

**Civil Air Patrol
National Executive Committee
Finance Committee Meeting
28 October 2010**

Members Present

Col Warren Vest – Chairman
Col Russ Chazell
B/Gen Charles Carr, Jr.
Mr. Donnie Rowland (Advisor)

Col William Charles – Vice Chairman
Col James Rushing
Col Joseph Vazquez (Advisor)
Ms. Susan Easter (Recorder)

A meeting was held of the National Executive Committee, Civil Air Patrol Finance Committee on Thursday, October 28, 2010 at 5:00 p.m. All members were present. Col Vest opened the meeting with a welcome to all members and a thanked the NHQ staff, C.A.P. and C.A.P-USAF for the outstanding ribbon cutting ceremony and wonderful reception.

ITEM 1: First order of business was the approval of the prior meeting minutes from the April 2010 NEC Finance Committee meeting. Col Charles made a motion that the minutes be approved as presented. Col Rushing seconded. Col Chazell asked if these minutes had changed any from the draft version that was distributed at the NEC. Col Vest stated that no changes had been made. The motion was passed unanimously.

ITEM 2: FY10 Appropriated and Corporate Budget Execution Review. Col Vest presented the current status of the FY10 budget execution noting that we still have two months to finish paying all the invoices for FY10. Currently, O & M is 98% executed/100% obligated and the other 2% will be paid in the upcoming months. DDR is 100% executed/obligated. CAP-USAF provided CAP with fall-out funds in the amount of \$543,771 which allowed CAP to purchase 22 Becker DF Units. CAP also received vehicle procurement fall-out funds this year in the amount of \$1.5M which purchased 62 additional vehicles. The Aircraft and Vehicle procurement funds are three year funds and currently we are obligated at 94% and 98% respectively.

Our Corporate budget is 97% executed. We are not required to execute the corporate budget fully and any funds left over are retained by the organization. Col Vest also reviewed the execution of the “Vanguard Funds”, commission received from Vanguard on the sale of CAP items. Notably, \$65K was put into improvements and office equipment at the NESA Center for Operations Excellence and \$17K for Hawk Mountain. In addition, \$10K was spent on new roofs for the Oshkosh facility and a vehicle wrap was completed. Mr. Rowland made a note for the record that we have not procured anything from Vanguard with appropriated funds. If we ever did do so and received a commission, those monies would be received and executed as program income money.

ITEM 3: FY11 Restored Financial Plan. Col Vest and Mr. Rowland spoke to the background of this action. Because Congress has not passed a Defense Appropriations bill to date, we are being funded through a Continuing Resolution Authority(CRA). Consequently, any action to “plus-up” our current budget of \$22,848,000 for FY11 is pending. On that note, Col Vest wanted to state for the record that because of the CRA, our first quarter funding allocation for FY11 is only 90% of FY10 Restored O & M budget or \$5.9M. This means that we must really watch our execution of funds carefully in that we are on a very limited budget and cash flow is also limited.

In FY10, the funding was not restored until January 10, well after the Fall NEC and Winter BoG meetings. At that point special sessions had to be established to approve a restored budget. This year we are requesting that the Finance Cmte recommend to the NEC and forward to the BoG for approval, a “Restored Financial Plan” in the event that Congress fully or evenly partially restores our funding disconnects.

The assumptions made when creating this Restored Financial Plan are:

1. That all unfunded items that were created by the funding disconnect be funded to their full amount.

2. Current year changes that have been made and approved by the FMB are reflected in this financial plan.
3. Due to the temporary freeze on the Comm HF program, new unfunded requirements are to be funded from this line in order to balance the financial plan.

The Restored Financial Plan funding is \$27,297,000.

MOTION: Col Rushing moved and BGen Carr 2nd that , the Finance Committee recommends the NEC endorse the FY11 Restored Appropriated Financial Plan for the amount as presented in the Senate Appropriations Committee and forward to the Board of Governors for approval; If the appropriated amount should either increase or decrease during conference committee, the budget will be amended proportionately. The motion passed.

ITEM 4: FY12 Appropriated Financial Plan. Col Vest presented the history of the FY12 funding ABIDES which provides for funding in the amount of \$23,338,000 for FY12 leaving a funding shortfall of \$4.505M. Col Vasquez asked how we could get out of this cycle, stating that we are using up a great deal of our political clout on an annual basis getting budget restorations. Col Ward, CAP-USAF was kind enough to offer a quick explanation of the DOD budgeting process and how any reductions in our "initial" funding lines are created.

The assumptions made when creating this Financial Plan are:

1. Because of the delta, all items were funded at FY11 levels with the exception of items that cannot be reduced due to inflation factors, etc.
2. Mandated travel will be fully funded at the FY12 requests levels. (i.e., IG and FM program audit)

The FY12 Financial Plan funding is \$23,338,000. Col Chazell, after reviewing the plan inquired as to why the Cadet Program activities seem to have taken such a large cut. Ms. Easter explained that FY10 was the first year that these activities were funded using appropriated dollars. Therefore, the revenue brought in from these activities must now be recognized as "program income" and be treated the same as appropriated funding. When the FY11 Budget was conceived, this was not known. Consequently the requested appropriated funding level for these activities in FY11 was considerably higher than the realistic need when you factor in program income revenue. In reality, the total funding amount did not change, just the source of a portion of the funding.

MOTION: BGen Carr moved and Col Rushing 2nd that, the Finance Committee recommends the NEC endorse the FY12 Appropriated Financial Plan and forward to the Board of Governors for approval. The motion passed.

ITEM 5: Vanguard Funds. Col Charles stated that our average annual income from Vanguard commissions is \$85K per year. As background, the NEC passed a motion in meetings passed the commission earned from Vanguard would be designated for the Regional Training Centers. Later this was expanded to include 1 vehicle wrap for every region. To date, all vehicle wraps have been complete with the exception of Rocky Mtn. Region. Current balance in the account to include the September commission check is \$65,264.46.

MOTION: Col Charles moved and Col Carr 2nd that, the Finance Committee recommends the NEC allow the expansion of the list of uses for the Vanguard funds from Region Training Facilities and Vehicle Wraps to include the support of National Cadet Special Activities(NCSA); currently restricted only to NCC and COS. Motion failed.

ITEM 6: National Board Travel Allocation – Information only. Col Vest stated that the Wings eligible to receive a travel allocation for Winter and Summer National Boards has been presented for information only to the Finance Committee Members and Region Commanders. The allocation for this funding is \$20K this year which equates to \$370 per wing per board. 27 Wings are eligible this year to receive this funding.

ITEM 7: Wing Financial Analysts, Unit Visits – Information only. The WFA's have visited 46 Units performed logistics and finance audits. Responses to the visits from the field have been positive. Several issues have been found, most significantly non-tagged items. WFA's have instructed Wings on proper tagging procedures and tag the items while there. BGen Carr asked what the value of the equipment not there was and if there was a way to capture this. Ms. Easter said there was but at this point a report has not been developed to capture this information. His concern was follow-up on the missing items. Col Charles and Ms. Easter assured him that there are follow up procedures in place. All missing items will have a Report of Survey in ORMS and from there the items must be presented and/or accounted for.

Regarding the financial audits, the units visited generally had good practices in place and welcomed any training and information to make their units better. Ms. Easter stated that for a first visit things went well and is assured that improvements will be made and the units will get strong with each visit and training session.

ITEM 8: MIPR Missions – Information only. Col Vest stated that the additional funding we get for appropriated missions that are not funded in our O & M funding has increased significantly over the year. FY09 we flew \$682,169 in MIPR missions, in FY10 our mission flying increased to \$1,782,585. The largest portion of this is Surrogate Predator Missions, ROTC, Disaster Relief efforts.

ITEM 9: National Staff College Funds. The National Staff College (NSC) had a residual balance of \$16,132 from their checking account which has now been closed. All funds have been incorporated into the Operating account, however, the NSC is asking that the this balance which was left over from seed money and dues collected spanning numerous years be designated for NSC only. Col Charles stated that currently any excess funds created by an encampment and/or activity are remitted to the Operating account and never carried over and/or restricted to that specific activity. Ms. Easter stated that throughout the years, some activities go over budget, some come in under budget and they balance each other out. With the fluid nature of the economy it is difficult to budget exactly on an activity and this is the way we maintain support across the board.

MOTION: Col Charles moved, BGen Carr 2nd that, the Finance Committee recommends the NEC endorse the request by the National Staff College to restrict residual funds in the amount of \$16,132 for future use and establish the committee to determine utilization of the funds. Motion failed. BGen Carr stated along with Mr. Rowland that NSC will continue to receive full support of the Corporation.

ITEM 10: Wing Audit Requirements. Col Vest explained that currently the regulation states that if an incident of fraud is confirmed in a Wing, by regulation, the Wing must obtain *and fund* a separate external audit for a period of two years. This is often punitive to the entire Wing for things that they might not have had control over and many Wings cannot afford such an audit.

MOTION: Col Charles moved, Col Rushing 2nd that, the Finance Committee recommends to the NEC that the regulation be modified to state that “an audit may be required for a period of two years following the disclosure of fraud as determined by the National Finance Officer and the Chief Financial Officer”.

After a discussion and with input in from Mr. Billy Daniels, of Wilson-Price, CAP's external auditor, Col Charles decided to make a substitute motion which was 2nd by Col Rushing. The motion to accept the substitute motion was passed.

SUBSTITUE MOTION: Col Charles moved, Col Rushing 2nd that, the Finance Committee recommends to the NEC that paragraph 32(a) of CAPR 173.1., which states:

”If an incident of fraud is confirmed, the wing will be required to have a separate external audit for a period of 2 years following the disclosure of the fraud. The external auditor fees will not be reimbursed by National Headquarters.”

be eliminated from the regulation. Motion passed.

ITEM 11: Maintenance Fund Balances. Col Vest stated that we still have 4 Wings that have been brought under the Consolidated Maintenance Program with tail number account balances. Of these 4 Wings, 2 have brought forward repayment plans for consideration by the Finance Committee.

RI Wing – Tail # Balance \$3,771. RI Wing has proposed to pay the balance at a rate of \$800 per year for four years.

MOTION: BGen Carr moved, Col Chazell 2nd that, the Finance Committee approves the RI Wing reimbursement plan. Motion passed.

AR Wing – Tail # Balance \$44,146. AR Wing proposes that the cost for hanger rentals \$12,165 be applied against the tail # balance debt and that the Wing reimburse NHQ the balance of \$31,981 at a rate of \$25.00 per month. Col Chazell noted, at that rate it would take 10 yrs, 6 months to pay off the debt. The committee did not consider AR Wings proposal because it did not meet the requirements as specified by the NEC in April 2010 that all proposals must have a payment plan that is completed within a 5 year period.

ITEM 12: A-9 Mission Budgeting in WMIRS – Information Only. Col Vest called on Mr. Salvador to discuss this issue. Mr. Salvador stated that the NEC will be presented with information that established a budgeting process for all A-9 missions similar to how Orientation and Training budgets are established in WMIRS. This will afford greater accountability over utilization of funding for these missions.

ITEM 13: Equipment Assignments in ORMS. Col Charles stated that there is a potential problem with the accountability of assets and the tracking of that asset in relation to the POC vs. the actual physical location of the asset. He questions whether it should be required that the unit of assignment and physical location of a particular asset be the same and whether CAPR174-1 should be amended to require equipment be listed in ORMS where it is located.

Motion: Col Rushing moved, BGen Carr 2nd that, the Finance Committee recommends to the NEC that CAPR 174-1 be amended to require aircraft, vehicles and communication equipment be assigned to the unit level where the asset is located, in accordance with the table of allowance. Motion passed.

ITEM 14: Donations from CAP. Col Vest state that the Wings and Units are looking for guidance on the collection for, use of, and distribution of donations to individuals. After discussion the committee concluded that this issue requires more expertise advice than what this committee can provide. The committee believes that this subject merits more serious analysis by experts.

MOTION: Col Chazell moved, BGen Carr 2nd that, the Finance Committee recommends to the NEC that National Commander refer this issue to the appropriate body as she sees fit. Motion passed.

ITEM 15: Cadet Uniforms – Information Only. Col Vest reported that CAP spends approximately \$400k annually on cadet uniforms. Currently the attrition rate is close to 40%. The current procedure is that the uniforms are mailed directly to the new cadet from AAFEES. The NHQ staff has suggested that possible changes the process may be warranted. Mr. Mallett stated that this is under study and that we just wanted to keep the committee informed.

ITEM 16: Travel - Information only. Col Vest reported that during Wing and Unit visits the WFA's have discovered some lapses in accounting for travel expenses. Some individuals are not preparing travel vouchers to document the business purpose of the travel. WFA's will be noting this issue in visit reports and will be providing training to the Wings.

ITEM 17: Wing Financial Management Policies. This agenda item is in response to agenda item #12 of the Summer NB brought forward by Col Skrabut, Standardize Procedures through the use of Supplements and Operating Procedures. Ms. Easter and Col Vest stated that the regulation mandates compliance already.

MOTION: Col Chazell moved, Col Charles 2nd that, the Finance Committee respond to the agenda item at Winter National Board stating that the current processes and guidance found in current regulations and on the FM web site are sufficient to meet goals of the National Board action as approved at the Summer National Board 2010. Motion passed.

Col Chazell will prepare a brief for presentation at the Winter National Board.

ITEM 18: Risk Matrix – Information only. Ms. Easter presented the latest risk matrix for the Wings.

NEW BUSINESS:

Item 1. Col Rushing questioned the policy on unclaimed deposits at the Wing. Currently the policy states that unclaimed deposits will be divided evenly among the unit within the Wing.

MOTION: Col Rushing moved, BGen Carr 2nd, that the Finance Committee recommends to the NEC a policy change that allows the Wing Finance Committee discretion to use unclaimed deposits for purposes they deem appropriate such as scholarships, encampment fees, etc. Motion failed.

Item 2. Col Charles brought forth a motion on behalf of MGen Courter.

MOTION: Col Charles moved, BGen Carr 2nd that, the Finance Committee gives MGen Courter the authority to move \$4500 from her CC Directed travel line to establish a FY11 funding line for the National Legal Officer College. Motion passed.

Item 3. Col Charles brought forth a motion on behalf of Col Woodward.

MOTION: Col Charles moved, Col Rushing 2nd that, the Finance Committee approve an increase in the amount of \$250 per Region annually for Region Chaplain Staff College and that the budget for Region Chaplain Staff College be brought back to its original funding level of \$3600/Region per year. Motion passed.

There being no further business the meeting was adjourned at 10:06pm.

Respectfully submitted,

//Signed//

C. WARREN VEST
National Finance Officer
Civil Air Patrol