



Financial Policy

Background and Purpose

The financial policies of The American Society for Engineering Education (ASEE) have evolved by the actions of successive Boards of Directors and their Executive and Finance Committees. These actions have been recorded in the minutes of the meetings of these bodies. The various policies have been compiled into this Financial Policy Manual, to serve as a ready reference for:

1. Volunteer officers and others who need to understand ASEE financial policy;
2. The Board of Directors, which, on behalf of ASEE members, establishes and modifies financial policy, as may be appropriate;
3. The Finance Committee, which is responsible for oversight of fiscal management in accordance with policy, review of financial policy, and for recommendations to the Board of Directors to modify financial policy; and,
4. The Executive Director, who is responsible for the financial management of ASEE.

Note: Unless otherwise stated, reference to ASEE Divisions in this manual should be taken to include Councils and Constituent Committees

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Financial Policy (Part 1)

FINANCIAL POLICY 1 Overall Financial Policy

1.1 Financial Aims of ASEE

- A. The American Society for Engineering Education, Inc., is a 501(c)(3) nonprofit organization that is operated exclusively for scientific, educational and charitable purposes with a specific focus on the advancement of engineering and engineering technology education and related activities. Increasing assets, while not the function of ASEE, is a legitimate goal that supports the need to develop working capital that is needed to underwrite Society capabilities and services. It is the policy of the Board of Directors of ASEE that the realization of these worthwhile purposes warrants a financially vital organization, so that expended capital can be replenished, the Society's capability can be enhanced, the eroding effects of inflation can be offset, new technologies can be adopted, services can be expanded, and ASEE can be protected against financial harm due to recessions or other uncontrollable situations.
- B. ASEE's tax exempt status is predicated on its service to engineering and engineering technology education as a whole — not on the provision of benefits exclusively to its own members. Accordingly, ASEE activities, products and services will be available to members and non-members. Reasonable pricing differentials can and will be used, however, since member dues provide a foundation for all ASEE activities.
- C. All funds earned under the auspices of ASEE, by any unit of the organization, are part of the assets of ASEE.
- D. No ASEE member, director, officer, employee, committee member, or any other private individual shall receive at any time a share of the net earnings or pecuniary profit from the operations of ASEE. This prohibition shall not prevent the payment to any such person of reasonable compensation for services rendered to ASEE in fulfilling any of its purposes, as defined by the Board of Directors.

1.2 ASEE Tax Exemption Status

The American Society for Engineering Education is exempt from federal taxes under the 501(c)(3) designation used for qualified charitable, educational, and scientific organizations. Maintaining this tax exemption is a primary concern of the Board of Directors and shall be a primary concern of all Officers and Directors of ASEE.

1.3 Fiscal Responsibility of the Board of Directors

The ASEE Board of Directors is legally responsible for all assets and liabilities of the organization.

1.4 Generation and Application of ASEE Funds

A. Operating as a 501(c) (3) non-profit organization, ASEE generates funds in relation to an annual budget that is approved by the Board of Directors. ASEE funds are generated from such areas as:

1. Member and Institutional dues
2. Registration from conferences, workshops, courses and seminars.
3. Subscriptions and sales of professional publications, including serial publications, books, and newsletters
4. Advertising
5. Sponsorship and underwriting of ASEE activities
6. Donations and bequests
7. Grants and contracts

B. ASEE funds are expended to further the aims of ASEE in such areas as:

1. Conferences, workshops, courses, and seminars
2. Printing and publishing professional publications, including serial publications, books, and newsletters
3. Membership, section, and Division services
4. Honors and awards
5. Activities in the areas of professional development, inter-society affairs, student and faculty affairs, education, scholarships, public relations, and future ASEE growth
6. ASEE headquarters and volunteer officer expenses

1.5 Cost and Overhead Recovery

A. All direct costs related to an activity shall be recovered either through income generated from external sources or through the approved use of ASEE funds.

B. It is important to the financial welfare of ASEE that all Officers recognize that the indirect or overhead expenses of ASEE are real costs of carrying out activities. Appropriately allocated overhead costs shall be recovered in all ASEE revenue budgets and pricing structures for products, services, and externally funded projects that are supported by headquarters activity.

C. The ASEE overhead rate shall be audited annually by the CPA firm chosen to conduct the external audit of the ASEE financial condition. Any exception to the application of the audited ASEE overhead rate to an internally or externally funded project or activity must be approved by the Finance Committee.

1.6 Cash Management

A. The authority and responsibility for effective management of cash flow of ASEE rests with the Executive Director.

B. The Executive Director shall ensure that the earnings of all restricted funds are appropriately accounted for and credited.

C. The Executive Director shall ensure that ASEE income is collected and that debts are paid in a timely manner.

FINANCIAL POLICY 2 Restricted Funds

2.1 Definition and Scope

- A. Restricted funds are those revenues advanced to and accepted by ASEE with the stipulation that they be used exclusively for the accomplishment of specific objectives. Various government and privately sponsored programs and endowed and sponsored awards are included in this category.
- B. Restricted funds are unavailable for any use other than that for which they have been advanced. All direct and overhead expenses incurred by ASEE in fulfilling the purposes of these activities are reimbursed out of these funds.
- C. Upon fulfilling specified objectives, and pursuant to any stipulations in the original agreement with the sponsor, any remaining balance shall be returned to the sponsor, including the remaining balance of any interest earned on resident cash during the period of the funded program. If the return of a remaining balance and/or interest is not specified in the original agreement with a sponsor, those funds shall become part of the general assets of ASEE upon completion of the program objectives.
- D. The Executive Director has the authority and responsibility to ensure adequate cash capacity for restricted programs, projects, and awards. Should all reasonable and timely efforts to secure the required and agreed upon funds from the sponsor fail, the Executive Director can hold all related activity in abeyance until adequate funds are made available.

FINANCIAL POLICY 3 Unrestricted Funds

3.1 Definition and Scope

- A. Unrestricted funds include all revenues that are not specifically restricted as to their use. Unrestricted funds include income from dues, publication sales, advertising sales, conference fees, mailing label sales, interest income from unrestricted funds, fees obtained in the execution of externally funded projects, and contributions.
- B. Overhead recovery received in connection with execution of grants, contracts, sponsored projects, programs and/or awards is pooled with unrestricted funds for the purpose of covering ASEE expenses.

3.2 Banking and Accounting Services System (BASS)

- A. The ASEE Board of Directors has established a headquarters-administered Banking and Accounting Services System (BASS) for all ASEE units. BASS Accounts hold ASEE funds designated for availability to specified ASEE units. Unlike the operating budget (discussed below) of ASEE, the year-end balances in BASS accounts are carried over to the subsequent fiscal year.
- B. The Board of Directors of the American Society for Engineering Education, a non-profit corporation, must file income tax returns which accurately represent the income, assets, and liabilities of ASEE. Therefore, for purposes of IRS and ASEE audits, and as a useful service to the membership, any funds earned by a unit of ASEE must be deposited in an appropriate BASS account, unless an explicit exemption is approved annually by the ASEE Board of Directors.
- C. Division dues income is deposited directly into the appropriate BASS account as it is received.
- D. Interest shall be credited to each BASS account at 90% of the rate earned by ASEE Money Market Fund during the quarter and shall be credited quarterly. The remaining 10% shall be used to defray administrative expenses.

3.3 Board-Designated Funds

The Board of Directors of ASEE may, at its discretion, designate the use of specific ASEE funds to pay expenses attributable to a particular activity for a specified period of time. Any such designated funds remaining at the end of that period of time, or at the end of that particular activity, which ever first occurs, shall revert to the general assets of ASEE. If any of the designated funds are restricted, then procedures of 12.4C shall be followed for those funds.

FINANCIAL POLICY 4

Investments

4.1 Organization and Responsibilities

- A. The ASEE Board of Directors authorizes the Executive Director, with the informed advice and consent of the Finance Committee, to manage the investments of ASEE within bounds of approved investment policy.
- B. The Finance Committee shall monitor the investment program and counsel appropriate courses of action.
- C. The Executive Director and Finance Committee shall always exercise the judgment, care, discretion and intelligence in the management of ASEE investments with due regard to the balance of potential income versus the potential risk to ASEE's financial well-being.

4.2 Short-Term Investments

- A. All funds not immediately needed for expenses and cash-flow maintenance during the fiscal year will be invested in short-term instruments such as Certificates of Deposit, Treasury Bills, and Commercial Paper.
- B. The short-term investment decisions will be the responsibility of the Executive Director in continuing consultation with the Finance Committee, the financial organizations involved, and, if needed, an investment counselor.

4.3 Long-term Investments

- A. Subsequent to the completion of the annual audit report of ASEE accounts, the Executive Director shall analyze, determine, and report to the Finance Committee what portion of the working fund, if any, can be utilized for the purchase of long-term investments. Recommendations will be made only after thorough analysis of the previous year's investment decisions and close examination of the projected budget for the current year.
- B. If any of the working funds can be invested, the Executive Director shall recommend a specific long-term investment for Finance Committee approval.
- C. Long-term equity investments, that will be considered if funds are available, may include Preferred and/or Common Stocks, Treasury Bonds, Mutual Funds, and Bonds.

4.4 Limits and Controls

- A. The Executive Director shall report on the performance of all ASEE investments to the ASEE Finance Committee.
- B. All investment actions taken by the Finance Committee shall be reported at the next subsequent meeting of the Executive Committee or the Board of Directors.
- C. The purpose for this policy is to protect ASEE from becoming insolvent and to provide growth in the financial base of the organization to support future activities.

FINANCIAL POLICY 5
Capital Assets

5.1 Equipment Assets

Any piece of equipment valued at \$1,000 or more and having an expected lifetime of greater than one year shall be considered part of the capital assets of ASEE.

5.2 Depreciation of Capital Equipment

Capital Equipment shall be depreciated across its expected useful life-span according to generally accepted accounting practices, thereby matching the cost of an asset to the periods in which it is used.

FINANCIAL POLICY 6
ASEE Reserve Fund

6.1 Definition and Scope

ASEE shall maintain selected investment accounts, the sum of which shall constitute a reserve surplus fund.

6.2 Goal

It is a goal of the Board of Directors that ASEE reserves equal approximately 30% of the annual unrestricted operating budget.

FINANCIAL POLICY 7
Dues Income

7.1 Status of Dues Income

- A. All ASEE dues shall be received as unrestricted general funds.
- B. Division dues shall be credited to BASS accounts on a quarterly basis.

7.2 Dues Billing Cycle

Members shall normally be billed annually for ASEE dues. As set forth in ASEE Constitution; failure to remit dues within three months after the anniversary date shall place the member in arrears and cause the member to be dropped from the active member roster.

FINANCIAL POLICY 8

Non-Dues Income

8.1 Publication Sales, Subscriptions, Advertising, and Mailing Labels

The Executive Director shall establish the selling price for all ASEE publications and for all advertising and mailing labels, including any appropriate discount schedule for quantity sales.

8.2 Conference, Workshop, and Seminar Fees

- A. Conference, workshop and seminar financial policies are the concern of the Finance Committee, subject to review by the Executive Committee and approval by the Board of Directors. The Executive Director is delegated the authority to set fee structures for all such activities to ensure that all direct and indirect expenses are recovered.
- B. Registration and all other fees related to the Annual Conference shall be set by the Board of Directors upon the recommendation of the Executive Director, and approval of the Finance Committee.

8.3 Revenue Sharing with Field Units

All services should be self-supporting; including indirect and overhead expenses. Agreements for the sharing of conference, workshop, and publication sales proceeds between ASEE and the field units involved must be approved in advance by the Finance Committee.

8.4 Investment Income

ASEE, under the management of the Executive Director and guidance of the Finance Committee, derives unrestricted income from investing excess cash.

8.5 Grants and Contracts

- A. ASEE may apply for and receive government, corporate, foundation, and private grants and contracts to carry out activities in relation to its tax exempt purposes.
- B. All grant or contract agreements between ASEE and external funding sources must include provisions for the recovery of direct and indirect expenses, unless otherwise authorized by the Board of Directors.

8.6 Charitable Contributions

- A. By virtue of its 501(c) (3) tax status, ASEE may receive tax deductible contributions. ASEE shall actively solicit contributions that can be accepted for specific purposes or can be applied as unrestricted funds for the use of continuing ASEE operations.
- B. Unless otherwise agreed in advance, when charitable contributions have been restricted to a particular purpose and that purpose has been satisfied, any and all fund balances become part of the general unrestricted funds of ASEE.
- C. All currently held contributions for which there are no enabling documents, or where the enabling documents are silent on disposition of funds at the conclusion of the supported activity, shall be regarded as having no stipulation on the use of any remaining balance and said balance shall become a part of the general funds of ASEE.

FINANCIAL POLICY 9

Endowments

9.1 General Policy

An ASEE endowment can be established for any purpose (restrictive or non-restrictive) that is funded in perpetuity by the earnings of a restricted ASEE investment, with the corpus of the investment reserved for purposes specified in the endowment agreement. The corpus can be directed to other purposes only when the original intent of the endowment is no longer consistent with ASEE goals. The corpus funds from all endowments shall be held in a consolidated endowment fund, for efficient management purposes, with shares of that fund allocated pro-rata to the various endowments.

- A. Endowments are encouraged, but must be approved by the appropriate oversight committee (for example, Awards Policy Committee for endowed awards), Finance Committee and the Board of Directors.
- B. In the case of restricted use endowments, such as awards, the principle of the endowment must be adequate to return all direct and indirect expenses and must be equal to a minimum of twenty (20) times the anticipated annual expenses. A minimum of \$40K is required to endow a national award.
- C. Endowments to support national awards may be created at a level of less than \$40K, but no awards shall be made from said endowment until the corpus has risen, due to re-investment of earnings, to \$40K.
- D. National awards established prior to June 1991 without proper enabling documents and with less than \$40K in the endowment corpus may be suspended until the corpus attains \$40K or may be commingled to establish a single corpus with at least \$40K.

9.2 The Corpus of an Endowment

The primary purpose of the corpus of an endowment is to generate sufficient income to execute the award or activity. Additionally, income from the corpus is used to cover the expense and administration of the award. ASEE awards or activity endowments established in perpetuity are subject to adjustments in award amounts or frequency or change in activity budgeting depending on the realized return on investment.

9.3 Endowment of National Awards

No capital sum shall be accepted by ASEE without the stipulation that jurisdiction over the selection and review of the nominees, the selection of the recipient, design and specification of mementos of recognition, and all rights of administration will rest with ASEE.

9.4 Direct Award Expenses and Administration Fees

Part of the income from the endowment for any award shall be used for fund management and ASEE administration. An administrative fee, determined by the Executive Director and approved by the Executive Committee, shall be contributed annually from the income of each award endowment toward these and other costs of running the awards program.

9.5 Limits and Controls

- A. In addition to an annual financial review, the nature and focus of all awards shall be reviewed on a ten-year cycle.
- B. In any year when adequate funds are not available from income, an award or activity can be held in abeyance by the Executive Committee of the ASEE Board of Directors.
- C. If the current award balance is less than the initial funding on October 1 of each year, at the discretion of the Executive Director, ASEE may contribute half of the difference (current balance less initial funding) to the award. If the current award balance is greater than the initial funding on October 1, ASEE will recover expenses by using the formulae; 20% of (initial funding-(current balance-expenses). However, given that award funds are generally restricted and should not be co-mingled with unrestricted funds nor should withdrawals of restricted funds be used for unrestricted purposes, use of this discretionary power should be highly unusual and limited.

FINANCIAL POLICY 10 Externally Sponsored Awards and Activity Funds

10.1 Definition and Scope

An externally sponsored award or activity is one whose expenses, including overhead, are wholly or partially underwritten by funds supplied from external sources.

10.2 Sponsor Commitments

- A. Grantor commitment to a sponsored national award must be made for at least four years.
- B. The agreement with the grantor shall include provisions for a stipend of reasonable value, administrative expenses, and support of awardee travel expenses to the awards presentation at the Annual Conference.
- C. The preferred method of supporting recipient travel expenses is through a fixed grant for travel, rather than by a reimbursement of travel expenses to the awards presentation at the Annual Conference.

10.3 Limits and Controls

- A. The Board of Directors may discontinue, or the Executive Director may suspend any sponsored award or activity for which agreed-upon funds are not forthcoming in a timely manner.
- B. Award sponsors are billed at a time agreed between the donor and the Executive Director.

FINANCIAL POLICY 11
Field Unit Finances

- A. The Board of Directors of ASEE and its designees have the sole legal right to authorize, direct, and discontinue any activity purporting to be that of ASEE and using its reputation or intangible assets.
- B. ASEE headquarters must be provided with specific information on all bank accounts involving activities carried on in its name or using any of its intangible assets. To obtain and retain all needed information on those activities, all such financial activity should flow through the ASEE accounting system. Any bank accounts maintained at locations other than headquarters must be specifically authorized each year by the Finance Committee of the Board of Directors. For Divisions, Sections, or Councils with income, expenses, or accounts not maintained at headquarters:
1. If payments are made to any entity in excess of \$600 per year, it must be reported to headquarters by January 15 of each year, so ASEE can file IRS Form 1099 with the IRS and the individual for tax reporting purposes;
 2. Honoraria (but not prizes or awards) should be approved by the Board (or its delegate) if any individual is to receive \$5,000 or more, in any year;
 3. Third party agreements with banks should be executed authorizing ASEE's Executive Director or his designee to be a signatory on any account;
 4. In situations where a government contract is involved or third party sponsorship is financially significant, ASEE should be in complete control of all receipts and disbursements for a project, convention or seminar sponsored by a Section, Division, or Council.
 5. A reasonably detailed financial statement should be rendered within 30 days after the fiscal year end to enable ASEE to use the financial data for reporting to IRS, supplementing a quarterly summary of much of the same information;
 6. A proposed budget for the next year should be submitted to headquarters showing expected expenditures, contracts, vendors and revenue sources;
 7. A conflicts statement should be submitted disclosing any duality of financial interests of ASEE members with vendors or sponsors that have conflicts. Regardless of size considerations, any new contracts for goods, services or facilities creating a potential liability should be sent to ASEE in advance of its execution so that a disclaimer of ASEE liability can be added as an addendum. Copies of all other executed contracts which purport to bind ASEE (or a Division, Section or Council) where ASEE may still have some corporate liability must be submitted to Headquarters for review and approval.

11.1 Zone Operating Budgets

- A. Zone annual operating budgets must be used for activities which promote the mission and vision of ASEE. Budgets may be used by the zone chairs to pay expenses associated with convening executive board meetings within their respective zones including expenses associated with member travel.
- B. Zone annual operating accounts shall not be used for personnel expenses of any kind without prior approval of the Vice President of Finance, or the expenses of any publication which is sold or in which advertising space is sold, or in any way which is imprudent or in violation of law, or of commonly accepted business and professional ethics.

11.2 Section Operating Budgets

The ASEE Board of Directors has established an annual allocation of funds to help support Section activities. The allocation is awarded each year on October 1, the beginning of the Society fiscal year. Each of the twelve geographic sections shall receive an annual allocation based on the formula: \$550 plus \$1.00 per full due spaying, individual section member. The membership count of each section will be determined by Headquarters as of March 31 of the previous fiscal year. Beyond the allocation from the Board of Directors, Sections are expected to be self-sustaining. Income may be generated by meeting registration fees, publication sales and/or contributions. In no case may a Section derive income by direct assessment of dues to its membership.

- A. The \$550 portion of the annual allocation will be made to the Section Operating account and be available for use on October 1, the beginning of the ASEE fiscal year.
- B. Annual operating budgets must be used for activities which promote the mission and vision of ASEE.
- C. Annual operating accounts shall not be used for personnel expenses of any kind without prior approval of the Vice President of Finance, or for member travel or registration connected with the ASEE Annual Conference, or the expenses of any publication which is sold or in which advertising space is sold, or in any way which is imprudent or in violation of law, or of commonly accepted business and professional ethics.
- D. Any unused balance in an operating budget at the end of the fiscal year reverts to the general fund and may not be carried over into the subsequent fiscal year.
- E. Unless an error has been made by the ASEE headquarters staff in posting, funds and/or expense charges cannot be transferred between an operating budget and a BASS account.

11.3 Institutional Council/Division Operating Budgets

- A. On an annual basis Councils and Divisions may request that ASEE provide funds to cover specific operating expenses for the fiscal year.
- B. Annual operating budgets must be used for activities which promote the mission and vision of ASEE.
- C. Annual operating accounts shall not be used for personnel expenses of any kind without prior approval of the Vice President of Finance, or for member travel or registration connected with the ASEE Annual Conference, or the expenses of any publication which is sold or in which advertising space is sold, or in any way which is imprudent or in violation of law, or of commonly accepted business and professional ethics.
- D. The Board of Directors will act on Council and Division budget requests, and the Executive Director will notify each unit of its allocation.
- E. Any unused balance in an operating budget at the end of the fiscal year reverts to the general fund and may not be carried over into the subsequent fiscal year.
- F. Unless an error has been made by the ASEE headquarters staff in posting, funds and/or expense charges cannot be transferred between an operating budget and a BASS account.

11.4 Banking and Accounting Services System (BASS)

- A. Each field unit may request that ASEE establish a BASS account. The size, complexity and use of such a BASS account will vary according to the activities of the field unit. The BASS account can be used as a continuing fund for the purpose of developing new products and services for members.
- B. The Banking and Accounting Services System provides an interest bearing checking account service to Sections, Councils, and Divisions. Interest is credited quarterly at a rate of 90% of that earned by ASEE.
- C. The ASEE Business Office will credit all field unit income received and honor authorized check requests up to the amount of the remaining balance. BASS accounts cannot be overdrawn.
- D. Field units are financially responsible for all membership services they provide, including travel, newsletters, general administration, etc. Their activities should be outlined in their annual business plan and budget. During the annual budget cycle, field units may request operating budget support for activities which are beyond the unit's BASS account resources.
- E. To ensure that BASS account funds are used for purposes consistent with ASEE goals, the BASS account may be discontinued with the funds reverting to ASEE's General Fund. BASS Account funds may revert if it is determined either that the unit is not using the fund to develop membership services or if the funds are needed by ASEE to ensure its continued viability.

11.5 External Bank Accounts

- A. The authority for any ASEE unit to establish bank accounts resides with the Finance Committee. All funds received on behalf of ASEE, by any unit of ASEE, must be deposited in an account approved by the Finance Committee.
- B. Any ASEE unit wishing to use ASEE's IRS uniform employer identification number for any purpose must have the annual approval of the Finance Committee.
- C. No ASEE unit should apply for separate exemption from Federal income tax. If any unit is requested to do so by the Internal Revenue Service, the Executive Director should be notified at once. The Executive Director will communicate with the IRS and advise the unit of its status.
- D. By virtue of its incorporation, ASEE generally provides corporate rather than personal liability for failed or flawed transactions, or financial responsibility in the event of insolvency. However, failure to adhere to financial policy regarding such activities/responsibilities as external bank accounts, or tax exempt status, or use of the IRS uniform employer identification number, may result in personal liability of the responsible individual for any claims against ASEE.

11.6 Dues Income

- A. Pursuant to Article VIII, Section 4 of the ASEE By-Laws, Divisions and Constituent Committees may establish a dues structure for their members. All such dues are payable to Headquarters through the annual billing process and shall be credited to the Division/Constituent Committee BASS account.
- B. Any establishment or change in the dues for a Division or Constituent Committee must receive prior approval from the Board of Directors.
- C. Since Sections receive an annual membership-based allocation from the general funds of ASEE, they are prohibited from charging dues or assessing any fee for membership.

11.7 Non-Dues Income

A. *General Policy*

1. To keep membership dues to an affordable level while simultaneously expanding services and capabilities, field units are encouraged to develop non-dues income streams through activities that are appropriate to the mission of ASEE, following the guidelines set forth in this section on Field Unit Finances (Financial Policy 11)
2. The Board of Directors delegates to the Executive Director all responsibility for allocating overhead and indirect cost recovery and for monitoring all unrelated business income. The potential tax liability for unrelated business income (such as advertising revenue) requires close scrutiny in

appropriately allocating indirect costs to government and non-government sources.

3. The Chairs of field units that sell advertising in their publications are responsible for an accurate allocation of publication costs between advertising and editorial expenses. This allocation must be reported annually to ASEE Headquarters in a form adequate to allow external audit.

B. Income from ASEE Annual Conference ticketed events

1. Unless the ASEE Board of Directors otherwise authorizes in specific cases, all income from annual conference ticketed events is applied toward the relevant conference expense. Any surplus becomes part of the general operating funds of ASEE.
2. Where the ASEE Board of Directors authorizes an ASEE field unit to realize income from an annual conference ticketed event, this income shall be credited to the appropriate BASS account only after all related expenses have been deducted.

C. Income from Field Unit Conferences

1. Field units are encouraged to realize a moderate net income from conferences, workshops, etc. Unless otherwise approved by the Finance Committee, income and expenses for these efforts must flow through the respective unit's BASS account both for accounting purposes and as a means to carry-over any surplus to maintain or increase the unit's member services.

D. Mailing Labels Sales

1. ASEE may realize income from the sale of membership mailing labels and may regulate or deny the use of such lists for purposes unrelated to advancing engineering education.
2. Field units are prohibited from selling mailing lists of their members unless explicit approval is granted annually by the Board of Directors.

E. Fund-Raising by Field Units

1. Because of the delicate nature of raising funds from external sources by field units of ASEE, the need for coordination is paramount. The Vice President for Finance shall be consulted in advance of any effort by an ASEE field unit to solicit external financial support on behalf of that unit.

Financial Policy (Part 2)

FINANCIAL POLICY 12 Planning and Budgeting

12.1 Definition and Scope

ASEE annually determines the cost of its major activities and assigns overhead expenses to each activity's direct cost. The personnel time, income, and expenses in each activity area are isolated and identified.

12.2 Unrestricted Operating Budget

The unrestricted operating budget of ASEE consists of all accounts which are not restricted by external contract, grant, or contribution.

12.3 Restricted Operating Budget

The Restricted Operating Budget of ASEE shall consist of externally funded grant and contract funds and award or other endowment investments.

12.4 Surplus Fund Balances

- A. Any unrestricted operating surplus remaining at the end of the fiscal year shall remain part of the general assets of ASEE and shall be managed by the Executive Director with the advice and consent of the Finance Committee.
- B. Any restricted operating surplus must be handled pursuant to the original agreement that may state that any balance must be refunded, reinvested, or become part of the general unrestricted assets of ASEE.
- C. In the absence of any agreement or legal statute to the contrary, the Finance Committee may elect to place the unused balance of any previously restricted fund into the general unrestricted assets of ASEE, or designate that the funds be used for purposes congruent with those for which it was originally intended.

12.5 Budget Development Process and Schedule

- A. During the month of October, prior to the fiscal year being planned, a call for input to the business plan and budget shall be issued to members of the Board of Directors, appropriate Field Unit Chairs, and members of the Headquarters senior staff. They will then prepare a detailed forecast of income and expenses for approved and planned activities for which the person has responsibility for the forthcoming fiscal year.
- B. These submissions are consolidated at each successive level of responsibility up to the Executive Committee members, who forward their recommendations to the Executive Director for compilation by the first week of December.

- C. These recommendations are prepared in budget format in time for review and action by the Finance Committee at its January meeting. At this meeting, modifications may be required to conform to the financial policies set forth in this manual and finalize the proposed budget for presentation to the Executive Committee at its next meeting.

12.6 Unbudgeted Expenditures

To give the Executive Director the flexibility to seize unforeseen opportunities or respond to unforeseen expenditures, the total operating expenses may exceed the budget by up to 5% without approval of the Finance Committee.

12.7 Budget Amendments

- A. Should the situation arise that the budget established for a particular fiscal year needs to be altered, the Board of Directors can amend the budget at any time or enact a contingency plan to protect the finances of ASEE. This situation could occur, for example, if there were a severe economic downturn. The Board of Directors may also authorize an overrun in a particular expense area in order to accomplish or extend the purposes of that activity.
- B. Occasionally, one-time items of expense, unknown at the time of budget approval, may arise. To forego bringing these items to the Board of Directors, the item may be funded from a special "Contingency" budget. Funds can be used from this account only after the approval of the President, President-Elect, and Executive Director.

12.8 Limits and Controls

- A. A financial summary shall be issued on a regular basis by the Headquarters staff and distributed to the Board of Directors.
- B. If a volunteer officer projects a budget overrun for the year, the responsible Board member should be notified immediately. The volunteer officer may approve additional expenditures from other accounts his/her area of control. If the volunteer officer determines that this overrun will cause the unit to exceed its annual budget, he/she can either disapprove further expense reimbursements or request the Executive Committee and Board of Directors for permission to overrun the budget.

12.9 Chart of Accounts

To record properly the sources and application of ASEE funds, a Chart of Accounts reflecting all income and expense areas shall be established and maintained by the Executive Director. The Chart of Accounts shall also classify asset and liability accounts, and the various categories of restricted and unrestricted accounts for financial reporting purposes.

FINANCIAL POLICY 13

Accounting and Reporting

13.1 Responsibilities

- A. The accounting function is accomplished at ASEE Headquarters under the direction of the Executive Director. The Executive Director may delegate responsibility, but not accountability, for this function to the Chief Financial Officer or similar staff position.
- B. The accounting function maintains records in conjunction with an approved Chart of Accounts. A report is prepared and distributed to the members of the Finance Committee at the end of each month and also distributed to the Board of Directors in preparation for each meeting. Such reports normally carry appended comments to explain significant areas of difference between actual and budget amounts (either income or expense), as well as approved expenditures from contingency funds.

13.2 Method of Accounting

- A. The books of account and financial information of ASEE are maintained by the Headquarters staff under the direction of the Executive Director.
- B. ASEE uses the fund accounting approach, through which ASEE funds are established for a variety of purposes and with a variety of designations.
- C. Under ASEE's Purchase Authorization System, funds are "encumbered" when ASEE enters into a commitment. Encumbered funds must be available within an appropriate budget category prior to making a commitment.
- D. Dues earnings are accrued monthly at the rate of 1/12 of the annual amount. For any dues that are paid late, ASEE will accrue all of the delayed earnings during the month of payment.
- E. Non-Dues earnings are accrued when ASEE generates an invoice, confirming that the commitment to purchase is made. All commitments are presumed collectible.

13.3 Standard Reports and Schedule

- A. The records and report formats must conform to the stated needs and requirements of the government agencies and services having an authorized interest, the auditors retained by ASEE, and the general principles and practices of sound management.
- B. Financial reporting shall include the following:
 - 1. Comparative Balance Sheet - reflecting assets, liabilities and fund balance
 - 2. Comparative Operating Statement - reflecting income, direct expense, indirect expense and net activity for each functional area
 - 3. Detailed Functional Statement - reflecting full detail of income and direct expense for each functional area, with indirect expenses applied
 - 4. Indirect Expense Statement - reflecting full detail of all indirect expenses

5. Officers, Directors, and Committees Expense Statement - reflecting full detail for each volunteer leader, director and committee.
- C. The financial statement, supplemented by the Executive Director's analysis and comments regarding performance to date and trends, shall be submitted to the Finance Committee.
 - D. A financial status report and year-end report shall be presented by the President-Elect to the Board of Directors at the Annual Conference. A year-end report shall be included in the Annual Report printed in an ASEE publication.
 - E. Other reports dealing with financial matters shall be prepared from time to time by the Executive Director as the need arises or as directed by the President, the Finance Committee, the Executive Committee, or the Board of Directors. Examples of ongoing types of reporting follow.
 1. Annual Tax Returns
It is a requirement of the United States government that all financial activities of ASEE be reported annually. Each year, ASEE files the necessary tax returns to maintain its tax exempt status, along with the necessary tax returns to report all unrelated business income.
 2. Contract and Grant Reports
ASEE accepts contracts and grants from government agencies to develop or produce professional material or conduct professional activities that relate directly to engineering education. Each contract or grant has its own specific types of reports, both technical and financial, which must be submitted to the contracting officer on a timely basis.
 - F. Reports summarizing certain areas of activities are routinely prepared and distributed at the request of the Board of Directors.
 - G. Reports reflecting conference and seminar attendance, financial and programmatic outcomes shall be prepared after each event and reviewed by the Annual Conference Committee, Finance Committee, and the Board of Directors. The reports and review process shall be designed to gauge performance and assist the planning of future events.
 - H. An investment performance report shall be prepared on a regular basis and serves to report the long- and short-term investment holdings of ASEE. This report shall be sent to the Finance Committee prior to its scheduled meetings. The minutes of each Finance Committee meeting shall be presented to the Executive Committee and the Board of Directors, who review the proceedings and act upon any recommendations.

FINANCIAL POLICY 14

Safeguards and Controls

14.1 Competitive Procurement

At least three bids from separate vendors shall be secured for all purchase in excess of \$10,000. To ensure that ASEE is not conducting business with vendors that have been debarred or suspended by the Federal government ASEE requires vendors to certify in writing that they have not been debarred or suspended by the Federal government. ASEE will further ensure this by checking the web site <http://epls.gov> where debarred or suspended vendors are listed.

14.2 Commitment of ASEE Funds

- A. The Executive Director is authorized to commit budgeted ASEE funds and may delegate this authorization as appropriate.
- B. The ultimate financial obligation of any unit activity rests with ASEE. ASEE will not be responsible for financial obligations to which it has not given prior approval. ASEE units should notify the Board of Directors before any commitments are made that imply financial responsibility and potential risk to ASEE.
- C. In view of the ultimate responsibility of ASEE for the financial obligations of its units, all such arrangements should be brought to the attention of the Executive Director before being consummated by any unit of ASEE.

14.3 Authorized Signature

- A. Checks may be drawn on the ASEE operating cash account bearing one authorized signature. The following shall be authorized to sign checks:
 - 1. Executive Director
 - 2. Executive Office Manager
 - 3. Director of Administrative Services

In addition, one additional member of the senior management staff may be authorized by the Executive Director to sign checks as back-up to the three primary signatories. The director of Conferences can, at the discretion of the Executive Director, sign checks drawn on an account established at the site of ASEE's Annual Conference.

- B. The Executive Director, or designee, is authorized to disburse ASEE funds through the use of a facsimile check-signing machine. Checks greater than \$10,000 must be signed by two of the four people authorized.

14.4 Annual Audit of Financial Records

- A. It is ASEE policy to retain a professional firm of certified public accountants to examine the annual financial statement and perform an annual audit of ASEE's financial records. Included in the scope of this activity is the examination of financial procedures and

safeguards and the submission of appropriate recommendations in the form of a management letter. The auditor may also be requested to provide counsel on special matters that may arise from time to time.

- B. The Executive Director shall arrange for an annual external audit of ASEE financial records. The audit should begin as soon as possible after the closing of the previous fiscal year and conclude with a written report to the Finance Committee on the financial condition of ASEE.
- C. The Executive Director shall select the ASEE Auditor, subject to the approval by the Executive Committee of the Board of Directors.

14.5 Annual Conference Financial Transactions

The receipt and disbursement of funds for the Annual Conference shall be handled through ASEE Headquarters.

FINANCIAL POLICY 15 Risk Management

15.1 Indemnification

The Indemnification policy of ASEE is cited in Article VII, Sections 10 and 11 of the ASEE Bylaws as follows:

Section 10 Each member of the Board, including each member of the Finance Committee of the Society, shall be indemnified by said Society against reasonable expenses actually and necessarily incurred by the member in connection with the defense of any action, suit, or proceeding in which the person is made a party by reason of being or having been a member of the Board or as a member of the Finance Committee except in relation to matters as to which the person shall be adjudged in such action, suit, or proceeding to be liable for negligence, misfeasance, or misconduct in the performance of his or her duties as director or a member of the Finance Committee; such right of indemnification shall not be deemed exclusive of any other right to which the person may be entitled.

Section 11 No member of the Board or of the Finance Committee shall be liable either jointly or severally to the Society for any loss suffered by the Society as a result of any action of the Board or action of the Finance Committee or any of its members except in relation to matters as to which such members shall be adjudged in any action, suit, or proceeding to be liable for negligence, misfeasance, or misconduct in the performance of their duties as such member.

15.2 Insurance

- A. ASEE shall maintain insurance up to limits established by the Finance Committee at expense, to support the indemnification of the previous section.
- B. The Executive Director shall be responsible for arranging and maintaining such insurance in accordance with the laws of the Commonwealth of Pennsylvania or the District of Columbia, whichever holds jurisdiction.

15.3 Audit Committee

A. Article III, Section 18 of the ASEE Constitution indicates:

The Society shall have an Audit Committee composed of a Chair and at least two other members, at least one of whom shall be a member of the Board of Directors. The committee members are appointed by the ASEE President and serve for staggered two-year terms. Members of the staff and the ASEE Vice President for Finance are ineligible to serve on the Audit Committee. The President, President-Elect and Immediate Past President cannot serve as Chair of the Audit Committee. The Audit Committee shall assist the ASEE Board of Directors in fulfilling its responsibility to monitor compliance with ASEE's financial and human resource policies and procedures.

B. The initial charter of the Audit Committee indicates as follows:

The Audit Committee is a standing committee of the ASEE Board of Directors. It shall assist the ASEE Board of Directors in fulfilling its responsibility to monitor:

- The reliability and integrity of ASEE's accounting and financial reporting.
- The scope and adequacy of ASEE Board and Employee Policies
- Adherence of volunteers and employees to the policies of the Society.
- Compliance with government regulations and the guiding government memos that set the standard for non-profit organizations doing business with the government.
- Temporary or systemic risks encountered by the Society
- Adherence to the requirement that ASEE operate in a manner consistent with its charitable purposes and that it does not engage in activities that could jeopardize its status as an organization exempt from federal income tax.

The Audit Committee, in consultation with the Executive Director, shall approve the appointment and scope of work of the independent auditors. The Committee shall receive and review the report of the auditors including the management letter and the management response and shall summarize these reports for the Board of Directors.

The Audit Committee shall oversee compliance with ASEE's Conflict of Interest Policy.

In compliance with ASEE's Whistleblower Policy, the Audit Committee shall receive and investigate written allegations regarding violations of ASEE Policies by ASEE staff or ASEE members and shall report their findings to the Executive Committee.

In performing its oversight role, the Audit Committee is empowered to conduct a confidential investigation of any matter brought to its attention, with full access to all books, records, facilities and personnel of the organization and to retain outside counsel, auditors or other experts for this purpose.

FINANCIAL POLICY 16

Conflict of Interest

16.1 General Policy

- A. Conflict of interest is defined as any situation in which an individual's decisions, actions, or votes could materially affect that individual's financial, business, or professional interests. It is the responsibility of all ASEE staff, members, and officers to consider each item of business where they have a vote, action, responsibility, or decision authority to determine if a conflict of interest, or the appearance of such conflict of interest, may exist. Any such recognized potential conflict shall be made known immediately to the person in charge of the activity (or the next higher authority if that individual is in charge), who, after consultation with the Executive Director, will advise the member of the proper course of action and cause a notation of the action to be entered in the activity's record.
- B. In the case of a director or other principle of the organization, a full disclosure of any actual or apparent conflict of interest will be made generally known, and the individual concerned will be recused from all involvement in the matter (which means that the individual will not be present when discussions of the subject are held, votes are cast, or business decisions are made).

16.2 Suppliers Holding Membership

Any individual member or representative or employee of an institutional member of ASEE who is a supplier or potential supplier of goods or services to ASEE is in a position of potential conflict of interest with respect to the provision of such goods or services.

FINANCIAL POLICY 17

Travel Expenses

17.1 General Policy and Requirements for Reimbursement

- A. As a professional society, the basic tenet of ASEE is that the members who participate in various activities will do so voluntarily as part of their professional growth and to contribute to the advancement of engineering education through the work of ASEE. It is expected that employers of ASEE members will participate in the growth of their employees. However, it is recognized that not all employers are so willing. Individuals may be unable to defray the total expenses for work related to the organization. Therefore, when no other source of funds is available, ASEE will accept an authorized claim for reimbursement. An exception to this is the Annual Conference, for which no reimbursement of expenses will be provided.
- B. No expenses for travel will be reimbursed unless a pre-approved Travel Authorization (see 18.1 for sample Volunteer Travel Authorization Form) is issued by the ASEE Meetings and Conferences Department for that travel.

- C. In order to optimize the use of ASEE funds, the Executive Director may establish an account with a travel agency to assist ASEE officers in arranging transportation and lodging for authorized travel. The use of the official travel agency is required for all ASEE related travel except when the Executive Director or the President determines that there is a financial advantage to ASEE to do otherwise. Failure to adhere to this policy will result in denial of a claim for reimbursement from ASEE.
- D. ASEE will only reimburse the expenses of officers, directors, and staff when incurred on pre-approved official ASEE business. Other activities eligible for reimbursement must be authorized by the Finance Committee, Executive Committee, or the Board of Directors. The Executive Director is responsible for approving claims for reimbursement. The Board of Directors intends that judgment and discretion be used in approving any exception to general policy.
- E. ASEE does not reimburse for the expenses of spouses who accompany volunteer officers on trips. Any exception must be pre-approved by the Board of Directors under special circumstances when a spouse or guest will necessarily and appropriately aid in serving as official host or hostess.
- F. Where possible, the expenses of a volunteer leader or Headquarters staff member visiting the Section should be partially or fully funded by the Section. When volunteer leaders and/or key staff members attend section or Division conferences, their registration fee should be absorbed or paid for by the conference.

17.2 Air Travel

- A. Coach class commercial air transportation will be reimbursed only when travel by a discount class is not available or would impose undue hardship on the traveler. In the case where the traveler elects to fly coach or a more premium class, ASEE will reimburse only that portion of the cost comparable to the lowest available discount fare. However, ASEE authorizes “business-class” travel by the President, Past-President, President-Elect, and Executive Director when they are on official business and air travel duration between any two points exceeds 6 hours.
- B. Where the traveler elects and is pre-approved to use a private automobile to make airline connections, ASEE will reimburse both the mileage and the airport parking during the trip.
- C. Travel insurance will not be reimbursed.

17.3 Automobile Travel

- A. When travel by private automobile is elected and pre-approved; reimbursement will be made at the rate authorized by the I.R.S., not to exceed the cost of the most economical class commercial air transportation reasonably available. The approved mileage rate is all inclusive. No additional claims will be honored for tolls, parking fees, en route meals, or lodging, or other expenses incident to automobile travel which would not have been incurred if the trip had been by air or other public carrier.

- B. Reimbursement for cost of a rental automobile will only be made in those pre-approved cases justified by the nature of the business of the traveler at the destination, or where other means of reaching the ultimate destination are not feasible.

17.4 Out-of-Pocket and Other Expenses

- A. Payment of a fixed daily allowance for lodging, meals, incidental expenses (including local transportation), and gratuities shall be made according to a per diem rate for the locality. The Executive Director shall develop and maintain a locality-based per diem rate structure. This structure must be approved by the Finance Committee and should be based on relevant IRS allowances.
- B. Registration fees, if pre-approved, will be separately reimbursed upon itemization
- C. ASEE does not pay for entertainment expenses (e.g., theater tickets, cocktails, reading matter) or for expenses normally incurred in one's home location (such as valet services and laundry) unless the trip is seven consecutive days or more.
- D. Long distance telephone calls should be billed to home or hotel room and circled on the statement submitted. If reimbursement by ASEE is expected, the party called and the ASEE-related purpose of the call should be specified.
- E. Rental of formal clothing may be claimed provided such rental was pre-approved as necessary to fulfill an approved function as ASEE representative.

17.5 Board of Directors Travel

- A. The Board of Directors will budget for and reimburse its members for related and reasonable travel expenses incurred when attending Board and Executive Committee meetings, except for the Board meetings held at the Annual Conference, the expenses of which are part of the commitment made when accepting a Board position.
- B. When attending conferences other than the Annual Conference at which a Board of Directors meeting is being held, members of the Board of Directors will be reimbursed for their air travel and expenses for the period of the Board meeting only. Conference registration and expenses relating to staying beyond the actual days of the Board of Directors meeting will not be reimbursed.
- C. Board members who have exhausted all other sources of financial support to attend Board meetings at the Annual Conference can be reimbursed by submitting a request letter to the Vice President for Finance for approval prior to the meeting. Reimbursement will follow current travel policies.
- D. With the prior authorization by the President described in Section 17.1.B above, ASEE may reimburse expenses for persons not members of the Board, who, by virtue of their association with a related organization or special expertise, have been invited or requested to participate in a Board meeting, planning session or other formal Board function. Such compensation must come from funds allocated in the budget for such purpose.

- E. On occasions such as Board meetings, when expenses such as meal functions are billed directly to Headquarters on a master bill, individuals responsible for ASEE units will be advised as to the amount charged to their accounts.
- F. At the discretion of the Vice President for Finance, ASEE may reimburse travel expenses incurred as the result of pre-authorized official representations by ASEE representatives to other organizations. Such requests should be routed via the Executive Director.

17.6 Personal/Employer Travel Incentive Benefits

It is incumbent on all ASEE Officers to schedule meetings as far in advance as possible and for all members to arrange their travel in a manner most economical to ASEE, taking advantage of all available discount fares and without regard to personal and/or employer travel incentive benefits.

17.7 Reimbursement

- A. A Request for Reimbursement of Travel Expenses Form (see 18.2 for sample) shall be submitted to the individuals who signed the relevant Volunteer Travel Authorization Form and then to the Executive Director within 30 days after travel has been completed. In the event of extenuating circumstances, a 30 day extension can be authorized by the Executive Director. All disbursements must be accounted for in the fiscal year in which they are incurred. A copy of the form should be retained by the individual submitting for reimbursement.
- B. A check for reimbursement of travel expenses shall be drafted and mailed within 30 days of receipt of an approved reimbursement form by Headquarters.
- C. Expenses are to be carried by the individual and not charged to his/her firm for subsequent billing to ASEE.
- D. Exceptions can be made to ASEE travel policies by submitting a written request, in advance of the expenditure, to the Vice President, Finance outlining the requested exception. The Vice President, Finance has the authority to approve exceptions for all reporting areas, except his/her own. An exception for the Vice President, Finance, must be approved by the President. Approval must be in advance and in writing and must state the budget or BASS account to which charges would be applied.