

Resource Accountability

The purpose of this lesson is for students to comprehend the necessity of using CAP and appropriated funds and assets within CAP's guidelines.

Desired Learning Outcomes:

1. Identify sources of funding in CAP.
2. Summarize the responsibility for managing and safeguarding all CAP assets.
3. Explain why people handling assets need certain qualifications, regular evaluation, and authority to do their job.

Scheduled Lesson Time: 30 minutes

Introduction

Funding is necessary to function for all organizations. This is most certainly true for the Civil Air Patrol. In order to perform the three congressional mandated missions, assets such as aircraft, radios, vehicles, and other specialized equipment are necessary. On a national scale, these assets add up into the tens of millions of dollars.

In this section, you will learn about the sources and accountability of Civil Air Patrol resources. As a member of the organization, you will be responsible for safeguarding funds and assets during your CAP career. You may have already begun and not recognized your actions as part of the safeguarding process.

1. Identify the sources of funding for CAP.

In order to have a healthy respect for the accountability for Civil Air Patrol funds and assets, it is important to know where CAP receives its monies. In general, funding for CAP comes from six major sources.

FEDERAL APPROPRIATIONS

The Civil Air Patrol was chartered by Congress as a nonprofit corporation with a mandate to perform specific missions set forth by congressional charter. Since 1985, CAP has received a congressional appropriation in the form of a grant. CAP requests the grant from Congress each year, along with all other federal corporations and agencies. The grant is administered through the Department of Defense and the USAF. The amount of federal funding the CAP receives can greatly fluctuate for any number of reasons. Regardless, this has traditionally been the primary source of funding. Additional congressional funding may also be appropriated for very specific

purposes such as to purchase radios as part of a larger national plan to integrate communications amongst differing agencies.

STATE APPROPRIATIONS

Wing Commanders may request additional funds from their respective state governments. In many wings, the state government has a need for the Civil Air Patrol to perform various duties that are specific to the state government. For example, the State of Hawaii funds the CAP to perform tsunami warning missions. For many states, funding the CAP to perform local missions is the best buy for their dollar.

SPECIALIZED FUNDING

In cases where a federal, state, or local agency may need specialized services or assistance, the Civil Air Patrol may be called upon. In such situations, the agency will fund the operations performed. An example may be the US Forestry Service requesting an aerial survey of an area, or a county sheriff's office requesting the use of the ARCHER system to find a missing truck.

DUES

Membership dues are another source of funding. These dues tend to be budgeted towards internal administrative operations at all levels. Local unit fund raisers are also a source of funding. These funds are typically used by the local unit for administrative costs and activities.

SALE OF ASSETS

The last source of CAP funding is through the sale of vehicles and aircraft that are no longer deemed service worthy for the types of operations performed. Funds received from these sales are likely to be put towards the allocation of replacement vehicles or aircraft. Sales of assets are managed by National Headquarters.

2. Describe the responsibility for managing and safeguarding all CAP assets.

Regardless of the funding source for Civil Air Patrol activities, all funds must be accounted for, thus a goal of the Civil Air Patrol is to promote and to insure the integrity of financial management practices and financial reporting (CAPR 173-1, paragraph 4). Due to the complexity of funding, accounting, and the distribution of funds, the Civil Air Patrol completed the institution of the Wing Banker Program in 2009. The Wing Banker Program is designed to centralize accounting activities for groups and squadrons at the Wing level. This assists the Wing in providing accurate financial reporting to National Headquarters and helps foster the continued trust of CAP's funding sources. In the Wing Banker Program the wing financial directorate acts as the bank, accountant, reporter, and check-writer service for the groups and local units. (CAPR 173-1, paragraph 4) These subordinate units continue to maintain control of the obligation and

transference of their funds without the imposition of the wing, unless requested by the unit. Even though these functions are performed at the wing level, units are still responsible for practicing sound financial management practices. Financial management practices include cash accountability, verification, documentation and segregation of duties.

CASH ACCOUNTABILITY

The foundation of sound financial management practices starts with a strong focus on cash accountability. Units contribute to this effort by ensuring that any cash received is immediately deposited into the bank. The deposit of monies into the bank must also include notification to the Wing Banker Program to ensure that deposited funds are properly accounted and credited to the unit. Units must also make sure that no cash is maintained at the unit as a petty cash account. All monies are to be deposited promptly and expenditures must be made using the approved cash disbursement process.

The unit commander is responsible for establishing a finance committee, in writing, on a yearly basis. The finance committee in turn is charged with the review and pre-approval of all reasonable and proper expenditures over \$500.00. The committee must also pre-approve reoccurring unit expenditures. This review must occur prior to committing to the expense. One method of ensuring this review actually occurs and that the approval of reasonable expenses is secured prior to commitment is the use of an annual unit budget. During the year, expenditures can then be compared to the annual budget.

Other methods of ensuring cash accountability include internal accounting controls put in place by the unit finance committee. These controls must include policies such as ensuring that checks are not made payable to persons signing the checks or to members of the same household.

VERIFICATION

Once processes are in place to ensure good cash accountability it then becomes important to gain feedback on the effectiveness of the financial process. This is accomplished through verification. Verification of unit financial activity typically occurs at the unit's quarterly finance committee meetings. The finance committee is composed of at least three officers, including the unit commander as chair, the finance officer, and at least one other staff officer. All financial activity is reviewed and verified at these meetings including: the review of the prior finance committee meeting minutes, ensuring expenses over \$500.00 and reoccurring expenses were approved prior to their expenditure, and approval of financial reports.

To ensure proper verification of the unit's financial activity the finance committee must put in place policies that establish proper financial control of unit funds. These policies include a requirement that all checks require two signatures.

DOCUMENTATION

Several examples of properly documenting the unit's financial activities includes the recording of the following in unit records: finance committee meeting minutes, all deposit slips and expenditure requests, fiscal year budgets including a quarterly budget versus actual comparison and the maintenance of appointment letters for the finance committee.

Proper documentation provides a mechanism for units to properly plan for future financial needs. The review of previous years' budgets, both planned and actual, are a useful planning tool for drafting a budget for the new fiscal year. Past invoices and receipts provide an indication of the reasonableness of like expenses.

An additional document, or form, that you should become familiar with is the CAP Form 108. This form is designed to be used by members who are seeking reimbursement for approved expenditures. An example could be a member who purchased gas for a CAP vehicle while on an assigned Air Force mission. In this case, since the need and use for the gas was related to an Air Force assigned mission, the funds are reimbursable. The member requesting reimbursement should follow all applicable National and local procedures when submitting their request. For more information about reimbursements, review CAPR 173-3, *Payment for Civil Air Patrol Support*.

SEGREGATION OF DUTIES

Segregation of duties involves the assignment of different portions of the financial process to different individuals. Utilizing more than one individual reduces the opportunity for errors and also reduces the potential for misappropriation of unit funds. Some examples of this include: the pre-approval of expenditures by the finance committee (a group of at least three CAP officers), the establishment of financial policies by the finance committee, not allowing the same person signing checks to perform the reconciliation, not allowing a person to sign a check to themselves or to a member of their household.

There are many sources of funding for the Civil Air Patrol. From the primary source, the government, to the local unit fund raiser. The source of funding can greatly depend on what the monies will be used for, such as state funding to assist with tsunami alerts or federal funding for the Forestry Service to assist with land surveying. Regardless of the source of funds, it's the responsibility of every member of CAP to follow proper procedures as outlined by National Headquarters and subordinate unit's publications. This includes the excellent financial management and financial reporting practices.

3. Explain why people handling assets need certain qualifications, regular evaluation, and authority to do their job.

MANAGING AND SAFEGUARDING ASSETS

At this point, you should be gaining an understanding that taxpayers play a large role in the funding of Civil Air Patrol assets and maintenance of those assets. In return, the CAP is accountable to the taxpayers. You can think of the accountability the CAP and its members have to taxpayers as a solemn promise. This promise is to ensure that funds are not wasted, equipment is well maintained, and equipment is not abused or lost. (For more on this see the Ethics Lesson in this course.)

To assure that this promise to the American Taxpayer is met, the Air Force and the Civil Air Patrol have instituted a set of internal controls that are designed to safeguard the assets we use. These safeguards include you as an active and vigilant participant in the protection of CAP assets. You will then learn the accountability and oversight process that is set in place to safeguard assets.

INTERNAL CONTROLS TO SAFEGUARD ASSETS

Civil Air Patrol property received from Federal sources or purchased with federal funds is held in trust for the beneficiaries of the CAP Cooperative Agreement with the US Air Force – the taxpayers of the United States of America. Because CAP property and funds are obtained from both public (governmental) and private sources, there are a great many legal restrictions and conditions for their care and use. To ensure CAP's continuing eligibility to receive federal funds and property, commanders and their logistics staff must be thoroughly familiar with these control parameters and pay particular attention to the management of all CAP property entrusted to their care. (CAPR 174-1)

In the event CAP-USAF or CAP leadership determines that a wing has inadequate control over its resources, that wing may be restricted from receiving Department of Defense (DoD)-excess property or any property purchased with Federal appropriated funds until the deficiencies are corrected. In addition, if CAP makes its own determination that a wing has inadequate control over its property the CAP National Commander may freeze or suspend CAP wings from receiving property purchased with corporate funds. (CAPR 174-1) Thus accountability for assets at all levels by all persons is imperative to maintain a continuous continuity of operations.

The accountability for assets is completed through a set of internal controls. You will learn the basic level of individual responsibility and how it relates to the larger picture. Your goal is to gain a general impression of internal controls and to understand the process for safeguarding assets.

TERMS

To begin, you'll need to learn a few basic terms: real property, expendable, and non-expendable as it relates to an asset. Understanding these terms will assist you in understanding how CAP categorizes assets and the associated internal controls that are in place to safeguard them.

Real property is any land and all things attached to it, such as a building. Many people refer to it as real estate. The Civil Air Patrol may own or lease real property. Leasing real property can be as simple as an agreement between a DoD installation or local government to a more traditional monthly payment for use of a facility. In all cases, it is up to each individual to make sure the facilities we use are cleaned and maintained regularly. For more information about CAP Real Property Management, refer to CAPR 174-1.

The next terms are expendable and non-expendable. Expendable property is property that is normally consumed either partially or completely during its use. Property is expendable if it has no further value after usage or loses its original identity during periods of use. Items of relatively low value or that are technically outdated are considered expendable property. Aircraft fuel and office supplies are examples of expendable property. (CAPR 174-1) Non-expendable Property consists of items of a durable nature that are neither consumed nor lose their identity during periods of use. (CAPR 174-1) CAP defines non-expendable property as:

- Is complete in itself.
- Is of a durable nature.
- Has a continuing use.
- Is not consumed in use.
- Does not become a fixture or lose its identity as a component of another item.
- Has an expected service life of one or more years.
- Has an initial acquisition cost of more than \$500.

ISSUANCE OF NON-EXPENDABLE EQUIPMENT

After you received proper training and permission, you may be assigned non-expendable equipment such as a transceiver (two-way radio). Before it is handed over to you, you will need to sign documentation stating that you are taking custody of the property, you will safeguard and maintain it, you will only use it for CAP activities, and you will return the property to the issuing authority on demand. From the date of issuance, you will be required to return the equipment for inspection at a minimum of once a year.

The documentation you signed is now filed locally and electronically by the issuing authority, typically by your unit's logistics or supply officer. The information on the document is transferred to a central database called ORMS, which stands for Operational Resource Management System. As the name implies, all non-expendable assets are tracked. This tracking system will include your name as the responsible custodian.

AIRCRAFT AND VEHICLES

Other types of non-expendable equipment to consider are aircraft and vehicles. Aircraft and vehicles are assigned to units such as your squadron or wing. They are not assigned to individuals; however, individuals may be appointed the duty as custodian, or chief person to contact, regarding the use and maintenance of the aircraft or vehicle. Typically, the unit's transportation or logistics officer is the custodian for the unit's assigned vehicle. An aircraft custodian is typically the aircraft maintenance officer or the unit commander. In either case, you will need to contact the proper custodian prior to the use of either asset.

When you use a vehicle or aircraft, you assume the responsibility for its care-in-use. The first step is to review any vehicle inspection or pre-flight checklist. This is your opportunity to report any missing parts, damage or mechanical problems with the equipment. If you were to skip this step and not report any discrepancies, you then assume the accountability for those discrepancies.

Typical wear and tear on any equipment, but especially aircraft and vehicles is expected. This should not, however, be considered an opportunity to behave recklessly. As the principal user (i.e. driver, pilot), you will need to make a concerted effort to remind passengers to take care of the equipment as well. After all, you are ultimately responsible.

Prior to the turning in of the aircraft or vehicle, make sure that it is cleaned and refueled in accordance with local policies. This is to ensure operational readiness of the equipment. All seat belts should be visible, radios and other equipment properly stored, and paperwork completed. Don't forget to lock the doors and turn in the keys as directed.

Should a mishap take place, do not panic. Your primary responsibility is for your safety and the safety of any passengers. If necessary, such as in a vehicle accident, contact the local authorities (911). As soon as all immediate dangers and/or injuries are managed, contact someone within your chain of command starting with your immediate commander. You may have additional local guidance on this topic, so consult with the aircraft/vehicle custodian prior to using any equipment. In general, report any equipment damage that may have occurred as soon as practical.

IMPROVEMENTS TO EQUIPMENT

It's important to note that any improvements you make to CAP property will become the property of CAP. For example, if you add at your expense a hard drive to an issued laptop (assuming you have permission to do so first), you cannot demand to have your hard drive back when you turn in the laptop. The hard drive is an improvement to the equipment and is now part of its make-up. To further illustrate this concept, if you were to attach a self purchased microphone that plugs into a jack on an issued transceiver, it does not become a permanent part of the equipment. The microphone is an accessory,

not an improvement to the quality of existing equipment. Unplugging the microphone will not change the make-up of the transceiver. Please note that items purchased with personal funds that become property of CAP may be deductible from your income tax.

Before you make any improvements, you must first gain permission to do such with the appropriate authority. You should begin by contacting the issuing authority. If you are not sure what may be considered an improvement, contact the issuing authority for clarification.

LOST, STOLEN, OR DAMAGED EQUIPMENT

Should the assigned equipment become lost, stolen, or damaged your responsibility is to report such to the issuing officer, or your commander, as soon as possible. You should expect an officer to be appointed to conduct an investigation of the matter. This should not intimidate you, nor cause hesitation in reporting the incident.

The intent of an investigation is to develop an unbiased report determining the level of negligence, if any, on the part of the member who was issued the equipment. If the member is found negligent, s/he may be liable for an assessment up to the cost of reimbursement, replacement, or repair of the equipment. However, if all reasonable effort was taken to protect the property, then the investigation will determine that to be the case. Upon determination of any negligence in which assessment is determined, the member will make arrangements with HQ CAP/FM to arrange payment of the assessment.

CAP members who feel the imposition of assessment is unjust or unfair may appeal to the national commander through their region commander. Such appeals must be submitted within 30 days after the member's notification and will be limited to a review of the investigation report and any other documents the member may submit. The decision of the national commander is final. (CAPR 174-1)

For further guidance and details related to the process of lost, stolen, or damaged equipment, refer to CAPR 174-1, *Property Management*.

FRAUD, WASTE, AND/OR ABUSE

Fraud, Waste and/or Abuse (FWA) are a drain on the time, effort and resources of the Civil Air Patrol and all of its members. Fraud, waste or abuse can occur through an unintentional act or can occur by deliberate action. Regardless of the intent, fraud, waste and/or abuse cannot be tolerated. It is the responsibility of all members to report such actions. First, you will need to know the definitions of fraud, waste, and abuse.

- Fraud is any intentional deception (including attempts and conspiracies to effect such deception) for the purpose of: inducing CAP action, inaction or reliance on that deception; depriving CAP of something of value; securing from CAP a benefit, privilege, or consideration to which the party is not entitled. Such practices

include, but are not limited to: offer of payment, acceptance of bribes or gratuities; making false statements, submission of false claims, use of false weights or measures, evasion or corruption of inspectors and other officials, deceit by suppression of the truth or misrepresentation of a material fact, adulteration or substitution of materials, falsification of records and books of account, arrangements for secret profits, kickbacks, or commissions, and conspiracy to use any of these devices.

- Waste is the extravagant, careless, or needless expenditure of CAP funds or consumption of CAP property that results from deficient practices, system controls, or decisions.
- Abuse is the intentional, wrongful, or improper use of CAP resources such as the misuse of rank, position, or authority that causes the loss or misuse of resources such as tools, vehicles, computers, copy machines, etc

If you suspect or know of a potential FWA situation within the Civil Air Patrol, you should contact your commander, wing Inspector General or you may use the Fraud, Waste and Abuse Hotline. The FWA hotlines allow you to leave confidential, password protected information at National Headquarters. When using the FWA Hotline, please leave your name, phone number and/or e-mail address, and a short description of the potential FWA situation which you are concerned about. You will be contacted within 3 working days.

- FWA HOTLINE E-MAIL : fwa@capnhq.gov
- FWA HOTLINE TELEPHONE: (877) 227-9142 and select option #4

ANNUAL ACCOUNTABILITY REPORTS

Each year, all unit commanders are responsible to ensure the completion of a physical inventory report. These annual reports are intended to demonstrate to both the CAP and CAP-USAF management teams that CAP is meeting its responsibilities for the stewardship of assigned CAP assets. This, in turn, helps CAP earn the public trust of the American taxpayers. Everyone in the unit who is assigned equipment will take part in this annual report. Often the supply or logistics officer will use this as an opportunity to inspect any personal equipment assigned to you as discussed earlier. These reports are executed in ORMS.

Managing and safeguarding Civil Air Patrol assets is equally as important to financial accountability. It is the responsibility of all members to safeguard our equipment in order to maintain public trust and to be prepared in the event the equipment is needed. The Civil Air Patrol recognizes that some equipment (expendable) has limited use while others (non-expendable) have long term use and need to be properly maintained. Regardless, the CAP needs all members to be vigilant and to report any lost, stolen or damaged assets as well as any suspected or known fraud, waste, and abuse. Each

year, unit commanders will review all inventory to ensure that all equipment, vehicles, and real property are in good serviceable condition ready for any mission.

TRAINING AND PERMISSION FIRST

Before you are assigned any CAP equipment, you must first be trained in its operation, maintenance, and proper handling. Perhaps this sounds obvious; however, in moments of zeal we can forget the obvious. So it's important to make the conscious effort to ask yourself, "Have I been trained to handle this equipment?" If the answer is "no", then it is best to leave it alone.

To illustrate the importance of this subject, consider this scenario. A CAP aircraft with specialized reconnaissance equipment called ARCHER lands at the airport where your unit meets. You walk out to the aircraft and decide to step in the back where the ARCHER equipment is installed. You've only heard about the system but have never seen one up close, so you take a close look. In your excitement your foot accidentally pulls a cable. The ARCHER Operator notices you inside and quickly comes over to ask what you are doing only to find you trying to replace the cable you just pulled off. The ARCHER Operator asks you to step out and upon inspection notices you just damaged a \$10,000 custom cable that is not something you can run down to the local electronics store to replace.

In this scenario, can you be found negligent? Can you be found responsible for the monetary loss? The answer to is, YES!

As mentioned before, you will need training prior to handling any equipment. Training for the use of equipment can vary from an orientation and demonstration at the local unit to a complex in-residence training conducted over several days. Those that are more difficult usually require certification. An example may be certification in the use of a glass cockpit equipped aircraft or the ARCHER system as discussed in the previous scenario.

In addition to any initial training you receive, you will need to have periodic training to assure that you continue to retain the knowledge needed to operate and maintain the equipment. Often this can be done in conjunction with a training exercise to save money. The frequency of secondary training and evaluation will depend on the type of equipment, regulations, and any local policies.

The final consideration in handling any equipment is the authority to do so. In cases where you've been trained to handle a specific type of equipment you now have to ask yourself a second question, "Do I have proper authority to handle it?" As in the prior question, if the answer is "no", then leave it alone. It is important to understand that just because you are trained to handle equipment does not imply that you have permission to handle or use it.

You should now have a strong understanding that before you touch any CAP equipment, you should ask yourself two questions, "Have I been trained to handle this equipment?" and "Do I have proper authority to handle this equipment?" If the answer to either question is "no", then leave it alone.

Lesson Summary and Closure

In this section, you should now have an understanding that the Civil Air Patrol is funded from many different sources with the largest entity being the American Taxpayer. In return, it is the responsibility of every individual to take an active part in maintaining the confidence of those who fund our operations by subscribing to appropriate actions when accounting and safeguarding the monies and equipment we use. Failure to meet any accountability standards can result in the loss of public trust and for the individual member, who is found negligent, responsible for the reimbursement, repair or replacement of assets.

Works Cited

CAPR 123-2, Complaints, and Civil Air Patrol National Website, Fraud, Waste and Abuse web page

http://members.gocivilairpatrol.com/cap_national_hq/inspector_general/fraud_waste_and_abuse.cfm>

CAPR 173-1, *Financial Procedures and Accounting Report for Units Below Wing Level*. Maxwell AFB, AL: Civil Air Patrol National Headquarters, 15 Nov 2012.

CAPR 173-3, *Payment for Civil Air Patrol Support*, Maxwell AFB, AL: Civil Air Patrol National Headquarters, 1 Jul 2013.

CAPR 174-1, *Property Management*, Maxwell AFB, AL: Civil Air Patrol National Headquarters, 26 Dec 2012.