

## 20 Questions That Directors Should be Asking

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**1. Does the Board of Directors devote adequate time to governing the organization?**

*Board members should attend regular board meetings; they should be engaged in the business of the organization and make informed decisions; they should spend adequate time to learn about matters that merit their attention.*

**2. Does the Board of Directors devote adequate time to discussing financial oversight matters at Board meetings?** *You must safeguard your organization's assets. You should discuss financial oversight matters routinely.*

**3. Does each Director have a copy of the *current* bylaws and other important governing documents?** *You should know where to find your articles of incorporation, bylaws, minutes of meetings of the Board of Directors and historical financial information.*

**4. Does the Board of Directors ensure that the organization is in compliance with IRS and State registration and reporting requirements?**

- *Corporate registration and annual renewal to the Secretary of State.*
- *Registration and annual report to the Oregon Department of Justice.*
- *Annual Federal and state tax reports*
  - *IRS Form 990, 990 EZ or 990 N*
  - *IRS Form 990-T for unrelated business income tax*
  - *IRS and State of Oregon payroll withholding taxes*

**5. Does the Board of Directors receive a meaningful treasurer's report with timely periodic financial statements?**

*The treasurer or another officer should understand the financial report and be able to interpret it for the Board of Directors.*

➤ **Report should include both:**

- *Income Statement (or Statement of Activity)*
- *Balance Sheet (or Statement of Financial Position)*

**6. Are all financial statements prepared in a consistent manner?** *Financial Statements must be compiled in a consistent manner.*

➤ **Cash basis vs. accrual basis.** *Accounting changes should be explained to the Board of Directors.*

**7. Does your organization receive any "restricted" donor funds? If so, how are they accounted for (are they accounted for separately from general use funds)?** *Restricted funds should be segregated from general funds.*

➤ **What is the policy for their use?** *Restricted funds should be used only for their donor imposed restricted purposes.*

8. **Are all liabilities paid in a timely basis?** *Delinquent payments may indicate cash flow problems or other administrative problems.*
  - **Are any liabilities in arrears?** *If so, find out why!*
9. **What are the policies regarding expenditures and are all expenditures adequately documented and reviewed?** *Expenditure of funds should be set out by policy.*
10. **Are financial transactions being done in "secret"?** *Transparency is important. Each Director has a right to all financial information.*
11. **Does the organization have credit cards or debit cards?** *Credit and debit cards can be easily misused for embezzlement. Who are the cardholders? Does an independent person review credit card statements and bank statements to ensure that unauthorized purchases are not made? What internal controls have been implemented to prohibit credit card and debit card abuse?*
12. **Does the organization have adequate financial controls in place such as segregation of duties?** *Basic internal financial controls are essential to protect the organization's assets. Someone other than the check signer should review bank statements, all cancelled checks and approve all vendor invoices for payment.*
13. **Does the organization receive cash and, if so, what are the cash handling procedures?** *Cash handling procedures should be set by policy with oversight measures to protect assets.*
14. **Who is your bookkeeper? Does he/she have access to assistance when necessary? Are you using an accounting system?** *The bookkeeper should be competent and use a proven accounting system.*
15. **Is the Board of Directors in compliance with IRS and State legal standards for setting key employee compensation?** *The Board of Directors must set and periodically review key employee compensation, expenses, travel and reimbursement arrangements. Avoid excessive compensation arrangements; compensation must be based on comparable worth. Travel expenses and reimbursements should be backed up by receipts.*
16. **Are staff complaints regarding alleged management misconduct taken seriously by management and addressed objectively?** *Employees bring more actions against organizations than any other class; take their complaints seriously.*
17. **Does the organization have a written conflict of interest policy that is enforced?** *You should have a policy prohibiting conflict of interest transactions and improper self-dealing transactions.*
18. **Is staff prohibited from communicating with the board or attending board meetings?** *Staff should not be prohibited from communicating with the Board of Directors when appropriate.*
19. **Do directors have access to staff members who can answer their technical questions?** *Board members should not interfere with day to day operations, but they have the right to access staff for information.*
20. **Has the Board of Directors consulted the staff regarding policy decisions?** *Consider consulting your staff experts whenever possible.*