

New Policies

Now I've got them, what do I do with them?

By Bob Harris, CAE



Revisions to IRS Form 990 have resulted in the adoption of new policies (see "Are You Ready for the New Form 990?" *Association Leadership*, Nov/Dec 2008).

Now executives will be asking, "With new policies in place, how will they be applied?"

There is NO simple answer – each policy has a unique purpose. For example, a record retention policy will impact the staff's hard and digital copies. A policy on audits will affect the audit committee and relations with an accountant.

While Form 990 indicates the policy questions are *not law*, one can surmise that the government is expecting organizations to comply.

Once the IRS determines an organization has policies in place, the IRS will eventually be looking to gauge whether they're good policies, according to an ASAE report citing Ron Schultz, senior technical adviser for the IRS Tax Exempt and Government Entities Division. He says, "A future question the IRS will be asking is whether the policies are actually in regular use."

With this in mind, now is the time to determine how policies will translate into consistent application and processes.

Policies 101

Policy basics to improve the board and staff understanding:

- Policies are the wisdom of the board in selecting the best course of action for future board members.
- Policies may not conflict with the organization's governing document.
- Policies are always adopted by a motion of the board and reflected in the minutes.
- Policies are transcribed from board minutes into a policy manual for archival and recall; annotating the date of adoption for easy reference to the minutes.
- Policies have little value if board and staff are not aware of them.

Topic	IRS Question	Usage/Application
Whistle Blower	Does the organization have a written whistleblower policy?	Simply adopting a whistleblower policy is not enough to have an impact. The board must understand its application and the staff must be aware of its existence. The board should consider how to react when someone "blows the whistle." Appoint a committee? Does the committee have any resources, such as an HR specialist or attorney? What protections will the whistleblower have? These questions should be answered and added to a leadership manual or committee operations guide. Staff will be made aware of the whistleblower processes by adding it to the personnel manual.
Record Retention	Does the organization have a written document retention and destruction policy?	Organizations have documents that should be safeguarded or destroyed. Include the retention policy in an operations or procedures manual. Staff should conduct a file clean-out day, annually. Consider appointing a keeper of documents with oversight for hard copies and digital files. Who on staff will sign off on file destruction?

Topic	IRS Question	Usage/Application
Conflicts of Interest	Does the organization have a written conflict of interest policy? If yes, are the officers, directors, trustees and key employees required to disclose annually interests that could give rise to conflicts? Does the organization regularly and consistently monitor and enforce compliance with the policy? If yes, how is this done?	The conflict of interest will take the form of a document distributed to the board annually. Consider whether it will be introduced at the nomination, installation or orientation process. If the form requires a signature, then staff must retain copies. Let the minutes reflect that board members received the policy. Conflicts arising at meetings should be recorded in the minutes. Will senior staff also be required to disclose?
Audits	Were the organization's financial statements audited by an independent accountant? If yes, does the organization have a committee that assumes responsibility for the oversight of the audit, its review or compilation and its selection of an independent accountant?	A policy dealing with financial audits will be housed in the board policy manual and included in the operations or accounting manual. If the policy includes appointment of a volunteer audit committee, its operation should be described in the listing of committee purposes. When and who will appoint the committee? How will the committee interface with the CPA; what are they responsible for?
Minutes	Does the organization contemporaneously document the meetings held or written actions undertaken during the year by the following: (a) the governing body; (b) each committee with authority to act on behalf of the governing body?	While organizations are careful to record board meeting minutes, this IRS question may result in a policy directing committees to keep minutes. The organization will develop instructions or a template for committee minute-taking.
Public Records	IRS Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990 and 990-T (501c3s only) available for public inspection. Indicate how you make these available. Describe in Section O whether (and if so, how), the organization makes its governing documents, conflict of interest policy and financial statements available to the public.	Processes should be in place to ensure that the IRS public records are made available upon request. Documents such as minutes, finances, contributors, bylaws and articles may or may not be public records – often depending on state corporate laws. The board may set a policy about who may see supplemental documents (i.e. minutes) and how they will be delivered. Staff should be aware the procedures.
Compensation	Did the process of determining compensation for the following persons (CEO, Executive Director or top management official) include a review and approval by independent persons, comparability data and contemporaneous substantiation of the deliberation and decision?	While the IRS question for determining compensation may not result in a policy, it does suggest the need to acquire compensation data. The board should be informed that the chief paid officer has access to the data against which the board may compare top management compensation.

Note: Bob Harris, CAE, offers board training, strategic planning and organizational audits. Visit his Web site for free documents at www.nonprofitcenter.com. ♦