

TO: Department Secretaries and Department Treasurers

CC: Department Presidents

FROM: Virginia Hobbs, National Treasurer

DATE: May 06, 2025

RE: Blanket Fidelity (*Dishonesty*) Bond for coverage period May 1, 2025 – May 1, 2028

Attachments: Billing Invoice for 3-year fidelity bond premium; Blanket Fidelity Bond Information and Claim Process

National Headquarters has renewed the Fidelity (Dishonesty) Bond for Units with Old Republic Surety Company for another three-year period (May 1, 2025 – May 1, 2028). The attached invoice represents the Department's **three-year premium billing** to cover all active Units in your Department.

This coverage is for the American Legion Auxiliary Units only.

**** Please note the maximum coverage is \$10,000 for a Unit. It is advisable to procure an umbrella policy if a Unit handles more funds than the covered amount.**

The protection provided by a dishonesty bond indemnifies the American Legion Auxiliary against loss of organization funds under the specified terms; however, ideally, we should work toward preventing such losses from ever occurring. The overall effect on integrity and morale is far more damaging than the loss of money.

Departments will not receive another bond premium invoice from National Headquarters until this coverage is renewed three years from now (in May 2028).

General bond coverage information, including recommended financial controls, and the bond claims process are attached.



American Legion Auxiliary

*A Community of Volunteers Serving Veterans,
Military, and their Families*

BLANKET FIDELITY BOND INFORMATION

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 a chartered American Legion Auxiliary Unit if that person's intent is to cause the Auxiliary Unit to sustain a loss and to enrich himself/herself or another person.

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

Blanket Fidelity (Dishonesty) Bond CLAIMS PROCESS

As soon as a loss is discovered, an independent audit should be conducted to substantiate the "proof of loss." Units are strongly encouraged to contact local law enforcement authorities upon confirmation that a loss has occurred.

Notice of a potential claim should be provided in writing with supporting documentation, at the earliest practical time after the loss discovery is confirmed. The Department Secretary should be informed of the potential claim. A carbon copy of the Notification of Potential Bond Claim (see sample below) should be sufficient notification. In order to protect the ALA Unit and the sensitive nature of the circumstance, the unit should only forward a legible copy of the information to the National Headquarters, to the attention of Compliance, via USPS or express delivery.

At the very least, the notification (sample below) should include the name, address and phone number and e-mail address of the responsible party qualified to make the claim on the Unit's behalf.

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 fraudulent or dishonest act
- a brief outline of the events (narrative) of the facts and circumstances, including if the incident had been reported to the police
- a detailed statement of the loss caused by the fraudulent or dishonest acts
- a copy of all substantiating documents and reports that support the loss and validate the claim.

Once the National Headquarters receives the written notification and supporting documentation, this information will be forwarded to the fidelity bond insurance company. The National Headquarters will request acknowledgement of receipt, and the final dispensation of the claim once the process has been completed.

The assigned investigator will contact the Unit approximately one week after receiving the claim notification. The bond company will request the completion of a Proof of Loss form and advise the Unit of additional information needed to comply with the policy provisions and substantiating the claim.

It is important to remember that the burden of proof resides with the Unit making the claim. The bonding company must receive the completed Proof of Loss form **within four months of the discovery of the loss**.

The notice may be emailed (compliance@ALAforVeterans.org) or faxed (317) 569-4502 to the attention of the Compliance Division. Please exercise caution when transmitting information electronically that is of a sensitive nature. A hardcopy of the notification and supporting documents must also be received by the National Headquarters. Please mail to:

American Legion Auxiliary, National Headquarters
Attn: Compliance
3450 Founders Road
Indianapolis, IN 46268

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.

SAMPLE
(on letterhead)

NOTIFICATION OF POTENTIAL BOND CLAIM

TO: American Legion Auxiliary, National Headquarters
Attn: Compliance
3450 Founders Road
Indianapolis, IN 46268

Facsimile: (317) 569-4502
Electronic mail: compliance@ALAforVeterans.org

FROM: Jane Doe, Unit Title
Auxiliary Legion Auxiliary "formal name" Unit #,
Department of (State)

DATE:

Subject: Notice of Potential Bond Claim

American Legion Auxiliary (insert formal name) Unit #123 of the Department of (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:

Note: The correspondence address listed must be a reliable to receive communications.

RECOMMENDATIONS TO HELP PREVENT LOSS

To help prevent losses, the following are recommended best practices for financial internal controls that can assist with mitigating exposure and risk.

1. Bylaws should provide for the requirement of 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, especially if cash is an acceptable means.
4. Involve a second person in cash receipts processing (counting, recording and banking)
5. Make certain that your cash receipts are reconciled to the bank statements and ledger entries.
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 Accounts Payables and Receipts (Dues, Donations, Grants) should open and review bank statements.
10. Someone independent of Accounts Payables and Receipts (Dues, Donations, Grants) should review the bank reconciliation(s) on a monthly basis.
11. Someone independent of Accounts Payables should review the vendor list to authenticate vendor addresses do not match that of an officer/member/employee address.
12. Electronic Funds/ACH/Wire Transactions should require a dual authentication system.