

One Example of a Very Good Assessment Tool



The tool shown in this appendix is available for free, online at <http://managementhelp.org/aboutfml/diagnostics.htm#anchor421212>.

Description

The following checklist is a resource developed by staff and volunteers of the Greater Twin Cities United Way for internal use by nonprofit organizations. Management can use the checklist to identify their organization's administrative strengths and weaknesses. It is believed that widespread use of the checklist ultimately results in a more effective and efficient nonprofit community. The checklist is not intended to be used as a tool for external evaluation, or by grantmakers in making funding decisions. This tool will be used to assist nonprofit organizations to gain a better understanding of their management needs and/or make improvements to management operations.

Note that the following checklist, or assessment tool, originally developed by the Greater Twin Cities United Way of Minnesota (USA), has been slightly modified by the author in order to make it also relevant to organizations outside the United States.

This checklist includes the following sections:

- Disclaimers
- How To Use the Tool
- Legal Indicators
- Governance (Board) Indicators
- Human Resources Indicators
- Planning Indicators
- Financial Indicators
- Fundraising Indicators

Disclaimer

This checklist is designed to provide accurate and authoritative information regarding the topics covered. Legal requirements and non-legal administrative standards reflected herein are capable of change due to new legislation, regulatory and judicial pronouncements, and updated and evolving guidelines. The same are utilized with the understanding that the provision of this checklist does not constitute the rendering of legal, tax or other professional services.

If the organization requires professional assistance on these or other nonprofit tax, management, or accounting issues, then please contact your own professional advisors.

How to Use the Tool

The checklist asks about certain indicators that represent what is needed to have a healthy, well-managed nonprofit organization. Since it is a self-assessment tool, organizations should evaluate themselves honestly against each indicator and use the response to change or strengthen its administrative operations.

Ratings

Each indicator is rated based on its importance to the operation and effectiveness of any nonprofit organization. The ratings are:

- E:** Indicators with an "E" are essential or basic requirements to the operations of all nonprofit organizations. Organizations which do not meet the requirements of these indicators could place their organizations in jeopardy.
- R:** An "R" rating signifies that these indicators are recommended as standard practice for effective nonprofit organizations.
- A:** An "A" rating signifies indicators which organizations can implement to enhance and strengthen their management operations and activities.

Checklist Responses

Organizations can respond in one of three ways to each indicator used:

- Met** - All indicators marked as "Met" demonstrate that the organization has fulfilled that essential management need. However, the organization should review these indicators in the future to be ensure they remain "met."
- Needs Work** - An indicator that is marked as "Needs Work" implies that all of the necessary work has not been done towards achieving this indicator.
- N/A** - Indicators marked as "N/A" can mean several things, including:
 - the indicator is not applicable to the management operations of this organization
 - the organization has not met, nor is working on this indicator presently, but may address it in the future.

All Organizations Should Take Note

All responses to indicators should be reviewed carefully to see if they could improve management operations. Indicators checked "N/A" due to uncertain applicability to the organization must be further reviewed to determine if they should become a part of "doing business." If the respondents simply do not know what the indicator means, then further information may be needed to accurately assess the feasibility of its application. Indicators may require immediate attention if they were marked "N/A" because they have not been met but still apply to the organization. Technical assistance, consulting, or training may be required to implement these indicators.

The indicators in this checklist should be informative and thought provoking. The checklist can be used to not only achieve a beginning level of good management, but also to improve existing management in order to provide the organization with greater stability, reliability and success in the nonprofit community. If an organization is experiencing management problems, the checklist can be useful to help pinpoint any weaknesses where action can be taken or assistance sought to improve the organization's health. All organizations should use the checklist to re-assess themselves periodically to ensure compliance with established rules and regulations and to continue improving administrative health through the indicator's helpful suggestions.

Rating Best Practices in Legal Activities

Rating *	Indicator	Met	Needs Work	N/A
E	1. All relevant legal filings are current and have been made according to the laws and regulations of the nonprofit's country. (For example, in the USA, requirements might include: Annual Registration, Articles of Incorporation with all amendments, Change of Corporate Name or Address.)			
E	2. The organization is registered with and has filed its annual report with the appropriate governmental agency. (For example, in the USA, the report might be filed with the state's Attorney General's office.)			
E	3. For organizations operating on a tax-exempt basis, the organization has filed the necessary government form to obtain tax-exempt status. (For example, in the USA, IRS Form 1023 was filed and the IRS provided a letter of determination. If the Form 1023 was filed after 7/15/87 or was in the nonprofit's possession on this date, it is available for public inspection.)			
E	4. Tax reports are filed on a regular basis. (For tax-exempt organizations in the USA, the IRS Form 990 and 990T for unrelated business income, if required, have been filed and copies of the 990 are available to the public.)			
E	5. Federal and state (or provincial) payroll taxes withholding payments are current. (This requirement applies to organizations with employees.)			
E	6. Quarterly and annual payroll report filings are current. (This requirement applies to organizations with employees.)			
E	7. If the organization has qualified employee health, welfare and/or retirement benefit plans, they meet with all the federal and state/provincial laws. (For example, in the USA: COBRA; initial IRS registration; plan documents; annuals filings of the 5500 C/R with copies available to employees.) This requirement applies to organizations with employees.			
E	8. Organization acknowledges and discloses to their Board and auditor any lawsuits or pending legislation which may have a significant impact on the organization's finances and/or operating effectiveness.			
E	9. When the Board of Directors makes decisions, a quorum is present and minutes are maintained.			
E	10. If the organization is subject to sales tax(es), then federal, state/provincial and/or city filings and payments are current.			
E	11. Organizations that participate in grassroots or direct lobbying have complied with all necessary filings and government regulations.			
E	12. Organizations that conduct charitable gambling have complied with government regulations.			
E	13. Organizations with employees represented by a union must have copies of the union contracts on file.			
E	14. Organizations that operate in a fiscal or host-organization relationship with another organization or group have a written agreement on file.			
Indicators ratings: E=essential; R=recommended; A=additional to strengthen organizational activities				

Rating Best Practices in Governance / Boards Operations

Rating *	Indicator	Met	Needs Work	N/A
E	1. The roles of the Board and the Chief Executive Officer (if applicable) are defined and respected, with the Chief Executive Officer delegated as the manager of the organization's operations and the Board focused on policy and planning.			
R	2. The Chief Executive Officer is recruited, selected and employed by the Board of Directors. The Board provides clearly written expectations and qualifications for the position, as well as reasonable compensation.			
R	3. The Board of Directors acts as governing trustees of the organization, on behalf of the community at large and as contributors, while carrying out the organization's mission and goals. To fully meet this goal, the Board of Directors must actively participate in the planning process as outlined in planning sections of this checklist.			
R	4. The Board's nominating process ensures that the Board remains appropriately diverse with respect to gender, ethnicity, culture, economic status, disabilities, skills and/or expertise.			
E	5. The Board members receive regular training and information about their responsibilities.			
E	6. New Board members are oriented to the organization, including the organization's mission, bylaws, policies and programs, as well as their roles and responsibilities as Board members.			
A	7. Board organization is documented with a description of the Board and Board committee's (if applicable) responsibilities.			
A	8. Each Board member has a Board operations manual and is oriented to its contents.			
E	9. If the organization has any related party transactions between Board members or their family, they are disclosed to the Board of Directors (and to the Internal Revenue Service in the USA) and the auditor.			
E	10. The organization has at least the minimum number of members on the Board of Directors as required by their bylaws, federal statute and/or state/provincial statute.			
R	11. If the organization has adopted bylaws, they conform to federal and/or state/provincial statutes and have been reviewed by legal counsel.			
R	12. The bylaws should describe: a) how and when notices for Board meetings are made; b) how members are elected/appointed by the Board; c) what the terms of office are for officers/members; d) how Board members are rotated; e) how ineffective Board members are removed from the Board; and f) a stated number of Board members to make up a quorum which is required for all policy decisions.			
R	13. The Board of Directors reviews the bylaws annually.			
A	14. The Board has a process for handling urgent matters between meetings.			
E	15. Board members serve without payment unless the nonprofit has a policy identifying reimbursable out-of-pocket expenses.			
Indicators ratings: E=essential; R=recommended; A=additional to strengthen organizational activities				

Rating Best Practices in Governance Operations (Cont.)

Rating *	Indicator	Met	Needs Work	N/A
R	16. The organization maintains a conflict-of-interest policy and all Board members and executive staff review and/or sign to acknowledge and comply with the policy.			
R	17. The Board has an annual calendar of meetings that schedules the occurrence of each of the most important duties of a nonprofit Board.			
A	18. The Board has an attendance policy which requires that a quorum of the organization's Board meets at least quarterly.			
A	19. Each Board meeting has a written agenda and the materials relating to significant decisions are given to the Board members in advance of the meeting.			
A	20. The Board has a written policy prohibiting employees and members of employees' immediate families from serving as Board Chair or treasurer.			
Indicators ratings: E=essential; R=recommended; A=additional to strengthen organizational activities				

Rating Best Practices in Human Resources (Staff and Volunteers)

Staff

Rating *	Indicator	Met	Needs Work	N/A
E	1. The organization has a written personnel handbook/policy that is regularly reviewed, updated and approved by the Board: a) to describe the recruitment, hiring, termination and standard work rules for all staff , including b) to maintain compliance with government employment laws and regulations. (For example, in the USA, this includes: Fair Labor Standards Act, Equal Employment Opportunity Act, Americans with Disabilities Act, Occupational Health and Safety Act, Family Leave Act, Affirmative Action Plan, etc.)			
R	2. The organization follows nondiscriminatory hiring practices.			
R	3. The organization provides a copy of or access to the written personnel policies to all members of the Board, the Chief Executive Officer (if applicable) and all staff members. All staff members acknowledge in writing that they have read and have access to the personnel handbook/policies.			
R	4. The organization has job descriptions including qualifications, duties, reporting relationships and key indicators of performance.			
R	5. The organization's Board of Directors conducts an annual review/evaluation of its Chief Executive Officer in relationship to an up-to-date job description and a previously determined set of performance expectations.			
R	6. The Chief Executive Officer's salary is set by the Board of Directors in a reasonable process and is in compliance with the organization's compensation plan.			
R	7. The organization requires employee performance appraisals to be conducted and documented at least annually.			
A	8. The organization has a compensation plan, and a periodic review of salary ranges and benefits is conducted.			
A	9. The organization has a timely process for filling vacant positions to prevent an interruption of program services or disruption to organizational operations.			
A	10. The organization has a process for reviewing and responding to ideas, suggestions, comments and perceptions from all staff members.			
A	11. The organization provides opportunities for employees' professional development and training with their job skill area and also in such areas as cultural sensitivity and personal development.			
A	12. The organization maintains contemporaneous records documenting staff time in program allocations.			
Indicators ratings: E=essential; R=recommended; A=additional to strengthen organizational activities				

Rating Best Practices in Human Resources (Cont.)

Volunteer HR Management

Rating *	Indicator	Met	Needs Work	N/A
E	1. The organization has a clearly defined purpose of the role that each volunteer has within the organization.			
E	2. Job descriptions exist for all volunteer positions in the organization.			
R	3. The organization has a well-defined and communicated volunteer management plan that includes a recruitment policy, description of all volunteer jobs, an application and interview process, possible stipend and reimbursement policies, statement of which staff has supervisory responsibilities over what volunteers, and any other volunteer personnel policy information.			
E	4. The organization follows a recruitment policy that does not discriminate, but respects, encourages and represents the diversity of the community.			
E	5. The organization provides appropriate training and orientation to the nonprofit to assist the volunteer in the performance of their volunteer activities. Volunteers are offered training with staff in such areas as cultural sensitivity.			
R	6. The organization is respectful of the volunteer's abilities and time commitment and has various job duties to meet these needs. Jobs should not be given to volunteers simply because the jobs are considered inferior for paid staff.			
R	7. The organization does volunteer performance appraisals periodically and communicates to the volunteers how well they are doing, and where any additional attention is needed. At the same time, volunteers are requested to review and evaluate their involvement in the organization and the people they work with and suggest areas for improvement.			
R	8. The organization does some type of volunteer recognition or commendation periodically and staff continuously demonstrates their appreciation towards the volunteers and their efforts.			
A	9. The organization has a process for reviewing and responding to ideas, suggestions, comments and perceptions from volunteers.			
A	10. The organization provides opportunities for program participants to volunteer.			
A	11. The organization maintains contemporaneous records documenting volunteer time in program allocations. Financial records can be maintained for the volunteer time spent on programs and recorded as in-kind contributions.			
Indicators ratings: E=essential; R=recommended; A=additional to strengthen organizational activities				

Rating Best Practices in Planning (Strategic and Programs)

Strategic Planning

Rating *	Indicator	Met	Needs Work	N/A
E	1. The organization's purpose (mission) and all programs are aimed at meeting community needs.			
E	2. The organization has a clear, meaningful written mission statement which reflects its purpose, values and people served.			
E	3. The Board and staff periodically review the mission statement and modify it to reflect changes in the environment.			
R	4. The organization frequently evaluates, by soliciting community input, whether its mission and activities provide benefit to the community.			
R	5. The organization has a value statement that is reflected in the nonprofit's activities and is communicated by its constituents.			
R	6. The value statement includes standards of ethical behavior and respect for other's interests.			
E	7. The Board and staff developed and adopted a written strategic plan to achieve its mission.			
A	8. Board, staff, service recipients, volunteers, key constituents and general members of the community participate in the planning process.			
E	9. The plan was developed by researching the internal and external environment.			
R	10. The plan identifies the changing community needs including the nonprofit's strengths, weaknesses, opportunities and threats.			
R	11. The planning process uses research to identify the critical priorities (both opportunities and issues) facing the organization.			
R	12. The plan sets goals and measurable objectives that address these critical priorities.			
E	13. The plan integrates all the organization's activities around a focused mission.			
R	14. The plan prioritizes all of the nonprofit's priorities and develops timelines for their achievement.			
A	15. The plan establishes an evaluation process and performance indicators to measure the progress toward the achievement of goals and objectives.			
R	16. Through work plans, human and financial resources are allocated to insure the accomplishment of the goals in a timely fashion.			
A	17. The plan is communicated to all stakeholders of the nonprofit – service recipients, Board, staff, volunteers and the general community.			
Indicators ratings: E=essential; R=recommended; A=additional to strengthen organizational activities				

Rating Best Practices in Planning (Cont.)

Planning Regarding the Organization's Programs

Rating *	Indicator	Met	Needs Work	N/A
E	1. Programs are congruent with the nonprofit's mission and strategic plan.			
A	2. The organization actively informs the public about its programs and services.			
A	3. Clients and potential clients have the opportunity to participate in program development.			
R	4. Sufficient resources are allocated to ensure each program can achieve its established goals and objectives.			
R	5. Staff has sufficient training and skill levels to effectively develop and deliver the program.			
A	6. Programs within the organization are integrated to provide more complete services to clients.			
R	7. Each program has performance indicators to insure that the program meets its goals and objectives.			
R	8. Performance indicators are reviewed annually.			
A	9. The nonprofit networks and/or collaborates with other organizations to produce the most comprehensive and effective services to clients.			
Indicators ratings: E=essential; R=recommended; A=additional to strengthen organizational activities				

Planning Regarding the Organization's Evaluations

Rating *	Indicator	Met	Needs Work	N/A
R	1. Every year, the organization evaluates its overall activities to determine progress toward using appropriate best practices in its operations.			
A	2. Stakeholders are involved in the evaluation process.			
R	3. The evaluation includes a review of organizational programs and systems to insure that they comply with the organization's mission, values and goals.			
R	4. The results of the evaluation are reflected in the revised strategic plan.			
A	5. Periodically, the organization conducts a comprehensive evaluation of its programs. This evaluation measures program outcomes (impacts on clients).			
Indicators ratings: E=essential; R=recommended; A=additional to strengthen organizational activities				

Rating Best Practices in Financial Management

Rating *	Indicator	Met	Needs Work	N/A
E	1. The organization follows accounting practices which conform to generally accepted accounting standards.			
R	2. The organization has a written fiscal policy and procedures manual and follows it.			
E	3. The organization has systems in place to provide the appropriate information needed by staff and Board to make sound financial decisions and to fulfill government requirements (for example, the requirements of the Internal Revenue Service in the USA).			
R	4. The organization prepares timely financial statements including the balance sheet, income statement and cash flow statement which are clearly stated and useful for the Board and staff. (Note that these statements might be referred to by different names in various countries.)			
R	5. The organization prepares financial statements on a budget versus actual (comparative basis) to achieve a better understanding of their finances.			
E	6. The organization develops an annual comprehensive operating budget including costs for all programs, management and fundraising and all sources of funding. This budget is reviewed and approved by the Board.			
R	7. The organization monitors unit costs of programs and services through the documentation of staff time and direct expenses, and using a process for allocation of management, general and fundraising expenses.			
E	8. The organization prepares cash flow projections.			
R	9. The organization periodically forecasts year-end revenues and expenses to assist in making sound management decisions during the year.			
E	10. The organization reconciles all cash accounts monthly.			
E	11. The organization has a review process to monitor that they are receiving appropriate and accurate financial information, whether from a contracted service or internal processing.			
E	12. If the organization has billable contracts or other service income, procedures are established for the periodic billing, follow-up and collection of all accounts, with documentation to substantiate all billings.			
E	13. Government contracts, purchase of service agreements and grant agreements are in writing and are reviewed by staff members of the organization to monitor compliance with all stated conditions.			
E	14. Payroll is prepared following appropriate federal and state/provincial regulations and organizational policy.			
E	15. Persons employed on a contract basis meet all federal and state/provincial requirements for this form of employment. (In the USA, disbursement records are kept so 1099's can be issued at year end.)			
E	16. Organizations that purchase and sell merchandise take periodic inventories to monitor the inventory against theft, to reconcile general ledger inventory information and to maintain an adequate inventory level.			

* Indicators ratings: E=essential; R=recommended; A=additional to strengthen organizational activities

Rating Best Practices in Financial Management (Cont.)

Rating *	Indicator	Met	Needs Work	N/A
E	17. The organization has documented a set of internal controls, including handling of cash and deposits and approval over spending and disbursements.			
E	18. The organization has a policy identifying authorized check signers and the number of signatures required on checks in excess of specified dollar amounts.			
E	19. All expenses of the organization are approved by a designated person before payment is made.			
R	20. The organization has a written policy related to investments.			
R	21. Capital needs are reviewed annually and priorities established.			
R	22. The organization has established a plan identifying actions to take in the event of a reduction or loss in funding.			
R	23. The organization has established, or is actively trying to develop, a reserve of funds to cover at least three months of operating expenses.			
E	24. The organization has suitable insurance coverage which is periodically reviewed to ensure the appropriate levels and types of coverage are in place.			
E	25. Employees, Board members and volunteers who handle cash and investments are bonded to help assure the safeguarding of assets.			
E	26. The organization files forms in regard to tax-exempt and/or tax-deductible (charity) status in a timely basis within prescribed time lines.			
R	27. The organization reviews income annually to determine and report unrelated business income to the necessary government agency (for example, to the IRS in the USA).			
R	28. The organization has an annual, independent audit of their financial statements prepared by a certified public accountant.			
R	29. In addition to the audit, the auditor prepares a management letter containing recommendations for improvements in the financial operations of the organization.			
R	30. The Board of Directors is responsible for soliciting bids, interviewing auditors and hiring an auditor for the organization.			
R	31. The Board of Directors reviews and approves the audit report and management letter and with staff input and support, institutes any necessary changes.			
E	32. The audit, or an organization-prepared annual report which includes financial statements, is made available to service recipients, volunteers, contributors, funders and other interested parties.			
A	33. Training is made available for Board and appropriate staff on relevant accounting topics and all appropriate persons are encouraged to participate in various training opportunities.			
* Indicators ratings: E=essential; R=recommended; A=additional to strengthen organizational activities				

Rating Best Practices in Fundraising Activities

General Fundraising

Rating *	Indicator	Met	Needs Work	N/A
E	1. Funds are raised in an ethical manner for activities consistent with the organization's mission and fundraising plan.			
E	2. The Board of Directors and organization staff are knowledgeable about the fundraising process and the roles in the organization.			
E	3. The organization's Board of Directors has established a committee charged with developing, evaluating and reviewing fundraising policies, practices and goals.			
E	4. The committee is actively involved in the fundraising process and works to involve others in these activities.			
R	5. The Board of Directors, Chief Executive Officer (if applicable) and committees support and participate in the total fundraising process, including project identification, cultivation, solicitation and recognition.			
R	6. The fundraising program is staffed and funded at a level consistent with fundraising expectations.			
A	7. There are direct communications and relationships between information services or marketing, accounting and other administration support functions to assist in the fundraising needs and efforts.			
E	8. The organization is accountable to donors and other key constituencies and demonstrates its stewardship through annual reports.			
* Indicators ratings: E=essential; R=recommended; A=additional to strengthen organizational activities				

Rating Best Practices in Fundraising Activities (Cont.)

Using an Outside Fundraiser

Rating *	Indicator	Met	Needs Work	N/A
A	1. The organization meets the nonprofit standards of the state/provincial charities review council, if one exists.			
R	2. If the organization chooses to use outside professional fundraisers, several competitive bids are solicited. Each prospective outside fundraiser's background and references are checked.			
E	3. The organization makes legal, mutual agreed upon, signed statements with outside professional fundraisers, outlining each parties' responsibilities and duties, specifying how the contributed funds will be physically handled, and to guarantee that the fees to be paid are reasonable and fair.			
E	4. The organization has verified that the contracted fundraiser is registered as a professional fundraiser with the appropriate government agency and all necessary filings have been made before the work commences.			
E	5. The Fundraising Committee or appropriate representatives from the Board of Directors reviews all prospective proposals with outside professional fundraiser and reviews and accepts all agreements before they are signed.			
R	6. If the outside professional fundraiser plans to contact potential donors directly, the organization must review the fundraising materials (e.g., public service announcements, print or broadcast advertisements, telemarketing scripts, pledge statements, brochures, letters, etc.) to verify their accuracy and to ensure that the public disclosure requirements have been met.			
E	7. The organization properly reports all required information regarding use of outside professional fundraisers, amount of funds raised and the related fundraising expenses as required by federal and state/provincial governments. The gross amount of funds raised by the contracted fundraiser is reported on the organization's financial statement. The fees and costs of the campaign must be reported on the statement of functional expenses.			
* Indicators ratings: E=essential; R=recommended; A=additional to strengthen organizational activities				