

## The Board Member as Policy-Maker

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### The Hidden Responsibility

During the cultivation and orientation of new members of the Board of Trustees or Board of Directors, not much is said about the role board members play in setting policy for the nonprofit organization. It may not seem as important as the roles of Ambassador, Builder, and Steward. Policy issues may seem to be a passive role because it is seldom considered more than routine work of the Board.

We feel at DeWitt and Associates that overlooking this role can be a danger to the organization and the individual Board member. **The Policy-Makers** function creates the foundation for the organization's operation and governs actions taken by the Board itself, by individual board Members, and by staff and volunteers who support the everyday operation of the nonprofit.

### The Role of the Policy-Maker

A Trustee has a responsibility to:

- define the mission of the institution;
- to set goals;
- approve plans for reaching those goals.

A Trustee should attend Board meetings and assure that the really significant issues are brought up in these meetings and that time is given for careful consideration.

A Trustee should become familiar with the service field with which the nonprofit deals and the specific role the institution plays.

A Trustee must be familiar with nonprofit as it is today, as well as its ultimate hopes.

### Responsibility

Frequently, members of your governing board do not understand the personal responsibility faced by assuming a voting position on a nonprofit board. Board members assume the trusteeship that was created by the founders of the organization; the individuals who identified a need in the community and set about finding solutions to the societal problem. A trustee assumes a moral responsibility to continue the mission of the nonprofit, safe guard the assets, and to serve the societal need as it evolves in the community served, or until the service is no longer

needed. Board members should be aware that every state has several governance systems or agencies that oversee the operation nonprofit corporations.

While the Board may not actually develop a policy, it is the board's responsibility to review and accept the work of the staff of the organization. Before acceptance of any policy, it should be fully reviewed and examined by the Board. In accepting and adopting a policy, the Board assumes responsibility for the implementation as carried out by the CEO and staff and the monitoring of the policy. A suggestion for a monitoring system will be outlined later.

While few nonprofit boards have ever been sued for malfeasance, the responsibility to safe guard the financial health is the first responsibility. Without the ability to secure current assets such as endowments and estate gifts and acquire new resources through active solicitation of donor prospects, nonprofit organizations can be in jeopardy of going out of business.

In recent years in my home city, several human services organizations have either gone out of business or suffered significant degradation of services because of the board's inability to foresee the change in funding sources over time. Unanticipated announcements of these types of events create significant strain for other organizations in the same service field. As well, such circumstances create doubts in the minds of donors related to the viability and responsibility of other nonprofits in the community.

### **Operational Policies**

*Service or Program:* These documents define the segment of the population you will serve. The policies include the basic qualification of the client base. Additionally, policies include application procedures, documents needed to demonstrate qualification to include financial materials. As the organization grows and matures, different programs may be established to further refine the segments of the service groups. As these events occur, it is necessary to develop all of the documentation to support the new program.

*Personnel:* Regardless of size, each organization must have a set policy guiding the management of personnel. Such policies are detailed and include listings of standard benefits for each class of employee. These benefits should be clearly stated and reviewed with a new employee when that person is hired. Usually, an employee is given a written copy of the policy and signs a statement that the policy has been received. Any changes to the policy should be reviewed at least annually to insure each staff person understands the changes and how those adjustments may affect their benefits and employment status.

Employees should understand sections of the policy related to sexual harassment, grievance procedures, personnel evaluation, reporting relationships between staff

and managers and performance measurement and evaluation. These areas are especially important to avoid personnel morale problems.

*Conflict of Interest:* A Conflict of Interest policy is important to every member of the organizational team from the Chair of the Board to the clerk in the office. It is critical that each person understand the sensitive nature of the information that may be held by the nonprofit. Records related to clients and to procedures related to clients are strictly confidential. How this information is handled on a day-to-day basis and how it is shared with individual outside of the agency must be governed closely. Secondly, no member of the team should engage in conduct that will create any personal, political or financial advantage for the individual or anyone else.

In most organizations, there is an annual cycle for the initiation of conflict statements and signing for all personnel: staff, Board of Trustees and volunteers if those persons have access to confidential information.

*Donor Relations:* The handling of contributions may be one of the most detailed policies of any nonprofit. The nonprofit must determine what types of gifts will be accepted at any one time and how those gifts will be processed. Gift acceptance policies are based on the potential kinds of gifts and sizes. Many new nonprofits are unable to handle gifts of property or charitable remainder gifts. While there may be a willingness to accept such gifts, the organization must be able to safeguard and properly administer these gifts.

Accurate records of donor gifts are vital to maintaining good relations with the donor and for recognizing the gifts in a way that will please the donor. As a donor's gifts increase in size, the relationship with the donor becomes more involved. It is necessary to build detailed records to maintain a relationship with a major donor.

Board members are subject to the policies related to donors as well. Board members should be briefed as ambassadors of the nonprofit and should follow staff guidance for interaction with donors.

*Investment:* A new nonprofit may not have a need to a detailed investment policy as its income is usually in the form of easily handled liquid gifts. As the sophistication of the fundraising program grows, the organization will need to engage professional money management firms to provide support for processing and managing assets such as securities and/or property. Policies will be needed to determine which type of assets will be accepted. Policies should also be adopted related to the control a donor may have over the asset once it is donated.

Donated assets that require excessive administration that diminishes the value of the gift may not be worth the time and effort required. Gifts of real property are complicated because of environmental concerns. Acceptance of such gifts should be carefully researched before executing such contracts. In addition, organizations

should carefully consider any gift that requires a major change in operation or mission. Gifts with these types of conditions can negatively impact your established donor base and may not ultimately sustain the new operational situation.

### **Audit**

Because of the volume of gifts, it is important for the nonprofit have an external audit every year. It is a protection for the board and staff. It provides a level of comfort to donors and potential donors that their donations are being handled properly.

### **Monitoring Policies**

As stated earlier, it is the responsibility of the governing board to establish policies that guide and direct the nonprofit. This is the responsibility of the board and not the CEO, or staff; their responsibility is to implement and carryout the policies.

A simple procedure for monitoring the policies the board has approved is an annual review. As the organization grows in complexity, the Board will be receiving recommendations from the CEO related to new procedures or operations that should have board oversight.

As the number of policies grows, the Board and CEO should establish a regular schedule for reviewing policies, their success and any need for changes. Based on the meeting cycle of the board, the policies can be reviewed on regular basis within each year by placing selected number of policies on each board agenda. This technique provides regular review and consideration and fulfills the board responsibility to govern the nonprofit.

### **Liability**

Individual Board Members can be liable for the misuse of the powers of the organization and the loss of assets due to negligence. It is important that each member of the board be aware of their fiduciary responsibilities and their duty to safeguard an institution. Strong polices and the proper monitoring of the policies put in place will protect the organization and the governing board,

Part of safeguarding the nonprofit requires a policy regarding **criminal background checks**. These checks protect the organization from hiring individual who have criminal offenses. Once I joined an organization that had no such procedures. Within a year, there were two incidences of embezzlement by convicted felons. Social service agencies need criminal checks to insure that clients are not exposed to people who have records.