

AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS

BLANKET FIDELITY BOND

The American Legion Auxiliary (ALA) National Organization procures a Fidelity Bond which provides coverage for American Legion Auxiliary Unit members and employees in addition to coverage for national officers, national directors, and National Headquarters employees. ALA Departments and ALA Districts/Counties/Councils are not included in the Fidelity Bond coverage provided by the National Organization. Each Department is billed at the beginning of the three-year policy term for its proportionate share of the bond premium for the coverage of its Units.

For Units, the current limits of coverage for Unit officers, Unit members volunteering for ALA programs and operations, and Unit employees is \$10,000 per claim with a deductible of \$250 for each claim.

The Fidelity Bond covers a Unit's loss through larceny, embezzlement, theft, forgery, misappropriation, willful misapplication, or any other act of fraud or dishonesty caused by any member/employee of the American Legion Auxiliary if that person's manifest intent is to cause the Auxiliary Unit to sustain a loss and to enrich herself or another person.

The coverage does not apply when the insured has knowledge that a member/employee has committed a fraudulent or dishonest act in the service of the insured and does not cover mysterious disappearance or burglary.

To help prevent losses and provide more reliable financial data, the following are recommended Financial Controls:

1. Bylaws should provide for a regular (monthly or quarterly) Financial Report from the Treasurer.
2. Bylaws should provide for an Annual Independent External Audit or Annual Independent External Review and specify how such audit or review is to be arranged or conducted (e.g. who has the responsibility for selecting and engaging the independent external auditor.)
3. Receipts should be issued for all money received.
4. Involve a second person in cash receipts processing.
5. Make certain that your cash receipts log matches the cash receipts entry in the ledger and the actual bank deposit.
6. Countersignatures should be required on all checks.
7. All bills should be paid in a form other than cash.
8. Blank checks should **never** be pre-signed.
9. Someone independent of check processing should open and review bank statements.
10. Someone independent of check processing should review bank reconciliations on a monthly basis.
11. Someone independent of check processing should review the vendor list – check to see if any vendor addresses match each other and/or employee addresses.
12. Someone independent of the request for wire transfers should verify all wire transfers.

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Blanket Fidelity (*Dishonesty*) Bond CLAIMS PROCESS

As soon as a loss is discovered, an audit should be conducted establishing "proof of loss." Units are strongly encouraged to contact local law enforcement authorities upon discovery of a loss.

Notice of a potential claim should be given, in writing, at the earliest practical time after discovery. It should first be reported to the Department Secretary. The Department Secretary should forward the information to the National Treasurer -- again, in writing. At the very least, the notification should include the name, address and phone number of the contact person in the Unit making the claim. **(See sample notification on the following page)**

To expedite processing, the notification should include all relevant information about the loss **(see sample notification)**:

- the name of the person or persons suspected of being involved in the fraudulent or dishonest acts
- the date or dates of each and every fraudulent or dishonest act
- a brief outline of the events, including whether or not the incident had been reported to the police
- a detailed statement of the items of loss caused by the fraudulent or dishonest acts
- a copy of all statements and other evidence to support the claim

Once the National Treasurer receives the written notification, it is forwarded to the insurance agency who then forwards the notification to the bonding company.

When the bonding company receives the notification, an investigator is assigned to the case. The investigator will normally contact the Unit making the claim within one week of receiving the notification. At that time, the bonding company will provide the Proof of Loss form and advise what else might be needed to comply with the policy provisions.

It's important to remember that the burden of proof is on the Unit making the claim and that the bonding company must receive the completed Proof of Loss form within four months of the discovery. If time is running short, the notice may be emailed or faxed to the National Treasurer; include a request in your email or fax if you also want the National Treasurer to email or fax the notice to the insurance agency. However, the notification must also be mailed to the National Treasurer so that it can be forwarded to the bonding company.

Filing a bond claim is nothing more than filing an insurance claim and does not replace any independent legal action necessary on the part of your Unit. It is the Unit's responsibility to report illegal activity to the authorities deemed appropriate. You may also refer to your Unit Handbook for information on discipline of a Unit member.

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Sample

NOTIFICATION OF POTENTIAL BOND CLAIM

TO: National Treasurer
American Legion Auxiliary

FROM: Jane Doe, Department Secretary
Auxiliary Legion Auxiliary, Department of *(State)*

DATE: 10-15-12

SUBJ: Potential Bond Claim

Unit #123 of the Department of Any state has informed us of a potential bond claim.
All relevant information is detailed in the attached materials.

Please advise the bonding company to contact:

Name (President of Unit 123)
Address
City, State Zip
Home Phone:
Work Phone:
Fax:
Email: