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5 **DMTF Financial Process and Procedures**

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Introduction

- 67 This document describes the DMTF financial policies and procedures. This includes budget preparation,
68 modification and approval, contract and statements of work approval, invoice approval, expense approval,
69 audit procedures and the investment policy.
- 70 This document was prepared by the Executive Committee.
- 71 DMTF is a not-for-profit association of industry members dedicated to promoting enterprise and systems
72 management and interoperability. For information about the DMTF, see <http://www.dmf.org>.

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DMTF Financial Process and Procedures

74 1 Roles and responsibilities

75 This clause of the document defines the roles and responsibilities of the DMTF Financial Process and
76 Procedures.

77 The chief executive officer is the DMTF President; if none is elected, it shall be the Executive Director.

78 In the event that the VP of Finance is unavailable, the Assistant Treasurer may temporarily act in their
79 stead with respect to the processes defined in this document provided at least three other DMTF
80 Executives have given their approval. This document is also subject to the rules and responsibilities
81 specified in [DSP4014](#).

82 2 Budget preparation

83 The DMTF has a fiscal year that runs from April 1 to the following March 31. Each year a budget must be
84 developed to ensure that programs and services are funded. The goal of the budget is to spend all of the
85 yearly income and maintain a reserve to permit at least six months of operation assuming no additional
86 membership income.

87 2.1 Expense budgeting

88 This expense budgeting process normally should start in December, with the final version ratified in the
89 March Board meeting. The initial draft of the budget is the responsibility of the DMTF Treasurer/VP of
90 Finance. The budget should be developed with input from last year's budget along with input from the
91 various Executives. The *chief executive officer* is responsible for the operational budget and is expected
92 to work with the various VPs to understand any overhead budgets that might need adjusting.

93 2.2 Income budgeting

94 The VP of Finance should work with the VP of Membership and/or Secretary when preparing the
95 proposed income budget for the upcoming year, because the bulk of DMTF's income is from membership
96 dues. Members are invoiced in February for the period that aligns with our fiscal year (April 1 through
97 March 31). Any members who join or change membership level midyear have their membership dues
98 prorated based on the established schedule. The Board may choose to assess a late fee on membership
99 dues that remain unpaid on July 1.

100 2.3 Forum budget preparation

101 Forums in the DMTF may have their own budgets. These budgets run on the same cycle and cover the
102 same fiscal year. The goal of the Forums is for them to be self-sufficient; hence, their budgets should
103 include all programs and services they will require for the coming year's activities.

104 3 Budget approval

105 All budgets must be approved by the DMTF Board of Directors. During a Board meeting prior to April 1 of
106 each year, the VP of Finance presents a proposed budget to the Board for review and approval.

107 3.1 Budget approval process

108 The DMTF VP of Finance reviews all proposed budgets with the DMTF Executive Committee prior to the
109 last DMTF Board of Directors meeting before April 1 of each year. The review is to ensure that all of the
110 guidelines and processes have been followed in the development of the budgets and to ensure that all
111 VPs with budget responsibility agree with the assumptions and budget targets. When all of the VPs are
112 satisfied with the final proposed budget, it gets circulated to the DMTF Board a minimum of 48 hours prior
113 to the final Board approval.

114 4 Contract approval

115 All contracts need to be reviewed by DMTF Executive Committee, reviewed by DMTF legal counsel as
116 determined by the DMTF Executive Committee, and approved by the DMTF Board of Directors. Money
117 must be in an approved budget before it can be approved by the Board. All contracts should use the
118 standard DMTF contract template when possible. Long-term contracts involving allocation of funds shall
119 not run over a year in length and must be renewed in synchrony with the DMTF fiscal year. Contracts
120 should be renewable at the beginning of each fiscal year (April 1). This allows contract commitments to
121 not exceed currently approved budgets. All contracts should be signed by the *chief executive officer*;
122 however, if the *chief executive officer* is an employee of the company the contract is with, then the Senior
123 Vice President must sign the contract.

124 5 Statements of work approval

125 From time to time additional work items need to be added to existing contracts. All Statements of Work
126 (SOWs) must be reviewed by the DMTF Executive Committee to ensure that:

- 127 • A current contract is in place.
- 128 • The work to be performed has budget funds allocated and a budget line item can be identified
129 that corresponds to the SOW.
- 130 • Verbiage in the SOW does not supersede any terms of the existing contract.
- 131 • The verbiage in the SOW is within the charter of the body requesting the SOW approval.

132 If all of the above items are true and three members of the Executive Committee approve, then the SOW
133 can be signed by the DMTF *chief executive officer*; however, if the *chief executive officer* is an employee
134 of the company that submitted the SOW, then the Senior Vice President must sign the SOW.

135 If the SOW contains language that modifies terms and conditions in the current contract it must be
136 submitted to DMTF legal for review and requires DMTF Board of Directors approval. If the SOW exceeds
137 the current budget by more than \$5,000, then it must go to the DMTF Board of Directors for approval. If
138 the SOW exceeds the current budget by \$5,000 or less, this addition can be approved by the DMTF
139 Executive Committee.

140 6 Invoice approval

141 All contractors and suppliers will provide invoices for goods and services for which they wish to be paid or
142 reimbursed.

143 6.1 DMTF operational invoice approval process

144 For all invoices that need to be paid from the DMTF Operational Budget, the invoice is reviewed by the
145 DMTF *chief executive officer* to ensure that:

- 146 • It is budgeted in the current operational budget.
- 147 • It does not exceed the contracted and budgeted amount.
- 148 • The service or goods were actually received by the DMTF.

149 NOTE On occasion the DMTF is required to pay a portion in advance. This should be done only if it is contractually
150 required.

151 The DMTF *chief executive officer* may be required to check with other DMTF Executives to ensure that
152 the service or goods have been supplied to our satisfaction. If the invoice is not approved, it must be
153 marked not approved, the reason for non-payment must be noted, and it must be returned to the vendor
154 that issued the invoice.

155 After an invoice is approved for payment, it will be:

- 156 • signed and dated by the DMTF *chief executive officer*
- 157 • marked as “Approved”
- 158 • marked with the DMTF Board resolution number that gives authority for budget or payment

159 6.2 DMTF forum invoice approval process

160 For all invoices that need to be paid from a DMTF Forum Budget, the invoice is reviewed by the particular
161 DMTF Forum Chair to ensure that:

- 162 • It is budgeted in the current forum budget.
- 163 • It does not exceed the contracted and budgeted amount.
- 164 • The service or goods were actually received by the DMTF Forum.

165 NOTE On occasion the DMTF is required to pay a portion in advance. This should be done only if it is contractually
166 required.

167 After a forum invoice is approved for payment, it will be:

- 168 • signed and dated by the appropriate DMTF Forum Treasurer
- 169 • signed and dated by the DMTF *chief executive officer*
- 170 • marked as “Approved”
- 171 • marked to include the DMTF Board resolution number that gives authority for budget or
172 payment

173 If the invoice is not approved, it must be marked not approved, the reason for non-payment must be
174 noted, and it must be returned to the vendor that issued the invoice.

175 7 Payment approval

176 Normally all payments are made by DMTF using paper checks.

177 All DMTF checks require two signatures (any two of the following): the VP of Finance, the Corporate
178 Secretary, the Chief Executive Officer or the Senior Vice President. One of the two signatures for any
179 disbursement by check should be an executive who is also a Director on the DMTF Board. The Chief

180 Executive Officer should not sign if the Secretary is the other signatory and/or should only sign if none of
181 the other signatories are available.

182 After an invoice is approved by the DMTF *chief executive officer*, the signed invoice is sent to the
183 Corporate Secretary who prepares a check for the invoiced amount. If the Corporate Secretary is also the
184 *chief executive officer*, invoices also need to be signed by the Senior Vice President. The check and a
185 copy of the signed invoice go to the VP of Finance. The VP of Finance reviews the invoice to ensure that
186 it has the required signature(s) and that the invoice amount does not exceed the budgeted amount. The
187 VP of Finance then signs the check and returns it to the Corporate Secretary, who then affixes his
188 signature on the check and sends the check to the vendor for payment in a timely manner.

189 If the vendor requires electronic payment, then the invoice serves in lieu of the check for receiving
190 signature approval from the VP of Finance and the Corporate Secretary. That is, the exact same
191 procedure that the VP of Finance and the Corporate Secretary follow in order to sign a check is followed,
192 except that the approval signature is affixed to the invoice rather than the check. Upon receiving the
193 necessary approval signatures, the invoice is kept in record and serves as the authorization to make the
194 electronic payment, which is handled by DMTF's bank as per instructions delivered to it by the Corporate
195 Secretary.

196 If the VP of Finance is unavailable for an extended period, which may cause DMTF payments to be late,
197 countersigning of the checks or invoices and review of the invoices may be performed by the Senior Vice
198 President.

199 **8 Budget adjustments**

200 During the course of a year it may be necessary to modify an existing budget. Because most of the DMTF
201 member dues are received by August, budgets are normally reviewed during the August DMTF Board of
202 Directors meeting. If income for the year is less than originally forecast, then projects that have been
203 targeted but not committed may be curtailed or canceled. It is also possible to shift budget dollars from
204 one activity that may be under budget to another activity to compensate for the shortfall. It is also possible
205 that membership may have increased, allowing for budget adjustments. Such adjustments may originate
206 in bodies run by the Executives, Forums or the DMTF Board and should follow the Budget approval
207 process. The budget adjustments are then approved by the DMTF Board of Directors, and a new revised
208 budget is created and made available to the Board of Directors.

209 **9 Travel expenses approval**

210 From time to time, travel may be required by one of the DMTF vendors. All vendors require prior approval
211 for travel if the travel does not have a separate budget line item. Travel approval requests must be made
212 in advance of the travel and submitted to the DMTF Executive Committee.

213 **10 Miscellaneous expense approval**

214 Any expenses that are not covered by the current DMTF budget or DMTF Forum budgets require pre-
215 approval. If the expense is greater than \$5,000, it needs pre-approval by the DMTF Board of Directors. If
216 the expense is \$5,000 or less, it needs prior approval by the DMTF Executive Committee.

217 **11 Monthly budget review and reports**

218 Reports of current financial status should be reviewed by the VP of Finance monthly, at a minimum.
219 Financial reports with latest YTD versus budget figures should be provided to the Board at each Board of
220 Directors face-to-face meeting, which normally occurs bi-monthly.

221 **12 Annual audit**

222 All DMTF financial transactions, policies, and procedures shall be audited by a qualified auditor who is
223 independent of any of the current DMTF contractors or suppliers. A copy of the results must be reviewed
224 by the VP of Finance and presented to the DMTF Board of Directors. Any recommendations for improved
225 processes as indicated by the auditors should be highlighted to the DMTF Board of Directors with the
226 goal of adopting the identified process improvements.

227 **13 Investment policy for DMTF Reserve Fund**

228 This statement of investment policy reflects the investment policy, objectives, and constraints of the
229 DMTF Reserve Fund. This is a fund designed to provide financial resource for the shut-down of the
230 association or to fund special projects that benefit the members of the DMTF. The Capital amount of the
231 Reserve Fund is set by the Board of the Directors as a part of each fiscal year's budget setting process.

232 **13.1 Purpose of investment policy**

233 This statement of investment policy is set forth by the DMTF Board of Directors in order to:

- 234 1) Define and assign the responsibilities of all involved parties
- 235 2) Establish a clear understanding for all parties involved of the investment goals, objectives, and
236 allocations of the assets in the DMTF Reserve Fund
- 237 3) Offer guidance and set limitations to all Investment Management Firms or Consultants, if any,
238 regarding the investment of assets in the DMTF Reserve Fund
- 239 4) Establish a basis for evaluating all investment results on a regular basis
- 240 5) Manage all Fund assets according to prudent standards as established in common trust law
- 241 6) Establish the relevant investment horizon for which the assets of the DMTF Reserve Fund will be
242 managed

243 In general, the purpose of this statement is to outline the philosophy that will guide the investment
244 management of the overall DMTF Reserve Fund toward the desired results. It is to be noted that the
245 DMTF Bylaws and Policies and Procedures documents should guide and will supersede any part of this
246 statement.

247 **13.2 Delegation of authority**

248 The DMTF Board and the Treasurer are primarily responsible for managing DMTF's investments. The
249 DMTF Board is tasked with assisting the Treasurer in this activity as needed. The DMTF Board may vote
250 to authorize the Executive Committee to act on its behalf in this task. The DMTF Board authorizes the
251 Treasurer to delegate certain responsibilities to professional experts in various fields.

252 In the event that an Investment Management Firm or a Consultant is retained, neither the Treasurer nor
253 the DMTF Board will reserve any control over investment decisions, with the exception of specific
254 limitations as described in this document. Furthermore, the Investment Management Firms and
255 Consultants will be held responsible and accountable to achieve the objectives herein stated.

256 **13.3 Assignment of responsibility**

257 If DMTF chooses to retain an Investment Management Firm or a Consultant for the purposes of
258 managing the DMTF Reserve Fund, their responsibilities are as follows:

- 259 1) Investment management decisions to buy, sell, or hold securities, and to alter asset allocation
260 within the guidelines of this policy
- 261 2) Reporting, on a monthly basis, of transactions and positions. Comparative investment
262 performance results will be reported quarterly or as requested by the DMTF Board of Directors.
- 263 3) Communicating major changes in economic outlook, investment strategy, or any other factors
264 which affect implementation of investment process, or progress of the Fund's investment
265 objectives
- 266 4) Informing the Treasurer regarding any qualitative change to investment management
267 organization. Examples include, but are not limited to, change in portfolio management,
268 personnel, ownership structure, investment philosophy, major asset reallocation.
- 269 5) Voting proxies, if requested by the Treasurer, on behalf of the Fund, and communicating such
270 voting records to the Treasurer on a timely basis
- 271 6) Assistance in the development and periodic review of this investment policy

272 **13.4 General investment principles**

273 The following investment principles shall be adhered to for the DMTF Reserve Fund:

- 274 1) DMTF investments shall be made solely in the interest of the beneficiaries of the DMTF
275 Reserve Fund.
- 276 2) Consistent with respective management styles and philosophy, investment management firms
277 or consultants should make reasonable efforts to preserve capital.
- 278 3) Investment of the reserve funds shall be so diversified as to minimize the risk of large losses.
- 279 4) Cash is to be employed productively at all times, by investment in short-term cash equivalents,
280 to provide safety, liquidity, and return.

281 **13.5 Investment guidelines**

282 The following asset classes will be utilized for investing the DMTF reserve funds. Any asset classes that
283 are not specifically mentioned below shall not be utilized.

- 284 1) Cash Equivalents
 - 285 • Treasury Bills
 - 286 • Money Market Funds
 - 287 • Certificates of Deposit (only to FDIC insurable limits)
- 288 2) Fixed Income Securities
 - 289 • U.S. Government and Agency Securities
 - 290 • Corporate Notes and Bonds, Class A or better

291 Individual corporate notes or bonds of any DMTF member company are prohibited assets.

292 The following guidelines shall be adhered to while investing in Cash Equivalents or Fixed Income
293 Securities:

- 294 1) DMTF Reserve Fund or Designated Investment Fund assets may be invested only in bonds
295 rated A (or equivalent) or better by one or more of the major credit rating agencies.
- 296 2) DMTF Reserve Fund or Designated Investment Fund assets may be invested only in
297 commercial paper rated A1 (or equivalent) or higher.
- 298 3) Fixed income maturity restrictions are as follows:
- 299 • Maximum maturity for any single security is 10 years.
- 300 • Weighted average portfolio maturity may not exceed 5 years.
- 301 4) Money Market Funds selected shall contain securities whose sponsor's credit rating at the
302 minimum will be rated AA or better by Standard and Poor's and/or Moody's.
- 303 5) All certificates of deposit must be insured to their full amount by the Federal Deposit Insurance
304 Corporation.

305 **13.6 Selection of an Investment Management Firm or Consultant**

306 The DMTF Board of Directors through its Treasurer will be responsible for selecting an Investment
307 Management Firm or a Consultant, if it deems it necessary. The kinds of factors to be taken into account
308 when choosing an investment advisor are outlined below. This list is not meant to be all inclusive:

- 309 • Size of portfolio(s) under management
- 310 • Experience both in the DMTF's organization and with DMTF's personnel
- 311 • Financial stability of the Firm or Consultant
- 312 • References from current and past clients
- 313 • Available resources
- 314 • Geographic location

315 **13.7 Performance review and evaluation**

316 Performance reports must be generated by the Investment Management Firm or Consultant on a monthly
317 basis and communicated to the Treasurer for review. Investment portfolio results will be measured
318 against commonly accepted performance benchmarks. The DMTF reserves the right to terminate an
319 Investment Management Firm or Consultant for any reason or no reason. Examples of areas that would
320 be of concern would be:

- 321 1) Investment performance which is significantly less than anticipated given the discipline
322 employed and the risk parameters established
- 323 2) Unacceptable justification of poor results
- 324 3) Failure to adhere to any aspect of this statement of investment policy, including communication
325 and reporting requirements
- 326 4) Significant qualitative changes to investment management organization or personnel
- 327 5) Investment Management Firm or Consultant's engagement in criminal or questionable activity

328 **13.8 Investment policy review**

329 To assure continued relevance to the DMTF, the guidelines, objectives, financial status, growth
330 expectations, capital market changes, and asset allocation as outlined in this Investment Policy will be
331 reviewed annually by the DMTF Board. The Board will set the annual investment policy at the Board
332 meeting conducted in March each year.

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ANNEX A (informative)

Change log

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Version	Date	Description
1.1.0	2012-08	Removed backup signature authority from Chair of the Board and replaced it with Senior Vice President
1.2.0	2013-02-26	Added backup signatories in case primary signatories are unavailable.
1.3.0	2015-12-10	Reworded to remove/adjust VP roles in case that role may not be filled. Clarified Exec approval for budgets, contracts, SOWs.
1.4.0	2016-11-18	Added Asst. Treasurer role. Changed the introduction for consistency.
1.4.1	2017-08-09	Updates to the statements of work approval clause.

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Bibliography

339 DMTF DSP4014, *DMTF Process for Working Bodies 2.0*,
340 http://www.dmtf.org/sites/default/files/DSP4014_2.6.pdf

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