

# internal operational audit

Prudent oversight is imperative to gain member trust and ensure long-term success. This thorough, internal audit has been provided to ensure your AAF Chapter/District is operating in accordance with expectations and to identify areas of opportunity.

If you have any questions before or after completion, please contact Dawn Reeves, VP of Club Services, Membership and Programs at [dreeves@aaf.org](mailto:dreeves@aaf.org).

To better gauge your Chapter/District's standing:

- Mark ✓ if your Chapter/District has met the standard
- Mark X if your Chapter/District has not met the standard
- Mark ○ if your Chapter/District may be meeting the standard or is partially in compliance

## major audit areas

- A. Mission, Strategy, And Evaluation
- B. Leadership: Board, Staff, and Volunteers
- C. Legal Compliance and Ethics
- D. Finance and Operations
- E. Resource Development
- F. Public Awareness, Engagement and Advocacy Mission, Strategy, and Evaluation

### A. Mission and Impact

- The statement of mission is clear
- The mission is defined and approved by the board
- The Chapter/District's activities are consistent with its mission
- The Chapter/District has a vision statement, and it is clearly connected to the mission (see also B1 below)

### B. Planning Strategically

- The Chapter/District engages in long-term planning activities (strategic planning, financial forecasting, sustainability planning, etc.)
- The Chapter/District engages in short-term planning activities (annual planning, work plans, implementation planning, etc.)
- The Chapter/District defines specific goals and objectives and these goals clearly support the Chapter/District's mission and are clearly communicated to all responsible
- The Chapter/District evaluates the success of the Chapter/District's programs (success is measured by mission fulfillment)
- The Chapter/District's board (and Executive Director where necessary) have reviewed the mission statement within the last 3 to 5 years
- The Chapter/District has identified critical strategic issues and trends in their community
- The Chapter/District has evaluated the need for its programs

### C. Chapter/District Evaluation

- The Chapter/District defines how it measures Chapter/District effort (in terms of financial or human capital measures)
- The Chapter/District has clearly stated a percentage of the Chapter's/District's effort will be devoted to each program (To proactively ensure a smoother process when filing taxes, take note of the time each board member spends with their respective area of responsibility.)

### D. Program Evaluation

AAF has provided a description of the framework for how each program should be evaluated. The framework should include all the elements below:

- The evaluation methods are cost-effective for the Chapter/District
- Quantitative and qualitative data is being collected (at a minimum, data collection must have begun)
- The evaluation methods include input from program participants as part of the evaluation
- The evaluation methods measure the satisfaction of program participants
- The evaluation methods measure outcomes related to efficiency and Chapter/District effort
- The evaluation methods measure outcomes related to effectiveness and outcomes for program participants. (These outcomes should be related to the Chapter/District's mission and strategic goals)
- 40% of programs (as defined by Chapter/District effort) are being evaluated in the manner described
- 100% of programs are being evaluated in the manner described
- The evaluation methods encourage candid input from board, staff, and program participants
- Information gained through program evaluations is used by the board and staff in Chapter/District decision making

### E. Strategic Partnerships

- The Chapter/District partners with other Chapter/Districts or organizations when appropriate to help meet its mission
- The Chapter/District has a procedure for determining who to partner with on what programs or issues
- The Chapter/District completes due diligence on potential partners
- Where the partnership would require it, the Chapter/District has in place a contract, Memo of Understanding, or similar documentation

# leadership: board, staff, & volunteers

## A. Leadership and Governance

### 1. Governance and Fiduciary Responsibility

- The responsibility for recording board minutes is designated to a specific person
- Board minutes demonstrate that the board understands its duties of care, loyalty, and obedience
- Accurate and clear minutes reflecting board and committee actions are kept
- Board and committee minutes are distributed to all board members
- Board meetings are efficient, effective, and engaging
- Board and committee minutes are stored in a secure location and are backed up as needed
- The board has established by-laws and other Chapter/District governing documents and make them accessible to all members
- The board periodically reviews the bylaws and policies (demonstrated by the minutes, board agendas, board calendar, etc.)

### 2. Executive Supervision, Performance, and Compensation if Applicable

AAF most often refers to this position as Executive Director. The job description required duties and any compensation are determined by the employing Chapter/District.

- The board has reviewed and approved the executive's compensation
- The board reviews the executive's performance annually
- The board helps the executive plan for improvement on areas of growth identified in the evaluation
- The board has granted the executive authority to enforce management policies
- The executive has a written job description
- The board works in partnership with the executive to accomplish the Chapter/District's goals

### 3. Board Effectiveness

- The board takes responsibility for the operations of the board (demonstrated across the other benchmarks)
- The board has evaluated its performance at least once in the past two years
- The board plans for improvement on areas of growth identified in the evaluation
- Board members have a written job description or expectations
- Board members regularly attend meetings
- Board members participate in board and Chapter/District activities as outlined in written board expectations
- Board members participate in board committees if required
- All committees have a stated purpose
- The board has a strategy for recruiting and selecting new board members

- The board recruitment strategies address how the board will ensure that board members have an appropriate mix of talent, connections to the community and diversity inclusive of the community served
- The Chapter/District's by-laws outline a limit on the number of consecutive terms a board member may serve
- The board appropriately orients new board members
- The orientation includes an introduction to the AAF Code of Conduct
- The board provides educational opportunities and leadership development for board members
- When necessary, the board takes action to remove board members who do not comply with board policies and does so in accordance with the by-laws

#### 4. Succession Planning and Leadership Development

- The board plays a role in planning for the succession and transition of the officers and board per the by-laws
- The board has plan for board leadership succession and board member transitions
- The board has planned for the succession and transition of the president
- If a new president has been appointed without prior experience with the organization, the board adequately trains the new leader prior to the beginning of the club year and mentors as needed during the term
- All employees and volunteers have a position description which outlines their work and responsibilities
- The president has planned for the transition of all board members (It is common practice for the incoming president to conduct an annual Planning Retreat at the onset of a new year.)

#### 5. Board Member Independence

- Board members do not receive compensation, accept allowable reimbursement of expenses as approved in the budget and following all procedures therein
- There are at least five independent and unrelated directors
- Employees do not have a vote on the board of directors or in operational matters of the Chapter/District
- If employees have a vote on the board, they are not able to exercise undue influence

#### 6. Board Meetings

Note: Board meetings are covered above in Governance and Fiduciary Responsibility Note: Board agendas are covered above in Governance and Fiduciary Responsibility Note: Minutes are covered above in Governance and Fiduciary Responsibility

Note: Committee minutes are covered above in Governance and Fiduciary Responsibility

## **B. Leadership and Operational Management**

### **1. Executive Functions**

- The President and Board have established management policies as needed to provide for the proper functioning of the Chapter/District
- The executive director assesses her own performance as part of the board's evaluation of his/her performance

### **2. Supporting the Board**

- The executive director provides accurate and timely program and financial information and resources to the board as requested or as noted in job description
- The Chapter/District has a procedure for setting and reviewing compensation for its employees
- This procedure includes some comparative element (vertically within the Chapter/District, horizontally within the industry, or generally in relation to the economy)
- The board has reviewed the compensation structure for the Chapter/District, and it falls in line with the national membership structure
- The Chapter/District has articulated what contributions volunteers make to the Chapter/District
- The Chapter/District utilizes this volunteer information in evaluations of Chapter/District effort and program efficiency or in grant writing or reporting

### **3. Chapter/District Financial Sustainability**

- The Chapter/District has a sustainability plan or has considered Chapter/District sustainability in the Chapter/District's other planning activities

### **4. Managing Employees and Volunteers**

- All staff and volunteers receive an orientation to their position and to the Chapter/District
- This orientation includes an introduction to the expectations and any other code of ethics or values statements
- The executive officers ensure all employees and volunteers are regularly evaluated.
- All employees receive a written evaluation at least annually.
- The employee and volunteer policies outline the following requirements:
  - Recruitment and hiring
  - Screening of potential employees and volunteers (if applicable, background checks should be used for employees and volunteers working with children and youth)
  - Orientation and position-specific training
  - Supervision and regular evaluation
  - Recognition
  - Working conditions
  - Employee benefits including vacation and sick leave, insurance, etc. (applicable only to paid employees)
  - Whistleblower policy
  - Confidentiality of employee, client and Chapter/District records and information

### C. Cultural Competency

The Chapter/District has a clear picture of the community they are serving:

- The Chapter/District's board, staff, and volunteers are inclusive of the community served
- The leadership has assessed its capacity to effectively serve and interact with people equitably across different cultures and backgrounds
- The Chapter/District has a cultural competency plan or strategy in place (or has considered cultural competency and diversity in the planning activities discussed above)

## legal compliance & ethics

### A. Maintaining Legal Compliance

- The Chapter/District's taxes are filed on a timely basis and contains accurate information about the Chapter/District's operations
- The Chapter/District is registered as required with all applicable federal, state, and local authorities a 501 (c) 6
- As appropriate, the Chapter/District holds all licenses it needs to perform its programs and services
- The Chapter/District has a policy outlining document destruction and retention (includes a policy and a schedule)
- If required, the Chapter/District's facilities are ADA compliant
- The Chapter/District's employee policies cover all legally required elements
- The Chapter/District maintains a regular schedule of internal compliance reviews
- The board of directors is aware of the results of the regular internal compliance review

### B. Required Public Disclosures

- The Chapter/District complies with all federal and state disclosure laws
- The Chapter/District includes all state required disclosures on fundraising, solicitations, and receipt materials

### C. Reporting Misconduct and Whistleblower Protection

- The Chapter/District has a whistleblower policy in place
- The Chapter/District's board, staff, and volunteers are all made aware of the whistleblower policy

### D. Conflicts of Interest

- The policy identifies the types of conduct or transactions that raise conflict of interest concerns
- The policy sets forth procedures for disclosure of actual or potential conflicts
- The policy provides for review of individual transactions by the uninvolved members of the board of directors
- The disclosure statement provides a space for the board member, employee or volunteer to

disclose any known interests that the individual, or a member of the individual's immediate family, has in any business entity which transacts business with the Chapter/District

- \_\_\_ The disclosure statement is signed upon appointment or hire and annually thereafter by all board, staff, and volunteers with significant independent decision-making authority

## E. Ethics

- \_\_\_ The Chapter/District's leadership has adopted a clear set of ethical principles, such as a code of ethics, code of conduct, or values statement
- \_\_\_ The Chapter/District's code of ethics, code of conduct, or values statement is readily available to all stakeholders (board, staff, volunteers, program participants, donors, the public)
- \_\_\_ Those representing the Chapter/District conduct themselves in a professional manner
- \_\_\_ The Chapter/District consistently solicits and receives feedback from the people it serves
- \_\_\_ The Chapter/District has a grievance procedure in place that addresses problem solving and actions for addressing and resolving complaints effectively.
- \_\_\_ The Chapter/District effectively handles complaints by program participants, employees, board members, volunteers, or other stakeholders
- \_\_\_ The Chapter/District has a procedure for reporting of legal or ethical misconduct by the Chapter/District's employees and volunteers (by the public and external stakeholders - internal audiences are covered by the whistleblower policy)
- \_\_\_ There are policies and procedures in place that protect the confidentiality and privacy of program participant's personal information

# finance & operations

## A. Financial Budgeting, Reporting and Monitoring

- \_\_\_ The board and general membership approve the Chapter/District's budget each year.
- \_\_\_ The board monitors the Chapter/District's financial performance against the budget
- \_\_\_ Regular internal financial statements are prepared by staff and/or responsible board member
- \_\_\_ The board reviews (at least quarterly) internal financial statements which identify and explain any material variation between actual and budgeted revenues and expenses
- \_\_\_ The board reviews the Chapter/District's statement of functional expenses on at least an annual basis
- \_\_\_ Chapter/District ensures an audit is conducted by a CPA hired by the board on occasion and annually if overall operational and/or events budget exceeds \$100,000
- \_\_\_ The full board reviews and accepts the audited financial statements
- \_\_\_ The board receives a copy of the management letter along with management's response
- \_\_\_ The board monitors implementation of the recommendations in the management letter

## **B. Internal Controls and Financial Policies**

The Chapter/District has board-approved policies that address:

- Internal controls
- Investment of the Chapter/District's assets
- Purchasing practices
- Unrestricted current net assets (reserves)

## **C. Personnel Policies**

*Note: These measures were included in the leadership section above*

## **D. Administrative Policies**

The Chapter/District has board-approved policies that address:

- Crisis and disaster planning
- Information technology
- Communications
- Social media

## **E. Risk Management and Insurance**

- The Chapter/District periodically assesses risks that Chapter/District and its operation may face
- The Chapter/District carries liability insurance
- The Chapter/District carries directors' and officers' insurance

# **resource development**

## **A. Resource Plan**

- The Chapter/District has a board-approved resource development plan in place that outlines a framework for ensuring the Chapter/District's financial resources
- The plan is regularly reviewed for alignment with the Chapter/District's budget
- The plan includes diversified sources of income
- A process is in place for evaluating the cost-effectiveness of all resource development activities
- The Chapter/District's fundraising ratio is less than 3:1 (it costs \$1 or less to raise \$3 or more)

## **B. Sources of Income**

- The Chapter/District evaluates its sources of income for impact on the community and the Chapter/District, overall mission alignment, feasibility, and associated risk. (These may include individual contributions, foundation and corporate grants, fee for service, investments, etc.)

### C. Fundraising Activities

- Solicitation and promotional materials are accurate and truthful and correctly identify the Chapter/District, its mission, and the intended use of the solicited funds
- All solicitations and gift receipts contain the required IRS and state disclosures
- All statements made by the Chapter/District in its fundraising appeals about the use of a contribution are honored
- Solicitations are free from undue influence or excessive pressure
- Solicitations are respectful of the needs and interests of the donor or potential donor

### D. Donor Relationships and Privacy

The Chapter/District's board approved fundraising policies should address:

- The donor's right to determine how their personal information is used
- The donor's right to remain anonymous
- The donor's right to request that the Chapter/District curtail repeated mailings or telephone solicitations from in-house lists
- The donor's right to have their name removed from any mailing lists, particularly those which are sold, rented, or exchanged
- The Chapter/District honors the known intentions of a donor regarding the use of donated funds

### E. Acceptance of Gifts

The Chapter/District's board approved fundraising policies should address:

- The acceptance and disposition of charitable or in-kind gifts that are received during its regular fundraising activities
- Procedures to determine any limits on individuals or entities from which the Chapter/District will accept a gift
- The type of property which will be accepted
- Whether to accept an unusual or unanticipated gift considering the Chapter/District's mission and Chapter/District

### F. Fundraising on Behalf of the Chapter/District

- Internal and external resource development volunteers are not compensated based on a percentage of the amount raised or other commission formula
- Staff, board members, volunteers, consultants, contractors, or other Chapter/Districts or businesses fundraising on behalf of the Chapter/District are provided appropriate direction and oversight

# public awareness, engagement & advocacy

## A. Educating and Engaging the Public

The Chapter/District publishes an annual report or makes readily available at its website the following information:

- Mission
- Bylaws
- Program activities
- Board members
- Key management staff
- Summary Statement of Financial Position
- Summary Statement of Financial Activities
- The Chapter/District's contact information and board members are easily accessible through means which are readily available to the public
- The Chapter/District has a procedure in place for verifying the accuracy and sufficiency of information that is distributed to the public

## B. Advancing the Mission Through Public Policy and Advocacy

- The Chapter/District has a board-approved advocacy policy which outlines the process by which the
- Chapter/District determines positions on specific issues relevant to their constituents
- The Chapter/District can articulate its advocacy goals and activities
- The Chapter/District is aware of critical policy issues that have the potential to impact their community
- The Chapter/District has developed partnerships around critical policy issues

## C. Engaging in Lobbying and Political Activity

- All Chapter/District activities are non-partisan
- The Chapter/District transparently reports its lobbying activities
- If required, all internal or external lobbyists are registered with the appropriate federal, state, or local authorities
- The Chapter/District enlists the assistance of AAF's EVP – Government Relations when needed to assist in advocacy matters