

2008 – The Year of the Policy Manual
by Bob Harris, CAE and Eric Westover

2008 will be the year that policy manuals are taken from association and chamber shelves to undergo major updates. The catalyst is the IRS’s redesigned Form 990.

The form asks several questions about policy. You’ll want to answer the questions affirmatively.

For example, does the organization have a document retention and destruction policy in existence? And, has a whistleblower policy has been adopted?

Refresher on Policies

Remember that the purpose of policy is to interpret the broader governing documents, including the bylaws, articles of incorporation and purpose statement. The board adopts policy as reflected in the meeting minutes. Policies are then transcribed from the minutes into the organization’s policy manual.

Revised IRS 990

Because of increasing scrutiny on nonprofit boards and their operations, the new IRS Form 990 added several questions about policies.

Discuss these issues with your board. Through awareness of the issues and adoption of policies, the questions can be answered affirmatively in your next federal tax filing.

Policy Topic	Actual Question	Recommendation
Record Retention	Does the organization have a written document retention and destruction policy?	Contact a CPA <i>and</i> attorney to ask for suggested record retention schedules. Carefully review it and add documents particular to your organization, such as continuing education records or grievance records. Be sure to consider your state’s laws.
Whistleblower	Does the organization have a written whistleblower policy?	Adopt a policy statement that encourages both staff and volunteers to come forward with credible information on illegal practices, without retribution. The statement can also be included in a personnel manual.

Conflicts of Interest	Does the organization have a written conflict of interest policy?	Adopt a policy that asks individuals with a potential or real conflict to disclose it to the board prior to discussion and voting.
Audit and Audit Committee	Does the organization have an audit committee?	A subgroup of the board can serve as the audit committee to work with the external audit and discuss processes with the board. The policy might indicate that the “finance committee also serves as the audit committee.”
Meeting Minutes	Does the organization contemporaneously document the meetings of the governing body and related committees through the preparation of minutes or other similar documentation?	While most organizations are careful to take good board meeting minutes, this IRS question may encourage a policy that all committees must keep meeting minutes.
Public Records	<p>How do you make the following available to the public?</p> <p><input type="checkbox"/> Organization/Governing Docs</p> <p><input type="checkbox"/> Conflict of Interest Policy</p> <p><input type="checkbox"/> Form 990</p> <p><input type="checkbox"/> Form 990-T</p> <p><input type="checkbox"/> Financial Statements</p> <p><input type="checkbox"/> Audit Report</p>	The new IRS Form promotes transparency. The board should consider what is legally required to be public and how it wants to promote transparency and disclosure to various audience, i.e. members, non-members, unrelated parties, etc.

Summary

Policies are the wisdom of the board in setting best-practices for the future of the organization. The increased scrutiny on exempt organizations is a catalyst for updating the policy manual. Be sure to rely on legal and accounting counsel when adopting policy.

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