

Tom Little's **BIG IDEAS**

for Non-Profits

In This Edition

November 23 - 27, 2020

Create A Leadership Committee of the Board

Want to focus your non-profit Board on what's really important? Create a leadership committee!

Strategic Planning in the Age of COVID: Literacy Network Northeast Points the Way

No need to put off strategic planning because of the pandemic. Literacy Network Northeast shows you how.

Recipe for Insider Fraud: Trust and Limited Staff Resources

Non-profits are too trustingemployees bent on personal gain take advantage.

To prevent financial loss, Executive Directors and Boards should exercise "professional scepticism"

Adding to the fraud discussion, this Blast explains what CEOs/Executive Directors can do to prevent it. Next week we focus on Boards.

At CMCS, COVID means we Zoom more and travel less. Our work, including strategic planning, Board training and executive recruitment goes on. All continues to be possible.

Create a Leadership Committee of the Board

The Story

In the non-profit world, committees can be a godsend or the bane of its existence.

For organizations like the Fort Henry Guard Club of Canada, of which I am a Board member, they are a godsend. With a tiny budget and no paid staff, as Board members we do the work of the organization through committees. No committees, no Club.

For organizations with paid staff, on the other hand, committees can get in the way, especially if they are formed by the Board but venture into the realm of operations. Examples include Board committees that deal with operational issues such as services, HR and property.

The Skinny

Here is an idea for a Board committee that could be a godsend in two ways: it would help the Board fulfil its most important yet most difficult role; plus, it would focus the Board on issues other than operations. This is the leadership committee.

What would a leadership committee do?

It would facilitate the work of Board members as ambassadors and advocates for the organization.

As ambassadors, Board members would act as the face of the organization, raising its profile in the broader community and generating support for its work.

As advocates, Boards members would proactively call on government and others to address issues faced by the organization and its clientele. Board members are uniquely equipped for both and especially the advocate role, because they are volunteers and therefore immune to the criticism of self-interest.

A leadership committee would undertake other tasks as well, such as ensuring the organization's positioning, as reflected in its vision, mission and values statements, is current and reflects both where it wants to go and how it will get there.

A leadership committee would spearhead the development of a strategic plan to drive the organization forward and monitor and report on its implementation. As such it would also be tasked with the associative duty of ensuring the organization doesn't fall victim to mission drift, an accusation haunting WE Charities, for example. But, at its heart, would be ambassadorship and advocacy.

The BIG Idea

My BIG Idea for this week is to form a leadership committee of the Board and focus its members on being ambassadors and advocates. Be forewarned that this may not be an easy sell. Some Boards don't want much to do with these roles beyond delegating them to staff. Which is unfortunate, because no one is better suited to undertake them on their own.

Emails... We Get Emails

"On behalf the Board of Directors, we would like to thank you very much for facilitating the work of creating a new strategic plan for our network."

"It was a pleasure to work with you and everything flowed smoothly. It is great to have this project complete! I hope we will get the opportunity to work together again in the future."

The author was Rita Delaurier, Executive Director of Literacy Network Northeast. LNN supports literacy service providers across northeastern Ontario. Its office is in Timmins, while the organizations it supports cover Hearst, Kapuskasing, James Bay Coast, Cochrane, Iroquois Falls, Kirkland Lake, Temiskaming Shores, Chapleau and Wawa. That's a lot of geography.

Our work with literacy networks started years ago, with the Literacy Network of Durham Region, which turned out to be the beginning point for a long-term relationship. Thanks to a recommendation from its Executive Director, Jennine Agnew-Kata, we then assisted Annemarie Wesolowski and the Literacy Northwest Board of Directors in strategic planning. And thanks to a recommendation from Annemarie, we began our involvement with LNN.

At the outset, I thought we would do the planning in Timmins. Although Timmins is a six hour drive, that was fine with me. My family came from Iroquois Falls, less than an hour east and a bit north, and I was looking forward to making a side trip to add to my knowledge of family history.

COVID put an end to that idea.

So, instead of meeting in person, we launched into a series of Zoom meetings. We discussed planning issues and fleshed out the actions LNN would take in the coming years. We critiqued several drafts of the plan that I prepared for the group. This worked remarkably well, thanks to the great input from LNN Board members and staff, with only a few glitches due to spotty Internet service for some of the participants.

Years ago, there was an educator whose admonishment was that if things aren't going well, you should "try another way". That's what happened with planning for LNN. Thanks to the adaptability of the Board and staff, it worked.



This Week's TomBit

Recipe for Insider Fraud: Trust and Limited Staff Resources



My colleague, Nancy Collins, noted recently that the CBC website was running articles about fraud in Canada's youth sports organizations. The articles advised that over the past decade, at least eight million dollars has been lost and suggested the amount is probably a lot higher. They also spoke to the damage done to the communities involved.

Unfortunately, fraud within non-profits is not a new story and I have written about it on numerous occasions in your BIG Ideas newsletter.

Non-profits are easy targets for fraudsters because non-profits have limited staffing resources. One person often wears a lot of different hats, including in the finance department. More to the point, non-profits trust people. If you are bent on slipping your hand into the cookie jar, and you have a finance background, this is where you look for a job, so you can do your damage, hopefully unencumbered.

In my first Executive Director position, the organization's auditor alerted me to one of the easiest ways to syphon off money – create fake employees and control the bank accounts to which their pay is directed. He always checked payroll as part of his yearend scrutiny. This was news to me, but I already understood a bit about fraud. My brother had been part owner of a restaurant that lost many thousands of dollars, because the person depositing the daily receipts was the same person who was doing the bank reconciliation. This allowed her to set aside something for herself for a lengthy period of time. That scheme could have gone on longer had another employee not tipped my brother off. Both the accountant's flag and my brother's experience suggested there were many tricks in the fraudster's bag. Therefore, as a manager, it was important for me to be vigilant.

This knowledge helped in my second ED position, when we discovered that a recent hire for a general office position had begun using petty cash for her own purposes. Partially because she was new and partially because of my brother's experience, we had not given her access to cheques or our bank account, so the damage was just a few hundred dollars, which came off her last paycheck.

People can be ingenious in finding ways to commit fraud. Fortunately, there are ways to be equally ingenious in preventing it, which I outline in that Blast from the Past article below. It focuses on how CEOs/Executive Directors can prevent fraud. Next week, I will include another Blast from the Past article that covers what Boards of Directors can do, since both have a role to play.

Blast from the Past

Blast from the Past is a selection of previous BIG Ideas articles that you may not have read, or if you did, may have forgotten how helpful and insightful (i.e. brilliantly written) they were. This article is from 2015.



To prevent financial loss, Executive Directors and Boards should exercise “professional scepticism”

Last week I talked about a public health unit that had encountered a string of problems, starting with losing almost half a million dollars, stolen by its business manager. At the end of the article, I noted that:

“In conclusion, we can say that it is the responsibility of a number of people within an organization to ensure the integrity of its finances. This includes the finance department, the most senior management person, and the members of the Board of Directors. Every effort must be taken to avoid loss due to theft.” I went on to say: “So my BIG Idea for this week is simple: Be especially vigilant about your organization’s finances.”

On reflection, I think my conclusion was a bit facile. It should have had more meat on its bones. You don’t need me to tell you that all organizations should recognize the importance of financial vigilance. The more pertinent question is “how”?

The answer I can suggest is that Executive Directors and Boards exercise “professional scepticism”, a concept described in guidance given to Canadian auditors. Auditors are instructed to “*recognize the possibility that a material misstatement due to fraud could exist, notwithstanding the auditor’s past experience with the entity about the honesty and integrity of management, and those charged with governance.*” Applying this principle to Executive Directors and Boards, they would recognize that a material misstatement due to fraud could exist, notwithstanding their experience with the people involved. In other words: the people around you may be nice, but one of them might have her/his hand in the corporation’s pocket. Be congenial, but be wary!

Starting with Executive Directors, they would exercise “professional scepticism” in at least six ways.

First, they would acknowledge the possibility that someone, including their head of finance, as in the case of the public health unit, could be diddling the books. This in itself will be hard for many EDs. The non-profit field is built on trust that everyone is there for the cause, not personal gain, and never to steal. So, there is a big psychological hurdle to overcome.

Second, they would create an environment that promoted honesty and ethical behaviour. We can look to the national standards for auditors for ideas on how this can be done: “*It is important that management, with the oversight of those charged with governance, place a strong emphasis on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment. This*

involves a culture of honesty and ethical behaviour. Such a culture, based on a strong set of core values, is communicated and demonstrated by management and by those in charge of governance, and provides the foundation for employees as to how the entity conducts its business. Creating a culture of honesty and ethical behaviour includes:

- *Setting the proper tone*
- *Creating a positive workplace environment*
- *Hiring, training and promoting appropriate employees*
- *Requiring periodic confirmation by employees of their responsibilities*
- *Taking appropriate action in response to actual, suspected or alleged fraud.*

As part of “setting the proper tone”, Executive Directors would encourage a work environment where it was okay to question how things were done, and would have a whistleblower policy in place that was known and promoted.

Third, they would put financial controls in place to reduce the prospect of fraud happening. These would include, but not be limited to:

- Ensuring complete documentation exists for all financial transactions
- Confirming the legitimacy of all people listed on payroll and of the organization’s vendors
- Having dual signatories on all cheques
- Separating the accounts payable and bank reconciliation functions
- Comparing actual revenue and expenditures with budget and ensuring the corporation produces variance analyses that explain the differences on a monthly or quarterly basis
- Reviewing and approving the expense claims of all the ED’s direct reports and ensuring this principle applies to the entire management team
- Keeping petty cash amounts to a minimum and ensuring replenishments are supported by full documentation

Fourth, they would be attentive to the person’s personal circumstances. What kind of lifestyle does the person live? Does it fit with amount the person earns? Have there been changes within her/his personal situation or family dynamic that could create financial stress?

Fifth, they would ensure that person took vacations, and that someone was cross-trained on key duties of the position and actually stood in for the person as needed. Be wary of a head of finance who is always on the job and never has someone fill in for her/him.

Sixth, they would be clear on what to expect (and not to expect) from the organization’s auditor in terms of finding fraud. Under the heading of “*Inherent limitations of an audit in the context of fraud*”, Canadian auditors’ national standards note that: *Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements will not be detected, even though the audit is properly planned and performed in accordance with generally accepted auditing standards.*” The fraud-wise Executive Director (or Board) would not count on the corporation’s auditor to find fraud. The auditor might. But the auditor might not. Be prepared for either eventuality.

This discussion has covered the Executive Director’s role in preventing fraud, and touched on the role of the Board. There is more to say about the Board’s role in good financial management and preventing fraud. But I have taken enough of your time for one day, so I will cover that topic in my next newsletter. In the meantime, Tom’s BIG Idea for this, the first week of November, is for Executive Directors and

Boards to exercise “professional scepticism” when it comes to the accuracy of the financial statements of the organization. What’s good for the auditor, should be good for the audited too.

Current CMCS Clients

We are pleased to be working with York Region Centre for Community Safety, Community Living Thunder Bay, Canopy Support Services (formerly Tri-County Community Support Services), Literacy Network Northeast, Community Living Port Colborne-Wainfleet, Community Visions and Networking (Quinte), Chatham-Kent Family Health Team and Community Living St. Catharines. Recent clientele includes Durham Youth Services, Community Living Trent Highlands and Mill Creek Care Centre.

Testimonials

Thank you so much (for your Board training)! Looking forward to the notes and your presentation was very well received! Lots of growth happening with the board and you helped steer more of that in the right direction. Really enjoy working with you and will keep you in mind for my other boards.

Natasha Cosulich Vemb, Board of Directors, Big Brothers Big Sisters of Clarington

Thank you again to you and Nancy for all the work, dedication and effort put into this Operations Review. We made the right choice in hiring you to do this project and on behalf of the board of directors, I express our deep gratitude.

Roz Werner-Arce, Board Chair, Durham Youth Services

Our Strategic Plan is moving along better than I could have imagined. I chair the group of around 20 Board and staff who have been meeting monthly for the past 6 months and plan to continue through the fall. Great enthusiasm from all involved and much is being accomplished already, particularly on renewed focus on our Mission and Vision. Thanks again for getting us off on the right foot!

Frank Moore, Board Chair, Community Living Central Huron

About Tom Little and Nancy Collins



Tom Little and Nancy Collins are the principals of CMCS.

In addition to consulting for many years, Tom has been Executive Director of a large human service organization, experience he brings to the table when working with his non-profit clients. In his younger days he was lucky enough to be part of three Canadian champion hockey teams while attending the University of Toronto.

Nancy's background includes a degree from Wilfrid Laurier and working at a downtown Toronto law firm. In her spare time, at least when there is no pandemic, she plays goal in women's hockey and catcher in summer slo-pitch. A life-long Leafs fan, she no longer apologizes for her unwavering commitment, given their resurrection in recent years. Now if they could just win a playoff round!



Free Resources From CMCS

We offer a range of free resources to help non-profits be better. For your copy, contact us at info@cmcsconsulting.ca

- Board Duties
- Policy Board Model
- Board Meeting Minutes
- Board Decision-Making Checklist
- Board Evaluation Form
- Dealing with Risk
- List of Possible Board Policies
- Board Recruitment (Stop the BIG LIE)
- Management Principles
- Member and Director Qualifications
- The Importance of Planning
- Canada's Great Non-Profit Websites
- Transitioning to the New Not-for-Profit Corporations Act

Tom's Book For Boards of Directors



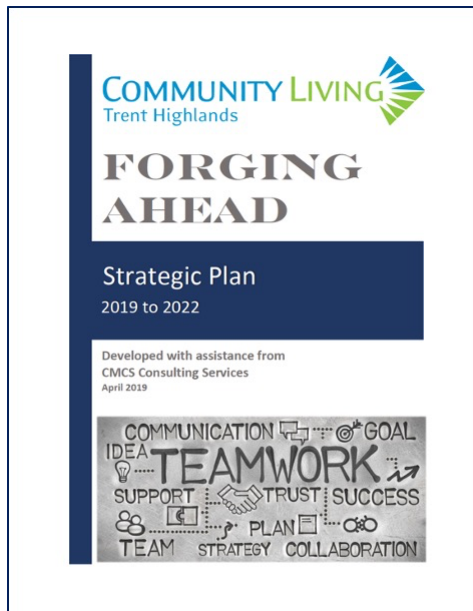
One hundred and ninety-pages. Thirty-six *BIG Ideas*. Thirteen of them are *The BIGGEST of the BIG*, ideas Tom's experience says are critical to any non-profit. Then come twenty-three *BIG Ideas*, more ways to enhance the governance of your organization.

You don't just get ideas either. The book contains all kinds of resources for implementing them. For example, *BIG Ideas* includes samples of strategic and Board yearly action plans, and of evaluation formats Boards can use to rate their own work.

Tom Little's BIG Ideas is formatted as a work book, so it can be used on a continuous basis by the Directors. It is easy to read and has a fun quality your Board members will appreciate.

Just \$40 plus HST and shipping. For your copy, contact us at info@cmcsconsulting.ca.

More About CMCS



At CMCS, our specialty is strategic planning. Since the start of 2018, the following 14 organizations have completed their strategic plans with help from CMCS:

- Kenora Association for Community Living
- Community Living Dryden-Sioux Lookout
- Community Living Trent Highlands
- Elmira District Community Living
- Literacy Northwest
- Durham Region Child Care Forum
- Tollendale Village
- Centennial College School of Transportation
- York Region Violence Against Women Coordinating Committee
- Autism Home Base Durham
- Canoe FM Community Radio
- Toronto Island Residential Community Trust
- York Region Centre for Community Safety
- Literacy Network Northeast

We provide Board training that comes with a bonus: A Board action plan developed by participants based on the discussion.

Tom wrote his book for non-profit Boards, which you can buy and use as an ongoing resource. We are great facilitators and can help develop agendas for Board and management retreats.

Much of our past work has been in the human service sector, especially disability. But we have assisted in other sectors such as community colleges, local workforce authorities, family health teams, Big Brothers Big Sisters, United Ways and violence against women. We have even assisted a community radio station.

We have built our reputation on producing quality products that have great content and are appealing to look at.