



## Montana Department of Public Health and Human Services The Community Services Block Grant Program

### CSBG 300-1 Tripartite Board Recommendations

The Tripartite Board of Directors provides the continuity on which the Agency is based. Individual members of the staff and the Board come and go, but the entity of the Board exists as long as the Agency does. Individual members of the Board together form a corporate body that has the overall responsibility for the Agency.

There are five basic principles that guide Board members in carrying out what must be accomplished. The Board management responsibilities are all interrelated. One or more of these functions is always performed in the normal carrying out of a Board's duties.

**PLANNING:** One of the primary tasks of the Board is planning. It is the responsibility of the Board to decide in advance what is to be done. Ideally, it is the Executive Director's responsibility to reply to the Board for carrying out plans. The process of developing plans is ongoing, requiring thoughtful consideration of all the factors necessary to achieve the goals and objectives.

**DELEGATING:** A Board needs to tell staff, committees, etc., their assignments. The Board must also evaluate what has been done. The key to effective delegation lies in planning and evaluation. If the Board clearly define specific roles including a general timeframe and specific responsibilities, and then sets up procedures for monitoring and evaluation, it's not necessary for the Board to be involved in the actual carrying out of the responsibility. Involvement of the staff in the planning process leads to a great success in delegation.

**DIRECTING:** This requires the Board to give proper direction to the organization. Through its leadership skills, innovative practices, educational objectives, and effective communication system, the Board is able to guide the organization and supervise its overall operations in a successful manner. Successful directing includes:

- Determining what tasks are to be done.
- Determining what tools, supplies and facilities are necessary to do each task.
- Preparing clear and effective orders, instructions, and information.
- Establishing standards of performance and control points for each person.
- Providing for proper communications and relations within and among all organizational units.

**CONTROLLING:** Controlling is the process of getting plans followed to specification. One of the major tasks of the Board is to be responsible for the financial structure of the organization. It must establish a plan that will help control the financial situation of the organization:

Setting a budget is a tool of control. It should be established before the start of operations of the fiscal year. Typically, it is based on recommendations from staff jointly with the Board's Finance Committee.



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Monitoring the Agency's financial health involves the use of other tools. The Balance Sheet is a snapshot view of the Agency's financial situation. The Operating Statement is a presentation of the actual expenses and income of the Agency over a specified period of time. Plans, including goals and objectives that are timed and measurable, offer one of the best tools with which to control.

**COORDINATING:** An Agency is a complex, living group of diverse interests. It is incumbent upon the Board to facilitate a reasonable degree of harmony in the Agency. There are some methods the Board may use to meet this end:

- The Board may propose some change in Agency's organizational structure. Clarifying the structure may eliminate questions as to responsibilities of the people.
- The Board should develop and promote standard policies.
- The Board may establish committees with Board members, staff, and client members.

### **Fiscal Management**

Even with several competent members on the Board, the Board as a whole is responsible for the financial management of the Agency. Each Board member should know how to read basic financial reports, statements, and projections.

It is important to know and understand finances for several reasons. First, without an understanding of the Agency's financial picture, planning becomes a meaningless exercise.

Second, full understanding improves communications with everyone concerned. Board members should understand the organization's finances in order to fully communicate with funders, staff, clients, members, and the general public.

Third, the legal responsibility for an Agency's financial success, its ability to pay debts, taxes and creditors, belongs to the Board. The Board can delegate tasks concerning financial matters to other people (i.e. Executive Director), but it cannot delegate its legal responsibility. Furthermore, the Board has a moral obligation to its members, clients, or the general public to use funds wisely and to provide the best programs with the available funds.

Fourth, the Board needs to ensure the success of the Agency. No matter how high values are in terms of working the Agency and helping people, nothing can be accomplished if the Agency is not financially successful to the point of continuing to provide its services. Thus, the Board must monitor and control the Agency's finances in order to prevent deterioration of physical equipment or assets, accumulation of unpaid bills, default on tax or loan payments, or ultimately, bankruptcy.

Finally, the Board needs to understand financials to improve its decision-making ability. Understanding the Agency's finances is crucial to the Board's ability to make good and prudent decisions. A decision which spends money the organization doesn't have could spell disaster. A



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decision to spend too little could keep the Agency from offering valuable services to clients and the public.

The financial reports with which Board members should be familiar are Balance Sheet, Operating Statements, and Cash Flow Projections. Individual funders may also require specialized forms of reporting with which Board members should be acquainted.

### **Board members specific functions**

Board members generally assume responsibilities in the following areas.

#### **Budget and Finance**

The Board members approve the budget, which is generally prepared by the Executive Director of the Agency. The Board monitors program expenditures and determines sound fiscal policy and internal control practices. The Board assumes responsibility for the fiscal accountability of the Agency. (These finance-related functions are probably the ones most important to the Board.)

#### **Planning**

Members of the Board of Directors approve the long-range plans of the Agency including the program's goals and objectives. They assist the staff in the development of these plans and set Agency priorities for action.

#### **Fund Raising**

Board members ensure that adequate funds are available for financing the Agency's operations. The Board approves the general fundraising methods used by the Agency. The Board participates in fundraising activities, and individual Board members may serve as the Agency's contact with specific sources of funds.

#### **Policy**

Members of the Board determine the Agency's policies. Policies can be defined as the broad guidelines that provide a framework for future decision making. Policies are reflected in procedures that are the more specific, narrow parameters that are used in the Agency's organizational decision making.

Procedures clarify what steps must be taken, what rules must be followed, and who must be included in the process. Procedures are generally formulated by the staff rather than by the Board.

#### **Personnel**

The Board of Directors hires the Executive Director, monitors the effectiveness of the Director's performance, and removes the Director when his or her performance is unsatisfactory. It



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determines the salary scales and benefits for the staff, and it develops personnel policies. (However, staff members are hired, evaluated, and, if necessary, removed by the Executive Director, not the Board.)

### **Public Relations**

The Board of Directors communicates with funders, community leaders, and other interested parties about the Agency's programs. It represents the Agency in the community and it advises the staff in development of public relations plans.

### **Program Evaluation**

Board members monitor the Agency's program effectiveness. The Board reviews program evaluation procedures on a regular basis, and advise the staff on the Agency's self-evaluation.

### **Board Development**

The Board of Directors determines the structure of the Board and committee membership. It nominates and selects new Board members and sets the standards for its own periodic self-evaluation. (This self-evaluation process is rare among nonprofit boards, but it can be an important means of maintaining an effective and qualified Board of Directors.)

### **Advising**

The Board offers administrative guidance to the Executive Director and advises the staff in the various program areas. Small agencies with a limited staff often use the expertise of Board members, who give advice or provide a new perspective on problems.

### **Authority of the Board of Directors**

Each member of the Board is legally and morally responsible for all activities of the Agency. All members of the Board share in a joint and collective authority which exists and can only be exercised when the Board is in session.

### **Board member commitment**

Serving as a Board member of Agency involves a very special commitment. To meet that commitment, Board members are expected to:

- Ensure adherence to Agency's mission.
- Attend and actively participate in all of the Board meetings, and notify the Executive Director or Board Chairperson of anticipated absence.
- When absent from a meeting, review minutes and results of the missed meeting.
- Do their homework to be prepared to participate fully in Board and committee meetings.
- Serve actively on at least one committee.



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- Act only with the full Board, not individually unless authorized to do so by the full Board.
- Speak for the full Board only when the full Board sanctions their doing so.

### **Board delegation of policy interpretation to staff and public**

The Board delegates to the Executive Director responsibility for policy interpretation to the staff and public and for rule making, issuance of procedural directives and guides not specifically covered or detailed in the Board Policy Manual. Such interpretations, rules and directives have the force of Board regulations unless and until suspended by Board action.

### **Board member rights**

Members of the Agency's Board are granted certain specific rights. All Board members have the right to:

- Receive notice of Board meetings and the agenda.
- Attend and participate in Board meetings.
- Examine Agency's books, records, meeting minutes, financial statements and contracts.
- Place items on the Board meeting agenda at the appropriate time.

### **Board member conflict of interests**

Board members have a duty to subordinate personal interests to the welfare of the Agency and those served by the Agency. Conflicting interests can be financial, personal relationships, status or power.

Board members and employees are prohibited from receiving gifts, fees, loans, or favors from suppliers, contractors, consultants, or financial agencies, which obligate or induce the Board member or employee to compromise responsibilities to negotiate, inspect or audit, purchase or award contracts, with the best interest of the Agency in mind.

Board members and employees are prohibited from knowingly disclosing information about the Agency to those who do not have a need to know or whose interest may be adverse to the Agency. Nor may Board members or employees in any way use such information to the detriment of the Agency.

Board members or employees may not have a significant financial interest in any property that the Agency purchases, or a direct or indirect interest in a supplier, contractor, consultant or other entity with which the Agency does business.

Since it is not possible to foresee all potential conflicts, Board members and employees are expected to be alert for and avoid situations that might be construed as actual or possible conflicts of interests.



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Any actual or possible conflict of interests on the part of any Board member should be disclosed to the other Board members and made a matter of record, either through an annual procedure or when the interest becomes a matter of Board action.

Any Board member having an actual or possible conflict of interests should not vote or use his/her personal influence on the matter, and he/she should also not be counted as part of a quorum for the meeting. The minutes of the meeting should reflect that a disclosure was made, the abstention from voting and the quorum situation.

These restrictions should not be construed as preventing the Board member from briefly stating his/her position in the matter, nor from answering pertinent questions of other Board members, since his or her knowledge could be of assistance to the deliberations.

### **Duty of board members not to compete**

A Board member may not use his/her position on the Agency's Board to prevent the Agency from competing with the Board member's business. It is expected that Board members, even after they complete Board service, will not use trade secrets, client lists, or other confidential information acquired by virtue of being a member of the Board.

### **Legal obligations of Board members**

The Agency's Board is both responsible and liable for the Agency. The Agency's Board and the law require every Board member to follow the rule of the 'reasonably prudent person' and the principle of good faith.

The rule of the 'reasonably prudent person' means that the board will not:

- Mismanage the Agency by deviating from fundamental management principles, such as planning carefully for the future of the Agency, regularly reviewing the financial status of the Agency, and monitoring compliance with Board policies.
- Fail to govern by utilizing all control systems to govern the Agency.
- Be involved in self-dealings that provides personal gain to Board members.

### **The principle of good faith means that Board members will:**

- Attend all Board and committee meetings to be a part of Board actions.
- Read and understand the Agency's policies and bylaws.
- Pay attention to corporate affairs and keep informed about Agency activities.
- Ensure that the Agency is in compliance with legal requirements.
- Avoid self-dealing.

### **Ethical obligations of board members**



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The Board should annually approve a code of ethics for Board members. All Board members would be given a copy of the code of ethics, and would also be expected to adhere to the provisions of that code.

### **Human Resources**

The term human resources is not entirely interchangeable with personnel. Personnel is defined as the administrative area concerning persons employed by a company or organization. The Board of an Agency needs to be concerned with more than just the persons it has employed. Human resources for a Board of Directors entails actual employees, plus persons who volunteer for the organization in its day-to-day operations, persons who sit on committees, and in some instances, clients. Board members are also valuable human resources that need as much care and attention as employees. The Board's main function in terms of human resources is to oversee all aspects in this area. The best way to spread the workload evenly is to charge a committee with human resource responsibilities.

Although human resources entails more than just personnel, for most Boards, the majority of time is spent on personnel issues. Some aspects of the work can be delegated to staff, but the Board retains the responsibility to insure that personnel policies are written with respect to state and federal statutes, job descriptions truly reflect the duties and responsibilities of the job, adequate compensation is paid, and most important, all employer tax obligations with regard to employees are met.

### **Public and Community Relations**

Boards often assume that public relations is the responsibility of the staff. Consequently, Boards are often surprised to find that little or no public relations has taken place. As a part of a well-developed strategic plan, community and public relations deserve major consideration. It is the Board's main function to decide what the image of the Agency will be and how that image will be projected and maintained.

### **Marketing**

Marketing is a new world for many nonprofit boards. Marketing doesn't have to be confusing or complex, but it does deserve critical board attention. A well-developed marketing plan can help an Agency accomplish the following:

- Define the Agency's unique niche and ensure that it has the right services to meet client and community needs.
- Reach audiences with a message that motivates people and the community to respond.
- Decide what the Agency wants, go after it, and become more prosperous with increased resources to carry out its mission.
- Stand out from the crowd and attract the kind of attention, support, and enthusiasm deserved.
- Have a greater impact on the social welfare agenda in the community and beyond.





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### **TEN BASIC RESPONSIBILITIES OF NONPROFIT BOARDS**

#### **Determine the Organization's Mission and Purpose**

A statement of mission and purposes should articulate the Agency's goals, means, and primary constituents served. It is the Board of Directors' responsibility to create the mission statement and review it periodically for accuracy and validity. Each individual Board Member should fully understand and support it.

#### **Select the Executive**

Boards must reach consensus on the Executive Director's job description and undertake a careful search process to find the most qualified individual for the position.

#### **Support the Executive Director and Review His or Her Performance**

The board should ensure that the Executive Director has the moral and professional support he or she needs to further the goals of the Agency. The Executive Director in partnership with the entire Board should decide upon a periodic evaluation of the Executive Director's performance.

#### **Ensure Effective Agency Planning**

As stewards of an organization, Boards must actively participate with the staff in an overall planning process and assist in implementing the plan's goals.

#### **Ensure Adequate Resources**

One of the Board's foremost responsibilities is to provide adequate resources for the Agency to fulfill its mission. The Board should work in partnership with the Executive Director and development staff, if any, to raise funds from the community.

#### **Manage Resources Effectively**

The Board, in order to remain accountable to its donors, the public, and to safeguard its tax-exempt status, must assist in developing the Agency's annual budget and ensuring that proper financial controls are in place.

#### **Determine and Monitor the Agency's Programs and Services**

The Board's role in this area is to determine which programs are the most consistent with an Agency's mission, and to monitor their effectiveness.

#### **Enhance the Agency's Public Image**

An Agency's primary link to the community, including constituents, the public, and the media, is the Board. Clearly articulating the Agency's mission, accomplishments, and goals to the public,





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as well as garnering support from important members of the community, are important elements of a comprehensive public relations strategy.

### **Serve as a Court of Appeal**

Except in the direst of circumstances, the Board must serve as a court of appeal in personnel matters. Solid personnel policies, grievance procedures, and a clear delegation to the Executive Director of hiring and managing employees will reduce the risk of conflict.

### **Assess Its Own Performance**

By evaluating its performance in fulfilling its responsibilities, the Board can recognize its achievements and reach consensus on which areas need to be improved. Discussing the results of a self-assessment at a retreat can assist in developing a long-range plan.

(Based on the National Center for Nonprofit- Boards "Ten Basic Responsibilities of Nonprofit Boards," 1988.)

### **Responsibilities**

Collectively and individually, Board Members are legally and morally responsible for the activities of the Agency. Board Members are solely responsible for determining Agency policy in the following areas:

#### **Human Resources:**

##### **Board:**

- Recruiting new Board Members
- Recognizing and nurturing existing Board Members
- Providing existing Board Members with opportunities to grow and develop

##### **Executive Director:**

- Hiring
- Firing
- Evaluation

##### **Personnel policies:**

- Policy guidance about salaries
- Benefits Grievance procedures

##### **Volunteers:**

- Policy setting



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- Prioritize areas in which to use volunteers
- How the organization should treat and recognize its volunteers

### **Planning**

- Set and review the Agency's mission, philosophy and goals
- Plan for the Agency's future
- Determine which services/ programs the Agency is to provide
- Evaluate the Agency's programs and operations on a regular basis

### **Finance**

- Oversee the development of the Agency's budget and monitor its execution
- Raise funds or ensure that adequate funds are raised
- Manage and maintain property or investments
- Ensure financial accountability

### **Organizational Operations**

- Ensure that the Agency's administrative systems are adequate and appropriate
- Ensure that the Board's operations are adequate and appropriate
- Ensure that the Agency's organizational and legal structures are adequate and appropriate
- Ensure that the Agency and its Board members meet all legal requirements