

Command Responsibility in Finance

Lesson Objective: Demonstrate a working knowledge of CAP's finance system to competently participate in squadron level finance process.

Resources: CAPR 173-1 and CAPR 173-4

Desired Learning Outcomes (DLO):

1. Understand the squadron commander's financial responsibilities, timelines, and limits including the prohibition on petty cash accounts (CAPR 173-1.6l)
2. Understand the role the squadron plays in the Wing Banker Program
3. Explain the role and composition of the Finance Committee
4. Explain the responsibilities of the squadron finance officer
5. Describe squadron budgeting processes
6. Demonstrate how to obtain permission for fundraising (CAPR 173-4)
7. Understand how members participate in finance processes

Scheduled Lesson Time: 60 minutes

Introduction

The squadron is the most basic level of CAP hierarchy that is charged with a financial responsibility. Squadrons routinely raise funds through various means and of course expend funds for unit activities. As such, the unit commander is charged with the responsibility of budgeting, managing, and protecting the unit's funds, while complying with the associated CAP regulations.

1. Required Finance Functions and Timeline

Regulatory requirements for CAP financial management are found in CAPR [173-1](#). There may also be region and/or wing level supplements that clarify financial reporting and controls, but do not conflict with CAPR 173-1.

Specifically:

Within 30 days of assuming command, a new squadron commander must appoint a squadron finance committee, in eServices and submit a completed CAPF 172 to the wing director of finance. In addition, any time there is a change to the composition or membership of the squadron finance committee a new CAPF 172 must be submitted by the squadron commander. This committee will be composed of the unit commander as the chairperson, the finance officer, and at least one other senior member. Once finance committee members have been appointed they may only be involuntarily removed with the concurrence of the next higher commander except in the incidence of a change of command.

Within 30 days of assuming command, a new squadron commander must appoint a squadron finance officer in writing and provide this information in writing to the wing director of finance. The unit commander may not serve as the unit finance officer.

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Each year, no later than Oct 1st (the start of fiscal year) the squadron commander must submit an updated CAPF 172, and yearly budget to the wing finance director.

All funds received by a squadron must be deposited to and all disbursements must be made through the wing banker program in accordance with various wing procedures. Squadrons are specifically prohibited from maintaining a “petty cash account”. This is a cash account that is used to collect and disburse funds for small unit activities. (An example is a small cash reserve that is used to purchase rank or rewards and is replenished through the sale of these items.)

Squadron expense reimbursements and deposits are to be made in a **timely manner** following required wing procedures. It is important that all squadron deposits be reported to the wing, in accordance with wing procedures. Squadron deposits that are not reported may be lost and then allocated to the other squadrons in accordance with wing procedures.

All accounts are to be reconciled **monthly** by the squadron finance officer with results reported to the squadron commander. Any discrepancies must be reconciled with the wing finance director. At least **quarterly**, the squadron finance committee must meet to review the squadron’s financial status, compare their operations to their annual budget, and to authorize expenses over \$500. The squadron finance officer will document these actions in the finance committee meeting minutes, which will be made available at the **biannual** Subordinate Unit Inspection.

At no time is a squadron commander or other squadron member allowed to obligate Civil Air Patrol to any future obligation through the signing of a contract. This includes contracts for leases, rentals, banquets, fundraising, utilities, etc. All contractual obligations **must** be forwarded, through the wing commander, to national headquarters for their approval and signature. There are no exceptions to this rule. Another example of information all members need to know is who can sign contracts. Examples of contracts we might expect to see in CAP include hangar rent, storage facilities, catering, internet, building improvements, leases for buildings. All contracts will be coordinated through wing to NHQ prior to signing. Use of a credit card, for example to purchase office supplies, is not a contract.

2. Wing Banker

Before implementation of the Wing Banker Program, financial irregularities were one of the top reasons for removal of a commander. The previous finance system used by CAP had several accounting flaws that threatened to disband CAP. Before Wing Banker was put in place, CAP was at best able to receive a “modified” annual audit because units below wing level were not fully audited. A “modified” report is interpreted to mean the institution is potentially less trustworthy than another one where everything is available to be audited.

Wing Banker has greatly simplified things at the squadron level by decreasing the annual burden on the squadron members at reporting time, made financial auditing more transparent for the taxpayer, and allowed CAP to receive unmodified audits.

The Wing Banker system is essentially a checking account for your squadron. You send your banking deposits to the person designated by the wing commander (this will usually be either the wing administrator or the wing director of finance), and you request disbursements from the same.

A few key points to remember for any squadron staff officer: All expenditures must have supporting documentation. All check requests must be made within 60 days of the date of the

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expense. Units below wing level will not establish or maintain petty cash accounts. All disbursements over \$500 require two original signatures from members of the finance committee.

3. What is the Finance Committee?

The finance committee is appointed by the unit commander with 30 days of assuming command. The goal is proper management of funds so the unit can set and achieve goals. If you make your goals realistic and get buy-in from your members, your squadron will almost certainly grow because your members will be having a lot of fun and training - which is the reason they joined CAP in the first place. Financial leadership is one of your keys to success.

CAP's finance regulation lists the required members of squadron finance committees: "This committee will be composed of the unit commander as the chairperson, the finance officer, and at least one other senior member. Once a member is assigned to the committee, the only way to involuntarily remove the member is with approval from higher HQs. If your squadron is larger and/or has more resources, you should consider more than three on the finance committee. Keep the number of people on the committee odd for best chances of a majority vote. A commander cannot be the finance officer or appoint an immediate family/ household member to the finance committee.

Major duties of finance committee:

1. Maintain adequate system of internal controls in accordance with generally accepted accounting principles.
2. Conduct fundraising activities only after being approved by the wing commander.
3. Approve in writing or via e-mail all unit expense transactions in excess of \$500, unless the expenditure is a recurring expense already approved in writing.
4. Not overspend cash balance.
5. Retain documents which may not have been sent to wing, such as finance committee minutes.
6. Complete an annual updated CAPF 172 establishing a monthly recurring expense policy with individual spending limits.
7. Meet at least quarterly and maintain a record of all finance committee meetings and approvals.
8. Develop and approve an annual budget and send it to the wing director of finance. Quarterly review of the budget to actual results should be noted in the minutes of the finance committee. If there are no changes to the budget, the unit should note the review of the budget in their finance committee meeting minutes.

4. How to plan a budget

Wings have specific instructions on budgeting so work with your wing finance officer when developing your budget format. A squadron budget must be sent to wing director of finance before the start of each fiscal year on 1 October.

A budget is a plan that gives you a target to aim for. It needs to be a living document, not an annual exercise that is set in stone. As with any plan, a budget will only be useful if you compare the results against the plan at least quarterly then revise as needed.

To begin the budgeting process, members of the squadron finance committee need to assess the squadron's needs (utilities, hangar rent, etc.) and wants (cadet activities) as well as the

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ability to pay for them (This should sound very familiar to what you do at home.) Items of income may include squadron dues, activities, and fundraising.

- List all projected expenses (individually).
- List all projected income (individually).
- Subtract your expenses from your income: the result should be zero, or positive.

If you are expecting a loss, you must change your plans. Either raise the planned income or decrease the planned expenses. The budget must be reasonable and obtainable. Do not simply “pencil-whip” the budget as it opens the squadron up to making serious financial mistakes.

5. Proper ways to fundraise

Your squadron’s needs for operating funds, equipment, supplies, facilities, etc. can be greatly assisted by an active fundraising program combined with attracting donations—both money and property (in-kind). The keys to these programs are CAP’s federal tax-exempt status and the community’s awareness of CAP’s public service as volunteers.

Fundraising activities must be in accordance with [CAPR173-4](#). It is important no inference be made in any CAP fundraising program that the Air Force is involved or would benefit. Only cadets can wear military style uniforms for fundraising: seniors will wear a corporate uniform.

Wing commanders are responsible for control over CAP fund raising of subordinate units. Units must obtain prior written approval from the wing commander or designee before initiating a fundraising project. There may be additional requirements established by the wing. A few of the acceptable fundraising ideas include aircraft washes, corporation grants, Wreaths Across America, and concession booths at air shows.

The Development office at national headquarters has been expanded with successful ideas and fundraising newsletter at [Field Fundraising](#). Here you will also find information about management of donations, which includes use of CAPF 164 to document individual and community contributions.

6. Member participation in finance process

It is important that all members understand the finance process CAP uses to support squadrons. No member should assume they will be reimbursed for items purchased unless approved in advance by the proper authority. When needs for funds or equipment are identified, they are submitted by the primary staff officer to the squadron finance committee for review and potential approval. Members can ask command staff to provide periodic briefings on squadron budget priorities and where funds originate. Additionally, senior squadron staff can be asked to share data from wing commander calls about funding for larger scale training exercises and encampments.

Lesson Summary and Closure

Finances can be as simple or complex as we choose to make them. Keeping things simple makes everyone’s life easier and less stressful. Simplicity also enables us to focus on the fun, educational, and emergency services things that enticed us to join CAP in the first place. CAP

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uses balanced budgets, finance committees, and the Wing Banker system to accomplish all of this.

Ensuring your financial responsibilities are properly met is relatively fast and easy if done properly.