

Meeting Nonprofit Governance Standards

By Ronald Dweck

Nonprofit organizations are under more scrutiny than ever these days from the government, contributors and other constituents. In addition to always making sure there is no private inurement or other activity jeopardizing a nonprofit's tax-exempt status, there are a host of corporate governance practices that should be examined and need to be put in place.

The adoption and implementation of a proper conflict of interest policy is always important. In addition, the Board should make sure that it has the proper control and accountability tools in place. These include the review and setting of compensation levels, establishing and properly staffing an Audit Committee and securing certification by the participating officers that the financial statements fairly present the financial condition of the organization. Consideration should also be given to adopting a Code of Ethics that sets forth the organization's commitment to honest and ethical conduct, as well as compliance with the spirit of the law.

Nonprofits also need to have up-to-date Whistleblower and Document Retention policies. It is illegal for an employer to punish an employee who reports suspected illegal activity. Similarly, it is illegal for anyone to knowingly alter, destroy, or falsify any record with the intent to impede or influence any federal investigation or proceeding. Best practices include adopting Whistleblower and Document Retention policies that include, but go beyond, these strict legal requirements.