

2018 Best Practice Checklist for Tax-Exempt Organizations

NOTE: This document represents Version 2 of our TBG Best Practice Checklist. This Best Practice Questionnaire covers Board Governance/Oversight, Internal Controls, Revenue Enhancements, and Cost Efficiencies procedures that we believe are demonstrated by high performing tax-exempt organizations, generally with annual revenue in excess of \$20 million. Certain of the Best Practices are more common in organizations with revenues in excess of \$75 million. Accordingly, a “No” answer to any one of these questions does not necessarily indicate a weakness in your organization’s policies and procedures, since each of these questions requires that the benefits/value derived outweigh the cost of implementation/maintenance of the procedure.

Balance Sheet Audit Date: _____

Client Personnel Completing This Form: _____

Bonadio Personnel Reviewing This Form: _____

	Category	Question/Description of Best Practice	Client Response			
			Yes	No	N/A	M/L Point
1	Board Governance/ Oversight	Does the Board or designated Audit Committee of the Board (audit committee) oversee the accounting, financial reporting, and audit of the financial statements?				
2	Board Governance/ Oversight	Does the Audit Committee retain or renew the retention of the independent auditors (auditors)?				
3	Board Governance/ Oversight	Does the Audit Committee review the results of the audit and related management letter with the auditors at least annually?				
4	Board Governance/ Oversight	Does the Audit Committee review the audit scope and plan with the auditors prior to the audit’s commencement?				
5	Board Governance/ Oversight	Upon completion of the audit, does the Audit Committee review and discuss the following with the auditors: <ul style="list-style-type: none"> Any material weaknesses in internal controls identified by the auditors? Any restrictions on the scope of the auditor’s activities or access to requested documents? Any significant disagreements between the auditors and management? 				
6	Board Governance/ Oversight	Does the Audit Committee annually review and document the performance and independence of the auditors?				

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7	Board Governance/ Oversight	Are only independent directors allowed to participate on the Audit Committee?				
8	Board Governance/ Oversight	Is the Organization prohibited from participating in related party transactions, unless they are determined by the Board to be fair, reasonable, and in the Organization's best interest?				
9	Board Governance/ Oversight	Are all directors, officers, or key employees who have an interest in a related party transaction required to disclose to the Board/Committee the material facts of their interest?				
10	Board Governance/ Oversight	Is the Board/Committee required to review related party transactions for the following: <ul style="list-style-type: none"> • Consider alternative transactions (if available) prior to entering into the transaction? • Approve the transaction by a majority vote? • Contemporaneously document in writing the basis for the approval, including the alternatives considered? 				
11	Board Governance/ Oversight	Does the Organization prohibit any related parties from participating in the deliberations or voting related to these transactions?				
12	Board Governance/ Oversight	Does the Conflict of Interest (COI) policy define the circumstances that constitute a conflict of interest?				
13	Board Governance/ Oversight	Does the COI policy have procedures for disclosing a conflict of interest to the Audit Committee/Board?				
14	Board Governance/ Oversight	Does the COI policy require that the person with the conflict of interest not be present at or participate in Audit Committee/Board deliberations or vote on the matter giving rise to such conflict?				
15	Board Governance/ Oversight	Does the COI policy prohibit against any attempt by the person with the conflict to improperly influence the deliberations or voting on the matter giving rise to such conflict?				
16	Board Governance/ Oversight	Does the COI policy have procedures for disclosing, addressing, and documenting related party transactions?				
17	Board Governance/ Oversight	Does the COI policy require that existence and resolution of the conflict be properly documented?				

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18	Board Governance/ Oversight	Does the COI policy require that prior to the initial election of any director, the director shall sign and submit to the Board secretary a written statement identifying: <ul style="list-style-type: none"> • Any entity of which the director is an officer, director, trustee, member, owner, or employee with which the Organization has a relationship? • Any transaction in which the Organization participates in which the director might have a conflict of interest? 				
19	Board Governance/ Oversight	Does the COI policy require that each director annually submit such written statement (identifying the transactions above) to the Board Secretary?				
20	Board Governance/ Oversight	Does the COI policy state that the Board secretary will provide a copy of the completed statements to the Chair of the Audit Committee and/or Board?				
21	Board Governance/ Oversight	Is the Board or Audit Committee responsible for overseeing the implementation of the COI policy, and does it routinely receive, review, and document its deliberations regarding disclosed conflicts?				
22	Board Governance/ Oversight	Does the appropriate Board Committee, on an annual basis, complete a performance evaluation of the Executive Director/CEO?				
23	Board Governance/ Oversight	Does the CEO performance evaluation include a market comparability study that justifies the CEO's compensation?				
24	Board Governance/ Oversight	Does the Board have an established policy regarding a dollar authorization purchasing threshold for the CEO? In other words, do contracts over a certain dollar amount have to be reviewed and approved by the Board or a Board Committee?				
25	Board Governance/ Oversight	Does the Board or its designated Committee periodically review the adequacy of its Directors and Officers Liability insurance, including coverage levels and deductibles?				
26	Internal Control Procedures (I/C)— Information Technology	Does the organization maintain a multi-year Information Technology hardware and software replacement plan? (Three or five?)				
27	I/C—Information Technology	Does the organization have an annual Information Technology Work Plan?				

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28	I/C—Information Technology	Does the organization perform internal and/or external network firewall penetration testing on a periodic basis, annually or more frequently, using external professional consultants?				
29	I/C—Information Technology	In addition to the network firewall penetration testing, does the organization periodically test and train employees in their compliance with the organization's email policies and procedures, particularly with respect to opening attachments?				
30	I/C—Information Technology	Does the organization audit key and critical vendor compliance to the data security and privacy laws that it must meet? (e.g., HIPAA)				
31	I/C—Information Technology	Does the organization have the necessary software to document attempted unauthorized access to its IT network and applications, commonly known as SIEM (security information and event management)?				
32	I/C—Information Technology	Does the organization back up its key software application files on a daily basis and store the back-up files in an off-site location? (Where? _____)				
33	I/C—Information Technology	Does the organization have a well-documented and practical Disaster Recovery Plan that is tested in order to verify that the back-up and restore function is functioning properly?				
34	I/C—Information Technology	Does the organization have a Cyber Liability Protection Rider on its general liability policy?				
35	I/C—Information Technology	Does the organization periodically test for employee compliance with its policy to prevent unauthorized access to its network and software applications? This testing is periodically required to minimize the risk of unauthorized hacking from outside parties that involves increasingly sophisticated techniques.				
36	I/C—Information Technology	Does the organization have effective data encryption across all its confidential data everywhere that it is at rest, in transit (i.e., emails) on all portable devices (including smartphones)?				
37	I/C—Information Technology	Has the organization developed a documented process that would qualify as a Cyber Security Incident Response Program (CSIRP) (aka CERT, CSIRT, IRT, CIRT, and SERT)?				

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38	I/C—Information Technology	Does the organization have a policy and procedure that require periodic verification and documentation of Business Associate Agreements (BAA) with all applicable vendors, independent contractors, and consultants?				
39	I/C—Information Technology	Regarding staff training with respect to available software applications, does the organization have a formal training program to ensure that each and every employee has full functional knowledge and expertise regarding each of its software applications?				
40	I/C—Information Technology	Does the organization maintain and periodically update a comprehensive schedule listing those employees who have authorized access and modification rights to critical/sensitive Master Files (e.g., payroll, vendor, billing rates, etc.)?				
41	I/C—Compliance	If the answer to the question above is yes, has the organization's management confirmed that all risks, as appropriate, have been addressed in the Annual Compliance Work Plan or some other internal control process?				
42	I/C—Compliance	Has the organization been diligent in obtaining Business Associate Agreements from all vendors, consultants, and professionals that provide service to the organization and may have access to protected health information?				
43	I/C—Compliance	Does the organization, subject to Medicaid compliance requirements, diligently complete the OMIG Compliance Program Effectiveness Review Self Assessment?				
44	I/C—Compliance	Does the organization, subject to Medicaid compliance requirements, submit the required annual regulatory compliance Attestation Report to the OMIG each year?				
45	I/C—Compliance	Does the organization have sufficient documentation regarding cost allocation procedures in compliance with the cost reporting regulations of its various funding sources?				
46	I/C—Compliance	Do the organization's program activities and services match the defined mission of the organization as reported on its IRS Form 1023 Application?				

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47	I/C—Compliance	Regarding the organization's retirement plan, have any and all amendments been reviewed by legal counsel to document that the amended plan is compliant with DOL and IRS regulations?				
48	I/C—Compliance	Does a Committee of the Board or Trustees of the retirement plan meet at least annually, either by conference call or in person, with the audit firm conducting the retirement plan audit?				
49	I/C—Compliance	Does the retirement plan Committee referred to above satisfy itself that the audit testing being performed is sufficient to satisfy the requirement that proper application, documentation, and reporting of retirement plan benefits are being done on a timely and accurate basis?				
50	I/C—Compliance	Are retirement plan deductions from individual employee compensation through payroll deposited by the employer on a timely basis in accordance with Department of Labor requirements?				
51	I/C—Compliance	Does the organization's Compliance Officer meet with the appropriate Board Committee in Executive Session on an as needed basis, but not less than twice each year?				
52	I/C—Compliance	Does the organization have a formal policy that precludes it from reimbursing any alcohol-related expenditures as well as the other non-allowable expenditures identified in cost reporting regulations?				
53	I/C—Compliance	Has the organization's Compliance Officer been diligent in preparing an Annual Audit Work Plan that is reviewed by senior management and the Audit Committee?				
54	I/C—Compliance	Has senior management completed an organization-wide Risk Assessment that has adequately identified both internal and external risk factors?				
55	I/C—Cash and Banking	Does the organization have a dedicated personal computer that is solely used for banking transactions such as wire transfers?				
56	I/C—Cash and Banking	Is there a verbal phone confirmation required between an authorized bank representative and a member of senior management before a wire transfer can be executed?				

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57	I/C—Cash and Banking	Has the organization implemented the banking procedure known as "Positive Pay" that requires bank notification of a check disbursement being verified for the organization before the check clears the bank?				
58	I/C—Cash and Banking	Does the organization encourage employee use of direct deposit as opposed to "live checks"?				
59	I/C—Cash and Banking	For organizations that have responsibility for processing transactions and controlling client funds, does the organization conduct periodic internal audits of client fund accounting transactions (e.g., Rep Payee, residential client funds, credit cards, etc.)?				
60	I/C—Cash and Banking	Does someone in authority in the Finance Department review banking transactions on a daily basis?				
61	I/C—Cash and Banking	Does the organization conduct periodic reviews (no less than annually) of fees and charges from its banking/ financing institutions? With interest rates remaining at historical lows, these charges can be increased without timely recognition of the incremental cost impact.				
62	I/C—Cash and Banking	Are all individuals involved in financial transactions appropriately bonded for protection against the risk of misappropriations?				
63	I/C—Purchasing	Has the organization implemented controls related to appropriate approvals and timely submission of organization credit card expenditures? (e.g., Internet, retail, and employee expense reimbursements)				
64	I/C—Purchasing	From a purchasing perspective, does the organization obtain competitive bids for purchases in excess of a specified dollar threshold in compliance with regulatory requirements of its funding sources?				
65	I/C—Purchasing	Has the organization evaluated the use of Electronic Data Interchange for purposes of vendor payments?				
66	I/C—Purchasing	Has the organization researched and joined one of the two Group Purchasing Organizations that are available to nonprofit organizations (i.e., Premier and VHA)?				
67	I/C—Purchasing	Does the organization have a long-term capital plan (3-5 years) that includes estimated cost, source of financing, and amount of extra funding available for reimbursement?				

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68	I/C—Human Resources	Has the organization, in the past two years, evaluated its performance evaluation system and, during that process, considered the utilization of a software application that eliminates the need for hard copy evaluations?				
69	I/C—Human Resources	Has the organization contracted with an outside organization that takes responsibility for verifying that all employees are not subject to Medicaid/Medicare or other regulatory enforcement exclusions?				
70	I/C—Human Resources	For purposes of employee recognition, recruitment, and retention, does the organization utilize a software application (e.g., Brand Integrity) that allows for and incentivizes routine employee recognition for performance that exceeds normal expectations?				
71	I/C—Human Resources	Has the organization conducted a regulatory compliance audit of its Human Resources policies and procedures?				
72	I/C—Human Resources	Does the organization check all references provided by prospective employees, and are the reference check conversations appropriately documented?				
73	I/C—General Ledger	Are monthly account reconciliations completed, documented, and reviewed for every balance sheet, revenue, and expense account with substantial activity?				
74	I/C—General Ledger	Does the general ledger account balance for accounts receivable easily reconcile to the appropriate subsidiary detail ledgers?				
75	Revenue Enhancement Procedures	Has the organization implemented an aggressive collections policy that requires documented follow-up on all pended and denied claims within five days of notification?				
76	Revenue Enhancement Procedures	Has the organization prepared a documented matrix of all Managed Care, governmental, and non-governmental contracts for each and every service area provided by the organization, including contract terms, required benchmarks, and deliverables?				
77	Revenue Enhancement Procedures	Has the organization evaluated and implemented all opportunities to submit claims for reimbursement from funding sources using electronic methods?				

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78	Revenue Enhancement Procedures	Does the organization have an audit procedure that periodically verifies that all billable services have been invoiced for a particular month?				
79	Revenue Enhancement Procedures	Does the organization have a formal process for evaluating the staff time, cost, and effort devoted to its fundraising events?				
80	Revenue Enhancement Procedures	Does the organization have established targets for its various fundraising activities? That is, are there predetermined goals for the amount of revenue to be generated in relation to every dollar of fundraising costs?				
81	Revenue Enhancement Procedures	Does the organization have a formal process for verifying the licensure requirements of employees both at initial hire date and on an annual basis?				
82	Revenue Enhancement Procedures	Do the organization and its Board have a formal policy for meeting with its Investment Managers with pre-established goals for investment performance targets?				
83	Revenue Enhancement Procedures	Does the organization have a strict policy and procedure for documenting all accounts receivable write-offs, either due to collection issues or contractual allowances?				
84	Revenue Enhancement Procedures	Does the organization have a formal policy and procedure for documenting receivable collection?				
85	Revenue Enhancement Procedures	Does the organization have a procedural system to conduct employee time studies or accumulate employee time from a labor distribution report that encompasses all program site activities?				
86	Revenue Enhancement Procedures	Does the organization have and adhere to a formal policy for charity care services?				
87	Cost Efficiency Procedures	Has the organization conducted an energy/usage audit in the past two years?				
88	Cost Efficiency Procedures	Has the organization implemented automatic light shut-offs in those areas that are frequently lit but not used?				
89	Cost Efficiency Procedures	Has the organization converted to the latest technology of lighting and light bulbs that significantly reduce energy consumption?				

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90	Cost Efficiency Procedures	Has the organization, in the past two years, conducted an audit of its postage expense, particularly for newsletters, fundraising, and development events in relation to using email correspondence?				
91	Cost Efficiency Procedures	Has the organization successfully implemented, with professional advice, an aggressive risk management/injury avoidance protocol?				
92	Cost Efficiency Procedures	Has the organization implemented a procedure that effectively triages minor workplace injuries internally in place of completion and filing of a workers' compensation injury report?				
93	Cost Efficiency Procedures	Has the organization conducted an audit of its health insurance premiums to determine whether terminated employees are removed from coverage on a timely basis?				
94	Cost Efficiency Procedures	Health insurance cost increases regularly exceed inflation. Has the organization conducted an external professional review of its health insurance offerings and related wellness programs for purposes of achieving further cost efficiencies?				
95	Cost Efficiency Procedures	Has the organization conducted a health insurance audit to confirm that employees are reporting dependent eligibility in an accurate manner?				
96	Cost Efficiency Procedures	Does the organization have a timely and accurate process for removing terminated employees from the payroll system?				
97	Cost Efficiency Procedures	Does the organization have frequent corrections to payroll processing on a regular basis?				
98	Cost Efficiency Procedures	If the answer to the question above is yes, have procedures been implemented to eliminate the need for payroll corrections?				
99	Cost Efficiency Procedures	Has the organization conducted a recent audit of its cell phone usage and the accuracy of invoices received from the cell phone carrier?				
100	Cost Efficiency Procedures	Has the organization, within the last two years, researched the total cost of its credit card processes to ensure that the "best" market offering is being utilized?				

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Summary Results

Description	Number of Questions	Number of "No" Answers	Percentage of "No" Answers
Board Governance/Oversight	25		
Internal Controls—Information Technology	15		
Internal Controls—Compliance	14		
Internal Controls—Cash and Banking	8		
Internal Controls—Purchasing/Human Resources/ General Ledger	12		
Revenue Enhancement	12		
Cost Efficiency Procedures	14		

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