DMTF Financial Process and Procedures

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DMTF Financial Process and Procedures

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Introduction

This document describes the DMTF financial policies and procedures. This includes budget preparation, modification and approval, contract and statements of work approval, invoice approval, expense approval, audit procedures and the investment policy.

This document was prepared by the Executive Committee.

DMTF is a not-for-profit association of industry members dedicated to promoting enterprise and systems management and interoperability. For information about the DMTF, see http://www.dmtf.org.
1 Roles and responsibilities

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

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

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

2 Budget preparation

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

2.1 Expense budgeting

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

2.2 Income budgeting

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

2.3 Forum budget preparation

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

3 Budget approval

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

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

4 Contract approval

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

5 Statements of work approval

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

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

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

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

6 Invoice approval

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

6.1 DMTF operational invoice approval process

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

- It is budgeted in the current operational budget.
- It does not exceed the contracted and budgeted amount.
- The service or goods were actually received by the DMTF.
NOTE On occasion the DMTF is required to pay a portion in advance. This should be done only if it is contractually required.

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

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

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

### 6.2 DMTF forum invoice approval process

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

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

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

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

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

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

### 7 Payment approval

Normally all payments are made by DMTF using paper checks.

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

After an invoice is approved by the DMTF chief executive officer, the signed invoice is sent to the Corporate Secretary who prepares a check for the invoiced amount. If the Corporate Secretary is also the chief executive officer, invoices also need to be signed by the Senior Vice President. The check and a copy of the signed invoice go to the VP of Finance. The VP of Finance reviews the invoice to ensure that it has the required signature(s) and that the invoice amount does not exceed the budgeted amount. The VP of Finance then signs the check and returns it to the Corporate Secretary, who then affixes his signature on the check and sends the check to the vendor for payment in a timely manner.
If the vendor requires electronic payment, then the invoice serves in lieu of the check for receiving signature approval from the VP of Finance and the Corporate Secretary. That is, the exact same procedure that the VP of Finance and the Corporate Secretary follow in order to sign a check is followed, except that the approval signature is affixed to the invoice rather than the check. Upon receiving the necessary approval signatures, the invoice is kept in record and serves as the authorization to make the electronic payment, which is handled by DMTF’s bank as per instructions delivered to it by the Corporate Secretary.

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

8 Budget adjustments

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

9 Travel expenses approval

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

10 Miscellaneous expense approval

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

11 Monthly budget review and reports

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

12 Annual audit

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

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

13.1 Purpose of investment policy

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

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

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

13.2 Delegation of authority

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

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

13.3 Assignment of responsibility

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

1) Investment management decisions to buy, sell, or hold securities, and to alter asset allocation within the guidelines of this policy
2) Reporting, on a monthly basis, of transactions and positions. Comparative investment performance results will be reported quarterly or as requested by the DMTF Board of Directors.
3) Communicating major changes in economic outlook, investment strategy, or any other factors which affect implementation of investment process, or progress of the Fund's investment objectives
4) Informing the Treasurer regarding any qualitative change to investment management organization. Examples include, but are not limited to, change in portfolio management, personnel, ownership structure, investment philosophy, major asset reallocation.

5) Voting proxies, if requested by the Treasurer, on behalf of the Fund, and communicating such voting records to the Treasurer on a timely basis.

6) Assistance in the development and periodic review of this investment policy.

13.4 General investment principles

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

1) DMTF investments shall be made solely in the interest of the beneficiaries of the DMTF Reserve Fund.

2) Consistent with respective management styles and philosophy, investment management firms or consultants should make reasonable efforts to preserve capital.

3) Investment of the reserve funds shall be so diversified as to minimize the risk of large losses.

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

13.5 Investment guidelines

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

1) Cash Equivalents
   • Treasury Bills
   • Money Market Funds
   • Certificates of Deposit (only to FDIC insurable limits)

2) Fixed Income Securities
   • U.S. Government and Agency Securities
   • Corporate Notes and Bonds, Class A or better

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

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

1) DMTF Reserve Fund or Designated Investment Fund assets may be invested only in bonds rated A (or equivalent) or better by one or more of the major credit rating agencies.

2) DMTF Reserve Fund or Designated Investment Fund assets may be invested only in commercial paper rated A1 (or equivalent) or higher.

3) Fixed income maturity restrictions are as follows:
   • Maximum maturity for any single security is 10 years.
   • Weighted average portfolio maturity may not exceed 5 years.

4) Money Market Funds selected shall contain securities whose sponsor’s credit rating at the minimum will be rated AA or better by Standard and Poor’s and/or Moody’s.

5) All certificates of deposit must be insured to their full amount by the Federal Deposit Insurance Corporation.
13.6 Selection of an Investment Management Firm or Consultant

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

- Size of portfolio(s) under management
- Experience both in the DMTF’s organization and with DMTF’s personnel
- Financial stability of the Firm or Consultant
- References from current and past clients
- Available resources
- Geographic location

13.7 Performance review and evaluation

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

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

13.8 Investment policy review

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

Change log

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

338  DMTF DSP4014, *DMTF Process for Working Bodies 2.0*,
339  [http://www.dmtf.org/sites/default/files/DSP4014_2.6.pdf](http://www.dmtf.org/sites/default/files/DSP4014_2.6.pdf)