

## Finance Unlocked for Nonprofits

### Oversight

**Speakers: Val Thomas-Matson, Executive Producer of Look, Listen and Learn TV, and Jennifer Chang, Director of Learning at Nonprofit Association of Washington**

**00:00:00 Video description:** *Finance Unlocked for Nonprofits. A video of a padlock that opens when the fifth number in the combination, 5 Oversight, is entered. The animation fades to black, and videos of the speakers fade in side by side with Val on the right, Jennifer on the left. Val is an African American woman wearing a light blue cowl neck blouse. She is sitting in her home office. Jennifer is a light-skinned, multiracial woman with long dark brown hair. She is wearing a navy blue shirt, and behind her is a light blue curtain.*

**00:00:09 Val:** Hi, welcome to the Finance Unlocked for Nonprofits video series. In this video we are talking about Oversight. I've seen in the news reports that there's a lot of talk about nonprofits getting into financial trouble, and Jennifer, that all looks like something that I want to avoid.

**Video description:** *The FUN padlock appears at the bottom of the screen with the speaker's name, Val Thomas-Matson, under the video.*

**00:00:28 Jennifer:** The kinds of finance troubles we may read about are definitely things we want to avoid. The policies and procedures designed to prevent fraud and ensure accurate reporting ground an organization's oversight. Strong oversight practices are critical.

**Video description:** *The FUN padlock appears at the bottom of the screen with the speaker's name, Jennifer Chang, under the video.*

Board members are ultimately responsible for the effective and responsible use of a nonprofit's resources. Board members need to know that an organization's internal controls monitor, measure, and direct against risk and fraud. These policies and procedures guide behaviors and results you're wanting to see.

**00:01:04 Val:** Okay, so the board makes sure that these internal controls are in place. Should the internal controls address specific items within the organization?

**00:01:15 Jennifer:** Yes, the internal controls should include policies and procedures that address compliance with applicable laws and regulations, safeguarding assets against loss and unauthorized use, reliability of financial reporting, and effectiveness and efficiency of operations.

These policies and procedures need to be written. If you're a small nonprofit, you may have a short list of information points that outline everything, while a larger organization may have something with a lot more details. Written policies and procedures represent a detailed list of what needs to be done, who is responsible, how roles and duties are separated, and steps needed to complete the work.

**00:01:59 Val:** So a couple examples of policies or procedures could be – (1) receipts are required for all credit card charges, or (2) bank reconciliation is done regularly by someone other than the bookkeeper.

**00:02:13 Jennifer:** That's right, those are great examples, Val.

**00:02:16 Val:** Okay, I understand what these oversight policies and procedures should focus on, but I'm wondering who should be able to get to a nonprofit's money and resources? Does everyone on the board or all staff have the same level of access?

**00:02:32 Jennifer:** You are bringing up a critical topic of access. It's very important to clarify who has access to what and when through clear separation of duties and specific delegation of authority.

Key areas of access include bank accounts, organizational credit cards, blank check stock, cash or checks received, and approval authority as well as your accounting, payroll, and database systems. It's good to ask yourself, given my nonprofit's size, have we limited access as much as possible?

**00:03:05 Val:** You just mentioned a term I've heard before, separation of duties, and I'm hope you can say more about this practice.

**Jennifer:** Separation of duties is a practice in which no one person has sole control over the lifespan of a financial transaction. This means no one person should be able to initiate, approve,

record, and reconcile a transaction. Simply put, we are separating three main things – access, which we just talked about, authorization or the approval of transactions, and the ability to enter things into our financial systems.

**00:03:45 Val:** In a way, we're creating checks and balances for a nonprofit's financial accountability. As you think about oversight, are there any specific policies you want to mention Jennifer?

**00:03:58 Jennifer:** Yes, a whistleblower policy is crucial when it comes to oversight. A whistleblower policy provides individuals a clear way to notify the board if something is suspicious, does not look or feel right, or may be detrimental to the organization.

It's key that board members, and staff if your nonprofit has them, revisit your policies and procedures each year to make sure they are effective and up to date. You want to ensure your financial transactions are happening according to your policies and procedures. During these board conversations, you should also talk about potential risks the organization may face like fraud risks, legal risks, financial risks, and so on.

**00:04:02 Val:** Strong oversight practices are critical to the integrity and success of a nonprofit. Make sure your organization has basic, written accounting procedures that highlight those key internal controls.

Jennifer thank you for talking with me throughout the Finance Unlocked for Nonprofits video series. Together we learned about the balance sheet, income statement, the nine-ninety, giving, and oversight.

**Video description:** As Val is talking the FUN padlock appears with a combination 1 Balance sheet, 2 Income Statement, 3 Nine-Ninety, 4 Giving, 5 Oversight. When the combination is entered, the lock opens.

Learning more about nonprofit finances really has been fun. Whether you're a board member, volunteer, or staff member, we hope you feel more confident now to ask questions and lean into your curiosity when it comes to your nonprofit's finances.

**00:05:29 Video description:** The videos of the speakers fade to white. Finance Unlocked for Nonprofits. The FUN padlock with a combination 1 Balance sheet, 2 Income Statement, 3 Nine-Ninety, 4 Giving, 5 Oversight. When the combination is entered, the lock opens.

*Nonprofit Association of Washington, Jacobson Jarvis & CO PLLC Certified Public Accountants, In partnership with Washington Secretary of State Corporation & Charities Division.*

*[nonprofitwa.org/learn](http://nonprofitwa.org/learn)*

**00:05:47 Video description:** *The screen fades to black. 3 Choices Creative Communications. [3greatchoices.com](http://3greatchoices.com).*