential to become a financial drain on any organizations if they do not perform their duties with fidelity.

Organizational Leadership Plays a Role

The typical organization's corporate or business administrative officers generally include:

- The President runs the day-to-day affairs of the company and executes the company rules, regulations and mission.
- The Vice-President takes over the presidency should a vacancy occur, discharges the duties given by the president.

- The Secretary is responsible for the written records and correspondence of the company.
- The Treasurer is responsible for the company finances, collects and disburses company funds.
- A Board of Directors is a sub-group of the company given specific tasks by the company.

Each must be held accountable for their role, responsibility, authority and actions. Each role has a function in the financial management of the organization as outlined in the following definitions and explanations.

Fidelity is defined as the strict observance of promises, duties, etc. or adherence to fact or detail. Unfortunately, some officers and managers are not always honest and may be tempted to divert money and other financial assets from an organization for personal gain. This can result in a fidelity claim.

A problem for an organization is when these losses occur, they occur over relatively long periods of time. This can result in the losses being staggeringly high. Each organization is responsible for its money and assets and understanding the fidelity requirements and expectations of the officers, members and organization.

So who is responsible and for what? Internal Revenue Service (IRS)-related material can be involved. For example, typically the secretary of the organization picks up the mail, which includes a notice from the IRS. The notice is passed on to the treasurer. The notice is for the filing of IRS form 990-N, report for 501(c)(3) tax exempt non-profit organizations. If the linkage fails in any aspect, the whole organization becomes responsible. What happens if the notice gets “lost” and the form is not filed? The same notice is received the following year. It wasn’t filed the previous year and nothing came of it, so rather than go through the hassle, the treasurer ignores the notice. The third notice follows the same path.

The result is, first, the 501(c)(3) status is automatically removed. To get it back means a complete re-application will have to be made, including filing fees (*expensive*). Without the not-for-profit status enjoyed before, several key donors may withhold support. The treasurer failed to execute a required duty. Revenue was lost; the company operation is put in jeopardy. The company could hold the treasurer responsible.

Here are a series of steps that can be taken to help prevent problems, including:

- Verify officers know their responsibilities.
- Establish a “checks and balances” procedure for vital functions, including:
 - Paying of bills.
 - Auditing your financials.
 - Monitoring all required functions and duties.
- Keep insurance up-to-date, including:
 - Bonding.
 - Management liability.
- Provide guidelines/policies on:
 - Confidentiality Policy. (See Appendix A)

- Whistleblower. (See Appendix B)
- Records Retention. (See Appendix C)
- Conflict of Interest. (See Appendix D)
- Investment Policy. (See Appendix E)

Insurance also plays a role by protecting organizations from the loss of money, securities or inventory that results from a crime. These generally include claims of employee dishonesty, embezzlement, forgery, robbery, safe burglary, computer fraud, wire transfer fraud and counterfeiting – but are policy specific, so understand policy provisions and exclusions by meeting with an insurance professional. Business crime related losses may not typically be covered by property insurance policies so it's important for crime protection insurance to be a component of the insurance protection portfolio.

These crimes may threaten the financial well-being of an organization – **BE PREPARED** through risk control and risk financing techniques.

Chapter 2:

Department Funds and Embezzlement

Department embezzlement has become a significant problem that has adversely affected many organizations. No state or region is immune. In fact, a recent Internet search found more than 150 hits for embezzlement by members of organizations within the past two years.

Remember, it can often start out subtly: Nobody thinks to question the treasurer because they are “one of us.” Every year, many unknowing emergency service organizations have money siphoned off by someone they trust.



The following scenarios are just some of the issues that can be faced.

- To avoid embarrassment, many agencies keep incidents “quiet” and remove officers, absorbing the loss.
- Some try to get offenders to make restitution without involving authorities.
- It’s turned in to law enforcement or an insurance company.

The following case studies illustrate some of the report findings. The amounts may be extensive, the level of officership high and ramifications to the organizations are devastating.

Case Study 893

A member was indicted for allegedly stealing \$50,000-plus from the fire department while serving as the treasurer for its board of directors. The member wrote unsanctioned checks and made cash withdrawals. “We have [surveillance] video tapes of her at the bank and you can see her making withdrawals on the tapes.” The Criminal Investigations Division of the Attorney General’s Office prosecuted. If found guilty, she could face up to 15 years in prison and a \$1,000 fine for felony theft in addition to a maximum of five years in prison for the charge of misappropriation by a fiduciary. The fire department has since changed its policy so treasurers may not make cash withdrawals and two signatures are needed on department checks.

Case Study 465

This case involved embezzling almost \$250,000 from one fire department over a 14-year period. Allegations were made of him transferring money to his personal business accounts and paying his personal bills with funds given or raised by the fire department. The suspect was charged with embezzlement and falsifying accounts, both felonies. In addition, he was charged with seven counts of wanton endangerment involving a firearm for bringing a gun to the last board meeting that he attended and threatening to take his own life. The defendant faces a jury trial.

Case Study 177

In this case, more than \$100,000 was stolen by a brother and sister team. The funds were to be used for a fire company event when they misappropriated a fire company check for \$360.09 at a phone store; misappropriated a check for \$1,501.95 at a building supply store; misappropriated checks to a hardware store for \$21.18 and \$20.75.

Case Study 517

The amounts alleged in the counts in this case study include the following (over three-plus years)

- Theft of more than \$6,000 in currency.
- A charge of theft of more than \$70,345 in currency.
- Check in the amount of \$4,000-plus.

The problems were discovered when the books of the company's treasurer were compared to bank statements. The suspect committed suicide when suspicions rose about his work as the department's treasurer. A lawyer for the fire department announced the embezzlement at a news conference stating "Over the last three years, the past treasurer of the volunteer department embezzled a substantial amount of funds from the department," and that the amount "approaches \$500,000."

- A representative stated there have been "established financial management practices in the past that were allowed to lapse. As a result, there was not the financial oversight that needed to be taking place."

Case Study 433

Over 18 months, this individual stole more than \$7,000. The treasurer stole from his colleagues. He had been charged with theft in past. There was no background investigation conducted. No apology or explanation was offered. No financial reviews were conducted.

Case Study 091

In this case, tally sheets were “fudged” to show less than the actual collected amount and were noticed by treasurer. An investigation occurred, polygraphs were taken and the coordinator confessed. The company implemented new policies for:

- By-laws and SOG changes.
- Checks and balances.
- Background checks.
- Progressive discipline process.

Case Study 213

Thefts can occur from facilities as well. In this case, a juvenile member broke into the fire station and stole equipment and a vehicle. The member was charged with burglary, theft and malicious destruction of personal property. Restitution was part of the sentence but Crime Insurance Coverage may be helpful as restitution may not be possible.

Chapter 3:

Credit Card Issues and Controls

It's important for organizations that have credit cards to be aware of various situations they present for theft and how to manage those opportunities.

When it comes to credit cards, individuals have been charged with:

- Third degree felony charges of theft by failure to make required disposition of funds received.
- Theft by unlawful taking.
- Theft by deception.
- Receiving stolen property.

Credit card accountability starts with:

- The governing board authorizing the cards.
- Instruct and train members in use of cards.
- Issue cards in names of specific individuals to help maintain accountability.
- Require expense accounts to be submitted and reviewed at minimum on a monthly basis.
- Perform periodic analysis of individual card users.
- Prohibit the use of department cards for personal expenses.
- Do not use cards that allow cash advances.
- Establish "reasonable" credit limits.
- Establish guidelines for phone, fax or Internet purchases...
- Review bills and watch for "red flags."
- Have a reconciliation process and time table.
- Never allow anyone to review and approve their own transactions.
- Reviewed by more than one person.
- Verify that items purchased were actually received.



Case Study 139

This incident found that one officer was able to buy – embezzle – more than \$300,000 of personal items on the department credit card.

Chapter 4: Fidelity

There are proven risk control methods for reducing the possibility of the conditions that make Fidelity theft possible. The following are some of these controls:



For persons with purchasing, fund management and check writing responsibilities:

- Require two signatures, signed only after they have been written in full. Never sign blank checks or allow the use of signature stamps, even for convenience.
- Have the organization's bank require signature cards to be kept on file. The organization should keep these up-to-date.
- Bank statements should be received and reconciled by someone who does not have check writing authority.
- Have an independent third party audit books annually.
- Whenever possible, do not permit persons with close personal ties (husband/wife; brother/sister; business partners) to have control over organizational check writing or reconciliation.
- Require purchase orders and invoices for all purchases of property or service. Have these compared to the written checks.
- Separate financial functions as much as practical.
- Conduct background checks on all new officers and members.
- Have all financial policies in writing.
- Review the organization's insurance policies to assure proper fidelity coverages are in place.

For persons who handle fund raising or special events cash

- Conduct background checks on all new officers and members.
- Do not permit persons with close personal ties (husband/wife; brother/sister; business partners) to handle cash without a third party present.

- For large amounts of cash or for events occurring over a long period of time, have frequent pick-up and accounting of cash. Collected money should be bank deposited to limit the amount of on-hand cash.
- Have at least two people responsible for reconciliation and deposit of cash.
- Whenever possible have some form of paper trail (ticket stubs, bill of sale, sign-in sheet) so that a close estimate of the anticipated cash can be obtained and confirmed.
- Have all financial policies in writing.

Chapter 5: 10 Practices for ESO Financial System Management

1. Have department financial policies in writing.
2. Have two members present anytime cash is changing hands, a central location for collecting cash and have two members present when preparing bank deposits involving cash.
3. Have a credit card accountability procedure in place.
4. Require two signatures for checks and only sign after written in full. No “pre-signing” checks or using signature stamps.
5. Assign a team/committee for investment responsibility, not one person.
6. Review bank statements on a monthly basis.
7. Conduct background checks for personnel with fiduciary duties – i.e., treasurer.
8. If possible, prohibit family members or people with close personal ties from simultaneously holding positions with financial responsibilities – i.e., president and treasurer.
9. Have adequate insurance to cover risks associated with various aspects for the organization’s finances:
 - a. Bonding.
 - b. Fidelity coverage.
 - c. Crime coverage.
10. Conduct “audits” of accounts:
 - a. Regularly by company audit committee.
 - b. A complete, all-inclusive audit, performed at least annually.
 - c. Most states require fire districts, fire companies and fire departments to obtain an independent audit.



Pay attention to the organization’s finances. Whether it is when financial reports are released for review, at periodic organizational meetings or when monthly budget statements are released.

Time to act:

Take the time now to review the following questionnaire and take action as needed.

Emergency Service Organization Financial Systems “Health Questionnaire”

(Any NO answers suggest taking action on that item.)

ACTION ITEM COMPLETED	YES	NO
1. The proper IRS filings are in place for the organization.	_____	_____
2. As required, tax reports are filed (local/state/federal).	_____	_____
3. Conflict of Interest Policy is in place.	_____	_____
4. Whistleblower Policy in place.	_____	_____
5. Disposition of Records Policy in place.	_____	_____
6. Financial Policies in writing.	_____	_____
a. Two members present anytime cash is changing hands.	_____	_____
b. Two members present when preparing cash bank deposits.	_____	_____
c. Credit card accountability policy in place.	_____	_____
d. Checks require two signatures and only signed after written in full.	_____	_____
e. No pre-signing checks or using signature stamps.	_____	_____
f. Review bank statements on a monthly basis.	_____	_____
g. Conduct background checks on personnel with fiduciary duties	_____	_____
h. Prohibit family members or people with close ties from simultaneously holding position with financial responsibilities.	_____	_____
i. Obtain adequate insurance to cover risks of:		
i. Bonding.	_____	_____
ii. Fidelity coverage.	_____	_____
iii. Crime coverage.	_____	_____
iv. Conduct regular audits.	_____	_____
7. Bill payment review/approval process in place by management/organization.	_____	_____
8. Progressive discipline procedure in place.	_____	_____
9. Investment Policy in place.	_____	_____

APPENDIX A

Sample Confidentiality Policy

YOUR MASTHEAD HERE

Standard Operating Guidelines

SOG NO. _____

SOG TITLE: CONFIDENTIALITY POLICY

ADOPTION DATE: _____

REVISION DATE _____

NO. OF PAGES: 2

Purpose

Because of the nature of much of the work of the _____, all employees and members should be fully aware of the confidentiality of material and information with which they work. Personal data should remain confidential at all times. No employee/member is to discuss any confidential information that they become aware of during the course of performing their job unless, of course, it is necessary to perform their job. This duty to preserve confidentiality continues even after you leave the employ of the organization.

No one is permitted to remove or make copies of confidential organizational records, reports or documents without prior approval of the _____ (position). Failure to adhere to this policy or any breach of confidentiality will result in disciplinary action, up to and including termination.

The purpose of this policy is to safeguard the individual rights of persons served by the organization by maintaining the confidentiality of the programs and any services that they receive or participate in from the organization as provided by law.

The attached document shall be reviewed and signed by all elected and appointed officer each year and filed by the _____ (position).

See attachment on next page

Confidentiality Policy for the Year 20__

The purpose of this policy is to safeguard the individual rights of persons served by the organization by maintaining the confidentiality of the programs and any services that they receive or participate in from the organization as provided by law.

Relationship to Mission/Vision/Values

The _____ is committed to providing services which treat people with dignity and respect, taking particular care to see that their rights are fully protected.

Policy

- Information about the identity, diagnosis, evaluation or treatment of a person served is confidential.
- All records and other information, paper based and electronic, which identify a person served, will be maintained and stored in a secure environment – for paper-based they should be secured in locked files and for electronic files they should be password protected and/or destroyed (shredded) pursuant to all legal requirements.
- Such information will be released only:
 - With proper authorization by the person served, his/her legal guardian or other legally authorized representative; or
 - Where specifically authorized by law.
- The president/chief of fire & rescue services shall be responsible for the establishment and implementation of procedures pursuant to this policy. Such procedures shall apply to all employees, consultants, volunteers, contracting agencies and affiliates. Such procedures shall comply with all appropriate statutes, rules, regulations and other legal requirements.
- All employees, consultants, volunteers, contracting agencies and affiliates shall be appropriately trained concerning this policy on confidentiality. Any violators of this policy or the procedures implementing this policy will be subject to disciplinary action, including possible discharge from employment or other affiliation.

I hereby acknowledge this policy and its contents.

Signature of Staff/Volunteer/Consultant

Date

APPENDIX B

Sample Whistleblower Policy

YOUR MASTHEAD HERE

Standard Operating Guidelines

SOG NO.: _____
SOG TITLE: Whistleblower Policy
ADOPTION DATE: _____
REVISION DATE: _____
NO. OF PAGES: 2

Purpose

To assure the organization's officer, members and employees observe high standards of business and personal ethics in the conduct of their duties and responsibilities. As employees and representatives of the organization, we must practice honestly and with integrity in fulfilling our representatives and comply with all applicable laws and regulations.

Reporting Responsibility

It is the responsibility of all officers, members and employees to comply with the code and to report violations or suspected violations in accordance with the Whistleblower Policy.

No Retaliation

No officer, member or employee who, in good faith, reports a violation of the code shall suffer harassment, retaliation or adverse employment consequence. An employee who retaliates against someone who has reported a violation in good faith is subject to discipline up to and including termination of employment. This Whistleblower Policy is intended to encourage and enable members, employees and others to raise serious concerns within the organization prior to seeking resolution outside the organization.

Reporting Violations

The code addresses the organization's open door policy and suggests that employees share their questions, concerns, suggestions or complaints with someone who can address them properly. In most cases, the _____ (positions) is in the best position to address an area of concern. However, if you are not comfortable speaking with an officer or you are not satisfied with their response, you are encouraged to speak with any officer you are comfortable in approaching. Supervisors and managers are required to report suspected violations of the Code of Conduct to the organization's compliance officer (organization secretary), who has specific and exclusive responsibility to investigate all reported violations. For suspected fraud, individuals should contact the organization's compliance officer directly.

Compliance Officer

The organization's compliance officer is responsible for investigating and resolving all reported complaints and allegations concerning violations of the code and at his discretion, shall advise the secretary and/or audit committee. The compliance officer has direct access to the audit committee of the board of directors and is required to report to the audit committee at least annually on compliance activity. The organization's compliance officer is the chair of the audit committee.

Accounting and Auditing Matters

The audit committee shall address all reported concerns or complaints regarding corporate accounting practices, internal controls or auditing. The compliance officer shall immediately notify the audit committee and auditing firm of any such complaint and work with the committee until the matter is resolved.

Acting in Good Faith

Anyone filing a complaint concerning a violation or suspected violation of the code must be acting in good faith and have reasonable grounds for believing the information disclosed indicates a violation of the code. Any allegations that prove not to be substantiated and which prove to have been made maliciously or knowingly to be false will be viewed as a serious disciplinary offense.

Confidentiality

Violations or suspected violations may be submitted on the confidential basis by the complainant or may be submitted anonymously. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.

Handling of Reported Violations

The compliance officer will notify the sender and acknowledge receipt of the reported violation or suspected violation within five business days. All reports will be promptly investigated and appropriate corrective action will be taken if warranted by the investigation.

APPENDIX C

Sample Records Retention Policy

YOUR MASTHEAD HERE

Standard Operating Guidelines

SOG NO. _____
SOG TITLE: RECORDS RETENTION
ADOPTION DATE: _____
REVISION DATE _____
NO. OF PAGES: 1

Purpose

To establish Standard Operating Guidelines for maintaining various records of the corporation.

The _____ (agency) will adhere to the following basic records retention guidelines:

- Incident reports – indefinite.
- Personnel files – indefinite.
- Financial records – 7 years.
- Meeting records – 10 years.
- General correspondence – 2 years.
- Contracts – 5 years after termination.

APPENDIX D

Sample Conflict of Interest Policy

YOUR MASTHEAD HERE

Standard Operating Guidelines

SOG NO. _____

SOG TITLE: CONFLICT OF INTEREST POLICY

ADOPTION DATE: _____

REVISION DATE _____

NO. OF PAGES: 4

Purpose – Article 1

The purpose of the conflict of interest policy is to protect this tax-exempt organization's (organization) interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the organization or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

Article II – Definitions

1) Interested Person

Any director, principal officer or member of a committee with governing board delegated powers (or a relative of the director, principal officer or member of a committee with governing board delegated powers) who has a direct or indirect financial interest, as defined below, is an interested person.

2) Financial Interest

A person has a financial interest if the person has, directly or indirectly, through business, investment or family:

- a) An ownership or investment interest in any entity with which the organization has a transaction or arrangement.

- b) A compensation arrangement with the organization or with any entity or individual with which the organization has a transaction or arrangement; or
- c) A potential ownership or investment interest in or compensation arrangement with any entity or individual with which the organization is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

A financial interest is not necessarily a conflict of interest. Under Article III, Section 2, a person who has a financial interest may have a conflict of interest only if the appropriate governing board or committee decides that a conflict of interest exists.

Article III – Procedures

1) Duty to Disclose

In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the directors and members of committees with governing board delegated powers considering the proposed transaction or arrangement.

2) Determining Whether a Conflict of Interest Exists

After disclosure of the financial interest and all material facts and after any discussion with the interested person, he/she shall leave the governing board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists.

3) Procedures for Addressing the Conflict of Interest

- a) An interested person may make a presentation at the governing board or committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
- b) The chairperson of the governing board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- c) After exercising due diligence, the governing board or committee shall determine whether the organization can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.

If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the governing board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the organization's best interest, for its own benefit and whether it is fair and reasonable. In conformity with the above determination it shall make its decision as to whether to enter into the transaction or arrangement.

4) Violations of the Conflicts of Interest Policy

- a) If the governing board or committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the

basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.

- b) If, after hearing the member's response and after making further investigation as warranted by the circumstances, the governing board or committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Article IV – Records of Proceedings

- 1) The minutes of the governing board and all committees with board delegated powers shall contain:
 - a) The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present and the governing boards or committee's decision as to whether a conflict of interest in fact existed.
 - b) The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement and a record of any votes taken in connection with the proceedings.

Article V – Compensation

- 1) A voting member of the governing board who receives compensation, directly or indirectly, from the organization for services is precluded from voting on matters pertaining to that member's compensation.
- 2) A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the organization for services is precluded from voting on matters pertaining to that member's compensation.
- 3) No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the organization, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

Article VI – Annual Statements

Each director, principal officer and member of a committee with governing board delegated powers shall annually sign a statement which affirms such person:

- 1) Has received a copy of the conflicts of interest policy.
- 2) Has read and understands the policy.
- 3) Has agreed to comply with the policy.
- 4) Understands the organization is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Article VII – Periodic Reviews

To ensure the organization operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- 1) Whether compensation arrangements and benefits are reasonable, based on competent survey information and the result of arm's length bargaining.
- 2) Whether partnerships, joint ventures and arrangements with management organizations conform to the organization's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

Article VIII – Use of Outside Experts

When conducting the periodic reviews as provided for in Article VII, the organization may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the governing board of its responsibility for ensuring periodic reviews are conducted.

Conflict of Interest Policy

Annual Affirmation of Compliance and Disclosure Statement

I have received and carefully read the Conflict of Interest Policy for board members, staff and volunteers of _____ and have considered not only the literal expression of the policy, but also its intent. By signing this affirmation of compliance, I hereby affirm that I understand and agree to comply with the Conflict of Interest Policy. I further understand that _____ is a charitable organization and that in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Except as otherwise indicated in the Disclosure Statement and attachments, if any, below, I hereby state that I do not, to the best of my knowledge, have any conflict of interest that may be seen as competing with the interests of _____, nor does any relative or business associate have such an actual or potential conflict of interest.

If any situation should arise in the future which I think may involve me in a conflict of interest, I will promptly and fully disclose the circumstances to the president (chairman) of the Board of Directors of _____ or to the chief executive officer, as applicable.

I further certify that the information set forth in the Disclosure Statement and attachments, if any, is true and correct to the best of my knowledge, information and belief.

Name (Please print)

Signature

Date

Disclosure Statement

Please complete the questionnaire, below, indicating any actual or potential conflicts of interest. If you answer "yes" to any of the questions, please provide a written description of the details of the specific action or transaction in the space allowed. Attach additional sheets as needed.

Financial Interests - A conflict may exist where an interested party, or a relative or business associate of an interested party, directly or indirectly benefits or profits as a result of a decision made or transaction entered into by the organization.

Please indicate, during the past 12 months:

Has the organization contracted to purchase or lease goods, services or property from or otherwise had a direct business relationship with you or from any of your relatives or business associates? Yes No

If yes, please describe:

Has the organization purchased an ownership interest in, or invested in, a business entity owned by you or owned by any of your relatives or business associates? Yes No

If yes, please describe:

Has the organization offered employment to you or to any of your relatives or business associates, other than a person who was already employed by the organization? Yes No

If yes, please describe:

Have you or have any of your relatives or business associates, been provided with a gift, gratuity or favor, of a substantial nature, from a person or entity which does business or seeks to do business, with the organization? Yes No

If yes, please describe:

Have you, or any of your relatives or business associates, been gratuitously provided use of the facilities, property or services of the organization or received a grant, loan or other financial assistance from the organization? Yes No

If yes, please describe:

Has a relative had a direct or indirect business relationship with the organization? Yes

If yes, please describe: No

Have you served as an officer, director, trustee, key employee, partner or member/shareholder of an entity doing business with the organization? Yes

If yes, please describe: No

[Add additional examples, if any]

Other Interests - A conflict may also exist where an interested party, or a relative or business associate of an interested party, obtains a non-financial benefit or advantage that he/she would not have obtained absent his/her relationship with the organization, or where his/her duty or responsibility owed to the organization conflicts with a duty or responsibility owed to some other organization.

Please respond to the following questions indicating if you had this activity anytime during the past twelve months:

Did you obtain preferential treatment by the organization for yourself or for any of your relatives or business associates? Yes

If yes, please describe: No

Did you make use of confidential information obtained from the organization for your own benefit or for the benefit of a relative, business associate or other organization? Yes

If yes, please describe: No

Did you take advantage of an opportunity or enable a relative, business associate or other organization to take advantage of an opportunity, which you had reason to believe would be of interest to the organization? Yes

If yes, please describe: No

APPENDIX E

Sample Investment Policy

YOUR MASTHEAD HERE

Standard Operating Guidelines

SOG NO. _____

SOG TITLE: INVESTMENT POLICY

ADOPTION DATE: _____

REVISION DATE _____

NO. OF PAGES: 10

Purpose

The purpose of this investment management policy is to assure investments are made consistent with the best interests of the _____ (agency) and consistent with best practices in investment management for non-profit organizations.

This statement of investment policy was adopted by the membership of the _____ (agency) on _____ to provide for the creation of, and guidelines for the management of, various funds held by the organization. These policies supersede any and all prior actions regarding investment policies. For the purposes of managing investment risk and to optimize investment returns within acceptable risk parameters, the following funds will be created and held as separate investment pools:

- Operating Fund.
- Short-term Reserve Fund.
- Long-term Reserve Fund.
- Endowment Fund.

Policy

- 1) The following procedures will be followed to ensure the investment policy statement is consistent with the mission of the _____ (agency) and accurately reflects current financial conditions:
 - a) The Finance Committee shall review this investment policy annually.
 - b) The Finance Committee will recommend any changes in this policy to the Board of Directors.
 - c) The Board of Directors will recommend said changes to the membership for concurrence.
 - d) The ultimate decision on investments shall lie with the membership vote of 2/3 members present at the vote.
- 2) The following procedures will be used to determine the dollar amounts to be placed in the each of the various funds.

The treasurer in concert with the Finance Committee will recommend the dollar amounts to be held in the operating fund, short-term reserve fund, long-term reserve fund and endowment fund.

Delegation of Authority

The Finance Committee is a fiduciary and is responsible for directing and monitoring the investment management of the various fund assets on behalf of the _____. As such, the Finance Committee is authorized to delegate certain responsibilities to professional experts in various financial fields. These include, but are not limited to investment management consultant, investment manager, custodian and additional specialists. It is anticipated that the services of a registered investment manager may be sought to manage portions of the long-term reserve and/or endowment funds

The following procedure shall be followed to engage a new or replace a current investment manager.

- 1) The treasurer and the Finance Committee will recommend the hiring or replacing of an investment manager to the Board of Directors.
- 2) The treasurer and the Finance Committee will nominate prospective candidates and send a request for proposal to each candidate.
- 3) The treasurer and the Finance Committee will review proposals and interview candidates to determine appropriate investment manager(s).
- 4) The Finance Committee will make the hiring recommendation to the Board of Directors, who shall have the final approval.

Operating Fund

Purpose

The purpose of the operating fund is to provide sufficient cash to meet the day-to-day financial obligations of the _____ (agency) in a timely manner.

Investment Objectives

The investment objectives of the operating fund are:

- Preservation of capital.
- Liquidity.
- To optimize the investment return within the constraints above.

Investment Guidelines

Allowable Investments

The president and treasurer, if authorized by the company and Board of Directors, will invest the operating fund as follows:

- Interest bearing savings account.
- Certificates of deposit at insured commercial banking organizations.
- Money market funds.
- Interest bearing checking accounts.
- Direct obligations of the U.S. government, its agencies and instrumentalities.

Maturity

The maturities on investments for the operating fund shall be 12 months or less.

Reporting

The treasurer or his/her designee shall prepare the following reports for presentation on at least a quarterly basis to the Board of Directors and Company:

- Schedule of investments.
- Interest income year-to-date.

Short-term Reserve Fund

Purpose

The purpose of the short-term reserve fund is to meet the expenses occurring as a result of unanticipated activities and to improve the return on the funds held for expenditure for up to five years.

Investment Objectives

The investment objectives of the short-term fund are:

- Preservation of capital.
- Liquidity.
- To optimize the investment return within the constraints above.

Investment Guidelines

Allowable Investments

The president and treasurer if authorized by the company will invest the short-term fund as follows:

- Interest bearing savings account.
- Certificates of Deposit at insured commercial banking institutions.
- Money market funds that invest in government backed securities.
- Interest bearing checking accounts.
- Direct obligations of the U.S. government, its agencies and instrumentalities.
- Mutual funds that invest in direct obligations of the U.S. government, its agencies and instrumentalities.

Maturity

The short-term fund shall have a weighted average maturity of three years or less. The maximum maturity shall be five years.

Reporting

The treasurer or his/her designee shall prepare the following reports for presentation on at least a quarterly basis to the Board of Directors and the company:

- Schedule of investments which includes schedule of performance since purchase or last five years.
- Interest income year-to-date.
- Current yield.

Long-term Reserve Fund

Purpose of Long-term Reserve Fund

The purpose of the long-term reserve fund is to provide secure long-term funding for the mission of the _____ (agency). The assets of the long-term reserve fund shall be managed in such a way as to facilitate the organization's goals and objectives as outlined by the company through the Board of Directors. Expenditure of the principal is board designated unless otherwise designated by the donor(s) in part or in whole. Also, at the discretion of the Board of Directors, up to 100 percent of the yearly total return may be utilized for program and agency expenses unless restricted for specific purposes by the donor(s).

Investment Objectives

In order to meet its needs, the investment strategy of the long-term reserve fund is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income. Specifically, the primary objective in the investment management of the long-term reserve fund shall be:

- Long-term growth of capital – To emphasize the long-term growth of principal while avoiding excessive risk. Short-term volatility consistent with the volatility of a comparable market index is anticipated, though management should strive to contain it.
- Preservation of purchasing power – To achieve returns in excess of the rate of inflation plus spending over the investment time horizon in order to preserve purchasing power of agency and trust assets. Risk control is an important element in the investment of trust assets.

Investment Guidelines

General Principles

- 1) Investments shall be made solely in the interest of the _____ (agency) and long-term reserve fund.
- 2) The assets shall be invested with care, skill, prudence and diligence under the circumstances then prevailing that a prudent investor acting in like capacity and familiar with such matters, would use the investment of a like fund.
- 3) Investment of these funds shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
- 4) The _____ (agency) may employ one or more investment managers of varying styles and philosophies to attain the fund's objectives.
- 5) Cash is to be employed productively at all times by investment in short-term cash equivalents to provide safety, liquidity and return.

Specific Investment Goals

Over the investment time lines established, it is the goal of the long-term reserve fund assets to realize a total return in excess of the rate of inflation, as measured by the Consumer Price Index. The goal of the investment manager shall be to meet or exceed the market index selected and agreed upon by the Finance Committee that most closely corresponds to the general principles stated above.

Diversification

Investment management of the assets of the long-term reserve fund shall be in accordance with the following asset allocation guidelines:

Asset Class	Minimum	Maximum
Equities	30%	70%
Fixed Income	30%	70%
Cash Equivalents	0%	20%

The Finance Committee may employ investment managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate portfolio, such disciplines must fit within the overall asset allocation guidelines established in this statement. The Finance Committee will meet annually to monitor and reevaluate investment allocation in reference to the long-term reserve fund asset classes.

Allowable Assets

The long-term reserve fund requires that all investment assets be invested in marketable securities, defined as securities that can be traded quickly and efficiently for the long-term reserve fund with minimal impact on market price:

- 1) Cash equivalents:
 - a) Treasury bills.
 - b) Money market funds.
 - c) Commercial paper.
 - d) Banker's acceptances.
 - e) Repurchase agreements.
 - f) Certificates of deposit.
- 2) Fixed income securities:
 - a) U.S. government and agency securities.
 - b) Corporate notes and bonds (investment grade, at least Standard & Poor's rating of BBB).
 - c) Mortgage-backed bonds.
 - d) Preferred stock.
- 3) Equity securities:
 - a) Common stocks.
 - b) Convertible notes and bonds.
 - c) Convertible preferred stocks.
 - d) American Depository Receipts of non-U.S. companies (ADRs)
- 4) Mutual Funds that invest in securities as allowed in this statement.

To ensure marketability and liquidity, equity investments shall be executed through nationally recognized exchanges such as the New York Stock Exchange, American Stock Exchange and NASDAQ.

Performance Reporting

The long-term Reserve Fund will be evaluated at least semi-annually on a total return basis. The evaluation will be based on the stated investment goals. Comparisons will show results for the year-to-date. The report will be prepared by the treasurer and will be presented to the Finance Committee at least semiannually. The Finance Committee will present a report to the Board of Directors at least annually.

Endowment Fund

Purpose of Endowment

The purpose of the endowment fund is to provide permanent funding for the mission of the _____ (agency). The assets of the endowment shall be managed in such a way as to facilitate the organization's goals and objectives as outlined by the Board of Directors. The principal is permanent and irrevocable; thus it can never be spent. At the discretion of the Board of Directors, up to 100 percent of the yearly total return may be utilized for program and agency expenses unless restricted for specific purposes by the donor(s).

Investment Objectives

In order to meet its needs, the investment strategy of the endowment fund is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income. Specifically, the primary objective in the investment management of the endowment fund shall be:

- Long-term growth of capital – To emphasize the long-term growth of principal while avoiding excessive risk. Short-term volatility consistent with the volatility of a comparable market index is anticipated, though management should strive to contain it.
- Preservation of purchasing power – To achieve returns in excess of the rate of inflation plus spending over the investment time horizon in order to preserve purchasing power of agency and trust assets. Risk control is an important element in the investment of trust assets.

Investment Guidelines

General Principles

Investments shall be made solely in the interest of the _____ (agency) long-term reserve fund.

The assets shall be invested with care, skill, prudence and diligence under the circumstances then prevailing that a prudent investor acting in like capacity and familiar with such matters would use in the investment of a like fund.

Investment of these funds shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

The _____ (agency) may employ one or more investment managers of varying styles and philosophies to attain the fund's objectives.

Cash is to be employed productively at all times by investment in short-term cash equivalents to provide safety, liquidity and return.

Specific Investment Goals

Over the investment time horizon established it is the goal of the endowment fund assets to realize a total return in excess of the rate of inflation, as measured by the Consumer Price Index. The goal of the investment manager shall be to meet or exceed the market index selected and agreed upon by the Finance Committee that most closely corresponds to the general principles stated above.

Diversification

Investment management of the assets of the endowment fund shall be in accordance with the following asset allocation guidelines:	Minimum	Maximum
Asset Class Equities	30%	70%
Fixed Income	30%	70%
Cash Equivalents	0%	20%

The Finance Committee may employ investment managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate portfolio, such disciplines must fit within the overall asset allocation guidelines established in this statement. The Finance Committee will meet annually to monitor and reevaluate investment allocation in reference to the endowment fund asset classes.

Allowable Assets

The endowment fund requires that all investment assets be invested in marketable securities, defined as securities that can be traded quickly and efficiently for the endowment fund, with minimal impact on market price.

- 1) Cash equivalents.
 - a) Treasury bills.
 - b) Money market funds.
 - c) Commercial paper.
 - d) Banker's acceptances.
 - e) Repurchase agreements.
 - f) Certificates of deposit.

- 2) Fixed Income Securities.
 - a) U.S. government and agency securities.
 - b) Corporate notes and bonds (investment grade, at least Standard & Poor's rating of BBB).
 - c) Mortgage-backed bonds.
 - d) Preferred stock.
- 3) Equity Securities.
 - a) Common stocks.
 - b) Convertible notes and bonds.
 - c) Convertible preferred stocks.
 - d) American Depository Receipts of non-U.S. companies (ADRs).
- 4) Mutual funds that invest in securities as allowed in this statement
 - a) To ensure marketability and liquidity, equity investments shall be executed through nationally recognized exchanges such as the New York Stock Exchange, American Stock Exchange and NASDAQ.

Performance Reporting

The endowment fund will be evaluated at least semi-annually on a total return basis. The evaluation will be based on the stated investment goals. Comparisons will show results for the year-to-date. The report will be prepared by the treasurer and will be presented to the Finance Committee at least semiannually. The Finance Committee will present a report to the Board of Directors and the membership at least annually.

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Client Toolbox. VFIS. 2013. https://auth.glatfelters.com/vpn/tmindex_producer.html

Client Resource Toolbox

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** subject to meeting evaluation criteria*

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