SECTION 5
FINANCE AND ACCOUNTING

(LAST UPDATED AUGUST 2009)
NUMBER 5.1  TREASURER DUTIES

EFFECTIVE: January 2009

POLICY

The Treasurer shall perform the duties usual to the office of an organization treasurer and those required by the Constitution and Bylaws and by actions of the Board.

The Treasurer is Board Liaison for the Finance and Investment Committees.

PROCEDURES

Oversee budget preparation, including recommendations on journal subscription rates, meeting registration fees, membership dues, overhead charges, and budget format.

Review requests for capital appropriations and make recommendations to the Board.

Monitor Institute expenses through:
  • Interactions with INFORMS office;
  • Periodic financial statements;
  • Annual audit report;
  • Signing checks as specified in Policies and Procedures Manual.

Report to members through such means as the INFORMS web site, business meetings, and INFORMS publication(s) received by all members.

Serve on:
  • INFORMS Board (counsel the Board and explain numbers);
  • Executive Committee, as officer;
  • Finance Committee, as chair;
  • Investment Committee, as chair.

Advise the Meetings Committee and the Publications Committee on meeting and journal finances.

Counsel committee chairs regarding available funding for unbudgeted projects or activities.

Perform special studies, as requested by the Board or President, including:
  • Review of contracts (e.g., OR/MS TODAY, meetings management, employment program);
  • Determination of financial impact of proposed amendments;
  • Selection of auditors.
Recommend process improvements in INFORMS operations.

Approve changes to insurance programs available to Institute members.

Periodically prepare a long range financial plan.

**RELATED DOCUMENTS:**

INFORMS Policies and Procedures Manual, Section 5.2, Signature Authorization for Checks
INFORMS Policies and Procedures Manual, Section 5.3, Financial Assets of Sections and Societies
INFORMS Policies and Procedures Manual, Section 5.4, Finance Committee
INFORMS Policies and Procedures Manual, Section 5.5, Investment Committee
INFORMS Policies and Procedures Manual, Section 5.6, Investment of INFORMS’ Funds
INFORMS Policies and Procedures Manual, Section 5.7, Permanent Reserve Fund
NUMBER 5.2  AUTHORIZATION FOR CHECKS AND OTHER FORMS OF PAYMENT

EFFECTIVE: August, 2008

POLICY

All payments of approved invoices or other obligations shall be made by check, credit card, or secure electronic fund transfers. Under normal circumstances credit cards shall be used only for payment of reimbursable expenses incurred by individuals (e.g., travel). All transactions should have the appropriate supporting documentation and must have approval/verification sign off by the applicable department director(s) and the Executive Director, or in their absence by persons properly designated to act for them. Only official INFORMS check stock, controlled by the Director of Finance, may be used for checks.

The Director of Finance is authorized to sign checks up to $40,000. In the event that the Director of Finance is unable to sign, the signature of the Executive Director will usually be substituted, but the Treasurer, President or President-Elect may also sign. Any expenditure over $40,000 requires two signatures, typically from the Director of Finance and Treasurer, though the President and President-Elect can sign in place of either.

Electronic fund transfers of less than $40,000 must be authorized by the Executive Director. In the event that the Executive Director is unable to authorize the transaction, the Treasurer will usually do so, but either the President or President-Elect may also do so. Any transfer over $40,000 requires two authorizations, typically from the Executive Director and Treasurer, though the President and President-Elect can authorize in place of either. Authorization for transactions over $40,000 will be obtained in writing (which may be via email).

As part of the monthly financial reporting procedures, a check register, listing all checks and fund transfers processed during the period, is to be produced and reviewed by the Executive Director and the Treasurer.

RELATED DOCUMENTS:

INFORMS Policies and Procedures Manual, Section 2.3, Expenditure Approvals
INFORMS Policies and Procedures Manual, Section 5.1, Treasurer Duties
NUMBER 5.3       FINANCIAL ASSETS OF SUBDIVISIONS

EFFECTIVE: November, 2002

POLICY

It is the policy of INFORMS that Subdivisions support their normal operating expenses from internally generated funds. In the event that a Subdivision depletes its account, the Treasurer may authorize a short term loan to cover the shortfall, provided that the Subdivision furnishes a viable plan for repaying this loan.

Subdivisions shall be credited interest annually on their average balance during the fiscal year. The rate of interest shall equal the average rate INFORMS earns on its working capital money market account.

Subdivisions can carry forward any unexpended funds from one year to the next. Subdivisions can continue to request special funding from the Board to pursue special projects.

Should any Subdivision become inactive and be dissolved by the INFORMS Board, its accumulated surplus, if any, will be transferred to the general Institute funds.

Statement of Subdivision Assets

The INFORMS Accounting Department will provide subdivisions quarterly financial statements to the Director of Subdivisions for review and distribution to the officers of the subdivisions. The production of the financial statements will be based on the following schedule:

Year end, unaudited statement: March 1
Year end, audited statement: April 15
1st quarter statement: May 31
2nd quarter statement: July 31
3rd quarter statement: October 30

RELATED DOCUMENTS:

INFORMS Policies and Procedures Manual, Section 2.3, Expenditure Approvals
NUMBER 5.4 FINANCE COMMITTEE

EFFECTIVE: May, 2000

POLICY

The Finance Committee supports the Treasurer and oversees the financial functions of INFORMS except for investment of reserves, which is the responsibility of the Investment Committee. The Treasurer is the Board Liaison for the Finance Committee.

PROCEDURES

Membership

The voting members of the Finance Committee are composed of the Treasurer as chair of the Committee plus four additional INFORMS members appointed by the President with the advice of the Treasurer and the approval of the Executive Committee. The senior staff person(s) responsible for overall INFORMS financial management serve(s) as ex officio non-voting member(s) of the Committee. Terms begin on January 1, and appointed voting members serve two-year terms staggered such that half are appointed each year.

Functions

The Finance Committee identifies and deals with financial issues of concern to INFORMS. Issues for the Committee may be generated by the Treasurer or by the Board. Areas of concern include, but are not limited to: (1) management of systems and procedures, (2) financial impact of ventures and projects, (3) administrative matters, and (4) preparation of and oversight of the budget. Motions initiated by the Committee will be submitted to the Board. The Finance Committee recommends each spring changes in the rates for membership, subscriptions and meetings registration. The Finance Committee consults with the Membership Committee, Publications Committee and Meetings Committee prior to making the recommendation. There is a formal vote of the Board on these rates at the Spring Board Meeting.

Meetings

Meetings of the Committee are called by the Chair as required. A quorum consists of at least half of the voting members of the Committee.

RELATED DOCUMENTS

INFORMS Policies and Procedures Manual, Section 5.5, Investment Committee
INFORMS Policies and Procedures Manual, Section 5.6, Investment of INFORMS Funds
INFORMS Policies and Procedures Manual, Section 5.8, INFORMS Permanent Reserve.
NUMBER 5.5 INVESTMENT COMMITTEE

EFFECTIVE: May, 2000

POLICY

The Investment Committee oversees the investments in the Permanent Reserve and Working Capital/Operating Accounts of INFORMS. The Treasurer is the Board Liaison for the Investment Committee.

Membership

The voting members of the Investment Committee are composed of the Treasurer as chair of the Committee plus four additional INFORMS members appointed by the President with the advice of the Treasurer and the approval of the Executive Committee. The senior staff person(s) responsible for overall INFORMS financial management serve(s) as ex officio non-voting member(s) of the Committee. Terms begin on January 1, and appointed voting members serve four-year terms staggered such that one member is appointed each year.

Functions

The Investment Committee 1) recommends investment policies to the Board for the INFORMS Permanent Reserve and Working Capital/Operating Accounts, 2) recommends to the Board the hiring or retention of an Investment Advisor for the Permanent Reserve, 3) monitors the investment performance of the Permanent Reserve, and 4) reports and recommends to the Board on other investment matters of importance to INFORMS.

Meetings

Meetings of the Committee are called by the Chair as required. A quorum consists of at least half of the voting members of the Committee.

RELATED DOCUMENTS:

INFORMS Policies and Procedures Manual, Section 5.6, Investment of INFORMS Funds
INFORMS Policies and Procedures Manual, Section 5.8, INFORMS Permanent Reserve.
NUMBER 5.6   INVESTMENT OF INFORMS FUNDS

EFFECTIVE:  August, 2008

POLICY

For the purposes of managing investment risk and optimizing investment returns within acceptable risk parameters, the funds held by INFORMS are divided into two separate investment pools, which are called the “Working Capital/Operating Accounts” and the “INFORMS Permanent Reserve”.

PROCEDURES

1. The following procedures are followed to ensure that the investment policies and procedures are consistent with the current mission of INFORMS and accurately reflect current financial conditions:
   a. The investment policies and procedures will be reviewed annually by the Investment Committee.
   b. Recommendations for any revisions or modifications will be made by the Investment Committee to the Board for approval.

2. The following procedures are used to determine the dollar amounts to be placed in the INFORMS Permanent Reserve. Dollar amounts not specifically designated for the Permanent Reserve are restricted to investments designated in the investment guidelines for the Working Capital/Operating Accounts.
   a. The Finance Committee recommends the dollar amounts to be placed in the Permanent Reserve and the Working Capital/Operating Accounts, subject to the policy stated in INFORMS Policies and Procedures Manual, Section 5.8, INFORMS Permanent Reserve.
   b. The Board has final approval of the dollar amounts placed in the Permanent Reserve and in the Working/Capital/Operating Accounts, subject to the policy stated in INFORMS Policies and Procedures Manual, Section 5.8, INFORMS Permanent Reserve.

3. To assure that the fiduciary responsibilities of the Board and the Investment Committee are met, INFORMS will always have a professional Investment Advisor assisting with the Permanent Reserve investments.
   a. The Investment Advisor is selected by the INFORMS Board. The Investment Committee is responsible for reviewing the performance of the current Investment Advisor, and if necessary, considering potential Investment Advisor candidates and making a recommendation to the Board regarding retaining or replacing the Investment Advisor. The Investment Committee also recommends to the Board the structure of the agreement and the basis of compensation on which the Investment Advisor is engaged.
   b. The Investment Advisor selects specific investments for the Permanent Reserve and allocates the Permanent Reserve assets among these investments subject to the policies and procedures specified in this Section and in Section 5.8, and also subject to the consent of the Investment Committee.
RELATED DOCUMENTS

INFORMS Policies and Procedures Manual, Section 5.5, Investment Committee
INFORMS Policies and Procedures Manual, Section 5.8, INFORMS Permanent Reserve
POLICY

The purpose of the Working Capital/Operating Accounts is to provide sufficient cash to meet the financial obligations of INFORMS in a timely manner. Specifically, the investment objectives of the Working Capital/Operating Accounts are:
1. Preservation of capital;
2. Liquidity; and
3. Optimization of investment returns subject to preserving capital and liquidity.

PROCEDURES

The INFORMS Working Capital/Operating Accounts can be invested only as follows:
1. Checking accounts in U.S. federally insured banks and savings and loans not to exceed federally insured amounts.
3. Federally insured certificates of deposit not to exceed federally insured amounts.
5. Repurchase agreements in conjunction with bank sweep accounts collateralized by U.S. Government obligations. Maturities on investments for the Working Capital/Operating Accounts are limited to one year or less.

Policies on withdrawals from the INFORMS Working Capital/Operating Account are:
1. The Director of Finance may transfer portfolio income to the Permanent Reserve, with notification to the Executive Director and Treasurer.
2. The Investment Committee shall review the size of the Working Capital/Operating Account at least annually. The Treasurer may make a transfer to the Permanent Reserve if the Investment Committee so recommends.
3. Withdrawals other than the transfers authorized in (1) and (2) above require the approval of both the Executive Director and the Director of Finance and will be made only to INFORMS’ current checking account, by wire transfer, ACH, or EFT, with notification to the Treasurer.

Policies on additions to the INFORMS Working Capital/Operating Account are:
1. If the balance in the INFORMS checking account as of September 1 exceeds 20 percent of the current budget year’s cash outflow, then the excess is to be transferred to the INFORMS Working capital/Operating Account.
2. The Director of Finance, with the approval of the Executive Director, may transfer funds from the INFORMS checking account to the INFORMS Working capital/Operating Account.

RELATED DOCUMENTS

INFORMS Policies and Procedures Manual, Section 5.5, Investment Committee
INFORMS Policies and Procedures Manual, Section 5.6, Investment of INFORMS Funds
INFORMS Policies and Procedures Manual, Section 5.8, INFORMS Permanent Reserve
NUMBER 5.8  
INFORMS PERMANENT RESERVE

EFFECTIVE: August, 2008

POLICY

INFORMS funds over and above those funds needed for orderly cash management will be invested in financial media suitable for institutional investment. These funds are referred to as the Permanent Reserve. The purposes of the Permanent Reserve are to provide (1) a financial safety net for use in the event of a major emergency, (2) a productive repository in which to accumulate funds for new INFORMS initiatives, and (3) an endowment to support selected INFORMS activities. Therefore, it is the policy of INFORMS to have the Permanent Reserve permanently invested in a manner that is expected to lead to sufficient growth in the Reserve to maintain it at or above a specified target percentage of annual expenses, even if those expenses grow. In order to meet this goal, a portion of the Permanent Reserve is generally invested in equities. INFORMS recognizes that the value of such equities can decline significantly over extended periods of time, but the historical record shows that over the long term the return on equity investments is higher than on fixed income investments. Therefore investing in equities is expected to generate a higher average return, and hence require less diversion of current operating funds to maintain a prudent reserve level.

Required Level of Permanent Reserve

The INFORMS Board will consider the reserves of the organization to be in part a necessary hedge against adverse changes in our financial position. To furnish this important hedge and safety net, the Board will endeavor to maintain the level the Permanent Reserve within or above a target range of from fifty to seventy-five percent of current annual operating expenses. In the event that the level of the Permanent Reserve falls below this target range, then the Board will approve a plan to bring the Reserve back within this range. Since there may be considerable volatility in returns on the Permanent Reserve from year to year, when comparing the Reserve to the operating expenses of INFORMS a three-year moving average will be used to determine the condition of the Reserve. When the Reserve goes above the target range, the Board should be advised to consider the long term, and therefore, treat surpluses NOT as extra short-term revenue, but as a hedge against the next downturn in the market. Thus, the driving policy of the reserves is that they are “left alone” except to meet financial crisis, fund a new initiative, or support an endowed activity.

Changes to Policies

Because of the long-term nature of the investments in the Permanent Reserve, it is INFORMS policy that changes to the governing policies for the Reserve should only be made after careful and extended consideration.
Investment Objective and Constraints

The investment objective for the Permanent Reserve is to maximize long-term return without exposure to undue risk. The primary concern is long-term appreciation of the assets, with a secondary, but still significant, emphasis on consistency of total return on the portfolio.

Investment Guidelines

The following investments and investment activities are prohibited:
1. Private placements;
2. Letter stock;
3. Derivatives. However, to the extent that mutual funds are used as investments the mutual funds may buy or sell derivatives for the purposes of decreasing portfolio risk;
4. Commodities or commodity contracts;
5. Short sales;
6. Margin transactions; and
7. Any speculative investment activities.

Diversification and Target Asset Mix

Individual stocks are subject to a maximum seven percent commitment at cost or ten percent commitment of the Permanent Reserve’s market value for an individual security and twenty percent for a particular industry. Individual bonds not guaranteed by the U.S. Government or its agencies or instrumentalities are subject to a maximum ten percent commitment at cost. The Reserve Fund is composed of the asset classes listed in the table below. The target allocations are the desired allocations for each asset class. The minimum allocations and maximum allocations are to allow for normal market fluctuations. It is the responsibility of the Investment Advisor to remain within the range specified for each asset class. The Investment Advisor will re-balance the portfolio according to the target allocations semi-annually. Any contributions or withdrawals from the Fund will be made in a manner that re-balances according to the target allocations.
### ASSET CLASS

<table>
<thead>
<tr>
<th>ASSET CLASS</th>
<th>MINIMUM ALLOCATION</th>
<th>TARGET ALLOCATION</th>
<th>MAXIMUM ALLOCATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>EQUITY</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Large Capitalization Stocks</td>
<td>40%</td>
<td>45%</td>
<td>50%</td>
</tr>
<tr>
<td>U.S. Small Capitalization Stocks</td>
<td>0%</td>
<td>5%</td>
<td>10%</td>
</tr>
<tr>
<td>International Stocks</td>
<td>5%</td>
<td>10%</td>
<td>15%</td>
</tr>
<tr>
<td>TOTAL EQUITY</td>
<td>50%</td>
<td>60%</td>
<td>70%</td>
</tr>
<tr>
<td>FIXED INCOME</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Government/Corporate Intermediate Bonds</td>
<td>30%</td>
<td>35%</td>
<td>40%</td>
</tr>
<tr>
<td>High Yield Bonds</td>
<td>0%</td>
<td>5%</td>
<td>10%</td>
</tr>
<tr>
<td>TOTAL FIXED INCOME</td>
<td>30%</td>
<td>40%</td>
<td>50%</td>
</tr>
</tbody>
</table>

The investments in the equity asset classes will be maintained at risk levels roughly equivalent to the sectors of the market represented, with the objective of exceeding the performance of selected nationally recognized indices, as specified below in the Procedures section. Performance will be measured over a three-year moving time period, net of fees and commissions. Mutual funds conforming to the policy guidelines may be used to implement the equity investment program. Investments in fixed income securities will be managed actively to pursue opportunities presented by changes in interest rates, credit ratings, and maturity premiums. Mutual funds conforming to the policy guidelines may be used to implement the fixed income investment program.

Any non-cash gifts received by INFORMS that do not conform to the table above, such as individual stocks or mutual funds, will be sold or put up for sale within 30 days of receipt and reinvested in order to conform unless explicitly instructed otherwise by donor or the Executive Committee at the time of the gift.

However, if the market value of a non-cash donation exceeds ten percent of the current value of INFORMS Permanent Endowment, then the 30-day time limit is waived and within thirty days, the Investment Committee, in consultation with our investment advisor, will make a recommendation to the Executive Committee regarding disposition of the gift.

### Definitions

The following definitions apply for the purposes of this Section:

**U.S. Large Capitalization Stocks:** A portfolio of stocks composed primarily of U.S.-based companies having a market capitalization, on average, exceeding $6.0 billion and whose primary shares trade on a major U.S. exchange.  
(Market Capitalization = Market Price × Number of Shares Outstanding)
**U.S. Small Capitalization Stocks:** A portfolio of stocks composed primarily of U.S.-based companies having a market capitalization, on average, of less than $2.0 billion.

**International Stocks:** A portfolio comprised primarily of stocks of non-U.S. based companies, the primary shares of which are traded on exchanges outside the United States. American Depository Receipts are considered International Stocks.

**U.S. Government/Corporate Intermediate Bonds:** A portfolio consisting primarily of fixed income securities denominated in U.S. dollars issued by the U.S. Government or U.S. corporations having a weighted average maturity of less than 10 years. This portfolio can include Treasury Inflation Protected Securities (TIPS).

**High Yield Corporate Bonds:** A portfolio consisting primarily of bonds issued by U.S. corporations, with the majority of the bonds rated below BBB/Baa.

**PROCEDURES**

1. INFORMS will always have a professional portfolio advisor (hereafter called the “Investment Advisor”) assisting in overseeing the Permanent Reserve. This Advisor will invest the assets in the Permanent Reserve subject to the policies stated above.

2. The INFORMS Permanent Reserve performance will be reported by the Investment Advisor on a quarterly basis. Returns will be compared to:
   a. The Consumer Price Index plus 5%;
   b. Three-month Treasury Bill Index plus 5%;
   c. Nationally recognized indices measuring the performance of the classes specified in the target asset mix, as follows:
      1. U.S. large capitalization stocks: Russell 1000 Index.
      2. U.S small capitalization stocks: Russell 2000 Index
      3. International stocks: Morgan Stanley Capital International Europe, Australasia, Far East Index (MSCI EAFE)
      5. High yield bonds: Merrill Lynch High Yield Master
      6. Overall: A weighted average of the above indices, with the weights set equal to the specified target allocations for each asset class.

3. The quarterly reports of Permanent Reserve investment performance will show results for the latest quarter, year to date, the last three years, and since inception.
4. Withdrawals from the Permanent Reserve require approval by the INFORMS Board at two Board meetings with an election of new Board members having intervened. Should the second Board vote not occur within two years of the first vote to withdraw funds from the Permanent Reserve, the motion fails and then a new approval requiring the two different Boards to vote for withdrawal must take place. Such withdrawals can be made only with the written authorization of the Executive Director and Treasurer. In the event that one or both of these is unable to sign, the signature(s) of the President or President-Elect may be substituted. Such withdrawals can be made only by wire transfer to an INFORMS account that has previously been specified in writing by the President and Treasurer. In the event that the authorized withdrawal amount is not transferred fully from the Permanent Reserve, such authorization to do so will become null and void two years from the date of the second Board vote. In such a case, a new authorization following the policies and procedures must take place before any funds are released from the Permanent Reserve.

5. Annually, and normally before the fall meeting, the Treasurer will calculate the Permanent Reserve’s current market value as a percentage of one year’s operating expenses. Attention will be given to longer-term trends by adopting a practice of calculating suitable moving averages of both variables. If the resulting percentage is in the range of sixty-five to seventy-five percent or above, the Board will be informed without a special caution. If the percentage is in the range of fifty to sixty-five percent, the Board will be notified with a special caution, indicating a prospective need for definite remedial action. If the percentage is below fifty percent, the Board will be notified with a call for an immediate plan of action to return the Permanent Reserve to a value that reaches the acceptable target range.

RELATED DOCUMENTS

INFORMS Policies and Procedures Manual, Section 5.5, Investment Committee
INFORMS Policies and Procedures Manual, Section 5.6, Investment of INFORMS Funds
NUMBER 5.10 DEFINITION OF MEMBER

EFFECTIVE: January, 1997

POLICY

The INFORMS Bylaws provides that the Board shall establish annual dues for various membership categories specified in the Bylaws and defined in the INFORMS Policies and Procedures Manual. The Bylaws also empower the Board to further subdivide membership categories for purposes of dues assessment.

PROCEDURES

Member Dues

The Board will establish the annual Member Dues as the baseline for other dues computations.

Student Member Dues

The annual Student Member dues shall be one-fourth (1/4) of the annual Member Dues (rounded to the nearest dollar). A Student Member will receive OR/MS Today and OR/MS Tomorrow and a free section membership as member benefits. A Student Member may subscribe to any INFORMS’ journal at one-half of the regular Member subscription price.

Retired Member Dues

The annual Retired Member Dues shall be one-fourth (1/4) of the annual Member Dues (rounded to the nearest dollar). A Retired Member will receive OR/MS Today as a member benefit. A Retired Member may subscribe to any INFORMS’ journal at one-half of the regular Member subscription price.

Unemployed Member Dues

For purposes of dues assessment, an Unemployed Member is a member who is involuntarily unemployed and is actively seeking employment. The annual Unemployed Member Dues shall be one-fourth (1/4) of the annual Member Dues (rounded to the nearest dollar). An Unemployed Member will receive OR/MS Today as a member benefit. An Unemployed Member may subscribe to any INFORMS’ journal at one-half of the regular Member subscription price. An Unemployed Member may exercise this option for a maximum of two consecutive years.

RELATED DOCUMENTS:

INFORMS Policies and Procedures Manual, Appendix I, Constitution and Bylaws
INFORMS Policies and Procedures Manual, Section 11.8, INFORMS Membership Category Definitions
POLICY

As a business, INFORMS may from time to time require access to supplement cash to pay its expenses. The cyclic nature of INFORMS’ cash flow tends to result in a cash drain during the August to October time frame. One means of making funds available is to have a line of credit with a bank. Such a line of credit would be used only as a short-term solution to cover expenses and to retain INFORMS’ credit worthiness. The line of credit is to be equal to no more than ninety percent of the average monthly operating revenue for the previous fiscal year. This policy provides an option for the staff to consider for execution, but is to be viewed as an alternative to withdrawing funds from the Permanent Reserve rather than as a mandate.

PROCEDURES

1. The line of credit can be activated by obtaining the signatures of both the Executive Director and the Treasurer with the consent of a majority of the Executive committee.
2. The Board shall be notified within 30 days of such an action by email or letter.
3. Funds will be transferred by wire only to INFORMS’ current checking account.
4. The line of credit will be paid off within six months of its activation.

RELATED DOCUMENTS

INFORMS Policies and Procedures Manual, Section 5.8, INFORMS Permanent Reserves
NUMBER 5.12    FIDUCIARY RESPONSIBILITY OF BOARD MEMBERS

EFFECTIVE: January 2009

POLICY:

Board members of INFORMS have the fiduciary responsibility to oversee the proper expenditure of the organization’s funds. To this end, the Board passes a budget each year. While each Board member should review the budget, the periodic expense statements, and the annual report of the auditors, Board members also have very specific oversight responsibilities for the area(s) for which they are the Board liaison.

Board liaison responsibilities are assigned in general terms by Bylaw 2 of the Institute, and every Institute activity should fall under the liaison responsibility of some identifiable Board member. Questions or disagreements about the identity of the Board liaison for an activity will be resolved by the Secretary together with the person responsible for that activity, or by the Executive Committee in the event that these two persons cannot agree.

PROCEDURES:

Board members will work with their staff liaisons to identify and explain substantive deviations from the budget in revenue or expense for the areas for which they are responsible, and will report these to the rest of the Board as part of their areas’ presentations.
NUMBER 5.13 INVESTMENT OF SUBDIVISION FUNDS

EFFECTIVE: AUGUST, 2006

POLICY:

The surplus funds of subdivisions are credited with interest based on the average return for the calendar year for INFORMS working capital. INFORMS recognizes that a subdivision may have a specific purpose to set aside a minimum of $10,000 to invest at market rates comparable (to the extent possible) to INFORMS permanent reserves in order to fund a set of defined future activities. Such a specific purpose may be for awards, scholarships/fellowships, or other honors in keeping with recognizing the work of individuals or organizations, promoting the profession, and/or carrying out the mission of the Institute. The INFORMS Board must approve the establishment of any such investment account. Investments made on behalf of subdivisions will conform with all INFORMS investment policies and procedures.

In addition to the specific purpose and minimum amount, any special investment fund set up for a subdivision must detail the amount expected to be periodically withdrawn in terms of a dollar amount or percentage of the fund (with an annual five percent maximum withdrawal rate). Such funds also must be set up as either temporarily or permanently restricted for audit purposes. It is not the intent of this policy to allow subdivisions the opportunity to invest their surpluses in general to take a risk to achieve higher returns.

PROCEDURES:

1. A subdivision must submit a request to the INFORMS Board for the creation of a separate investment account specifying the purpose, amount and process including the determination whether the account is to be temporarily or permanently restricted.
2. If the INFORMS Board approves the request, it is required by law to pass a corporate resolution to establish the account.
3. Funds will be invested in accordance with INFORMS investment policies. (See INFORMS P&P Section 5.8, Permanent Reserve Fund for specifics.) Subdivisions are responsible for expenses associated with administering their investment accounts.
4. Procedures will be approved and stated in subheadings to this P&P as to the process of requesting withdrawals from the account.
1. Once a year, normally prior to the INFORMS annual meeting, the INFORMS Treasurer will make a determination of the market value of these special accounts and consult with the appropriate subdivision leaderships about the maximum amounts that can be withdrawn.
2. Withdrawals in excess of five percent of the account require the approval of two consecutive INFORMS Board votes.

RELATED DOCUMENTS:
INFORMS Policies and Procedures Manual, Section 5.5, Investments Committee
INFORMS Policies and Procedures Manual, Section 5.6, Investment of INFORMS Funds
INFORMS Policies and Procedures Manual, Section 5.8, Permanent Reserve Fund
INFORMS Policies and Procedures Manual, Section 5.9, Interest Paid to Subdivisions
NUMBER 5.13.1  CPMS ENDOWMENT FUND FOR THE DANIEL H. WAGNER PRIZE

EFFECTIVE: February, 2002

POLICY:

The Institute of Operations Research and the Management Sciences has a permanent operating policy that it will maintain a Prize Fund on behalf of its practice Section, the College on the Practice of Management Science, CPMS. This Fund is established using corporate and other contributions for the purpose of providing prize money and other expenses for the Daniel H. Wagner Prize of Excellence in Operations Research Practice. CPMS will only withdraw a small fraction of the balance of this fund each year as necessary for the administration of the prize.

Therefore, it is the policy of INFORMS to have this Endowment Fund permanently invested in a manner that is expected to lead to sufficient growth so as to allow the prize value to be increased in the future. In order to meet this goal, a large portion of the Endowment is generally invested in equities. The Institute recognizes that the value of such equities can decline significantly over extended periods of time, but the historical record shows that over the long term the return on equity investments is higher than on fixed investments. Therefore, investing in equities is expected to generate a higher average return, and hence allow for growth in future prize awards.

PROCEDURES:

1. The INFORMS Treasurer will instruct the investing institution to distribute the total invested amount to follow the INFORMS investing policies and procedures as specified in Section 5.8, Permanent Reserve Fund.

2. Once a year, before the INFORMS annual meeting, the INFORMS Treasurer will determine the Wagner Prize fund’s current market value and will consult with the Chairperson of CPMS to determine an appropriate amount to be withdrawn from the Prize Fund to pay for prize and expenses. The maximum amount to be withdrawn is five percent of this balance.

RELATED DOCUMENTS:

INFORMS Policies and Procedures Manual, Section 5.5, Investments Committee
INFORMS Policies and Procedures Manual, Section 5.6, Investment of INFORMS Funds
INFORMS Policies and Procedures Manual, Section 5.8, Permanent Reserve Fund
POLICY

When INFORMS invests capital in a project or program, the resources invested become unavailable for other investment opportunities available to the Institute. For that reason, it is important for investment proposals to present adequate justification as to why funds should be spent on that proposal rather than on other competing opportunities, which include not only other current proposals but also the alternative of investing the funds in financial assets to create resources for future projects or programs.

In order to make clear the justification for investing, each such proposal must include a net present value (NPV) analysis of projected revenue and expense, covering the entire period of the proposed activity. Using INFORMS’ current cost of capital as a guide, the Director of Finance will establish the discount rate to be used in such NPV analyses.

Justification in terms other than NPV (e.g., discussion of non-quantifiable effects of a proposal, or estimates of option value) can be helpful and important in the consideration of a proposal, and sometimes will be decisive. The requirement for NPV analysis does not in any way replace such justifications. Rather, it supplements them with information about the proposal’s financial effect on INFORMS as a whole, which decision-makers can then consider along with other justification supporting the proposal.

PROCEDURES

1. The NPV analysis should be a part of the proposal, whether submitted as part of the annual budget cycle or as an off-cycle request (e.g., to the Executive Committee).
2. Upon request, the Finance Department will provide advice and assistance to persons preparing such NPV analyses.

RELATED DOCUMENTS