

Promoting Excellence, Preventing Crisis: Keys to Good CAA Governance

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Community Action (NIQCA)

*A project of the Massachusetts Association
for Community Action (MASSCAP)*



Prepared by Community Action Program Legal Services, Inc. (CAPLAW)

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Thank you!

Goals for this Training- Strengthen...



- Strengthen knowledge and understanding of CAA board members' roles and responsibilities
- Improve CAA Board members ability to identify and respond to indicators of potential crisis
- Provide ideas, resources and tools for follow-up, assessment and Board Development

Agenda

- What is a Non profit?
- What is a CAA?
- What is a board
- What are CAA board members' roles and responsibilities?
- How do CAAs end up in crisis and what can your board do to prevent a crisis
- Other topics?

A Non Profit is.....

- Created and governed by state law
 - Formed by filing articles of incorporation with the state
 - Generally benefits public or members
 - Limited liability
 - May be exempt from taxation, but only some nonprofits are exempt as 501 (c) 3s. Often a corporation organized and operated “exclusively” for a charitable, educational, religious or scientific purpose
 - Eligible to accept contributions that are deductible by donor.

What is a CAA?

- Nonprofit, 501©(3)organization or local government agency
- Meets requirements of federal Community Services Block Grant (CSBG) Act for designation
 - Including the tripartite board requirement
- Receives CSBG Funding
 - CSBG funds flow from the federal government to the state to the CAA

What Is a Board of Directors?

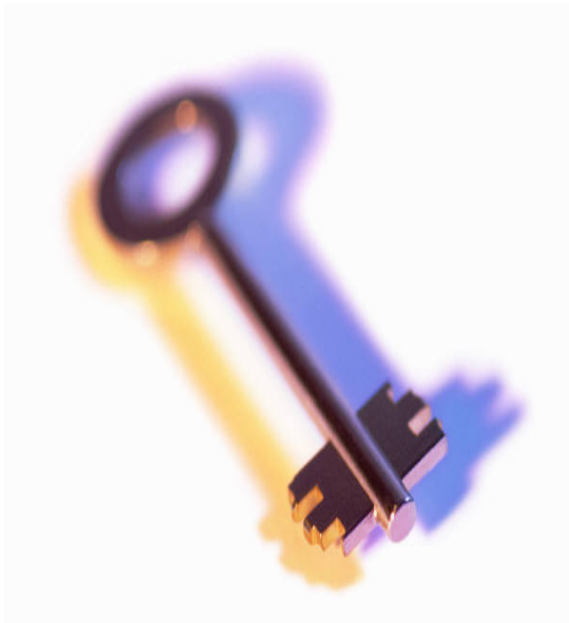
- Group of individuals that directs and oversees the nonprofit corporation
Works as a body, not just collection of individuals
- Ensures the Public Trust
- Operate according to by laws



What Makes a CAA Board Unique?

- Tripartite board structure-essential
 - From the Economic Opportunity Act of 1964, “maximum feasible participation of residents of the areas and members of the groups served.”
- CSBG Act: tripartite board must administer and fully participate in “the development,” planning, implementation and evaluation” of CAA programs

Key Roles of CAA Board



- Set CAA's mission and be sure CAA fulfills it
- Follow the by laws
- Oversee CAA's operations
 - Hire, evaluate executive director
 - Establish policies and goals
 - Assure compliance with legal and financial requirements
 - Assess board effectiveness

What Can Happen if Directors don't Fulfill Their Duties?

- Bad Publicity, loss of public confidence
- Loss of funding, programs
- Legal judgments against the CAA
- CAA closes
- In some cases, personal liability



How Do CAAs Get Into Trouble?

- Issues with board composition
- Proper board procedures not in place or not being followed
- Board not following through on its responsibilities



Board Composition Problems

- Lack of compliance with tripartite board requirements
- Chronic vacancies and difficulty in recruiting new members
- Lack of board members with financial expertise
- Others?

Board Composition Solutions

- Look at board size and decide on right number of board members-change by laws if necessary
- Be sure board meets CSBG Act requirements – tripartite board selected by CAA
 - 1/3 elected public officials-selection process
 - At least 1/3 low-income reps
 - Rest from major groups or interests- examples?

Board Composition Solutions— Low-Income Sector



- Low-income sector board members must be democratically selected
 - Election by ballot or vote at community meeting or election to leadership role in community organization

Low-Income Sector (cont.)

- Should not be staff of another low-income service provider picked by CAA or ED of other organization
- Low-income sector board members chosen to represent a neighborhood must live there



Board Composition Solutions (cont.)

- Make filling board vacancies in a timely way a top priority
- Comply with other funding sources' rules
- Be sure majority of board is independent
 - No compensation from transactions with CAA, no close relationship with those compensated by/transact business with CAA
- Recruit board members based on assessment of needs (e.g., financial expertise, fundraising skills, etc.)

Board Composition Solutions— Term Limits

- Consider term limits
 - No federal or legal limit on number of terms served by CAA board members
 - Pros and cons of term limits
 - One possibility
 - Use staggered terms
 - Set limit on consecutive terms, let person re-join board after one year off

Board Procedures Problems

- Lack of orientation and regular training for board members
- Board/Staff Relationships not clearly defined or understood
- Factions and tensions among board members
- Code of ethics and Conflict of interest policy nonexistent or not enforced

Board Procedures Problems (cont.)

- Board Committees inactive
- Board meetings
 - Low attendance-quorum problems
 - Meeting agendas inadequate
 - Drafted by management w/o Board involvement and input
 - Focused on small picture
(information sharing and details of activities) rather than on big picture setting policy and decision-making)



Procedures Solutions

New Member Orientation

- Orientation session, tour of CAA, Mentor
- Maintain/distribute board handbook
 - Articles and Bylaws
 - Job descriptions for directors and officers
 - List of directors and committees
 - Meeting dates
 - Annual Report, organizational chart/list of agency programs and main funding sources, common terms
 - Audit, Budget, Form 990 Report
 - CSBG Act, state CSBG act and regulations
 - Cover page, board liability insurance
 - Board member and staff contact information

Procedures solutions

Board Training

- Provide topical, interactive training for Board members based on needs assessment.
 - Program Profiles: CSBG, Head Start and other major programs
 - Financial literacy and management
 - Ethics and conflicts
 - Fundraising/Resource Development
 - Management and Board responsibilities
 - Community issues-education, housing etc.
 - Attendance at regional, state, federal workshops

Procedures Solutions

Board staff relationship

- Define and communicate appropriate board/staff relationship
 - Board sets policy, management implements
 - Board supervises only one employee..Ex.director (Board hires, supports, evaluates, terminates E.D.)
 - Staff communicates with board through executive director of E.D.'s designee
 - Board communicates with staff through Executive Director of E.D.'s designee

Procedures Solutions— Board Factions/Tensions

- Address board factions/tensions by, e.g.:
 - Setting term limits
 - Rotating public official directors
 - Regularly adding new board members
 - If necessary, outside consultant/mediator
 - Don't ignore



Board Procedures Solutions

Ethics

- Set “tone at the top”-Expectation for ethical excellence. Transparency from board members and staff
- Adopt and implement code of ethics, conflict of interest policy-provide training to assure understanding and compliance



Procedures Solutions- Conflict of Interest Policy

- Directors/staff should disclose financial or other interest in transaction with CAA
 - Annual disclosure of financial interests, employment, other board memberships
 - Additional disclosure at time of transaction

Conflict of Interest Policy (cont.)

- Interested directors shouldn't participate in consideration of or vote on matter
 - Interested staff shouldn't participate in decision-making on matter
- Disinterested directors must decide whether to approve transaction based on best interest of CAA

Board Procedures Solutions

- Board attendance and participation
 - Agendas and board materials sent out in advance. Phone calls and/or e-mails to encourage attendance
 - Build agendas of interest. Consider “consent agenda”,
Use a part of each board meeting for strategic issue, education or training. Examples?
Require transparency from management re: CAA administration and finances

Procedures Solutions— Meetings

- Focus on policy and decision-making, not just information sharing by staff
- Set regular meetings and meeting times
- Require regular attendance – enforce attendance policies
- Prohibit proxy voting
- Encourage active participation
- Follow the by laws!

Board Responsibilities

Problems

- Information flow problems, e.g.:
 - Board not provided with timely, consistent and accurate year-to-date financial or program reports
 - Auditor's management letter recommendations/findings not shared with board and/or management response delayed or unresponsive

Board Responsibilities: problems

- Incomplete or Inadequate financial information or controls
- Inadequate program performance monitoring
- Inconsistent Executive Performance Review
- Absence or Failure to follow code of Ethics

Board Responsibilities Problems (cont.)



- Financial problems, e.g.:
 - Unplanned operating deficits regularly occurring in one or more programs
 - Line of credit consistently being used to finance ongoing operating expenses, including payroll
 - Unpaid bills – accounts receivable more than 30 days past due

Board Responsibilities

Problems (cont.)

- Control systems policies and procedures inadequate, ignored or intentionally subverted
- Delays in submitting public filings (e.g. Forms 990) and reports to funders
- Corrective action plans regularly required to be submitted in response to funder monitoring visits
- Withholding taxes and insurance premiums not paid

Responsibilities Solutions— Audit Committee

- Independent members, financial expert
- Selects (or recommend selection of), oversees and evaluates auditor
 - Auditor should present audit to full board for approval
- Reviews and pre-approves non-audit functions performed by auditor

Responsibilities Solutions— Program Information

- Board should receive regular program reports for major programs to enable it to:
 - Review/approve grant applications before submission
 - Review progress on goals specified in grant application/contract
 - Take action to resolve any problems in meeting goals, program operation, compliance with funding source rules

Board Responsibilities Problem Executive Director Evaluation

- Annual Performance Review of Executive Director inconsistent or non-existent in frequency and/or process
- Clear Performance Goals not set by Exec. Dir. and board members
- Board has not reviewed executive compensation for comparable positions

Board Solutions-Executive Director Evaluation

- Annual process and tools approved and understood by board members
 - Include annual performance goals that can be measured
 - Assessment tool
- Shared process-Board and Executive Director
- Suggestions
- Board should consider succession/transition planning

Action Items for Your Board

What is most important?



- 1. _____
- 2. _____
- 3. _____
- 4. _____
- 5. _____