

## **A Framework for Legal and Administrative Oversight of NGOs**

The following is a brief discussion of the essential elements of a framework for legal and administrative oversight NGOs that is established in the spirit of creating a partnership between government and NGOs. The discussion also includes a section on the responsibility of Advisory Board members because such boards are an integral feature of sustainable and effective NGOs that play a critical role in ensuring transparency and linkages with the community.

### **The Contract**

When government establishes a partnership with an NGO, a contract should be used to confirm the expectations of the relationship, whether the partnership is established through a bidding or grant making process. The contract establishes the legal relationship between the partners and should also clearly delineate legal, financial, performance, and reporting requirements. Although it is important to allow the NGO flexibility in the way it implements its programs, the contract should clearly spell out what is expected and how and when monitoring and evaluation will occur. Specificity in the contract ensures that expectations are understood and agreed upon by all parties and allows government to hold the NGO accountable for meeting agreed upon requirements.

### **Program Oversight and Monitoring**

The contract should specify the performance standards that the NGO must meet and how and when monitoring will take place. Specific standards should be determined jointly between the members of the partnership and should include input from appropriate community stakeholders (see below). In general, standards can be grouped into two categories: 1) organizational, and 2) service or program performance standards.

### **Organizational Standards**

Organizational standards apply to the day-to-day operations of the organization and can be considered as “good business practices.” For an NGO to be successful, it must have the appropriate infrastructure in place to ensure financial and operational viability. Typically, areas for monitoring include: governance, fiscal management, human resource management, and quality improvement.

Oversight and monitoring of these areas should include a review of the NGO’s organizational chart; operating plan including identification of who will be served and how; strategic plan including vision and mission statement, goals, and objectives; financial record keeping; human resource management information systems including credentials and licensing of staff, training and supervision; risk management procedures; compliance with health and safety standards; policies and procedures; relationship to the community; and quality improvement processes.

## Service/Program Performance Standards

Service or program performance standards include financial and performance indicators that provide information about program performance. These measures should be directly related to the NGO's mission and display evidence that the program is meeting desired results.

NGO's will need to develop a systematic means of collecting, analyzing and reporting data on performance indicators. Management Information Systems (MIS) enable the NGO to track information on several different kinds of measures including inputs, outputs and outcomes. Inputs provide information on the resources that go into providing the service. Number and type of staff, funding, equipment and other types of resources that enable a program to function are examples of "inputs." Inputs should be monitored in relationship to outputs and outcomes to ensure efficient use of resources. Outputs provide information on the programs activities and participation. Output measures include activities such as the number of meetings, workshops, counseling sessions, trainings, etc. as well as the number of participants served by the program. Outputs provide information about how much a program is doing, but do not answer the question of how well. Outcome measures provide data on the program's results or its effect on conditions outside of the program. Outcome measures range from short to long term and include changes in knowledge, skills, attitudes, behaviors, policies, and societal conditions. Customer satisfaction surveys, needs assessments, and standardized assessment instruments may be used to gather outcome information.

## Stakeholders and Transparency

Stakeholders are those in the community with a vested interest in the service to be provided and may include representatives from other NGOs, local government, business, community groups, civic organizations, educators, consumers/users of services. Involvement of stakeholders in the planning and implementation of social services helps to ensure transparency and sustainability.

## Monitoring Process

Site visits are a common tool for periodic monitoring of contracted services. Site visits provide the opportunity for the local government to observe the strengths and weaknesses of the NGO and to identify problem areas that may require further attention. The contract should define the timeframes and parameters of monitoring site visits. Site visits may be performed more frequently in the beginning and become less frequent as the NGO provides evidence of success and accountability. Site visits may include the following:

- ❑ Credentialing: ensuring staff meets legal and contractual standards for training, education and licensure;
- ❑ Chart Audits: review random samples of records to ensure compliance with record-keeping requirements;
- ❑ Visual inspection of facilities for compliance for appropriateness and check of compliance with all health and safety codes;
- ❑ Direct observation of services;
- ❑ Interviews with administrators, staff and consumer groups; and

- Review of financial and human resource records and policy and procedures manuals.

Site visits should include a mechanism for corrective action and follow-up on any areas of concern or non-compliance.

## Written Reports

The contract should also require NGOs to provide periodic written reports of data obtained on performance measures including financial, organizational, and program standards. Reports should not simply report figures but should include analysis of performance measure data and highlight strengths and challenges of the program. The NGO should provide information on any major obstacles and its plans for addressing these issues. Reports may be required quarterly or annually and different information may be required for different reporting periods. Information contained in reports should be useful in evaluating the success of the program and provide data necessary to make management decisions about the future course of the program.

## Evaluation of Programs and Services

NGO's programs should be evaluated for compliance, efficient use of resources, reasonable efforts, and effectiveness of the program in meeting agreed upon performance standards. Program evaluations should be based on an analysis of information gathered from monitoring activities and should generate conclusions about whether the program is meeting the needs of its customers, its partners, and its community. Evaluation activities do more than increase program accountability. These activities should provide vital information for management decision-making. Additionally, monitoring and evaluation information should be shared with all levels of staff, consumer groups, and the community at large for better accountability and to enhance shared responsibility for program outcomes.

## Feedback Process

Evaluation is not a linear process, but should feedback into program improvement processes. Corrective Action Plans (CAPs) can be used to address performance areas that are not adequately met. CAPs should identify the problem area, how the NGO plans to address the deficit, and the timeframes for completion of these activities. CAPs are written documents that should be submitted to the partner in accordance with timeframes contained in the contract. Follow-up should take place to ensure that CAPs are implemented and that issues are resolved in an appropriate manner within agreed upon timelines.

## Performance Incentives and Penalties

Government may also consider the use of performance incentives and or penalties in correspondence with all or specific performance standards. NGOs may receive a financial incentive for meeting or exceeding performance standards as stipulated in the contract or be financially penalized for substandard performance. In order for incentives and/or penalties to be effective, performance criteria must be clearly defined and agreed upon by all parties involved. Additionally, information regarding the NGO's performance and resulting performance

incentives/penalties should be shared with all involved parties. Management and staff should be able to see the relationship between their performance and the corresponding outcomes, including incentives or sanctions.

## Research

Empirical research is also a useful tool in the development and evaluation of social service programs. Experimental designs can be used to examine causal relationships between services and the data collected on performance measures. Program evaluation based on outcome measures may indicate that a change has taken place, but does not allow determination of whether or not the service or intervention actually caused the result. Integrating experimental designs into program evaluation is a more reliable method of answering questions about what is working and what is not.

### **Summary: The purposes of evaluation are to ensure:**

- ❑ Compliance.
- ❑ Efficient use of resources.
- ❑ Reasonable efforts to meet contract requirements and desired results.
- ❑ Transparency.
- ❑ Program effectiveness.
- ❑ Appropriate information gathered during monitoring activities.
- ❑ Including information from stakeholders.
- ❑ Improved decision-making process.
- ❑ Sharing information with all levels of staff, consumer groups, other stakeholders, and the community at large to provide for transparency, accountability and to enhance shared responsibility for program outcomes.
- ❑ Linking performance standards to performance incentives and/or penalties.
- ❑ Empirical Research – experimental designs used to examine causal relationships between services/interventions and program results.

## Advisory Boards

One way that local government can enhance involvement of stakeholders is by ensuring that the NGOs with which they partner has advisory boards in place. Advisory boards should be representative of the community and may include community and business leaders, government officials, other social service agency representatives, and consumers. Advisory boards composed of diverse membership will be better equipped to represent the diverse interests of the community. Advisory boards can be used by the NGO to evaluate organization and program performance and to assist in decision-making processes. Some advisory boards make recommendations regarding budget decisions and agency policies and procedures.

The NGO and local government should solicit consumer group involvement in planning and evaluation. This can be achieved through anonymous customer satisfaction and needs assessment surveys or through focus groups participation. Consumer groups can provide valuable information on program results and their input should be taken seriously in making

programmatic decisions. Consumer groups may also organize and advocate for accountability and effectiveness of the programs that are developed to meet their needs.

Another way to better ensure accountability is by sharing program performance information with the general public. The community is impacted by the success or failure of social service programs in meeting consumer needs. Furthermore, the community may have a direct impact on the NGOs ability to meet performance goals. Program evaluation results should be shared with the community on a regular basis. Typically this is accomplished through an annual report publication that provides an overview of the organization and its financial and program performance.

## Roles in Monitoring and Oversight

### Government Roles

- ❑ Ensure accountability for public funds.
- ❑ Ensure compliance with legal requirements.
- ❑ Ensure needed services are provided.
- ❑ Ensure effectiveness of services.
- ❑ Engage in dialogue with NGO and stakeholders, including consumer groups, to examine needs and evaluate results.

### NGO Roles

- ❑ Meet the requirements of the contract.
- ❑ Collect, report, analyze and utilize legal, financial and performance information in the implementation of programs.
- ❑ Engage in dialogue with local government and stakeholders, including consumer groups, to examine needs and evaluate results.

### Advisory Board Roles

- ❑ Advise NGOs regarding organizations operations and assist in decision-making.
- ❑ Review financial information to ensure accountability.
- ❑ Representative of community/stakeholders.
- ❑ Diverse membership to represent diverse needs of community.

### Consumer Group Roles

- ❑ Involvement in planning and evaluation.
- ❑ Customer satisfaction surveys.
- ❑ Needs assessment surveys.
- ❑ Focus group participation.
- ❑ Should hold organizations and local government accountable for providing effective programs designed to meet their needs.

## **General Public/Community Roles**

- ❑ Information should be shared with the community in a format which is easily accessible and understandable.
- ❑ Community forums.
- ❑ Annual Reports.
- ❑ Needs Assessments.
- ❑ Satisfaction Surveys.
- ❑ Community's impact on success/failure of programs must be taken into consideration.

## **Responsibilities of Nonprofit Boards**

### **1. Determine the Organization's Mission and Purpose**

A statement of mission and purposes should articulate the organization's goals, means, and primary constituents served. It is the board's responsibility to create the mission statement and review it periodically for accuracy and validity. Each individual board member should fully understand and support it.

### **2. Select the Executive**

Boards must reach consensus on the chief executive's job description and undertake a careful search process to find the most qualified individual for the position.

### **3. Support the Executive and Review His or Her Performance**

The board should ensure that the chief executive has the moral and professional support he or she needs to further the goals of the organization. The chief executive, in partnership with the entire board, should decide upon a periodic evaluation of the chief executive's performance.

### **4. Ensure Effective Organizational Planning**

As stewards of an organization, boards must actively participate with the staff in an overall planning process and assist in implementing the plan's goals.

### **5. Ensure Adequate Resources**

One of the board's foremost responsibilities is to provide adequate resources for the organization to fulfill its mission. The board should work in partnership with the chief executive and development staff, if any, to raise funds from the community.

### **6. Manage Resources Effectively**

The board, in order to remain accountable to its donors, the public, and to safeguard its tax-exempt status, must assist in developing the annual budget and ensuring that proper financial

controls are in place.

7. Determine, Monitor, and Strengthen the Organization's Programs and Services

The board's role in this area is to determine which programs are the most consistent with an organization's mission, and to monitor their effectiveness.

8. Enhance the Organization's Public Standing

An organization's primary link to the community, including constituents, the public, and the media, is the board. Clearly articulating the organization's mission, accomplishments, and goals to the public, as well as garnering support from important members of the community, are important elements of a comprehensive public relations strategy.

9. Ensure Legal and Ethical Integrity and Maintain Accountability

The board is ultimately responsible for ensuring adherence to legal standards and ethical norms. Solid personnel policies, grievance procedures, and a clear delegation to the chief executive of hiring and managing employees will help ensure proper decorum in this area. The board must establish pertinent policies, and adhere to provisions of the organization's bylaws and articles of incorporation.

10. Recruit and Orient New Board Members and Assess Board Performance

All boards have a responsibility to articulate and make known their needs in terms of member experience, skills, and many other considerations that define a "balanced" board composition. Boards must also orient new board members to their responsibilities and the organization's history, needs, and challenges. By evaluating its performance in fulfilling its responsibilities, the board can recognize its achievements and reach consensus on which areas need to be improved.

Individual Board Member Responsibilities

- ❑ Attend all board and committee meetings and functions, such as special events.
- ❑ Be informed about the organization's mission, services, policies, and programs.
- ❑ Review agenda and supporting materials prior to board and committee meetings.
- ❑ Serve on committees and offer to take on special assignments.
- ❑ Make a personal financial contribution to the organization.
- ❑ Inform others about the organization.
- ❑ Suggest possible nominees to the board who can make significant contributions to the

work of the board and the organization.

- ❑ Keep up-to-date on developments in the organization's field.
- ❑ Follow conflict of interest and confidentiality policies.
- ❑ Refrain from making special requests of the staff.
- ❑ Assist the board in carrying out its fiduciary responsibilities, such as reviewing the organization's annual financial statements

### **Desirable Personal Characteristics of Board Members**

*Ability to:*

- ❑ Listen, analyze, think clearly and creatively, work well with individual people and groups.

*Willingness to:*

- ❑ Prepare for and attend board and committee meetings, ask questions, take responsibility and follow through on a given assignment, contribute personal and financial resources in a generous way according to circumstances, open doors in the community, evaluate oneself.

*Willingness to develop certain skills if you do not already possess them, such as to:*

- ❑ Cultivate and solicit funds; cultivate and recruit board members and other volunteers; read and understand financial statements; learn more about the substantive program area of the organization.

*Possess:*

- ❑ Honesty, sensitivity to and tolerance of differing views; a friendly, responsive, and patient approach, community-building skills; personal integrity; a developed sense of values; concern for your nonprofit's development; a sense of humor.

*Sources:*

Document retrieved 15 April 2003 from the University of Kentucky, Center for Nonprofit Leadership, Martin School of Public Policy and Administration:  
<http://www.uky.edu/Centers/Nonprofits/boards/BoardResponsibilities.doc>

Board Responsibilities taken from *Ten Basic Responsibilities of Nonprofit Boards*. Washington, DC: BoardSource, 1996. Board member responsibilities taken from *Six Keys to Recruiting, Orienting, and Involving Nonprofit Board Members*. Washington, DC: BoardSource, 1996.