

Board's Role in Fiscal Oversight

Nonprofit Boards have many roles to play as stewards of the organization, but none is more important than assuring ethical behavior and providing sound fiscal oversight. In general, this means that boards are responsible for assuring the financial integrity and solvency of the organization, establishing procedures to safeguard the organization from fraud and risk, assuring that ethical standards are maintained and remaining alert for signs of financial trouble.

Responsibilities:

- Overseeing the financial activity of the organization
- Assuring that appropriate financial controls are in place
- Approving the annual operating budget
- Reviewing periodic reports on revenue and expenses, compared to the budget
- Achieving fiscal goals as set out in the strategic and fundraising plans
- Establishing procedures and policies that represent high ethical standards
- Asking for clarification about financial matters that raise questions
- Assuring that CEO compensation is in line with community standards
- Engaging in strategic discussions on how resources should be developed and used to support the mission of the organization

Roles:

While the entire board shares fiscal responsibility, specific members of the board have specialized roles in assuring the financial accountability of the organization.

Board Treasurer

The board treasurer is the board member responsible for general supervision of the financial affairs of the organization including:

- Assuring the timely distribution of clear and useful financial statements and review of them by the board,
- Ensuring that financial checks and balance procedures are established and followed,
- Serving as a signatory on notes, drafts and checks as needed.

Finance Committee

The finance committee is a board committee responsible for overseeing the financial affairs of the organization and assuring that the board is well informed about the organization's finances including:

- Reviewing the annual operating budget for presentation and ratification by the full board,
- Recommending financial policies that safeguard the organization's finances,
- Reviewing policies and investment portfolios to be sure they are serving the organization well,
- Overseeing compliance with state and federal regulations, including filing of the Form 990 to the Internal Revenue Service.

Audit Committee

- The audit committee is a board committee responsible for arranging for an independent audit of the organization's finances including:
- Recommending the hiring and selection of an independent auditor to review the organization's books,
- Serving as a link between the auditor and the board, reviewing the report and submitting it to the full board,
- Ensuring that the auditor has full access to all needed records.

Note: Best practices recommend creating an audit committee separate from the finance committee, comprised of different people to insure a higher level of internal scrutiny.

Role Of Staff

The chief financial officer (or bookkeeper/business manager in smaller organizations) is a staff member and is responsible for managing the financial aspects of the organization and preparing materials for board review including:

- Creating regular financial statements,
- Preparing the initial budget for board input and review,
- Managing the financial transactions of the organization.

Financial Questions Board Members Should Routinely Ask:

- Is cash flow projected to be adequate for running the organization?
- How does revenue and expenses compare with the budget? Are expenses rising faster than revenue?

- Does the organization have sufficient reserves to weather a short-term crisis?
- Does the financial plan support the strategic plan?
- Does the organization have a line of credit? Has it been activated?
- Are the appropriate checks and balances in place to prevent error, fraud, and abuse?
- Is the organization meeting its requirements from funders and regulators?

