

**Society of American Archivists
Council Meeting
August 10, 2009
Chicago, Illinois**

**Action Item: Create Standing Finance Committee
(Prepared by SAA Investments Committee: Ann Russell, chair; James Byers;
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BACKGROUND

The Investments Committee was appointed in late August 2008 and charged with “reviewing and recommending revisions to the current Investment Policy to address 1) the duties and responsibilities of the Investment Committee, 2) specific quantified income needs (eg, income that is at least adequate to cover projected fund expenses), 3) administrative fees, and 4) all other areas that are appropriate for such a policy; and providing ongoing oversight of SAA’s investments.”

In the course of our discussions about recommended revisions to the Investment Policy (see Agenda Item II.C.), Committee members noted that SAA has, over time, become an increasingly complex organization with significant financial holdings. SAA’s assets currently total more than \$2.87 million and its FY 2010 budget is \$2.17 million.

DISCUSSION

Primary among the functions of the SAA Council is its fiduciary responsibility to ensure the financial stability and growth of the organization. Creation of an Investments Committee to provide advice and counsel to the Council was a prudent and appropriate action. We propose a restructuring that we believe would further strengthen SAA’s financial management beyond its investments.

Although the Society’s current structure is not “broken” (i.e., for at least the past six years SAA has had clean audit reports with only minor management points, has had no causes for concern in terms of financial management and internal controls, and has continued to grow), two factors lead us to recommend a change in that structure: 1) the organization’s continuing growth in size and complexity and 2) an external environment that increasingly is holding governing boards accountable for financial oversight of their organizations.

SAA has benefited significantly from its practice of electing a Treasurer to serve a three-year term. We propose creating a standing Finance Committee, chaired by the elected

Treasurer, that would supplement the Council's, Treasurer's, and staff's financial management expertise with broader representation and involvement by a group of experienced and knowledgeable members. Among the Finance Committee's proposed duties and responsibilities would be to review and monitor the Society's investments portfolio and recommend changes in the Investment Policy, thus obviating the need for an Investments Committee. Formation of a standing Finance Committee also is in keeping with a trend among professional associations to create audit committees.

[*Staff Note:* The lack of editorial consistency in the SAA Constitution, Bylaws, and Council Handbook passages below will be dealt with in a review of these materials by the Council Handbook Subcommittee and the staff..]

RECOMMENDATION 1

THAT the SAA Council approve the formation of a standing Finance Committee, with the following description and requirements:

I. Purpose

The Finance Committee is responsible for assisting the Council in meeting its fiduciary responsibilities by: monitoring the financial health of the organization, ensuring that its assets are protected, and providing advice and counsel to the SAA Treasurer and the Council on financial matters, including the investment program.

II. Size, Composition, Selection, and Length of Terms

The Finance Committee consists of six members: the SAA Treasurer (who serves as chair), the Executive Director, the Finance/Administration Director, and three SAA members appointed by the Vice President in consultation with the current Finance Committee members to determine what expertise is needed as appointments are made. The three appointed members of the Committee serve for staggered three-year terms, so that one individual is appointed by the Vice President each year.

The Vice President may appoint a seventh member – an individual who is not an SAA member or archivist, but who has special expertise in one or more aspects of financial management – as needed or appropriate.

III. Reporting Procedures

The Finance Committee reports to each full meeting of the Council, typically via the Treasurer's formal written report, and also reports to the Council on special initiatives as necessary or requested.

IV. Duties and Responsibilities

- A. Review the Society's financial policies and make recommendations to the Council as appropriate.**

- B. Review and monitor the Society's income and expenditures and report to the Council on SAA's financial needs and stability.
- C. Ensure preparation of accurate, timely, and meaningful financial statements.
- D. Meet (via conference call) with the independent auditor annually and review the Annual Audit Report.
- E. Review bids, interview, and recommend to the Executive Committee the selection of the external auditor every three years.
- F. Review and monitor the Society's investments portfolio and report to the Council on the growth and stability of the investments. Recommend changes to the investment strategy and the Investment Policy as appropriate.
- G. Review bids, interview, and recommend to the Executive Committee the selection of one or more investment consultants every three years.

V. Meetings

The Committee meets via conference call 1) after receipt of each quarterly report, in order to discuss the Society's financial standing; 2) prior to submission of a draft annual budget for Council review and adoption, in order to ensure that the draft budget is responsible and reasonable; 3) annually with the external auditor, in order to receive and discuss the Annual Audit Report; and 4) as needed with the investment consultant(s), in order to monitor investment performance.

Support Statement: Formation of a standing Finance Committee will assist the Council in discharging its fiduciary responsibility as SAA becomes a larger and more complex organization. The proposed description and requirements are in line with the recommendations of SAA's external auditor and with best practices in the association management community.

Fiscal Impact: Given that all Committee meetings will take place via conference call or electronic medium or in conjunction with the annual meeting, direct expenses are nominal.

RECOMMENDATION 2

THAT the SAA Bylaws, Section 1. Duties of Officers, C., be amended as follows to reflect the role of the Treasurer as chair of the Finance Committee (strikethrough = deletion; underline = insertion):

1. DUTIES OF OFFICERS

C. The treasurer shall be responsible for: planning and formulating financial policy in consultation with the finance committee and the executive director; recommending such policies to council; reviewing the annual budget before its submission to the ~~executive committee~~ finance committee, executive committee, and ~~to~~ council; internal auditing of all Society financial operations; providing an annual report on the Society's finances; and investing special funds and endowments on the advice and consent of the finance committee and the council. In the absence of the

president and the vice president, the treasurer shall preside at business meeting(s) of the Society and meetings of the council.

Support Statement: The suggested revisions in the Bylaws ensure the continued authority and responsibility of this elected position while providing support from an appropriate group with expertise in financial matters.

Fiscal Impact: None.

RECOMMENDATION 3

THAT the SAA Bylaws, Section 4. Executive Committee, be amended as follows to reflect the role of the Finance Committee (strikethrough = deletion; underline = insertion):

4. EXECUTIVE COMMITTEE

The executive committee of the council shall be ~~comprised~~ composed of the president, the vice president, the treasurer, and one councilor who shall be elected for a term of one (1) year by the nine (9) councilors at the spring meeting of council. The president shall serve as chair of the executive committee and shall call the committee into session. The executive committee shall act for the council in conducting the affairs of the Society between meetings of the council and shall provide timely communication and consultation with the council between meetings. ~~The executive committee shall act as the finance committee of the council and review financial policy for approval by council, approve all investments, and approve the budget submitted by the treasurer for review and action by the council.~~ The executive committee shall annually conduct a performance review of the executive director according to procedures mutually agreed to by the executive committee and the executive director and approved by council.

Support Statement: Given the growing complexity of the organization, it is appropriate that an appointed group whose members have expertise in financial matters should provide advice and counsel to the SAA Council in order to ensure that the governing body properly discharges its fiduciary responsibility. The Executive Committee retains appropriate authority and responsibility.

Fiscal Impact: None.

RECOMMENDATION 4

THAT the Council Handbook, Section II. Officers, Treasurer, be revised as follows to reflect the Treasurer's role as chair of the Finance Committee (strikethrough = deletion; underline = insertion):

**Section II. Officers
Treasurer**

I. Term of Office

Article VI of the Society's constitution states that the treasurer shall be elected for a term of three (3) years beginning at the conclusion of the annual meeting following the election and shall be ineligible for immediate re-election.

II. Functions

Bylaw 1 of the Society's states, "The treasurer shall be responsible for: planning and formulating financial policy in consultation with the finance committee and the executive director; recommending such policies to council; reviewing the annual budget before its submission to ~~Council~~; the finance committee and to council; internal auditing of all Society financial operations; providing an annual report on the Society's finances; and investing special funds and endowments on the advice and consent of the finance committee and the council. In the absence of the president and vice president, the treasurer shall preside at business meeting(s) of the Society and meetings of the council."

III. Duties

- 1. Serve as chair of the Finance Committee.**
- 2. Prepare an annual Treasurer's Report. Present the report at the annual business meeting and submit it for publication to the *American Archivist*.**
- 3. In consultation with the Finance Committee and the executive director recommend an annual budget to the Council.**
- 4. Analyze all SAA financial statements. Report financial status, trends, and problems at each Council meeting. Make recommendations to the executive director and the Council.**
- 5. Consult with the executive office to assure that an annual audit is performed. Analyze audit results and report findings to the Council.**
- 6. Working with the Finance Committee, ~~O~~versee investment policy for special funds and endowments.**
- 7. Hold the Society's copy of the current employment contract with the executive director.**
- 8. Ensure that the annual giving program is undertaken by the executive director.**
- 9. In the absence of the president and vice president, preside at business meeting(s) of the Society and meetings of the Council.**
- 10. Work with the Council, the Finance Committee, and the executive director to achieve the following goals:**
 - a. A balanced annual budget, and**
 - b. An adequate reserve fund.**

11. Together with the Council, approve all SAA proposals for external financial support before submission to the funding agencies.
12. Together with the Finance Committee and the Council, triennially review the dues structure to assure its sufficiency.
13. Serve as a member of the executive committee.

Approved by Council: June 1991; revised August 2009

Support Statement: The proposed revisions to the Council Handbook are consistent with the proposed changes in the SAA bylaws.

Fiscal Impact: None.

RECOMMENDATION 5

THAT the current Investments Committee be disbanded with thanks;

THAT the current members of the Investments Committee be appointed to serve on the Finance Committee for the period August 2009 – August 2011;

THAT one member (to be determined by lot) rotate off the Committee in August 2011;

THAT a second member (to be determined by lot) rotate off the Committee in August 2012;

THAT the third current member of the Committee rotate off in August 2013; and

THAT the three-year appointment cycle outlined in “Finance Committee, II. Size, Composition, Selection, and Length of Terms” take effect as individuals rotate off the Committee.

Support Statement: The Investments Committee has recommended the formation of a standing Finance Committee that would have as one of its tasks the monitoring of SAA’s Investment Policy and investment portfolio. If that recommendation is approved by the Council, there is no continuing need for an Investments Committee. Given that the current members of the Investments Committee were appointed because of their expertise in organizational financial management, it seems appropriate to continue their terms on the newly formed Finance Committee in order to take advantage of that expertise. As individuals rotate off the Committee beginning in August 2011, the vice president would begin the process of appointing one new member each year.

Fiscal Impact: None.

Existing Policies and Procedures Related to SAA's Finances, Financial Management, and Formation of Standing Committees

On the matters of finances and financial management, the SAA Constitution states the following:

V.B. Finances.

1. The Society's financial assets and activities shall be divided into funds reflecting general operations, special projects, endowments, and such other functional categories as council may establish from time to time. To further the aims and purposes of the profession, the council may establish special projects funds set apart from the general operating and endowment funds and used only for the purposes for which they are or were established. Council may establish permanent endowment funds from which only the earnings may be expended to further the aims of the Society.
2. Council shall be responsible for policy governing investment of funds and for care of other assets of the Society. Fiscal control of the funds and assets shall be maintained by such records and accounting system as may be prescribed by the council in accordance with the constitution, bylaws, and existing guidelines. An annual audit of the financial affairs shall be made and a report of the audit published.

On the matters of finances, financial management, and creation of standing committees, the SAA Bylaws state the following (emphasis added):

1. DUTIES OF OFFICERS

C. The treasurer shall be responsible for: planning and formulating financial policy in consultation with the Executive Director; recommending such policies to council; reviewing the annual budget before its submission to the executive committee and to council; internal auditing of all Society financial operations; providing an annual report on the Society's finances; and investing special funds and endowments on the advice and consent of the council. In the absence of the president and the vice president, the treasurer shall preside at business meeting(s) of the Society and meetings of the council.

4. EXECUTIVE COMMITTEE

The executive committee of the council shall be comprised of the president, the vice president, the treasurer, and one councilor who shall be elected for a term of one (1) year by the nine (9) councilors at the spring meeting of council. The president shall serve as chair of the executive committee and shall call the committee into session. The executive committee shall act for the council in conducting the affairs of the Society between meetings of the council and shall provide timely communication and consultation with the council between meetings. The executive committee shall act as the finance committee of the council and review financial policy for approval by council, approve all investments, and approve the budget submitted by the treasurer for review and action by the council. The executive committee shall annually conduct a performance review of the

executive director according to procedures mutually agreed to by the executive committee and the executive director and approved by council.

6. ORGANIZATIONAL UNITS

A. Except as otherwise specified in the constitution and/or bylaws, standing committees, task forces, boards, sections, roundtables, and other units shall be created and terminated by the president with the advice and approval of the council. Chairs of standing committees, task forces, and boards shall be appointed by the president for terms of one year and may be appointed to a maximum of three consecutive terms except for such bodies for which the term and means of selection of chair are otherwise specified in the constitution and/or by-laws of the Society. Each standing committee, task force, board, or other unit shall have guidelines approved and amended as necessary by council that set forth its purpose, size, composition, means of selection and length of terms of members and chair, reporting procedures, and duties and responsibilities....

On the matter of finances and financial management, the Council Handbook (governance manual) states the following:

Section II. Officers

Treasurer

I. Term of Office

Article VI of the Society's constitution states that the treasurer shall be elected for a term of three (3) years beginning at the conclusion of the annual meeting following the election and shall be ineligible for immediate re-election.

II. Functions

Bylaw 1 of the Society's states, "The treasurer shall be responsible for: planning and formulating financial policy; recommending such policies to council; reviewing the annual budget before its submission to Council; internal auditing of all Society financial operations; and investing special funds and endowments on the advice and consent of Council. In the absence of the president and vice president the treasurer shall preside at business meeting(s) of the Society and meetings of the Council."

III. Duties

1. Prepare an annual Treasurer's Report. Present the report at the annual business meeting and submit it for publication to the American Archivist.
2. In consultation with the executive director recommend an annual budget to Council.
3. Analyze all SAA financial statements. Report financial status, trends and problems at each Council meeting. Make recommendations to the executive director and Council.
4. Consult with the executive office to assure that an annual audit is performed. Analyze audit results and report findings to Council.
5. Oversee investment policy for special funds and endowments.
6. Hold the Society's copy of the current employment contract with the executive director.
7. Ensure that the annual giving program is undertaken by the executive director.

8. In the absence of the president and vice president, preside at business meeting(s) of the Society and meetings of the Council.

9. Work with Council and the executive director to achieve the following goals:

- a. A balanced annual budget, and
- b. An adequate reserve fund.

10. Together with Council, approve all SAA proposals for external financial support before submission to the funding agencies.

11. Together with Council, triennially review the dues structure to assure its sufficiency.

12. Serve as a member of the executive committee.

Approved by Council: June 1991

Section IV. Council

V. Duties

3. Ensure financial stability and growth of the Society by developing income sources and controlling the Society's budget.
 - Establish guidelines, in consultation with the treasurer, for the receipt and disbursement of funds, general operating funds, and external grants.
 - Consider the budget requests of the Society's committees, boards, task forces, sections, roundtables, and representatives and incorporate the approved expenditure requests into the Society's annual budget.
 - Review and approve the Society's annual budget.
 - Prescribe an accounting system and record keeping method to maintain fiscal control of the Society's funds and assets.
 - Identify and evaluate, with the advice of the executive director, potential sources of improved funding, and develop a strategy to achieve those that are in the Society's interest.
 - Provide Society members with information about the source and expenditure of Society funds.
 - Cause an annual audit of the financial affairs of the Society to be made and a report of the audit published.
 - Assume responsibility for investment of funds and for care of other assets of the Society through long-term and short-term financial plans and investment strategies.
 - Give specific prior approval for any financial solicitation of Society members through use of the Society's membership list.
 - Determine serial publication subscription rate for nonmembers, acting on the recommendation of the treasurer.
 - Establish special project funds as may serve to further the aims and purposes of the profession.
 - Review the dues structure every three (3) years to modify as necessary.
 - Dispose of the Society's property, funds, or other assets in the event of the dissolution of the Society.