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## Policies and Procedures

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Board Briefs are a series of "at-a-glance" resources to assist board volunteers in supporting their Clubs. They are designed for use at board meetings as subject matter for a five-minute educational opportunity. They can be discussed in their entirety or in sections. Different questions from the same brief can be posed at different meetings. The CVO can use them or ask an appropriate committee to lead the conversation (e.g., finance, governance, etc.).

### **Executive Summary**

Policies are guidelines that obligate an organization, its board, and staff to operate within certain parameters. Boards should make sure that Clubs have the following policies in place: conflict of interest, code of ethics, whistleblower, record retention and document destruction, and background check, among others. It is equally important to establish procedures to guide the board's work as it pertains to budgeting, financial oversight, and the audit.

### **Policies**

The purpose of having policies is to protect and guide board and staff as they fulfill the Club's mission. Policies are binding guidelines for action. They can paraphrase a law, explain a procedure, clarify a principle, or express a desired goal. They are the protocol to follow which, when properly used, helps diminish embarrassing or potentially harmful situations, improper behavior, and ineffective decision making.

While not an exhaustive list, the board should ensure that the following policies are in place:

- *Conflict-of-interest Policy* — A conflict of interest exists when a board member or employee has a personal interest that may influence him or her when making a decision for the Club. The Boys & Girls Clubs of America (BGCA) membership requirements require that there is a board-approved conflict of interest statement that is signed annually by all board and staff. The policy should:
  - Define what constitutes a potential conflict of interest
  - Define what board members and staff should do if they have a conflict of interest
  - Consequences for violating the policy.
- *Code of Ethics* — The membership requirements require that there is a board-approved ethics policy. The policy should set forth principles intended as a guide in making sound judgments and decisions on behalf of the organization and its mission.
- *Whistleblower Policy* — The Sarbanes-Oxley Act makes it a federal crime to retaliate against whistleblowers. Often a whistleblower policy functions as an extension of a code of ethics. This policy can:
  - State that fraudulent actions will not be tolerated and list other improprieties that will not be tolerated (e.g., misuse of Club assets, discrimination in enforcement of personnel policies).
  - Outline a process for raising concerns.
  - Describe actions that will be taken as a follow-up to the concern raised.

- Establish protections for those that raise concerns; define what constitutes retaliation (e.g. firing, etc.).
- *Record Retention and Document Destruction Policy* — The Sarbanes-Oxley Act of 2002 forbids purging of documents when any organization — nonprofit or forprofit — is under federal investigation. Document destruction policies provide guidelines for the proper disposal of records and prevent destruction of relevant documentation if the organization is involved in litigation. The document retention policy should cover employee records, accounting and tax records (e.g., bank statements, audits, IRS forms), legal documents (e.g., articles of incorporation, tax-exempt application, the determination letter, contracts, intellectual property documents, real estate records), board-related records (minutes, policies, resolutions), and e-mails and voicemails. The policy should indicate the legal and/or desired retention periods for all records.
- *Background Check Policy* — Another important policy for boards to have in place is the background check policy. BGCA’s Requirements for Membership indicates that Clubs must: Conduct criminal background checks of all employees and volunteers who have repetitive direct contact with children. Such checks should be of the type that would disclose, at minimum, sexual offenders and include a social security number trace and a national criminal file check. Such checks shall be conducted prior to employment and at regular intervals, not to exceed 24 months of employment. Clubs can look to the Standards of Organizational Effectiveness for guidance.

Samples of the policies listed above, along with other important policies, can be found in the training for board volunteers.

### **Procedures**

In addition to having policies to guide the work of the board and the Club, it is important to establish procedures to guide the board’s work. One area in which this can be particularly relevant is as it relates to budgeting, financial oversight, and the audit.

Pertaining to budgeting and financial oversight, Clubs should ensure they have procedures for:

- Approving a budget that reflects the Club’s goals and board policies.
- Reviewing monthly or quarterly financial statements as well as understanding implications of what is reported.
- Ensuring adequate financial controls and that financial reports are in accordance with accounting practices.
- Approving the Club’s reserve and investment policies and reviewing them annually.

Clubs receiving federal funding normally must conduct an audit. BGCA’s Requirements for Membership clearly outline expectations for Clubs as it pertains to the annual audit:

*Cause an audit of its financial accounts to be made and reported upon annually by an independent certified public accountant and cause a copy of such audit and management letter, if issued, thereof to be sent to Boys & Girls Clubs of America and shall maintain its financial records in accordance with generally accepted accounting principles for nonprofit organizations. Member organizations with annual revenues totaling less than \$250,000 may*

*submit a review of financial statements by an independent public accountant in lieu of such audit.*

Pertaining to the audit, the board hires the external auditors. If your board has separate Finance and Audit Committees (which is recommended for Clubs with budgets over \$2 million), the majority of the members of the audit committee should not serve on the finance committee. If the Finance Committee is charged with the audit, it is crucial to have members with financial expertise.

Additionally, at the end of the audit process, the full board should meet with the auditors in an executive session to review the audit and address and questions or concerns. This is also a good opportunity for board members to learn more about how to read and understand financial statements.

Any concerns or recommendations raised in the management letter must be addressed by staff and reported to the board.

### **Questions for Discussion:**

The following questions can be used for discussion at board meetings:

- What policies might we need to develop and/or revise? Why?
- What procedures might we enhance pertaining to budgeting, financial oversight, and the audit? How?

### **Additional Resources**

- Boys & Girls Clubs of America, Board Volunteer Training.
- Boys & Girls Clubs of America, Chief Volunteer Officer (CVO) Guide.
- Flynn, Outi and Barbara Lawrence, *The Nonprofit Policy Sampler* (BoardSource, 2006).
- Lang, Andrew S., *Financial Responsibilities of Nonprofit Boards*, Second Edition (BoardSource, 2009).

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