



Accountability 101: The Operational Standards of Excellence

United Way Southern Neighbors Conference (June 24, 2009)

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OPERATIONS
UNITED WAY STANDARDS OF EXCELLENCE

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Component #5: Operations



Scope: Provide efficient and cost effective systems, policies and processes that enable the delivery of United Way's mission-related work and ensure the highest levels of transparency and accountability.

Eleven Specific Operating Standards



1. **Strategic Back Office:** United Way provides high-quality and cost effective operational support of all core business functions through internal capacity, national and regional solutions, United Way collaboration, external professional, or a combination thereof.
2. **Administrative Back Office:** United Way provides high-quality non-core business functions (i.e., human resource administration, finance, information technology, and procurement) through internal capacity, national and regional solutions, United Way collaboration, external professional, or a combination thereof.
3. **Cost Analysis:** United Way utilizes its resources effectively and efficiently, yielding maximum value while incurring minimum cost.
4. **Risk Management:** United Way is intentional and comprehensive in the protection of the organization's assets (brand, financial property, and people)

Eleven Specific Operating Standards (continued)



5. **Business Continuity:** United Way has a comprehensive business continuity plan to ensure appropriate and timely internal actions following major crises or loss of key staff.
6. **Facilities:** United Way provides a safe, welcoming physical environment that is accessible, practical, recognizable, and expressive of the organization's mission.
7. **Financial Policies:** In order to maintain the public's trust, written policies and procedures are in place to ensure strong financial management, compliance with legal and regulatory requirements, compliance with all UWA membership requirements and internal controls over all United Way resources.

Eleven Specific Operating Standards (continued)



8. **Internal Controls:** To properly ensure the accuracy of financial statements, safeguard assets and maintain an appropriate separation of duties for all financial transactions and functions, United Way maintains effective internal controls, policies and procedures which are reviewed by auditors and approved by the audit committee of the board of directors.
9. **Sarbanes-Oxley Legislation (SOX):** Although SOX legislation primarily applies to publicly traded companies and the audit firms that serve them, two provisions of the law apply to all corporate entities, including nonprofits, compliance by United Ways helps ensure integrity, transparency and fiscal accountability.
10. **Public Reporting and Transparency:** United Way is open and candid about its activities and operations. It provides public access to appropriate documents to ensure transparency in governance, finance, allocation, and ethics matters.
11. **Investment policies:** United Way has board approved, sound and prudent investment policies and financial practices that adhere to fundamental duties of loyalty, impartiality and prudence in maintaining overall portfolio risks at a reasonable level.

Strategic Back Office:



1. Proper Providers *(utilizing internal and external providers to realize maximum effectiveness, cost savings, and consistency)*
2. Community Engagement Support *(provide processes & systems to support community engagement activities)*
3. Impact Strategies *(provide processes & systems to support community impact strategies)*
4. Resource Development & Mobilization Support
 - Donor Marketing & Solicitation
 - Campaign/Donor management System
 - Pledge Capture
 - Pledge Processing & Distribution
 - Donation Tracking
5. Customer Relationship Management (CRM) Support *(configure systems and processes to capture data that will improve & support CRM)*

Administrative Back Office:



1. Proper Providers *(utilizing internal and external providers to realize maximum effectiveness, cost savings, and consistency)*
2. Human Resource Administration *(become an employer of choice)*
3. Finance *(utilize leading-edge systems to support and improve financial reporting)*
4. Technology *(provide reliable and redundant IT systems, infrastructure, training, maintenance & support)*
5. Procurement *(utilize policies, procedures, and providers that assure the highest quality products/services at the lowest cost)*

What do Strategic & Administrative Back Office have in common?



High quality and **cost effective support** through **appropriate providers**

- Your United Way's internal capacity
- National and regional solutions
- United Way collaboration
- External professionals
- Combination of above

To **realize**

- Increased effectiveness through redeployment of resources
- Cost savings, some times
- Consistency across United Ways

How are Strategic and Administrative Back Office different?



Strategic Back Office (5.1)

Supports **Strategic** Functions

- Community Engagement
- Impact Strategies
- Resource Development and Mobilization
- Investor Relationship Management Support

Administrative Back Office (5.2)

Supports **Routine** Business Functions

- Human Resource Administration
- Technology
- Finance
- Procurement

Cost Analysis:



1. **Cost/Benefit Analysis** *(perform cost/benefit analysis on all major policies, procedures, and processes)*
2. **Transaction Cost Tracking** *(calculate and track transaction costs on primary redundant activities)*
3. **Staff Development** *(utilize human capital cost/benefit analysis in determining deployment of staff)*
4. **Examining Options** *(benchmark services and costs against historical data and other United Ways)*

Risk Management:



1. **Insurance** *(purchase and maintain comprehensive coverage for all key risk areas)*
2. **Legal** *(maintain comprehensive legal representation)*
3. **Media Response Plan** *(develop a media response plan and train staff how to respond during emergencies)*
4. **Policies** *(maintain an up-to-date, comprehensive policy/procedure manual and regularly train staff on its contents)*

Business Continuity:



1. Community Partners *(work collaboratively with community partners on emergency/disaster response and recovery plans)*
2. Test Disaster Readiness *(create, maintain, and test a comprehensive emergency/disaster response and recovery plan for your organization)*
3. Knowledge Retention *(implement procedures to insure institutional knowledge retention)*
 - Document Retention & Storage
 - Cross-training of staff
 - Off-site storage of back-up data
 - Succession Planning

Facilities:



1. Mission Support *(safe, clean, well branded, accessible to the public, etc.)*
2. Location *(conveniently located, recognizable, highly visible)*
3. Safety *(Provide a safe work environment)*
 - Building Security
 - Building code compliant
 - ADA regulations
 - OSHA regulations
4. Productivity *(provide job-appropriate workspace and equipment that will enhance staff productivity)*

Financial Policies:



1. Annual Audit (*Conduct an annual audit in accordance with GAAP*)
(*Guidance on Membership Requirement H*)
2. IRS Form 990 (*Prepare and file form 990 in timely and accurate manner*)
(*Guidance on Membership Requirement A*)
3. Reporting to Board (*provide the board with the reports necessary to fulfill their fiduciary responsibility*)
(*Guidance on Internal Financial Reporting*)
4. Annual Budget (*prepare, submit to board for approval, and monitor actual expenses against an annual budget plan*)
5. Capital Expenditures (*establish policy and procedure for purchase, maintenance, and disposition of capital assets*)
6. Campaign Accounting (*establish policy and procedure that will ensure compliance with GAAP, IRS, and UWA policies*)
(*Guidance on SFAS 116, 117, & 136*)
7. Contracts (*utilize policies & procedures that assure the highest quality products/services at the lowest cost*)

Internal Controls:



1. Petty Cash (*establish adequate balance of petty cash and properly document usage*)
2. Business-Related Expense Reimbursement Policy (*establish and acquire board approval of a comprehensive policy*)
(*Guidance on Business-Related Expense Reimbursement*)
3. Uncollectibles (*establish, maintain, and monitor policy and procedure in conformance with UWA requirements*)
(*Guidance on Requirement M – Part I*)
4. Accounts Payable (*establish and maintain comprehensive policy and procedure*)
5. In-Kind Donations (*establish, communicate, and monitor a comprehensive policy that conforms to GAAP and IRS regulations*)
(*Guidance on In-Kind Contributions*)
6. Electronic Funds Transfer (EFT) (*establish adequate control procedures*)

Sarbanes-Oxley Legislation (SOX):



1. Whistle-Blower Protection (*required for all for-profit and not-for-profit organizations*)
2. Tampering with or Destroying Records (*required for all for-profit and not-for-profit organizations*)
3. Code of Ethics (*adopt and make public*)
4. Code of Ethics and Ethics Officer (*appoint an ethics officer and make name public*)
5. Independent Audit Committee (*appoint a committee separate from your Finance committee*)
6. Loans to Leadership and Staff (*Prohibit loans*)
7. Management Assessment of Internal Controls (*assess existing controls regularly for effectiveness and assure that controls cover all significant areas of risk*)
8. Certification of Financial Statements (*CEO & CFO certify that reports fairly represent financial condition*)
(*Guidance in the UW Guide to Sarbanes Oxley*)

Public Reporting and Transparency:



1. **Culture of Openness** *(Create and maintain a culture that reflects that you have “nothing to hide”)*
(Guidance on Requirement A & H)
2. **Public Document Requests** *(Make documents available in accordance with IRS regulations and voluntarily provide information beyond what is required by law)*
(Guidance on Requirement A & H)

Investment policies:



1. **Handling of Gifts, Property, and Stocks** *(establish comprehensive policy and procedure)*
2. **Cash Flow Analysis** *(monitor cash flow to ensure adequate resources)*
3. **Reserves** *(establish and maintain prudent levels of reserves to ensure continuous operation in times of emergency and economic hardship)*
(Guidance on Reserves and Reserve Policies)
4. **Diversification** *(diversify investments to ensure protection of principle and maximize return)*
5. **Endowment Funds** *(make sound investment choices with the constraints of board oversight)*

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ORGANIZATIONAL LEADERSHIP & GOVERNANCE
UNITED WAY STANDARDS OF EXCELLENCE

Component #4, Standard #3 - Governance



United Way's volunteer board of directors is effective in setting direction for the organization, ensuring necessary resources (i.e., human, financial, relationship) and providing oversight of programs, finances, legal compliance, and values.

The board of directors' activities are guided by the following practices:

- 4.3(a) Integrity, Transparency, and Ethical Conduct.
- 4.3(b) Board Focus.
- 4.3(c) Board Member Engagement.
- 4.3(d) Board Process.
- 4.3(e) Board Structures.
- 4.3(f) Board/Staff Collaborations.
- 4.3(g) Board Development.
- 4.3(h) Board Oversight of Executive Performance.

Implementation Standards for Membership Requirement C



Requirement C – Have an active, responsible, and voluntary governing body which ensures effective governance over the policies and financial resources of the organization

Why? Because United Ways need to:

1. Create & maintain a governing body that exercises sound governance principles
2. Create & maintain a governing document that enumerates the key duties and responsibilities of board members and committees
3. Fully comply with all applicable Federal & State governance-related laws, and Internal Revenue Service regulations
4. Demonstrate in word and action a commitment to United Way system citizenship
5. Lead in their local community in such a way that they are successful in fulfilling their mission, and in doing so, garnering trust, legitimacy, and support from that community and the United Way System as a whole.

Implementation Standards for Membership Requirement C *(continued)*



Nine Required Elements of Good Governance

1. **Defined Responsibilities:** The Bylaws of the organization will establish responsibilities in the following areas to be exercised by the Board or some subset of the Board:

- Executive
- Board Development
- Ethics
- Finance
- Audit
- Executive Compensation*

(Because United Ways have an obligation to protect the brand from headline risks, including those related to unreasonable executive compensation levels, all Metro 1 United Ways must annually provide CEO compensation information to the UWA Membership Accountability Committee.)*

Implementation Standards for Membership Requirement C *(continued)*



2. Board Training: Board training conveys the knowledge and understanding needed by board members in order to effectively carry out their roles as members of the organization's board of directors. Selection of the particular training topics and training methods depend on the nature and needs of the organization.

3. Annual Report: The annual report is the single most important publication an organization can use to highlight its mission. Annual reports should contain additional information facing the organization and its industry. Annual reports can help demonstrate accomplishments to current and future donors, cultivate new partnerships, and recognize the work done in your community.

4. Conflict of Interest Policy and Procedures: The Board shall establish a conflict of interest policy for the organization in accordance with the highest ethical standards of the non-profit sector and its own community. In addition, the Board shall put into place procedures that will resolve conflict of interest matters referred to it in an effective and confidential manner.

Implementation Standards for Membership Requirement C *(continued)*



5. **Review Governance Documents:** In order to exercise due diligence with regard to organizational governance, the Board will review governance documents at least once every three years, preferably as part of the required Organizational Self-Assessment (UWA Membership Requirement I) and conduct an annual meeting of its members in accordance with the bylaws.
6. **Meeting Procedures:** The UW maintains strong governance practices and embraces accountability including holding regular Board meetings at least quarterly.
7. **Meeting Minutes:** Minutes will be written, reviewed, and approved for all meetings conducted by the organization's board, committees and ad-hoc committees formed by or directly reporting to the Board. Minutes will also be made available to all Board members.

Implementation Standards for Membership Requirement C *(continued)*



8. **Compensation, Benefits and Expense Policy:** It is the objective of the organization to create and adhere to a well-designed and fully documented executive compensation program that will attract and retain qualified employees at all levels of responsibility who perform in a manner that permits the organization to achieve its objectives, mission, goals, and will comply with all Governing Documents, Local, State, and Federal Laws and regulations.
9. **Review Audit and IRS Form 990:** Both the Audited Financial Statements and the IRS Form 990 will be provided to the Board for review. Copies of both documents, with the CEO/CFO certification, will be available for public review on the organization's public website, but when the organization does not have a public website they will be made available at the organization's offices during regular business hours.

Implementation Standards for Membership Requirement C *(continued)*



- Sixteen appendixes including sample documents like:
 - Organizational Bylaws
 - Committee Charters
 - Executive Compensation Policy
 - IRS Regulations on Excess Compensation
 - Conflict of Interest Policy
 - Board Training agenda
 - Tips for creating an Outstanding Annual Report
 - Much, Much More!

Questions?

Thank You

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