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Case Study Analysis I

Executive compensation must be developed by the board who also have the final approval over a compensation package. " All compensation…should be shown in the employment contract" with no unlisted benefits" (BoardSource, 2010, pg. 288). Furthermore, family relations between the executive director and CFO create a conflict of interest which must be handled effectively. In this case, the policy for dealing with this issue has not been clearly established and no documentation or disclosure has been filed. Especially considering a total of four family members, the executive director, the CFO and two others are staff members, there is no accountability or transparency. The executive director is not following ethical funding standards of financial stewardship. In terms of expenditures, the organization has spent 60% or $600,000 of the $1 million without any financial reports for internal use or external purposes such as statement of activities, balance budgeting, or cash flows. This could be a sign of financial stress with an expenditure increase specifically a 50% plus income for the CFO and executive director (pg. 161-3).

The board chair stating, "The board is not going to be a part of that foolishness", means they are failing to enhance the organization's standing. The board needs to think about their responsibility of financial oversight, legal integrity, and asset protection. The board chair serves as an ambassador and should converse with community and government leaders. Yet, the board or key staff of Five Lakes will not make a speech or explanation of how this Housing and Urban Development grant has been account and allocated (pg. 39-45). Communication is essential to maintain the organizational representation: mission, vision, and strategic plan, avoiding mission drift. The board is subjecting themselves to risk by not inquiring further on the project delay. Asset protection involves balancing short and long term spending.

A recommendation for the future would be to follow the duties of care, loyalty, and obedience. The duty of care would allow the review of the organization's finances and ensure compliance with law and federal requirements in good faith for the community center. Duty of loyalty would ensure a conflict of interest policy is implemented and that staff avoid personal gain, hence that salary increases are not the 20% of planning and administrative costs. Duty of obedience requires compliance by the board and staff ensuring compliance like that of reporting the HUD grant terms (Renz & Associates, 2016, pg. 128-30). The board should consider implementing an external review process to assess how this mismanagement of funds affects their systems and policies. Organizational governance between the board and executive staff should involve facilitating interaction, respecting needs, envisioning change, providing helpful information, maintaining structure, and promoting accomplishments of all board members. Another recommendation is managing conflicts of interests, there is a difference of being away of such a policy and recognizing when it actually occurs. To ensure the CFO and Executive Director govern with accountability and informing the board, BoardSource recommends a few practices. Executive compensation must be formalized and review, this would ensure unwarranted salary increases don't occur. A whistleblower policy should be enforced, therefore allowing board members to speak out about the HUD grant's misuse (2016). Lastly, organizational governance successfulness can be achieved by the board with consistency in budget approval, executive evaluation, strategic planning, and bylaw review.

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