SUBORDINATE UNIT PROCEDURES

Units must maintain all financial accounts through their respective wing. Units may not open or maintain checking, savings, CDs or money market accounts. Units may not have petty cash accounts.

Unit Commander

If a unit has funds, the unit commander must assign a unit finance officer and a finance committee within 30 days of assuming command and must provide the information in writing to the wing FM. The unit commander cannot serve as the unit finance officer. The unit commander for all units will sign and submit to the wing FM CAPF 171, *Unit Commander's Financial Disclosure Statement*, and ensure the unit's CAPF 174, *Contributed Facilities and Utilities worksheet* is submitted to the wing FM by November 1 each year.

Unit Finance Officer

The unit finance officer may not be a paid employee. A paid employee may perform bookkeeping duties under the supervision of the unit finance officer if the position is approved in writing by the wing commander. The unit finance officer must reconcile the unit's accounts with the reports provided by wing and notify the wing FM of any discrepancies.

Unit Finance Committee

The unit finance committee must ensure that the unit's funds are managed properly. The unit finance committee is composed of the unit commander as the chairperson, the unit finance officer and at least one other senior member. Once finance committee members have been appointed they may not be removed involuntarily unless the next higher commander approves or during a change of command.

The unit finance committee must complete CAPF 172, *Consolidated Finance Procedures,* to establish a written list of authorized approvers with their signatures and send a copy to the wing FM.

The unit finance committee must obtain written approval from the wing commander for all fundraising activities and ensure that CAPR 173-4 is followed.

The unit finance committee must approve in writing or via e-mail all unit expense transactions over $500. Batched checks over $500 are authorized as long as the individual expenses were approved and are each under $500. The check request, supporting documentation and approvals must be sent to the wing FM for payment.

The unit finance committee will meet at least once per quarter. The finance committee will maintain a written record of all meetings and approvals. Finance committee meetings and approvals may be conducted via e-mail or teleconference, a written record containing the date of the meeting, information discussed and a list of all attendees will be maintained.

The unit finance committee must develop and approve a balanced budget annually and review the budget at least quarterly. The approved budget must be sent to the wing FM by October 1 each year.

Unit Deposits

Units may either deposit funds directly into a wing-maintained consolidated account or mail the checks to wing HQ for deposit on their behalf. Units may not send cash to wing for deposit. Cash must be converted to a money order or check before being sent to wing. All funds collected for any activity, including fundraising, must be deposited in full. Collected funds may not be used to pay any expenses. If the unit makes the deposit, fax, e-mail or regular mail a copy of the deposit slip along with instructions on how the deposit should be allocated and classified. Most wings have developed forms so that units may easily record this information. All deposit information must be received at wing HQ within seven days of deposit. After one year and at least three attempts by wing HQ to identify unclaimed funds, any unclaimed deposits will be allocated equally among all units participating in that bank account.

Units Savings & Investments

The wing will establish a unit savings account exactly like the checking account. However, not all units are required to have a savings account.

Units may invest their funds in certificates of deposit at wing level. All funds so invested must be readily available without loss of principle. Donor-restricted investments or bequests of investments must be approved by NHQ CAP/GC prior to acceptance. Savings or money market accounts are not authorized at unit level.

Unit Payments

All payments will be issued by the wing. All unit payments must be approved in accordance with the unit's CAPF 172, *Consolidated Finance Procedures*, on file at wing. Approvals may be in writing or via e-mail. Units must complete CAPF 172, *Consolidated Finance Procedures,* for those bills considered recurring. All bills must have supporting documentation. All bills over $500 require at least two approvals unless they are batched with each invoice appropriately approved and less than $500. All personal reimbursement requests must be submitted within 60 days of incurring an expense or receiving an invoice. Requests for reimbursement presented after 60 days will not be honored.

Unit Credit Cards & Credit Accounts

Subordinate units may open credit cards and credit accounts if authorized by the wing commander. Credit applications must be reviewed and approved by Civil Air Patrol's Chief Financial Officer (NHQ/FM). If credit cards or credit accounts are authorized, the subordinate unit must complete CAPF 172, *Consolidated Finance Procedures.* Credit cards and credit accounts must only be opened or issued in the name of the CAP unit.

All usage must be documented with receipts. These accounts may only be used for authorized purchases and for official CAP business. Cash advances and personal expenditures are not authorized. Lost or stolen cards must be reported to the credit card issuer, the responsible unit's commander and the wing director of finance immediately. All losses incurred will be the responsibility of the subordinate unit.

Unit Fixed Assets

Subordinate units acquiring any fixed assets must report these to the wing FM. A fixed asset is defined as an asset purchased or donated with a per item value of $5,000 or more and a useful life of more than one year. The form used to report these additions is the Fixed Asset Report which is located on the NHQ web page under the Forms and Publications section. Click on CAPR 173-1 to locate the form. All unit fixed asset acquisitions, disposals, or sales must be reported to the wing FM.

Unit Contributed Facilities & Utilities

As part of the annual audit, NHQ requires each subordinate unit to submit a CAPF 174, *Contributed Facilities and Utilities Worksheet*, to the wing FM before November 1 each year. The worksheet needs to include the type, square footage and the annual fair rental cost, if known, for all facilities for which CAP has exclusive use. Buildings, meeting rooms, storage facilities or room, hangars or hangar space and aircraft tie-downs are some types of facilities for which CAP may be charged nothing or less than the fair market rental rate. The fair market value of donated utilities must also be reported on the worksheet.

Unit Contracts

Subordinate units may not enter into contracts. The wing commander is the only individual who may sign limited contracts that obligate Civil Air Patrol. Units may require a contract when they arrange for banquets, however these must be forwarded to the wing commander for his approval and signature before the event is booked. Please refer to CAPR 70-1, Civil Air Patrol Acquisition Regulation, regarding contracting.

Unit Business Meals & Entertainment

CAP appropriated funds may not be used to reimburse business meals or entertainment. Corporate funds may be used if properly authorized by the finance committee and the following IRS rules are followed. Business meals and entertainment must be documented on CAPF 170 with original receipts detailing the charges. There must also be a written document which clearly states the date, place, individual(s) attending and the business purpose of the meal or entertainment.

Business meals are defined as meals shared by employees, volunteers or donors where business discussions take place. To be authorized, business meals must meet *all three* of the following criteria:

a. Members must obtain approval from their respective finance committee to obligate the corporation for the business meals;
b. The business meals must not be lavish; and
c. Alcoholic beverages must not be reimbursed.

Entertainment must be ordinary and necessary as required by the IRS and must meet *both* of the following criteria:

a. The entertainment must pass the directly-related test. The entertainment must take place in a business setting with the purpose to promote CAP; the main purpose of the combined business and entertainment must be to actively conduct business; during the entertainment period you must engage in CAP business; and there was an expectation that CAP would receive income or some other business benefit at a future time. Conventions and hospitality rooms may meet this test. If CAP business is only incidental to the entertainment, such as cocktail parties or sporting events, then the expenses incurred do not meet the directly-related test.
b. The entertainment must be directly associated with the conduct of CAP business. There must be a clear business purpose and the entertainment must occur before or after a substantial business discussion, negotiation or other transaction that pertains to CAP business.

Unit Fundraising, Grants & Raffles

The wing commander must approve all fundraising activities in writing. Units must ensure that all fundraising documentation is forwarded to the wing director of finance who must ensure that all funds raised are accounted for correctly. If a unit wishes to use a professional fundraiser or a percentage or commission of the funds raised will be paid to a person or organization, the wing commander must contact NHQ CAP/GC for prior written approval to conduct these activities. CAP members and relatives may not profit from fundraising activities. Any funds raised must be used only for CAP purposes. CAPR 173-4 provides more details on fundraising requirements.

Units must comply with all matching fund requirements and any reporting requirements when applying for grants and when expending funds from a grant. Use CAPR 173-4 as a guide.

All federal, state and local laws must be followed when raffles are conducted. If required, registration of the activity may be necessary. Before any raffle is conducted you must contact your wing FM in writing with the details of the raffle. Any raffle prize with a fair market value of $600 or more must be reported to the IRS on a Form W-2G. If the raffle prize has a fair market value of more than $5,000 the winner must pay withholding tax equal to 25% of the fair market value of the prize less the raffle ticket cost. The winner(s) must complete an IRS Form 5747. If a unit fails to collect the withholding tax, they will be responsible for the tax payment to the IRS at 33 1/3%. Additional information on raffles may be obtained at the FM Website and from your wing FM.

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