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Ten Minutes is All It Takes

In a time of increased scrutiny in the not-for-profit sector, it is essential that your organization does not overlook the importance of self-assessment and continued monitoring. The following are two easy tools that allow you to make an overall assessment of your organization's accountability and internal controls in 10 minutes or less. By answering a few basic questions, your organization has the opportunity to proactively address any problem areas, resulting in a stronger and healthier organization.

Test #1: Accountability

The first assessment is the Independent Sector and the Panel on the Nonprofit Sector's Accountability Test. If you are not familiar with the [Independent Sector](#), it is an organization founded to lead, strengthen, and mobilize the nonprofit and philanthropic community. The Independent Sector has convened the Panel on the Nonprofit Sector to make recommendations for good governance, fiduciary responsibility, government oversight, self-regulation and financial accountability. Take the following Accountability Test and see how your organization scores. Score 1 point for every "yes" answer to the following questions:

Does your organization:

1. Hold staff and board trainings on ethics or take other measures to foster a culture of accountability and transparency?
2. Have a code of ethics and statement of values and post it on your website?
3. Follow a conflict of interest policy and post it on your website?
4. Have board members with financial experience?
5. Have its financial statements independently audited?
6. Have board members review financial statements, including IRS Form 990?
7. Have your CEO or CFO sign IRS Form 990?
8. File the IRS Form 990 electronically?
9. Post IRS Form 990 on your website?
10. Post your policies, financial information, and information on program results on your website?
11. Have a whistleblower policy?
12. Take steps to remain current with the law?

If your organization scores:

- 12: Great! Keep it up and pass along your success stories and model policies for others to learn from.
- 9-11: Good, but there's room for improvement.
- 6-8: You've indicated a commitment to accountability but need to advance beyond the basics.
- 0-5: Time to get serious about accountability. Engage your board, staff and volunteers quickly to help make the needed changes.

Test #2. Fraud Prevention

The following “mini-audit” can help you spot potential danger signs for fraud. None of these items necessarily indicate that fraud is occurring, but by being proactive, you may be able to mitigate future issues.

1. Is there any operation only understood by one person? (There should always be at least one other person who can competently review any employee's work.)
2. Are there employees who are always early, always staying late, and/or never taking breaks or time off? (Be sure that they are actually the super-dedicated employees they appear to be and not folks with something to hide or a fraud scheme they can't take time away from.)
3. Are there employees with unapproved access to billing materials, letterhead or accounting programs? (Only competent, supervised employees should have access.)
4. Are there employees who have shown a sudden, significant change in lifestyle, regardless of whether upward or downward? (This can signal either the sudden presence of unexplained cash or the need for it, either one of which can be a significant red flag for problems.)
5. Are all goods, services and supplies reasonably accounted for? (You may want to save the “fine tooth comb” review for a more detailed audit, but at least be regularly sure that there are no glaring shrinkages of your organization's valuables.)
6. Are you satisfied that all employees not only know the rules but know what to do if they suspect wrongdoing on the part of another employee? (Neither you nor anyone else can be all places at all times so knowing that your fellow employees are also on-board with fraud awareness is essential.)

Taking the time to complete these questions can make a difference in how your organization operates. The Accountability Test highlights important elements of good governance, while the Fraud Prevention Mini Audit can bring to light any risks that may exist within your organization. Both offer an efficient means of stepping back and reviewing if essential policies and procedures are in place, and if new ones need to be developed. From our perspective, that's a pretty useful way to spend 10 minutes!

For more information about either test, or to discuss any specific concerns you have regarding your scores, please contact Erin Welch at Jacobson Jarvis via phone at 206-628-8990, or via email at erin@jjco.com.

Erin is committed to helping not-for-profit clients achieve their missions by better understanding and leveraging financial data. Her experience as a member of both the consulting and audit teams allows her to have a unique insight into the connection between a not-for-profit's financial reporting, its financial management and its ability to build donor support behind its mission.

Erin joined the firm of Ernst & Young as an auditor after graduating from the University of Washington. In addition to her professional service to the not-for-profit community, Erin serves on the board of the Mockingbird Society and the United Way Audit Review Committee. She is also a member of the AICPA and the Washington Society of CPAs.

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