Agenda

- Brief Introductions
- Role of the Tripartite Board
- Key Responsibilities of the Tripartite Board
- Quick Overview of Legal Requirements Governing Tripartite Boards
Brief Introductions
Who is in the room today?

- Board Member
- Board Chair
- Executive Director
- Staff Board Liaison
- State Association Staff
- State CSBG Office Staff

Who Else???
Time Flies When You’re Having Fun! Right?!? 😊

- **Board Members:** How many years have you served on the board?
  - 0 to 3 years
  - 3 to 5 years
  - 5 to 10 years
  - 10 to 15 years
  - 15 to eternity . . .

- **Staff:** How many years have you worked in Community Action?
  - 0 to 3 years
  - 3 to 5 years
  - 5 to 10 years
  - 10 to 15 years
  - 15 to eternity . . .
Why Are You Here?
Tells Us Why You are Here!

Board Members: What motivated you to join a Community Action board?

Staff: What motivated you to work for a Community Action Agency?
Takeaways

What do you hope to learn?

At the end of the presentation, write down 3 action items to take back to your organization.
Role of Tripartite Board
Duty of Care
Duty of Care

- To be Diligent
  - Acting with the care of a prudent person in similar circumstances
  - Asking hard questions
  - Reading materials
  - Deliberating the decision

- Public CAA: Generally, not a requirement; serves as an informative guide
  - Check local laws

See page 9 of the Toolkit for more on fiduciary duties
Duty of Loyalty
Duty of Loyalty

- **Faithful to CAA**
  - Act in good faith and in the best interests of CAA
  - Disclose and avoid conflicts of interest
  - Not engage in self-dealing

- **Public CAA: Generally, not a requirement; serves as an informative guide**
  - Check local laws

See page 9 of the Toolkit for more on fiduciary duties
Fiduciary Duties Discussion Guide

- Name 1-2 ways your board can better fulfill its duty of care and duty of loyalty.
Who Does What Around Here?

**Fill in the Action**

<table>
<thead>
<tr>
<th>Role</th>
<th>Board of Directors</th>
<th>Executive Director</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Policy</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Action:</strong> establish, execute</td>
<td>Establishes</td>
<td>Executes</td>
</tr>
<tr>
<td><strong>Mission</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Action:</strong> set, accomplish, review, update</td>
<td>Sets, Reviews, Updates</td>
<td>Accomplishes</td>
</tr>
<tr>
<td><strong>Performance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Action:</strong> sets targets, evaluates, updates, executes, accountable for</td>
<td>Sets targets, Evaluates, Updates, Accountable for</td>
<td>Executes, Accountable for</td>
</tr>
<tr>
<td><strong>Employees</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Action:</strong> supervise executive director, supervise staff</td>
<td>Supervise executive director</td>
<td>Supervise staff</td>
</tr>
</tbody>
</table>
Key Responsibilities of the Tripartite Board
Key Responsibilities

C - Capable
A - Accountable
R - Representative
E - Engaged
Key Responsibilities Discussion Guide

- How do you contribute to helping your board fulfill its key responsibilities?
Key Responsibilities

- Mission
- Planning
- Engagement
- Generating Funds
- Performance
- Accountability
INTRODUCTION: The Board’s Role in the CSBG Organizational Standards

This case study focuses on how the tripartite board of a public Community Action Agency (CAA) fulfills its responsibilities with respect to the Community Services Block Grant (CSBG) Organizational Standards set forth in the federal Office of Community Services’ (OCS) Information Memorandum (IM) No. 138. Because a public CAA and its tripartite board are usually operating under the auspices of an established local government framework, the applicability of the CSBG Organizational Standards (Standards) is markedly different from their applicability to a nonprofit CAA.

While the federal CSBG Act requires the board to “participate actively in the development, planning, implementation and evaluation” of Community Action programs, the reality of how to fulfill this role in an impactful way is not always clear. A public CAA tripartite board often perceives its ability to act on behalf of the public CAA as limited by the level of authority delegated to it by the local governing body. Even though establishing a delegation of authority arrangement is necessary and important, doing so does not lessen the impact and role the board plays. As you will see in this case study, defining and establishing the role of your public CAA tripartite board helps to foster a positive relationship between the board and local governing officials and results in more engaged and effective board members.

After spending time speaking with representatives of Montgomery County Community Action Agency (MCCA), a public CAA in Maryland, we were impressed by the ways in which its tripartite board helps the CAA achieve compliance with the Standards. Two key characteristics stand out with MCCA’s board – they understand the vital role they play and they embrace that role. Even though MCCA’s delegation of authority arrangement does not often place the tripartite board in a decision-making position, the board continually manages to effect change. This case study highlights many of the ways in which the board does so. The board not only takes very seriously the recommendations it is asked to make but it is also constantly advocating on behalf of MCCAA and the low-income community. A few of the ways in which the board fulfills its responsibilities include: developing and implementing initiatives to engage the community served; regularly meeting with local government officials; participating in county-wide hearings and meetings; and collaborating with other county groups to ensure the community’s needs are met.

MCCA acknowledges that it is not yet 100% in compliance with the Standards but the ongoing efforts of its tripartite board to reach that goal are inspiring and, we hope, informative, especially for those public CAA tripartite boards that are struggling with challenges related to compliance with the Standards. Throughout the case study, we identify Standards that we believe MCCAA’s tripartite board is either addressing or attempting to address through its actions. Our goal with this case study is not to identify all of the Standards that may be met through the board’s efforts; but rather, to highlight key characteristics of the board that contribute to its effectiveness and compliance with CSBG Organizational Standards.
Key Board Responsibility

Mission
Why Mission Matters

- **Why mission matters:**
  - Provide clarity of purpose to stakeholders
  - Guide major decisions
  - Prevent “mission creep”

- **Why do you think mission matters?**
Board Role and Mission
Review Mission

- A good mission statement:
  - Is focused
  - Solves unmet needs
  - Leverages unique skills
  - Inspires key stakeholders / is memorable
Update Mission

Producing an effective mission statement often involves:

- Commitment from the top
- Participation by a wide range of stakeholders
- A well defined revision process
- Determination of key components
- Careful crafting – active, concise, specific

CAPLAW Article
Mission Possible: Understanding & Developing an Effective Mission Statement
Mission Revision Exercise

Your organization has died and at the memorial service for the organization with all of its stakeholders present, a spiritual leader states:

Here lies [**fill in the organization’s name**]. It is an organization that was loved and will be missed. It will be remembered forever for:__________________.

- Dr. Lisa McNary, NCSU
Use Mission

- Ways boards highlight and use the mission:
  - Recite at board meetings
  - Reference in meeting agenda
  - Include on business cards
  - Discuss in relation to all board actions
The tripartite board/advisory body has reviewed the department’s mission statement within the past 5 years and assured that: (1) The mission addresses poverty; and (2) The CAA’s programs and services are in alignment with the mission.

Public CSBG Org. Standard 4.1:
- The department conducted or was engaged in a community assessment and issued a report within the past 3 years, if no other report existed.

Public CSBG Org. Standard 3.1:
- The tripartite board/advisory body formally accepts the completed community assessment.

Nonprofit CSBG Org. Standard 3.5:
- The governing board has reviewed the organization’s mission statement within the past 5 years and assured that: (1) The mission addresses poverty; and (2) The CAA’s programs and services are in alignment with the mission.

Nonprofit CSBG Org. Standard 4.1:
- The organization has conducted a community assessment and issued a report within the past 3 years.

Nonprofit CSBG Org. Standard 3.1:
- The governing board formally accepts the completed community assessment.
Key Board Responsibility

Planning
Planning Exercise

- Name at least one of each of the following in relation to your CAA:
  - Strength
  - Weakness
  - Opportunity
  - Threat
Planning Under CSBG

Community Action Plan
3-Year Review
(Community needs assessment/CSBG-specific)

Strategic Plan
5-Year Review
(Organization-wide)
Development of Strategic Plan

Community Action Partnership & CalCAPA resource available at:
A Dual Bottom Line: Mission Impact and Financial Return

- **High Mission Impact, High Profitability**: Invest & Grow
- **High Mission Impact, Low Profitability**: Close or Give Away
- **Low Mission Impact, Low Profitability**: Keep it but contain costs
- **Low Mission Impact, High Profitability**: Water, Harvest, & Increase Impact

Source: *Nonprofit Sustainability: Making Strategic Decisions for Financial Viability*
Matrix Map Exercise

- **Profitability**
  - ($60K)
  - ($40K)
  - ($20K)
  - $20K
  - $40K
  - $60K

- **Impact**
  - 1
  - 2
  - 3
  - 4

- **Keep it but contain costs**
  - U.S. citizenship classes
  - ESL classes
  - Annual street festival

- **Invest & Grow**
  - Quit Smoking classes
  - Head Start preschool

- **Close or Give Away**
  - Annual campaign
  - Water, Harvest, & Increase Impact

- **Actions**
  - Close or Give Away
  - Invest & Grow
  - Keep it but contain costs
CSBG Organizational Standards

Planning

Public CAA CSBG Org. Standard 6.1:
- The department has a strategic plan, or comparable planning document, in place that has been reviewed and accepted by the tripartite board/advisory body within the past 5 years. If the department does not have a plan, the tripartite board/advisory body will develop the plan.

Public CAA CSBG Org. Standard 3.1:
- The department conducted or was engaged in a community assessment and issued a report within the past 3 years, if no other report exists.

Nonprofit CSBG Org. Standard 3.5:
- The governing board formally accepts the completed community assessment.
Engage in Planning

Approaches to help a board meet its planning and strategy development obligations:

– Form a planning/strategy committee
– Uses the strategic plan to frame board discussions
– Use a strategic agenda
Strategic Agendas

- Strike a balance between “routine” agenda items (e.g., contract approvals etc.) and strategy discussions

- How will agenda items and information provided to board members help board:
  - Connect with the org’s mission
  - Enhance board functioning
  - Provide oversight
  - Identify and make decisions on key issues
Consent Agendas

- Used for routine, procedural, informational, and self-explanatory non-controversial items
- Helps streamline meetings
- If use, should educate board members on:
  - Purpose, i.e., not used to ramrod decisions through
  - Process, i.e., allows for removal of item upon request
Compare Traditional and Strategic Board Agendas

Traditional Board Agenda

1. Welcome and approve minutes of last meeting
2. Executive Director’s Report
   Verbal report on web site redesign update
3. Finance Committee Report
   Circulation of quarterly financial statements. Treasurer or Finance Committee Chair points out a few variations between budget and actual, which are briefly discussed. Asks for a motion to approve change of signature authority on bank forms due to change in officers.
4. Nominating Committee Report
   Update on new candidates and who has had lunch with whom to cultivate relationships
5. Program Committee Report
   Chair of Program Committee asks staff to provide a 10 minute verbal report on various programs that are being implemented to increase the community’s awareness of the agency’s programs and services. Discussion is curtailed because time is running out.
6. Fundraising Committee Report
   Update on plans for Gala and reminder to purchase tickets
7. New Business?
8. Adjourn
   Meeting lasts two hours

Strategic Agenda

1. Welcome and Opening Thoughts
   (Different board members offer opening thoughts each meeting)
2. Consent Agenda
   Approval of minutes of last meeting, and acceptance of items listed on consent agenda: previously circulated written report from ED on web site redesign; dashboard of revenue/expenses from Finance Committee; ACTION: approve change of signature authority on bank forms; Accept reports on board member prospects from Board Development Committee and from Fundraising Committee.
3. Discussion of Strategic Initiative #1 Expand Community Awareness
   Full board discussion facilitated by board chair. Are goals being met? What are board members hearing in the community? What are the barriers? What other avenues could be used to increase awareness? Consensus is to convene a communications task force to recommend how web site, annual report, and partnerships with other agencies can expand awareness.
4. What’s keeping you up at night? (Use this brainstorming session to develop future issues for board attention.)
5. Adjourn
   Meeting lasts one hour
   Outcome: rich discussion on a strategic priority for the organization.
### Strategic Dashboard

#### Income by Type

- **Gov’t Grants & Contracts**: 56%
- **Corporate/ Foundation Grants**: 16%
- **United Way**: 14%
- **Program Fees**: 10%
- **Individual Contributions**: 4%

#### Financial Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Target</th>
<th>This month</th>
<th>Last month</th>
<th>Last year end</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus/(deficit) YTD</td>
<td>$270,000</td>
<td>$390,842</td>
<td>$340,908</td>
<td>($570,240)</td>
</tr>
<tr>
<td>Surplus/(deficit) year-end forecast</td>
<td>$270,000</td>
<td>$30,937</td>
<td>$250,987</td>
<td>($570,240)</td>
</tr>
<tr>
<td>Earned income ratio</td>
<td>11.5%</td>
<td>10.3%</td>
<td>11.8%</td>
<td>13.0%</td>
</tr>
<tr>
<td>New grants success ratio</td>
<td>50.0%</td>
<td>35.0%</td>
<td>33.0%</td>
<td>50.0%</td>
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<tr>
<td>Days cash on hand (unrestricted)</td>
<td>45</td>
<td>43</td>
<td>28</td>
<td>51</td>
</tr>
<tr>
<td>Reserve funds balance (1 month payroll)</td>
<td>$250,000</td>
<td>$200,000</td>
<td>$150,000</td>
<td>$250,000</td>
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<tr>
<td>Current ratio</td>
<td>2 to 1</td>
<td>5.8</td>
<td>4.2</td>
<td>6.2</td>
</tr>
<tr>
<td>AR aged over 90 days</td>
<td>15.0%</td>
<td>22.3%</td>
<td>23.5%</td>
<td>20.0%</td>
</tr>
</tbody>
</table>

#### Balance Sheet

- **Days cash on hand (unrestricted)**
  - Jan: 45
  - Feb: 43
  - Mar: 28
  - Apr: 51
- **Reserve funds balance (1 month payroll)**
  - Jan: $250,000
  - Feb: $200,000
  - Mar: $150,000
  - Apr: $250,000
- **Current ratio**
  - Jan: 2 to 1
  - Feb: 5.8
  - Mar: 4.2
  - Apr: 6.2
- **AR aged over 90 days**
  - Jan: 15.0%
  - Feb: 22.3%
  - Mar: 23.5%
  - Apr: 20.0%

#### Program Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Target</th>
<th>This month</th>
<th>Last month</th>
<th>Last year end</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weatherization Contracts (monthly goal)</td>
<td>20</td>
<td>21</td>
<td>22</td>
<td>15</td>
</tr>
<tr>
<td>Head Start enrollment</td>
<td>100</td>
<td>60</td>
<td>58</td>
<td>109</td>
</tr>
<tr>
<td>Monthly job placements</td>
<td>30</td>
<td>11</td>
<td>14</td>
<td>32</td>
</tr>
</tbody>
</table>

#### Cash Flow

- **Actual**: [Graph showing cash flow with target and projected lines]
- **Projected**: [Graph showing cash flow with target and projected lines]
- **Target = $615,000 minimum**
Agenda Exercise

- Describe your CAA’s current board meeting agenda
- List what items on the agenda may be suitable for a consent agenda
- List the items that require the board to think strategically
Key Board Responsibility

Engagement
What’s Engagement?
Internal and External Responsibilities

With Board/ Organization

With Stakeholders/ Community

Engagement
Ways to INCREASE Engagement

- Strategically Recruiting
- Regularly Orienting & Training
- Building Relationships
- Conducting Assessments
- Connecting with Community
Board Selection Procedure

- Use board committee
- Recruit smartly & strategically
- Require applications
- Follow selection procedures
CSBG Organizational Standards
Board Orientation and Training

Nonprofit/Public
CSBG Org. Standard 5.7

• Org./Dept. has a process to provide a structured orientation for governing board members within 6 months of being seated.

Nonprofit/Public
CSBG Org. Standard 5.8

• Board members/advisory board have been provided with training on their duties and responsibilities within the past 2 years.
Connecting with Community Exercise

Fill in the Blank

- **Empowering the low-income community**
  - Ex., our tripartite board______________________________

- **Effectively advocating for the organization and its mission**
  - Ex., our tripartite board______________________________

- **Collecting and providing input on community needs**
  - Ex., our tripartite board______________________________

- **Developing and sustaining strategic partnerships and collaborations**
  - Ex., our tripartite board______________________________
CSBG Organizational Standards
Community Engagement

Nonprofit/Public CSBG Org. Standard 1.1

- Organization/department demonstrates low-income individuals’ participation in its activities.

Nonprofit/Public CSBG Org. Standard 2.1

- Organization/department has documented or demonstrated partnerships across the community, for specifically identified purposes; partnerships include other anti-poverty orgs in the area.

Nonprofit/Public CSBG Org. Standard 2.3

- Organization/department communicates its activities and its results to the community.
Key Board Responsibility

Generating Funds
Two Main Ways CAAs Generate Funds

**Fundraising**
- Soliciting gifts
- Putting on special events
- Capital campaigns

**Proposals**
- Writing grants
- Preparing bid proposals

*Board and executive director*

*Executive director and staff*
Generating Funds Quiz

A CAA cannot rely solely on its state and federal grants and should engage in efforts to generate unrestricted funds. **True** or **False**

- **Why?**
  - State and federal grants restrict use of funds
  - Diversification of funding often essential for sustainability and flexibility
Generating Funds Quiz

Generating funds is mainly the executive director’s responsibility, not the board’s. True or False

- Why?
  - Joint effort – both bring different resources/skills
  - If no unrestricted funds, board must spearhead fundraising efforts
Generating Funds Quiz

Tripartite boards **cannot** require members to give financially to the CAA because low-income representatives may be low-income themselves. True or False

- **Why?**
  - No legal prohibition against soliciting funds from all board members
  - Allow for varying levels of giving and non-financial ways to give
  - Foundations often want to see 100% board giving
Getting Your Board Involved in Fundraising

- Position your board to fundraise by:
  - Considering fundraising experience/ability when selecting board members
  - Communicating expectation of involvement in fundraising
  - Establishing a board fundraising committee with mix of board members
  - Forming an advisory committee comprised of non-board members with big hearts and deep pockets
**BOARD’S ROLE IN FUNDRAISING**

- Work with staff to develop plan
- Oversee implementation of plan
- Identify potential funders
- Develop & nurture relationships
- Public CAA: Consult with county counsel about fundraising options

Work with staff to develop plan

Oversee implementation of plan

Identify potential funders

Develop & nurture relationships

Public CAA: Consult with county counsel about fundraising options
Some Resources
Board’s Role in Fundraising

- **Grantspace**: What is the board’s role in fundraising: https://grantspace.org/resources/knowledge-base/boards-and-fundraising/

- **GIFT** – Grassroots Institute for Fundraising Training: http://www.grassrootsfundraising.org/

- **Board Source**: books and other resources on nonprofit boards – including involving the board in fundraising, https://boardsource.org/fundamental-topics-of-nonprofit-board-service/fundraising/
Fundraising Rules Takeaway

- Work with local/county counsel to ensure compliance with applicable laws

- More notable requirements applicable to fundraising activities by nonprofit CAAs:
  - Federal grant law restrictions
  - Internal Revenue Service (IRS) rules
  - Fair Labor Standards Act (Wage and Hour)
  - State charitable solicitation and gaming rules
Key Board Responsibility

Strategic & Programmatic Performance
Program Performance Exercise

• List 3 reasons why a tripartite board should have a framework in place for reviewing the performance of the CAA’s programs.

1. Community Services Block Grant Organizational Standards require it.

2. **ALL** funders expect organizations to demonstrate how programs and services are making an impact.

3. It is the best way for the organization to know what’s working and what’s not.
| 5-Year Review (Strategic) | Annual Review (Milestone / Programmatic/ Strategic) | Review at Every Board Meeting (Milestone / Programmatic) |
CSBG Organizational Standards
Strategic and Program Performance

Public CSBG Org. Standard 6.1
- The department has a strategic plan, or comparable planning document, in place that has been reviewed and accepted by the tripartite board/advisory body within the past 5 years. If the department does not have a plan, the tripartite board/advisory body will develop the plan.

Public CSBG Org. Standard 6.5
- The tripartite board/advisory body has received an update(s) on progress meeting the goals of the strategic plan/comparable planning document within the past 12 months.

Public CSBG Org. Standard 5.9
- The department’s tripartite board/advisory body receives programmatic reports at each regular board/advisory meeting.
Board’s Role in Programmatic & Strategic Performance

- Establishing a culture of using data to make decisions

Performance management

How can we improve our...

Outcomes?  Quality?  Cost effectiveness?
Board’s Role in Programmatic & Strategic Performance

- Inquiring about relevancy of data received and the metrics used

- What metrics matter?
- What data will need to be captured
- How will we know if we are meeting community needs prioritized?
Who Says What Goes?
Ensure Accountability

FINANCIAL

LEGAL

OPERATIONAL
Executive Director Oversight
Nonprofit CAA

- Sole employee of the board is the executive director
Executive Director Oversight
Public CAA

- Executive director/ dept. head is employee of local governing officials
  - Tripartite board should submit recommendations regarding employment of ED/dept. head
Manage Executive Director

**Oversee**
- Regularly communicate
- Provide assistance when needed
- Request reports
- Ask about goals & programs
- Conduct annual review*

**Evaluate***
- Use board committee
- Decide on evaluation tool/criteria
- Gather input
- Set up in-person evaluation
- Create written review

*May apply differently to public CAAs
CSBG Organization Standards
Executive Director Oversight

Nonprofit:
CSBG Org. Standard 7.4

- The governing board conducts a performance appraisal of the CEO/executive director within each calendar year

Public:
CSBG Org. Standard 7.4

- The dept. follows local gov’t procedures for performance appraisals of dept. head
The organization has a written succession plan in place for the CEO/executive director, approved by the governing board, which contains procedures for covering an emergency/unplanned, short-term absence of 3 months or less, as well as outlines the process for filling a permanent vacancy.

Nonprofit: CSBG Org. Standard 4.5

Ann, a program assistant who repeatedly spoke inappropriately to colleagues and clients, was terminated after her first year of working at CAA, Inc. Distraught by her termination, Ann sent a scathing email to the Executive Director and board member, Jackie, who is Ann’s sister-in-law. Ann exclaimed in the email that the CAA wrongfully terminated her, that her complaints about being sexually harassed by her co-worker Don were never addressed, and that the Program Director used program funds to pay vendors to provide personal services.

What organizational policies are implicated in this scenario? How?
Conflicts of Interest

Each tripartite board/advisory body has signed a conflict of interest policy, or comparable local gov’t document within the past 2 years.

*Sample policies and archived webinar on CAPLAW’s website, www.caplaw.org*
Policies

Whistleblower Policy

Nonprofit CSBG Org. Standard 7.7

- The organization has a whistleblower policy that has been approved by the governing board.

* Sample policies and archived webinar on CAPLAW’s website. www.caplaw.org
Additional Policies

Adopt org. policies, ensure they are being followed, and review/update them periodically*

Nonprofit CSBG Org. Standard 8.10

• The fiscal policies have been reviewed by staff within the past 2 years, updated as necessary, with changes approved by the governing board.

Nonprofit CSBG Org. Standard 7.1

• The organization has written personnel policies that have been reviewed by an attorney and approved by the governing board within the past 5 years.

Nonprofit CSBG Org. Standard 8.11

• A written procurement policy is in place and has been reviewed by the governing board within the past 5 years.

*Org Standards not applicable to public CAAs
Additional Filings

Nonprofit CSBG Org. Standard 8.8

• All required filings and payments related to payroll withholdings are completed on time.

Nonprofit CSBG Org. Standard 8.6

• The IRS Form 990 is completed annually and made available to the governing board for review.

*Org Standards not applicable to public CAA*s
Oversee Financial Standing

Nonprofit CAAs

1. Review financial statements
2. Approve and monitor annual budget
3. Set and reassess CEO compensation
4. Select and monitor auditor

Public CAAs

- Review financial statements
- Provide input on and monitor annual budget
- Provide input on CEO evaluation
- Receive notification of audit & CSBG findings
CAA’s CFO, Ms. Moneypenny, decided that providing the board with a complete set of financial statements is a mistake. In Moneypenny’s view, the board should review a detailed schedule showing each program, the revenue associated with the program, and the related expenses. Moneypenny believes CAAs are unique because of their reliance on multiple revenue streams that must be used for specified purposes. In her view, entity-level financial statements make no sense because grant revenue from one program (e.g., CSBG) cannot be used to finance another program (e.g. Head Start).

Do you agree with Moneypenny’s approach? Why or why not?
Financial Oversight Quiz

Public CAA

1. Because a public CAA is often a division or department of the local government, the tripartite board has no real influence over the CAA’s budget. True or False

2. The tripartite board should work closely with local governing officials to ensure it receives the financial reports for the programs it oversees as permitted by local government procedures. True or False
Financial Statements

- Board’s approach to financial statements (balance sheet, income statement, cash flow statement) may include:
  - Preliminary review by finance committee
  - Review by every board member
  - Regular discussion
  - Once-a-year discussions (e.g., annual budget, etc.)
  - Question and answers
SECTION 4: GETTING THE MOST OUT OF YOUR FINANCIAL STATEMENTS

Part I: How to Use Financial Statements-The Process 85

Part II: What’s in the Financials 95
The governing board receives financial reports at each regular meeting that include the following:

- Org.-wide report on revenue and expenditures that compares budget to actual, categorized by program; and

The tripartite board/advisory body receives financial reports at each regular meeting, for those program(s) the body advises, as allowed by local government procedure.
Annual Budget
Nonprofit and Public CAAs

- Monitor performance against budget during year
- Help board members develop a high-level understanding of:
  - Overall budget goals and assumptions
  - Cost centers
  - Applicable grant requirements
Annual Budget

Nonprofit CAAs
- Work with finance committee and fiscal staff to develop annual budget

Public CAAs
- Provide input on CSBG budget process
- Participate in hearings and meetings about budget
CSBG Organizational Standards

Budget

Nonprofit CSBG Org. Standard 8.9

- The governing board annually approves an organization-wide budget.

Public CSBG Org. Standard 8.9

- The tripartite board/advisory body has input as allowed by local governmental procedure into the CSBG budget process.
Tonya has been the CEO of CAA, Inc. for the past 5 years and is concerned about her compensation. There is no formal or written compensation-setting process. The practice has been for the board chair to meet for coffee with the CEO once a year to discuss her performance and compensation for the following year. The chair then reports the meeting to the board and recommends a certain percentage increase. The board votes on the percentage increase, although the total compensation is not disclosed to the full board.

Do you think the way in which the board sets Tonya's compensation is appropriate? If yes or no, why?
Executive Director Compensation
Nonprofit CAA

- Understand IRS requirements, in particular, intermediate sanctions

- Establish a presumption that compensation is reasonable:
  - Use board committee
  - Assure board independence
  - Link pay to performance
  - Rely on meaningful comparables
  - Document the process

- Recognize funding source requirements
CSBG Organizational Standard
Executive Director Compensation

Nonprofit: CSBG Org. Standard 7.5:
- The governing board reviews and approves CEO/executive director compensation within each calendar year.

Public: CSBG Org. Standard 7.5:
- The compensation of the dept. head is made available according to local gov’t policies.
Audit Exercise
Nonprofit CAA

- The auditor prepares the CAA’s financial statements. True or False
- An audit primarily certifies the fairness of financial statements. True or False
- An audit is mostly for management’s benefit. True or False
- A high-quality audit is a waste of money that could be better spent on mission. True or False
Board’s Role in Audit
Nonprofit CAA

- Board retains auditor and should work with a board audit committee to:
  - Oversee board’s relationship and interaction with outside auditors
  - Monitor CAA’s system of internal controls
  - Identify and monitor financial related risks
  - Conduct in-depth review (w/auditor present) of Single Audit compliance and prepare report to the board
CSBG Audit Requirements

Nonprofit CSBG Org. Standard 8.2
• All findings from the prior year’s annual audit have been assessed by the organization and addressed where the governing board has deemed it appropriate.

Public CSBG Org. Standard 8.3
• The organization’s auditor presents the audit to the governing board.

Public CSBG Org. Standard 8.4
• The governing board formally receives and accepts the audit.

Nonprofit CSBG Org. Standard 8.5
• The organization has solicited bids for its audit within the past 5 years.

Public CSBG Org. Standard 8.3
• The department’s tripartite board/advisory body is notified of the availability of the local government audit.
• The department’s tripartite board/advisory body is notified of any findings relating to CSBG funding.
SECTION 2: IMPROVING A CAA’S FINANCIAL CAPACITY

An Overview ................................................................. 31

Part I: Defining, Hiring, and Evaluating the Financial Personnel, with a Focus on Hiring the CFO 32

Part II: Understanding the Role of an Audit and How to Get the Most Out of It 40

Part III: Management’s Role in Preparing for the Audit—A Step-by-Step Process 50

Part IV: The Audit Committee 55

Part V: Management Letters 59
Culture of Compliance Scenario

CAA’s Finance Manager compares receipts with expense reports and handles reimbursement requests. The Deputy Director and Board Member submitted reimbursement requests for a training conference they both recently attended. The Deputy Director kept her expenses very low by using the free hotel airport shuttle, eating all the meals included in the registration fee, and avoiding any unnecessary expenses. The Board Member used a taxi, ordered room service, consumed several mini-bar items, and sent clothes to the hotel laundry.

What, if anything, should the Finance Manager do?
Developing a Culture of Compliance

10 ACTION STEPS TO COMPLIANCE AND ETHICAL STANDARDS

- Set the “Tone at the Top”
- Think Globally
- Put It on Paper
- Assign Responsibility and Require Accountability
- Communicate
- Work with an Attorney
- Continuously Improve
- Follow through Promptly and Effectively
- Trust, but Verify
- Get Up-to-Speed and Stay Up-to-Date

Exemplary Legal Practices and Policies Guidebook, Part I: Do the Right Thing: How to Cultivate a Culture of Compliance and High Ethical Standards
http://caplaw.org/resources/PublicationDocuments/DotheRightThing.html
Risk Management

Nonprofit: CSBG Org. Standard 4.6

• An organization-wide, comprehensive risk assessment has been completed within the past 2 years and reported to the governing board.

Public: CSBG Org. Standard 4.6

• The dept. complies with its local gov’t’s risk assessment policies and procedures

Community Action Partnership Risk Management Portal:

https://communityactionpartnership.com/online_tools/risk-management-portal/
Legal Requirements Governing Tripartite Boards
Legal Requirements

- State Nonprofit Corporation Act
- State/local government laws
- Articles of incorporation & bylaws
- Bylaws/governing document
- IRS tax-exempt org. requirements
- Federal CSBG Act, block grant regulation, guidance
- State CSBG statute, regulations, policies
- CSBG grant agreement/contract with state
- Other federal/state funding requirements
- Public CAA Boards

- Articles of incorporation & bylaws
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