



Summary Checklist for Accountability



INDEPENDENT
SECTOR

Strengthen your organization's transparency and governance

Building an organization committed to the highest ethical standards demands more than just following the law: it also requires fostering practices that create an environment of transparency, accountability and integrity. The steps listed here will help every charitable organization reassure its stakeholders of its commitment to upholding the public trust vital to earning support and fulfilling its mission. Creating an accountable organization is an ongoing process. Board and staff members should review recommended practices regularly, and adjust their rules, methods and communications as needed. Fortunately, no one has to start this work from scratch. There are many resources available as models, and we encourage you to share your policies and practices with colleagues. INDEPENDENT SECTOR recommends that each charitable organization take the following steps to demonstrate accountability. Adapt them to fit your unique circumstances, and check back for updates as the checklist is expanded.

1 Develop a Culture of Accountability and Transparency

Rules, standards, and practices are far more effective when the people they affect understand them, know why they are important, and embrace them. Teach new employees, volunteers, and board members about your principles, and give those with more experience refreshers and updates. Use your website, intranet, and other internal communications vehicles to share examples of good behavior and policies.

2 Adopt a Statement of Values and Code of Ethics

This document describes the ethical principles that an organization's staff, board and volunteers agree to follow, and includes a statement of values articulating the principles it is committed to uphold. An indispensable part of an accountable organization, a statement of values and code of ethics should be approved by the board of directors, included in staff and board orientations, and available to the public on the organization's website.

3 Adopt a Conflict of Interest Policy

Adopt and enforce a conflict of interest policy tailored to your organization's specific needs and consistent with laws in your state. Few actions will undermine the credibility of a charitable organization faster than having its tax-exempt funds not used exclusively for charitable purposes. Adhering to a well-defined conflict of interest policy will help preempt even the perception that funds are being used for personal gain by the managers or board members. Many states have laws that govern conflict of interest situations and all organizations should consult their state laws to ensure that their conflict of interest policy affords them the necessary protections.

4 Ensure that the Board of Directors Understands and Can Fulfill Its Financial Responsibilities

The board has the legal—as well as the ethical—responsibility of ensuring the exclusive and effective use of all assets for charitable purposes. As part of this obligation, the board or appropriate board committee should review and approve all financial statements for completeness and accuracy. To perform this function effectively, the board should include individuals with financial literacy or adopt other mechanisms for drawing on independent financial expertise.

5 Conduct Independent Financial Reviews, Particularly Audits

Charitable organizations need to have independent reviews of their financial procedures, controls, and policies in order to provide strong financial safeguards. Charitable organizations that are required to file a Form 990 or 990-PF and that have average annual revenues of \$1 million or more should have an audit conducted of their financial statements and operations. These statements should be made available for public inspection. Charitable organizations that are required to file a Form 990 or 990-PF and that have at least \$250,000 and under \$1 million in total annual revenues should have their financial statements reviewed by an independent public accountant. Organizations with less than \$250,000 in annual revenues should consider periodically obtaining a review of financial statements or other means of independently verifying financial statements and controls.

Over

*See the complete version of this checklist on our website at:
www.IndependentSector.org*

✓ Checklist for Accountability

6 Ensure the Accuracy of and Make Public Your Organization's Form 990

The IRS Form 990, Form 990-EZ, and Form 990-PF is one way that organizations share information about their finances and operations with charity regulators and the public. To be effective, however, its information must be complete, accurate and publicly available. Be sure to have your Form reviewed by your board and signed by your CEO or CFO. Support efforts to improve the quality and timeliness of information about nonprofits by filing your Form electronically with the IRS. And, finally, be sure to post it on your website.

7 Be Transparent

Your donors, volunteers, and staff will have much more confidence in your organization's work if they know how you're doing it. Use your website to share documents that provide information about your finances, operations, governance, and impact.

8 Establish and Support a Policy on Reporting Suspected Misconduct or Malfeasance ("Whistleblower Protection Policy")

In order to protect the credibility of your organization, each organization needs policies and procedures that encourage individuals to come forward as soon as possible with credible information on illegal practices or violations of adopted policies. Employees and volunteers who identify misbehavior must feel safe to report it. Not only is this good practice, but the Sarbanes-Oxley Act requires all entities, including nonprofit organizations, to protect whistleblowers and levies criminal penalties for actions taken in retaliation against whistleblowers.

9 Remain Current with the Law

Make sure that a board member, member of staff, consultant or volunteer is designated to keep up to date with the law. Ensure that your organization fully complies with all existing laws governing charitable organizations.

Test Your Accountability IQ

Does Your Organization:

- Hold staff and board trainings on ethics or take other measures to foster a culture of accountability and transparency?
- Have a code of ethics and statement of values and post it on your website?
- Follow a conflict of interest policy and post it on your website?
- Have board members with financial expertise?
- Have its financial statements independently audited?
- Have board members review financial statements, including the Form 990?
- Have your CEO or CFO sign the Form 990?
- File your Form 990 electronically?
- Post your Form 990 on your website?
- Post your policies, financial information, and information on programs results on your website?
- Have a whistleblower policy?
- Take steps to remain current with the law?

Give your organization one point for every yes. If your organization scores:

12: Great, keep it up and pass along your success stories and model policies for others to learn from.

9-11: Good, but there's room for improvement.

6-8: You've indicated a commitment to accountability but need to advance beyond the basics.

0-5: Time to get serious about accountability. Engage your board, staff, and volunteers quickly to help make the needed changes.

Visit www.IndependentSector.org for:



- ✓ Insights on how to foster a culture of accountability;
- ✓ Tips on what a conflict of interest policy should include;
- ✓ Model statement of values and code of ethics;
- ✓ Example of a whistleblower policy;
- ✓ More than 100 policies from IS member organizations for review;
- ✓ Helpful publications and tools;
- ✓ Recommendations from The Panel on the Nonprofit Sector. . . and much, much more

. . . and more about all items on the checklist!

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The Checklist for Accountability combines recommendations made by INDEPENDENT SECTOR and the Panel on the Nonprofit Sector. It was developed with the additional input of the Ethics and Accountability Committee and Communications and Marketing Advisory Task Force.

Request to reprint the Accountability Checklist available on the IS website

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