NCOA/NISC SELF ASSESSMENT and ACCREDITATION MANUAL

FISCAL and ASSET RESPONSIBILITY

PRINCIPLE

A senior center shall practice sound fiscal planning, management of assets and maintenance of information. The community expects transparency in actions and responsibility to all constituents.

RATIONALE

A senior center's financial operation should be based on efficient fiscal planning, sound resource management and a transparent system of fiscal management. This need has increased due in part to what happened in the corporate world prompting the passage of The Sarbanes-Oxley Act (The American Competitiveness and Corporate Accountability Act of 2002), which is referred to in the Governance Section. There is pressure on nonprofits and government groups who depend upon public and community funding to adhere to pertinent sections of the Sarbanes-Oxley Act, and to use it as a standard for their financial practices. One aspect of Sarbanes-Oxley that is most relevant to senior centers has to do with the establishment of an audit committee whose membership includes at least one person who is considered a financial expert.

The senior center's operating budget is the basis of a center's fiscal planning for a specified time period, usually twelve (12) months. Fiscal responsibility starts with a well thought out, realistic budget. The senior center staff and governing body should be involved in the budget planning process. The budget is developed by taking into consideration cost to deliver ongoing programs and services and any expanded services. The senior center must also estimate the revenue streams for the fiscal period, seeking to diversify funding as much as possible. The governing body of the senior center should approve the budget. The senior center may also develop a capital budget for construction or renovation projects which may be funded outside the operating budget.

Communities expect senior centers to utilize funds properly and efficiently. Accepted standards for budgeting, accounting, and financial reporting should be the norm. The senior center's accounting system should enable staff, governing body, participants, funders and other interested parties to obtain clear and complete information regarding its financial affairs. Financial reports should be prepared monthly and presented to administration and governing board. A senior center's financial operation should conform to all applicable legal and administrative requirements. Appropriate staff should be trained in fiscal management and be familiar with applicable local, state, and federal regulations.

An internal control system that provides checks and balances to ensure fiscal propriety is a necessity. Since establishing and maintaining a responsible fiscal system can be a complicated task, it is advisable to seek an accountant's assistance in implementing procedures. Procedures should be maintained in written format accessible to all staff and governing body.

A senior center needs to have basic insurance coverage to protect its physical operation and the individuals involved in it. When purchasing insurance, an experienced and trustworthy agent or broker who understands the senior center's business is essential. Liability insurance protects the organization from claims alleging negligent conduct, which is failing to do what an ordinarily prudent person would do. We cannot prevent people from bringing suits, but a center can act prudently. Examining risks involved with activities and making provisions to avoid these risks is a way to show good judgment.

A senior center also needs a disaster recovery or business continuity plan in the face of a crisis. A disaster recovery plan is the process by which you resume services after a disruptive event. Business continuity planning suggests a more comprehensive approach to keeping an organization in existence after small or large disruptions. The plan needs to be written by the people involved in the day-to-day work of the senior center. In recent years we have seen disasters bring many organizations to a standstill. Since many times the services offered by the senior center are for the most frail in the community, it is imperative to continue some operations.

FISCAL and ASSET MANAGEMENT STANDARDS CRITERIA

A. Fiscal Planning

1. Budget development should:
   a. Be based on programs and services that would fulfill the center's mission and goals;
   b. Have input from staff and governing board;
   c. Include costs of ongoing programs and services;
   d. Include cost of planned expansion of program and services;
   e. Include anticipated income; and
   d. Be approved by the governing board.
2. The senior center should be working toward diversification of income funding. Funding sources could be:
   a. Federal, state, or local government grants for delivery of service or capital needs;
   b. Grants from funding foundations to support physical plant or program delivery;
   c. Fees for service with accompanying plan to accommodate those unable to pay;
   d. Membership dues as allowed by funding sources;
   e. Shared cost or sliding scale payment;
   f. Donations for service;
   g. Annual appeal or solicitation for specific or general needs;
   h. Fundraising events;
   i. Planned giving;
   j. Financial support from the local business community; or
   k. In kind-support or pro bono professional support from businesses.
3. Considerations when seeking funding sources:
   a. Compatibility with the senior center's philosophy and mission;
   b. Adherence to any requirements of sponsoring organization, major funders, or local laws;
   c. Accountability for the funds received;
   d. Fund raising activities carried out by individuals or groups associated with the senior center should adhere to the same principles as the senior center.
4. If a senior center is not a non-profit, it may need to set up a non-profit arm to solicit and accept donations.

B. Fiscal Responsibility and Reporting

1. A senior center's financial operation shall be based on sound planning.
2. A senior center should review The Sarbanes-Oxley Act to see what effect it has on their financial management.
3. The senior center should have an audit committee that includes a person who is considered a financial expert.
4. An audit or a full financial review by a qualified accountant should be performed each year.
5. Staff responsible for financial management should have proper education or experience.
6. The accounting system should produce information so staff can:
   a. Analyze cost to deliver specific programs or services;
   b. Compare income and expenses over time;
   c. Use results for future planning; and
   d. Make responsible decisions on decreasing or increasing services.

7. Financial reports should be prepared on a regular basis, which include:
   a. Income for period covered;
   b. Expenses for period covered;
   c. Comparison to budget;
   d. Comparison to previous year or period;
   e. Balance sheet; and
   f. Commentary explaining any unusual activity.
8. Reports should be distributed to staff, governing body and other organizations that have a need to know.
9. Participants/members should receive budget information in a way that helps them understand income and expense as it relates to their experience.
10. Reports should be provided to funding agencies as requested.
11. In-kind and unpaid staff contributions shall be recorded and documented in conformance with income source regulations.
12. Advisory committees or other groups who incur income and expenses in carrying out their activity shall employ the senior center's fiscal reporting practices such as:
    a. Accurate and complete records shall be maintained.
    b. Records shall be available for review by administrative staff.
    c. An audit committee should review records annually.
13. Internal control system should have written procedures for the following:
    a. Recording cash receipts;
    b. Depositing cash;
    c. Separation of cash handling from recordkeeping;
    d. Petty cash requests and distribution;
    e. Control of and use of credit cards;
    f. Use of technological methods to handle management of funds;
    g. Bidding and purchasing approval system;
    h. Separation of ordering and receiving functions; and
    i. Check approval and signature requirements.

C. Risk Protection

1. A senior center should have insurance coverage that ensures its ability to continue operation.
2. Insurance coverage should include the following as meets the senior center's needs:
   a. Liability insurance protecting organization from claims alleging negligent conduct.
   b. Director's and officers' liability policy.
   c. Business auto policy or non-owned auto liability.
   d. Workers' compensation, which is required by state law.
   e. Umbrella or excess liability insurance that can cover catastrophic liability.
   f. Property insurance ensuring recovery of property owned.
   g. Crime or employee dishonesty that may also be extended to cover unpaid staff.
3. Insurance coverage could be considered adequate if:
   a. It meets legal requirements;
   b. Is adequate to preserve the senior center's assets; and
   c. Covers the senior center, its paid and unpaid staff, participants and governing structure.

D. Disaster Recovery

1. A senior center needs to have established plans to resume operation after a disruptive event.
2. These are some of the events that can cause disruption to operation:
   a. Weather related damage to physical plant;
   b. Power outages;
   c. Technological breakdowns; and/or
   d. Sudden loss of a significant staff person.
3. A recovery plan needs to be designed by the staff involved in the day-to-day service delivery.
4. A senior center needs to determine its critical services and functions.
5. Questions to be considered when establishing a plan to resume operation include, but are not limited to:
   a. What services and programs do you offer?
   b. What would interruption of services do to clients?
   c. What are your personnel and equipment requirements?
   d. Which functions are critical to the community?
   e. Which functions can be delivered temporarily by another organization?
   f. Which functions can your organization deliver from another location?
   g. How do specific services impact the organization as a whole (e.g., fee for service activities that cover administrative overhead)?
6. Ways to avoid disruptions can also be part of the plan (e.g., need for computer back-up to avoid technological disruptions.)
7. Plans should be reviewed yearly for their viability.

ITEMS FOR ON-SITE REVIEW NOTEBOOK

- ☐ Senior center budget
- ☐ Sample of monthly financial statement
- ☐ Copy of current audit or financial review
- ☐ Written procedures for internal financial control
- ☐ Statement of insurance coverage
- ☐ Incident report
- ☐ Disaster recovery or business continuity plan

STANDARDS REQUIRED FOR ACCREDITATION

- ☐ Preparation and publishing of an annual budget document
- ☐ Budget reports are given on a regular basis to the appropriate governing board
- ☐ The center's budget, accounting and financial reporting practices conform to appropriate and accepted accounting standard
- ☐ Insurance coverage that protects assets, paid and unpaid staff, participants, and governing structure
- ☐ Provisions have been made to continue critical functions after a disruption

These are a few of the web sites that were reviewed at the time of this update. However, be aware that web sites can change. Using Google or another search engine may find additional sites.

http://www.disasterrecoveryforum.com The *Disaster Recovery Community Planning Forum* is intended to provide a range of information and background to assist those with responsibility for business continuity and disaster recovery planning. It covers all aspects, from management and planning, to data recovery and emergency response issues.

http://www.managementhelp.org/finance/np_fnce/np_fnce.htm Basic Guide to Non Profit management

http://www.nonprofitrisk.org/enews/enews060607.htm Article "What Basic Insurance should a Nonprofit Consider?