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## **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 VPs, including Technology, Alliances, Interoperability, and Marketing VPs. The *chief executive*  
83 *officer* is responsible for the operational budget and is expected to work with the various VPs to  
84 understand any overhead budgets that might need adjusting.

### 85 **2.2 Income budgeting**

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

### 92 **2.3 Forum budget preparation**

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

## 96 **3 Budget approval**

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

### 99 **3.1 Budget approval process**

100 The DMTF VP of Finance reviews the proposed budget with the DMTF Executive Committee prior to the  
101 last DMTF Board of Directors meeting before April 1 of each year. The review is to ensure that all of the  
102 guidelines and processes have been followed in the development of the budget and to ensure that all VPs  
103 with budget responsibility agree with the assumptions and budget targets. When all of the VPs are

104 satisfied with the final proposed budget it gets circulated to the DMTF Board a minimum of 48 hours prior  
105 to the final Board approval.

## 106 **4 Contract approval**

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

## 196 **9 Travel expenses approval**

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

## 200 **10 Miscellaneous expense approval**

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

## 204 **11 Monthly budget review and reports**

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

## 208 **12 Annual audit**

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

## 214 **13 Investment policy for DMTF Reserve Fund**

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



### 220 **13.1 Purpose of investment policy**

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

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

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

### 235 **13.2 Delegation of authority**

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

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

### 244 **13.3 Assignment of responsibility**

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

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

## 259 **13.4 General investment principles**

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

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

## 268 **13.5 Investment guidelines**

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

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

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

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

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

### 293 **13.6 Selection of an Investment Management Firm or Consultant**

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

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

### 303 **13.7 Performance review and evaluation**

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

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

### 316 **13.8 Investment policy review**

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

321

322 **Appendix A – Change history**

323

Version 1.1.0	August, 2012	Removed backup signature authority from Chair of the Board and replaced it with Senior Vice President
Version 1.2.0	February, 2013	Added backup signatories in case primary signatories are unavailable.

324