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5 **DMTF Financial Process and Procedures**

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Foreword

64 The *DMTF Financial Process and Procedures* (DSP4010) was prepared by the Process and Incubation
65 Committee.

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67 management and interoperability. For information about the DMTF, see <http://www.dmf.org>.

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DMTF Financial Process and Procedures

71 **1 Chief executive officer**

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

73 **2 Budget preparation**

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

78 **2.1 Expense budgeting**

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

84 **2.2 Income budgeting**

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

91 **2.3 Forum budget preparation**

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

95 **3 Budget approval**

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

98 **3.1 Budget approval process**

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

105 4 Contract approval

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

115 5 Statements of work approval

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

- 118 • A current contract is in place.
- 119 • The work to be performed has budget funds allocated.
- 120 • Verbiage in the SOW does not supersede any terms of the existing contract.

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

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

129 6 Invoice approval

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

132 6.1 DMTF operational invoice approval process

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

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

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

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

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

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

148 **6.2 DMTF forum invoice approval process**

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

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

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

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

- 157 • signed and dated by the appropriate DMTF Forum Treasurer
- 158 • signed and dated by the DMTF *chief executive officer*
- 159 • marked as “Approved”
- 160 • marked to include the DMTF Board resolution number that gives authority for budget or
161 payment

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

164 **7 Payment approval**

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

166 All DMTF checks require two signatures (any two of the following): the VP of Finance, the Corporate
167 Secretary, the Chief Executive Officer or the Senior Vice President. One of the two signatures for any
168 disbursement by check should be an executive who is also a Director on the DMTF Board. The Chief
169 Executive Officer should not sign if the Secretary is the other signatory and/or should only sign if none of
170 the other signatories are available.

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

178 If the vendor requires electronic payment, then the invoice serves in lieu of the check for receiving
179 signature approval from the VP of Finance and the Corporate Secretary. That is, the exact same
180 procedure that the VP of Finance and the Corporate Secretary follow in order to sign a check is followed,
181 except that the approval signature is affixed to the invoice rather than the check. Upon receiving the
182 necessary approval signatures, the invoice is kept in record and serves as the authorization to make the
183 electronic payment, which is handled by DMTF’s bank as per instructions delivered to it by the Corporate
184 Secretary.

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

188 **8 Budget adjustments**

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

198 **9 Travel expenses approval**

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

202 **10 Miscellaneous expense approval**

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

206 **11 Monthly budget review and reports**

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

210 **12 Annual audit**

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

216 **13 Investment policy for DMTF Reserve Fund**

217 This statement of investment policy reflects the investment policy, objectives, and constraints of the
218 DMTF Reserve Fund. This is a fund designed to provide financial resource for the shut-down of the
219 association or to fund special projects that benefit the members of the DMTF. The Capital amount of the
220 Reserve Fund is set by the Board of the Directors as a part of each fiscal year's budget setting process.
221

222 **13.1 Purpose of investment policy**

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

- 224 1) Define and assign the responsibilities of all involved parties
- 225 2) Establish a clear understanding for all parties involved of the investment goals, objectives, and
226 allocations of the assets in the DMTF Reserve Fund
- 227 3) Offer guidance and set limitations to all Investment Management Firms or Consultants, if any,
228 regarding the investment of assets in the DMTF Reserve Fund
- 229 4) Establish a basis for evaluating all investment results on a regular basis
- 230 5) Manage all Fund assets according to prudent standards as established in common trust law
- 231 6) Establish the relevant investment horizon for which the assets of the DMTF Reserve Fund will be
232 managed

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

237 **13.2 Delegation of authority**

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

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

246 **13.3 Assignment of responsibility**

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

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

261 13.4 General investment principles

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

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

270 13.5 Investment guidelines

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

- 273 1) Cash Equivalents
- 274 • Treasury Bills
 - 275 • Money Market Funds
 - 276 • Certificates of Deposit (only to FDIC insurable limits)
- 277 2) Fixed Income Securities
- 278 • U.S. Government and Agency Securities
 - 279 • Corporate Notes and Bonds, Class A or better

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

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

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

294 **13.6 Selection of an Investment Management Firm or Consultant**

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

- 298 • Size of portfolio(s) under management
- 299 • Experience both in the DMTF's organization and with DMTF's personnel
- 300 • Financial stability of the Firm or Consultant
- 301 • References from current and past clients
- 302 • Available resources
- 303 • Geographic location

304 **13.7 Performance review and evaluation**

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

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

317 **13.8 Investment policy review**

318 To assure continued relevance to the DMTF, the guidelines, objectives, financial status, growth
319 expectations, capital market changes, and asset allocation as outlined in this Investment Policy will be
320 reviewed annually by the DMTF Board. The Board will set the annual investment policy at the Board
321 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	August, 2012	Removed backup signature authority from Chair of the Board and replaced it with Senior Vice President
1.2.0	February, 2013	Added backup signatories in case primary signatories are unavailable.
1.3.0	December, 2015	Reworded to remove/adjust VP roles in case that role may not be filled. Clarified Exec approval for budgets, contracts, SOWs.

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