



Checklist for Accountability

Actions every charitable organization can take to strengthen transparency and accountability.

Building an organization that is committed to the highest ethical standards demands going beyond the law to foster practices that create an environment of transparency, accountability and integrity. The steps listed below will help every charitable organization reassure its stakeholders of its commitment to upholding the public trust that so vital to earning support and fulfilling its mission.

Creating an accountable organization is an ongoing process. Organizations should review recommended practices regularly with board and staff members, and adjust practices and communications as needed. Fortunately, no one has to start from scratch. There are many resources available as models, and we encourage you to share your policies and practices with colleagues.

The following are actions Independent Sector recommends for every charitable organization.

1. Develop a Culture of Accountability and Transparency: Rules, standards, and practices are far more effective when the people they affect understand them, know why they are important, and embrace them. Teach new employees, volunteers, and board members about your principles, and give those with more experience refreshers and updates. Use your website, intranet, and other internal communications vehicles to share examples of good behavior and policies

2. Adopt Code of Ethics and Statement of Values: The code describes the ethical principles that an organization, including its staff, board and volunteers, agree to follow, and includes a statement of values articulating the principles it is committed to uphold. An indispensable part of an accountable organization, the code should be approved by the board of directors, included in staff and board orientations, and available to the public on the organization's website.

Additional Resources

- Independent Sector's Model [Statement of Values and Code of Ethics for Nonprofit and Philanthropic Organizations](#) assists charitable and philanthropic organizations in adopting a code of ethics.
- Independent Sector offers a [Checklist for](#)

Check Your Accountability Score

Do a quick assessment of your accountability practices. Does your organization:

- Hold staff and board trainings on ethics or take other measures to foster a culture of accountability and transparency?
- Have a code of ethics and statement of values and post it on your website?
- Follow a conflict of interest policy and post it on your website?
- Have board members with financial expertise?
- Have its financial statements independently audited?
- Have board members review financial statements, including the Form 990?
- Have your CEO or CFO sign the Form 990?
- File your Form 990 electronically?
- Post your Form 990 on your website?
- Post your policies, financial information, and information on programs results on your website?
- Have a whistleblower policy?
- Take steps to remain current with the law?

If your score is:

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 committing to accountability. Engage your board, staff, and volunteers quickly to help make the needed changes.



[Developing a Statement of Values](#) and *Code of Ethics* for organizations that are beginning to develop a code of ethics.

- 3. Adopt a Conflict of Interest Policy:** Adopt and enforce a conflict of interest policy tailored to your organization's specific needs and consistent with laws in your state. Few actions will undermine the credibility of a charitable organization faster than having its tax-exempt funds not used exclusively for charitable purposes. Adhering to a well-defined conflict of interest policy will help preempt even the perception that funds are being used for personal gain by the managers or board members. Many states have laws that govern conflict of interest situations and all organizations should consult their state laws to ensure that their conflict of interest policy affords them the necessary protections.

Additional Resources

- A conflict of interest policy should:
 - Define conflict of interest
 - Specify the persons who will be covered by the policy
 - Require regular disclosure of information related to conflicts of interest
 - Specify procedures for handling potential or actual conflicts of interest when they arise.
- The Internal Revenue Service has a [Sample Conflict of Interest Policy](#) available on its website.

- 4. Ensure that the Board of Directors Understands and Can Fulfill Its Financial Responsibilities:** The board has the legal—as well as ethical—responsibility of ensuring the exclusive and effective use of all assets for charitable purposes. As part of this obligation, the board or appropriate board committee should review and approve all financial statements for completeness and accuracy. To perform this function effectively, the board should include individuals with financial literacy, or adopt other mechanisms for drawing from independent financial expertise.

Additional Resources

- [The Sarbanes-Oxley Act and Implications for Nonprofit Organizations](#) by Independent Sector and BoardSource, makes recommendations on how nonprofit organizations and foundations can voluntarily incorporate certain provisions of the Sarbanes-Oxley Act into their operations
- [BoardSource](#) offers tools on financial responsibilities and other resources for board members of nonprofit organizations.

- 5. Conduct Independent Financial Reviews, Particularly Audits.** Charitable organizations need to have independent reviews of their financial procedures, controls, and policies in order to provide adequate financial safeguards. Charitable organizations that are required to file a Form 990 or 990-PF and that have average annual revenues of \$1 million or more should have an audit conducted of their financial statements and operations. These statements should be made available for public inspection. Charitable organizations that are required to file a Form 990 or 990-PF and that have at least \$250,000 and under \$1 million in total annual revenues should have their financial statements reviewed by an independent public accountant. Organizations with less than \$250,000 in annual revenues may periodically obtain a compilation and review of financial statements in lieu of an audit.

Additional Resources

- Charitable organizations that conduct audits should:
 - Avoid any conflict of interest in staff exchange between audit firm and organization.



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- Disclose your audited financial statements in a current and easily accessible way.
- Consider rotating audit firms or partners every five years or more when it makes sense to do so.
- Audit committees are responsible for:
 - Retaining and terminating the independent auditor
 - Reviewing the terms of the auditor's engagement at least every five years
 - Overseeing the performance of the independent audit
 - Conferring with the auditor to ensure that the affairs of the organization are in order
 - Recommending approval of the annual audit report to the full board
 - Overseeing policies and procedures for encouraging whistleblowers to report questionable accounting or auditing matters of the organization
 - Approving any non-audit services performed by the auditing firm
 - Reviewing adoption and implementation of internal financial controls through the audit process
 - Monitoring the organization's response to potentially illegal or unethical practices within the organization, including but not limited to fraudulent accounting

- 6. Ensure Accuracy and Make Public Your Organization's Form 990:** The IRS Form 990, Form 990-EZ, and Form 990-PF is one way that organization's share information about their finances and operations with charity regulators and the public. To be effective, however, its information must be complete, accurate and publicly available. Be sure to have your Form reviewed by your board, signed by the CEO or CFO, file it electronically with the IRS, and post it on your website.

Additional Resources

- Charitable organizations that file a Form 990, Form 990-EZ, or 990-PF should:
 - Ask your board or an appropriate board committee to review and approve your Form 990 or 990-PF
 - Ensure your Form 990 or 990-PF is signed by the chief executive officer, the chief financial officer, or the highest ranking officer of your organization
 - File your Form 990 or 990-PF electronically and make it available on your website.

- 7. Be Transparent.** Your donors, volunteers, and staff will have much more confidence in what your organizations is doing if they know how you're doing it. Use your website to post documents that provide information about your finances, operations, governance, and impact.

Additional Resources

- Information that should be made available on your organization's website.
 - Vision and mission statements
 - Statement of values and code of ethics
 - Conflict of interest policy
 - Form 990 or 990-PF, with all parts and schedules (except contributors' list with amounts, which is protected under the Privacy Act)
 - Most recent audited financial statements
 - Information on programs and impact of your work
 - Information on evaluation procedures for assessing effectiveness and performance of the organization
 - Annual Report or other regular report on accomplishments
 - Information on accreditations the organization holds or certifications/standards it may meet



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- List of board members and officers, and staff (if you have security concerns you refer inquiries to your switchboard or to a general information email)
- List of contributors (amounts of contributions should be disclosed only with permission of contributor); donor requests for anonymity should be honored
- Form 1023 (the organization's original application for recognition of tax-exempt status)
- Bylaws or charter documents
- Other relevant policies and documents

- 8. Establish and Support a Policy on Reporting Suspected Misconduct or Malfeasance (“Whistleblower Protection Policy”):** In order to protect the credibility of your organization, employees and volunteers who identify misbehavior must feel safe in reporting it. Each organization needs policies and procedures that encourage individuals to come forward as soon as possible with credible information on illegal practices or violations of adopted policies. The Sarbanes-Oxley Act provides protections for whistleblowers and criminal penalties for actions taken in retaliation against whistleblowers. This applies to both for-profit and nonprofit organizations and needs to be implemented organization wide.

Additional Resources

- [Whistleblower Protections for Nonprofits](#)
- [How Whistleblower Policies Protect Charity Workers Who Report Ethics Lapses](#)
- [Sample Employee Protection \(Whistleblower\) Policy](#)
- [Whistleblower Policies: Lessons for Associations](#)
- [Sample Whistleblower Protection Policy](#)
- [Model Whistleblower Policy for Nonprofits](#)

- 9. Remain Current with the Law:** Make sure that a board member, member of staff, consultant or volunteer is designated to keep up to date with the law. Ensure that your organization fully complies with all existing laws governing charitable organizations.

Additional Resources

- [IRS website for charitable organizations](#) offers information on disclosure law, links to offices regulating charities on the state level, and other resources.
- Among the books that offer useful information on nonprofit law and regulation are: *Nonprofit Law Made Easy* by Bruce R. Hopkins (John Wiley & Sons, 2005) and *Governing Nonprofit Organizations: Federal and State Law and Regulation* by Marion R. Fremont-Smith (Published by Belknap Press, 2004).