

New Rules for Accountability

Insure your organization's reputation by following these rules.

By Noah Barsky & Frank Grippo

We've entered a new era of accountability. While nonprofits aren't regulated as stringently as corporations, there should be no difference between nonprofit and for-profit accountability. You owe it to your stakeholders to be as transparent as possible, disclosing relevant facts to the public in an open and understandable way.

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All nonprofits can benefit from incorporating recently enacted for-profit rules and regulations into their everyday activities. Sweeping changes to the Dodd-Frank Act and guidance from the SEC, for example, require much more disclosure about risk oversight, board governance, and executive compensation. These rules aren't yet mandated for nonprofits, but, for the sake of your reputation and public confidence in your organization, it's a good idea to follow them.

To be sure you comply with these rules, make the following disclosures in your annual report, financial report, or other public documents:

- **Clearly explain** the board's role in risk oversight. Is this function performed by the entire board or

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by a committee? What is the timing, nature, and extent of risk monitoring by board members?

- **Describe** your board structure. Explain why this leadership structure is appropriate for the board's risk oversight responsibilities.
- **Delineate** the duties of the CEO and board chair. These two positions should be entirely separate, with clearly different, well defined roles and responsibilities.
- **Provide data** about board members' experience, workload, and potential conflicts of interest.
- **Detail the relationship** between pay and performance. How have you developed your compensation system? On what do you base salaries, benefits, and incentives? Have you examined salaries in similar organizations to assure that your compensation is reasonable and fair?

The reason for all these rules, of course, is to provide insight into the decisions made by your organization's leaders. Your stakeholders need to know that you've thought through each decision and found the solution that will best protect your organization from risks and problems. ■

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A Guide to Greater Transparency

For more ways to assure that your organization is accountable and transparent, see these *Nonprofit Word* articles at www.snpo.org/members:

- **Conflict of Interest in the Board Room** (Vol. 17, No. 2)
- **How to Be Sure Compensation Is Reasonable** (Vol. 17, No. 1)
- **What Is the Board's Role in Managing Risk?** (Vol. 15, No. 5)
- **Executive Compensation** (Vol. 23, No. 5)
- **Navigating Tough Conflict of Interest Situations** (Vol. 27, No. 1)
- **Six Ways to Reduce Risk & Comply with the Law** (Vol. 25, No. 6)