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Nonprofit Risk Management Center
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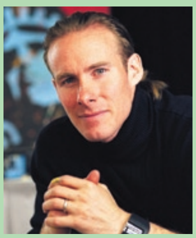
Risk Management ESSENTIALS

Tips, Knowledge and Tools for Nonprofit Organizations

2008 Risk Management and Finance Summit for Nonprofits

September 7–9th ■ Minneapolis, MN

Spotlight on Speakers!



This year's *Summit* is shaping up to be an exciting and engaging event: our best ever! The *Summit* always features engaging keynote speakers, excellent workshops and networking opportunities. This year the Center is pleased to announce that the kick-off keynote speaker is Erik Wahl. Erik is a recognized artist and speaker who challenges organizations to transcend mediocrity through creativity. His unique understanding of "vision" traces back to his training as an artist. Through this unique talent, Erik emphasizes that a clear vision is the key to successfully navigating tomorrow's uncharted waters.

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What's the Big Deal?

The Big Deal is Governance

By Jennifer Chandler Hauge

Whoa! What's happening? The IRS has just thrown its biggest punch in over 30 years. Is your nonprofit ready to take the hit?

With a quick one-two punch, the IRS has just stepped into the ring. Egged on by Congress, amidst a media-fueled public outcry, the IRS has acknowledged that the enforcement efforts of the past have simply not been sufficient to keep wayward nonprofits and self-serving board members in line. As a result, the IRS is mixing up its punches.

First, the IRS has completely revised the annual financial reporting form. The new IRS Form 990, [www.irs.gov/charities/article/0,,id=176613,00.html] complete with its proposed instructions [www.irs.gov/charities/article/0,,id=181091,00.html] demands a very detailed picture of, among other governance practices, a nonprofit's compensation practices, board member relationships and how boards conduct themselves in conflict of interest situations. Next, the IRS released final regulations on intermediate sanctions, clarifying what it views as private benefit and the penalties imposed when excessive compensation is paid to CEOs and board members and also when charities allow individuals or for-profit entities to take advantage of their tax exempt status. And just to clarify that it is serious about enforcement, the IRS has announced a complaint process [www.irs.gov/irs/article/0,,id=178241,00.html] so

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Technology: Boon or Bust?

By Jennifer Chandler Hauge, Senior Counsel and Director of Special Projects

During a recent weekend I spent 24 precious hours with two close friends who live in distant cities—hours that made us feel giddy, as if we had stolen them from our otherwise work and family-filled days. In order to spend that time together we turned off our cell phones, ignored email and basically refused to be members of the perpetually wired world. It felt great. But that feeling is in strong contrast to the message below, sent from a staff leader at a cultural institution, who shared how awful it feels when you lose access to your nonprofit's vitally important technology resources:

"Earlier this week, our nonprofit's database server crashed and we now find ourselves in a near-catastrophic situation. This completely unforeseen event has left us blindsided. We are unable to access our most critical software, including financial/accounting, fundraising and collections management systems. And, more disastrously, we are unsure of the condition of the data housed on the server and whether we will ever be able to recover it. This data comprises nearly *seven years* of accounting records, donor histories and collections data."

As the nonprofit telling this story describes above, too often nonprofits are unprepared for technological losses. Let the words above be a cautionary tale: Now your nonprofit has no reason not to be prepared.

Being risk aware means acknowledging what *has happened* and imagining what *could happen*. When it comes to technology, there are tremendous upside risks to investing in the latest and greatest equipment. But with the boost that high-tech provides comes the need to maintain your nonprofit's peak performance and protect against sudden losses that can happen in a nanosecond.

Technology risks are diverse so your risk-imaginings need to be free-wheeling, realizing how expansively your nonprofit uses technology. Could any of these situations happen at your nonprofit?

- Employees using screensavers depicting sexual content/graphics;
- Harassment via email, voice messages or instant messaging;
- Employees or volunteers driving distractedly while talking on their cell phones;
- Employees or volunteers using the nonprofit's computers to view websites that contain pornographic material;
- Employees or volunteers using the nonprofit's computers for their personal for-profit business activities;
- Employees using copyrighted photos or graphics without permission;

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Risk on the Road: Managing Volunteer Driver Exposures

Despite the high cost of gasoline, there is still a great need for volunteer drivers in many nonprofit programs. Whether the drivers are taking seniors to medical appointments or bringing meals or library books to those unable to leave their homes, opportunities abound for volunteers to fill a much-needed gap in transportation services in our communities.

At the Nonprofit Risk Management Center we often field calls from nonprofits concerned that they may be putting either volunteers or their nonprofit at risk because of the inherent danger connected with motor vehicle accidents. However, we are not aware of any study that demonstrates that the use of volunteer drivers is somehow more risky than other activities involving motor vehicles.

One factor that does seem to be an indicator of an increased risk of accidents is that a motor vehicle accident is more likely to occur when the driver is driving an unfamiliar vehicle—an indication that volunteer drivers driving their own cars may be less risky than asking a volunteer to drive an unfamiliar van filled with children for a field trip.

What Insurance Applies When Volunteer Drivers Use the Nonprofit's Vehicles?

We are also often asked, "Who can drive our vehicles?" The answer is that with the nonprofit's permission, *anyone* may use a vehicle owned by the nonprofit. No matter who is driving—employee or volunteer—the nonprofit's commercial auto insurance policy will apply to any accidents involving vehicles owned by the nonprofit. The policy should be examined closely. A nonprofit's commercial auto policy has three components: liability, physical damage on the vehicle itself (collision and comprehensive coverages), and medical payments for injuries to occupants of the nonprofit's vehicle. Nonprofit policy holders should review their policies with their brokers or agents to determine which specific losses are covered and where coverage gaps might lie. For instance, you may assume that your nonprofit's auto policy would provide coverage in the event a van were stolen, when in fact the coverage may exclude theft completely. The nonprofit's auto insurance will generally cover all vehicles both owned by the nonprofit. Many nonprofits also have coverage for "non-owned" vehicles (such as those that are leased or rented by the nonprofit or personal vehicle driven on the nonprofit's behalf.)

What Insurance Applies When Volunteers Drive Their Own Cars?

It is important to note that volunteer drivers, while using their own cars, will be covered initially by their own *personal auto insurance.* A volunteer's personal auto insurance for his/her own car will cover anyone named in a lawsuit arising out of the use of the personal auto, therefore, the nonprofit may also initially be covered by the volunteer driver's policy. However, in cases where a catastrophic injury occurs to a passenger or pedestrian when a volunteer driver is using her own car, the damages may exceed the driver's personal auto insurance limits. In that case, the nonprofit is vulnerable if it is named in a lawsuit resulting from the accident. Moreover, while a nonprofit may assume that a volunteer driver has adequate insurance, that may not be the case. Non-owned auto insurance will also cover the nonprofit if the volunteer driver's personal auto insurance policy has lapsed or been cancelled. For this reason, many nonprofits purchase **non-owned auto liability insurance**.

Non-owned auto liability insurance covers liability for accidents caused by an employee or volunteer driving their own vehicle on a nonprofit's behalf. The coverage is designed to protect only the nonprofit

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"…the effects of good or bad nonprofit governance cut across virtually everything we see and do in our work. It impacts whether the organization is operated to further exempt purposes and public, rather than private, interests. It dictates whether the organization's executives are compensated fairly or excessively. It influences whether the organization makes informed and fair decisions regarding its investments or its fund raising practices, or allows others to take unfair advantage…"

Remarks of Steven T. Miller, Commissioner of the IRS's tax-exempt and government-entities division, April 24th, 2008 at a Georgetown Law conference on tax-exempt organizations.

What's the Big Deal?
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that the public can report compliance concerns directly to the IRS. The IRS is sending a clear signal that nonprofit boards are being watched.[1]

As boards are being challenged to rethink governance, every nonprofit board should be thinking, "How are we demonstrating good governance practices?" and "How are we *communicating* what we are doing so that donors and the public are reassured?"

Focusing on the second half of this query—*how a nonprofit's governance practices are communicated*—is prudent risk management. At a recent gathering of lawyers who represent tax-exempt organizations, Steven T. Miller, Commissioner of the IRS's tax-exempt and government-entities division, explained that IRS investigations generally stem from responses on the 990 annual returns. On the new IRS Form 990, if a nonprofit answers "no" in response to various questions in Part VI relating to whether the nonprofit has a certain governance policy or practice, that 'no' response will be a trigger for heightened scrutiny which could lead to an IRS "compliance check" investigation or an audit. Similarly, if the nonprofit answers 'yes' but does not adequately explain how the policy is put in practice, the nonprofit leaves itself open not only for public questioning, but also for further scrutiny by the IRS. To many reading the form, the explanation of these governance practices will be as important as the numbers and names, and description of the nonprofit's mission and its charitable activities.

What Governance Practices Should Be Clearly Communicated?

Enlightened boards recognize that risk management runs through everything they do, from approving next year's budget to identifying future board leaders. They also realize that sound risk management starts with good governance practices. So for those boards that are *seeking* enlightenment, what should be on the 'to do' list?

Your Board's 'To Do' List Should Include These Governance Practices:

- **Review of Mission.** According to the instructions [www.irs.gov/pub/irs-tege/990_instructions_partsi_ii_040708.pdf] to the New 990, (Part 1, Line 1) the organization's reported "mission statement" should establish "why the organization exists, what it hopes to accomplish, who it intends to serve, and what activities it will undertake and where." Does your nonprofit's current mission statement communicate all those elements? If not, make sure that the mission and purpose reflected on the new 990 is expansive enough to answer the questions above.

- **Review of Executive Compensation.** Steve Miller, the IRS Commissioner with oversight for exempt organizations and government entities, likes to use the phrase, "climate of

1 Even the States are beginning to step up to the plate to respond to abuse and neglect in the board room. The Supreme Court for the State of Montana recently found that the board of the Bair Museum violated its fiduciary duty in closing down the museum in 2002. The State Attorney General argued successfully that the board did not spend enough money to maintain the museum and the Court ordered that the museum elect a new board and reconvene the board to make more appropriate judgments about the museum within six months.

transparency" when speaking of executive compensation. The New 990 requires full disclosure of the process the nonprofit uses to determine appropriate compensation. The instructions [www.irs.gov/pub/irs-tege/990_instructions_partvi_040708.pdf] to Part VI, Line 15 of the New 990 outline the three critical steps boards are expected to take when reviewing and approving compensation for senior staff and any insiders (such as board members) who are compensated. Those steps are: (1) review and approval by the governing body or compensation committee of the compensation for any person who is a top manager of the nonprofit (and arguably any outside contractor or vendor who is paid significant compensation); (2) review of "comparable compensation" data for "similarly qualified persons in functionally comparable positions" at "similarly situated organizations"; and (3) "contemporaneous documentation and recordkeeping with respect to the deliberations and decisions regarding the compensation arrangement." These three steps are the procedures the IRS will expect all boards to follow whenever compensation to senior managers or board members is approved.

- **Review of the Annual Form 990.** The New 990, (Part VI, Line 10) expects nonprofits to disclose whether or not the board reviewed the 990 prior to filing,[2] and to describe in Schedule O the procedure that the board follows to review the IRS Form 990, regardless of whether the board reviewed the 990 before or after filing. The instructions [www.irs.gov/pub/irs-tege/990_instructions_partvi_040708.pdf] clarify that the description should include who reviewed the form, when it was reviewed, and "the extent" of any review. Note that if no review by the board was conducted, a big fat "No" will dance across the page, calling into question the board's involvement (or lack of) in financial oversight of the nonprofit.

- **Review of Board Composition and Board Relationships.** In a clear effort to increase the transparency of board operations, the New 990 ventures into territory that was previously uncharted by requiring nonprofits to disclose business and family relationships among and between members of the organization's governing body. If such relationships exist, the nonprofit must respond, "Yes" in Part VI, Line 2, and then explain the details of the relationship on Schedule O. The instructions [www.irs.gov/pub/irs-tege/990_instructions_partvi_040708.pdf] to Line 2 permit the nonprofit to disclose merely "family relationship" or "business relationship" without any more detail. However to answer this question nonprofits will have to become more conscious of relationships between trustees/directors and the disclosure of such relationships may result in challenges to the objectivity of the board's operations.

- **Adoption of a Conflict of Interest Policy and Active Review of All Conflict Situations.** In addition to disclosing whether or not the nonprofit has a written conflict of interest policy, the instructions [www.irs.gov/pub/irs-tege/990_instructions_partvi_040708.pdf] to the New 990 (Part VI, Line 12c) direct nonprofits to explain in Schedule O how the organization monitors conflict situations and the process used to determine who may have a conflict. The description of how the nonprofit manages conflicts should include an explanation of how recent conflicts were disclosed at board meetings and what happened, such as whether the person with the conflict participated in any discussions or decisions about the transaction in question. This reporting requirement mandates that all boards become more diligent about recording the details of conflict discussions in board meeting minutes. Complete disclosure on the 990 will require such details as who had the conflict, who recused themselves and who voted. As a result, just reading Schedule O will provide a succinct testimonial of whether a nonprofit is handling conflicts of interest appropriately.

- **Confirm Compliance with Public Disclosure Requirements.** Tax-exempt organizations are required to publicly disclose, upon request, their three most recently filed Form 990s and 990-Ts and the organization's application for tax-exemption, with related correspondence. The New 990 asks not only whether the nonprofit has complied with this requirement but also whether the nonprofit makes other documents, such

> "In a clear effort to increase the transparency of board operations, the New 990 ventures into territory that was previously uncharted by requiring nonprofits to disclose business and family relationships among and between members of the organization's governing body."

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as the organization's financial statements and conflict of interest policy, publicly available. The instructions [www.irs.gov/pub/irs-tege/990_instructions_partvi_040708.pdf] to Part VI, Line 18 and 19 acknowledge that not all these documents are required to be disclosed, but directs nonprofits to explain on Schedule O whether and how such documents are made available to the public. If the nonprofit reports that such documents are not made publicly available, that may irritate some watchdogs and put pressure on the nonprofit to be more transparent.

- Review of contracts or agreements with independent contractors, consultants and affiliated organizations (such as chapters).

If your nonprofit is not quite ready to take a hit from the IRS on any of these practices, there is still time to get your governance practices in shape. Exempt organizations will begin using the new 990 for the 2008 tax year (which will be filed in 2009), however, use of the new form will be phased in over the next three years. Smaller organizations will be able to file either the new 990 or the current 990-EZ (see chart).

Congratulations if your organization is ready to rumble with the new 990, but don't despair if it's not. The Nonprofit Risk Management Center offers consulting services, including affordable and customized policy development assistance on all of the governance practices mentioned in this article. Feel free to give us a call to discuss how a risk assessment and recommendations by the Center can ensure that your governance practices won't raise a red flag on the new 990.

May file 990-EZ for:	If gross receipts are:	If assets are:
2008 tax year (filed in 2009)	> $25,000 and < $1 million	< $2.5 million
2009 tax year (filed in 2010)	> $25,000 and < $500,000	< $1.25 million
2010 and later tax years	> $50,000 and < $200,000	< $500,000

The governance practices described above are only some of the prudent risk management steps that compliance with the new 990 will encourage, if not require. Others include:

- Adoption of a whistleblower protection policy;
- Adoption of a document retention and destruction policy;
- Adoption of a gift acceptance policy;

2 Note that in several states, including Washington, New Jersey and Minnesota, review of the 990 by the board or officers of the organization is either explicitly or implicitly required since the 990 is often attached to financial reports that are filed with the state.

Have a question? This article was prepared by Jennifer Chandler Hauge, the Center's *Senior Counsel and Director of Special Projects*. For more information about the Center's recommendations for governance practices, give Jennifer a call at (202) 785-3891 or write to: Jennifer@nonprofitrisk.org.

2008 Summit
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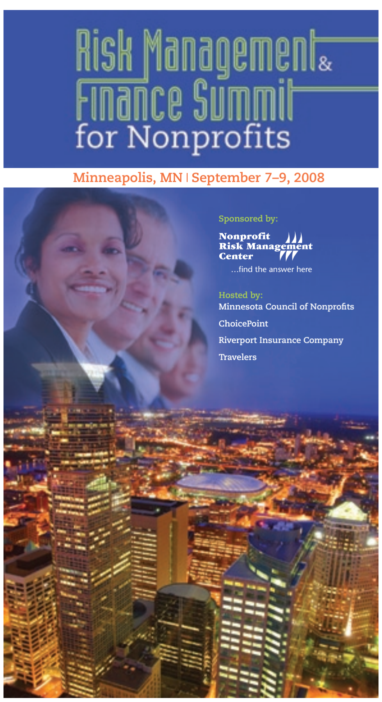
Attendees at the *Summit*'s kickoff keynote session will be treated to "The Art of Vision," a program specifically designed to help organizations utilize unconventional wisdom and build a vision for their future. By breaking apart traditional thinking, Erik challenges and inspires his audience to redefine commonly held assumptions and misconceptions about "creativity," "goals," "success" and "vision." Erik will show how you and your organization can discover creative skills and identify a personal style for inspiring yourself and others to rethink vision and purpose. The principles in this uplifting and highly practical program will redefine the role of a leader as an artist as well as an architect and visionary.



After a full day of day of training and networking, it's time to take in the sites of vibrant Minneapolis. Minneapolis offers something for everyone! The Minneapolis Marriott City Center is conveniently located in the heart of a city that is thriving with culture, entertainment, shopping and nightlife. The Marriott City Center is connected to it all through the largest glass tunnel walking system in the world, linking nearly 80 blocks of downtown attractions.

- Among the many nearby attractions is the Walker Art Center and Sculpture Garden. The Museum offers several galleries showcasing an impressive collection of fine art and a free, four-acre public park featuring a lovely sculpture garden.

- The Guthrie Theater is perfect for culture vultures. The Theater has been called "a 21st century dream factory" by *Time* magazine. The Theater boasts three stages, featuring some of the best talent in the City.

- For shopping and site-seeing, Nicollet Mall is an 11 block pedestrian mall that is home to world-class shopping and dining. Nicollet Mall and nearby Hennepin Avenue form the heart of downtown Minneapolis. Nicollet Mall is also home to the iconic Mary Tyler Moore statue.

- Tired of walking? You and your group might enjoy a leisurely riverboat cruise on the 125-passenger Minneapolis Queen floating down the Mississippi River. This brand new paddle wheeler is the perfect way to experience the history of beautiful downtown Minneapolis.

We encourage you to book your hotel accommodations early at the Marriott City Center, as we anticipate that rooms will fill quickly! To reserve your room, go to **www.nonprofitrisk.org**, highlight on the "Training" Tab at the menu bar, scroll down to "Annual Conference" and click on the link for the Marriott.

We'll see you in Minneapolis!

Photo credits (clockwise from left): Skyline of Minneapolis on brochure cover: Bruce Challgren/ Meet Minneapolis; Guthrie Theater: Roland Halbe; Nicolett Mall: MeetMinneapolis.com; Jonathan Padelford Boat: MeetMinneapolis.com

Technology: Boon or Bust?
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- Data loss through a system crash, or a virus;
- Identity theft due to spyware on the nonprofit's system that captures financial and personal information, including keystrokes that can unlock staff passwords;
- The invasion of your nonprofit's web site by Click Fraud (pop-up ads that just keep multiplying when you try to close them);
- Someone hijacking your nonprofit's web site and changing its look or content;
- Use of email by employees for solicitations/union organizing;
- An employee's personal blog discusses work-related issues and identifies the nonprofit and colleagues by name.

Insurance for Cyber Losses

Cyber insurance protects against damages to computers and computer systems caused by human error or as a result of malicious attacks and crimes, including fraud, unauthorized access, theft of customer information and Web site sabotage. Loss of income from the interruption of your day-to-day activities, damage to data making it unrecoverable, and potential lawsuits are just some of the financial fallouts that may result from a data loss event.

While nothing can replace data that is permanently lost, or prevent a third party from bringing a lawsuit for losses they sustained when your computer system was breached, insurance products exist that can take some of the financial pain of the experience down a notch.

Most ordinary commercial general liability, and property and casualty liability policies won't cover data loss suffered by the nonprofit because electronic data is excluded from the definition of "tangible property." This means that nonprofits seeking insurance for cyber losses must find a special policy tailored to address computerized data losses.

- In some states (California and New York) "media" insurance policies are harder to come by. In most other states, separate data loss policies are more readily available, assuming that the nonprofit already has a back-up system in place to begin with. Luckily these special products are relatively inexpensive—a basic annual premium may be less than $1,000.
- To protect against lawsuits brought by third-parties, nonprofits can buy insurance that expressly covers the risk of causing a third party to suffer a data loss. That insurance may be called "internet liability," "cyber liability," or "network security" liability insurance.
- With the right insurance coverage for loss of computerized data your nonprofit may be able to:
  - Pay for staff time to re-enter data into a new database
  - Replace hardware that was damaged or destroyed
  - Pay a computer specialist to repair or resurrect a crashed or stolen file server
  - Pay for staff time to notify all customers or clients to let them know about a security breach
  - Pay for the cost of equipment needed to restore your nonprofit to the position it was in prior to the data loss event.
- With insurance for third-party liability suits your nonprofit may be able to:
  - Transfer much of the cost of defending the lawsuit to the insurance carrier
  - Pay the injured party the damages they claim resulted from a computer security breach or data loss affecting your nonprofit's computer system.
- For more information about data loss insurance policies, contact your broker or agent.

Enhancing the public's awareness of your nonprofit's activities and mission is one of the great byproducts of technology. It's easy to just "google" the name of a nonprofit and find all sorts of wonderful information with a few keystrokes. Those same keystrokes can undo many months and thousands of dollars of graphic design work, if your nonprofit has not taken steps to protect its web site. A malicious hacker can place unseemly content on your nonprofit's web site. Make sure that more than one person knows how to "shut down" your nonprofit's web site (if your web server is on the premises) and that employees and volunteers help guard the nonprofit's integrity and reputation by reporting anything unusual that appears on the web site. Links from your nonprofit's web site to other sites can be misdirected or the links can become stale which impacts the impression viewers have when they visit your nonprofit's web site. Someone should be charged with the responsibility to conduct a regular review of all links from your nonprofit's web site. In order to claim the protections afforded by copyright laws, rigorous enforcement of any unauthorized use of your nonprofit's name and logo is a must. Periodically conduct a search of your nonprofit's name on the internet and see what comes up. Don't let others use logos that are similar to yours—your reputation and branding as a service provider to the community can be damaged.

Policies as well as vigilance are needed to protect the nonprofit's intellectual property, brand identity and good will in the community. Technology policies that are helpful in safeguarding a nonprofit's reputation include.

- **Code of Conduct** for employees
- **Photo and Video Image Policy and Release.** Photos and video images should be used on web sites (and in print) only with permission of the subject. If the subject is a minor, then parents or guardians should sign the release.
- **Blog Policy.** Employees who blog can damage the nonprofit's reputation. A blog policy can require approval prior to publication of any content that mentions the nonprofit. Employees should not blog on the nonprofit's computers or during work time, unless the blog is sanctioned by the nonprofit. (For more on blog policies see the Winter 2008 edition of *Risk Management Essentials*).
- **Responsible Use of Technology Policy.** The nonprofit's computers should not be used for illegal or inappropriate activity. When a policy spells out what is not permitted, volunteers and employees' use of computers and other technology is less likely to be inappropriate and employees/ volunteers can be terminated for violations of the policy.

Policy Checklist

- Privacy Policy for Web Site
- Terms of Use
- Web site Disclaimer and Notice to Viewers of Proprietary Information
- Web site links, web links disclaimer
- Confidentiality
- Code of Conduct
- Responsible Use of Technology Policy and Employee Acknowledgment form
- Internet Access Agreement (for clients who are minors and are using the nonprofit's computers during a program or activity sanctioned by the nonprofit)
- COPPA (Children's Online Privacy Rights Act) Compliance Procedures
- Product Endorsement Policy
- Corporate Sponsorship Policy
- No-solicitation policy

Additional helpful checklists and sample policies are available from the Center's full length publication, *Full Speed Ahead: Managing Technology Risk in the Nonprofit World* [http://nonprofitrisk.org/store/full-speed-ahead.shtml] which is currently available at a special promotion price of $10. Need help with a customized risk assessment for your nonprofit's technology risks or help developing appropriate policies to manage those risks? The Center can lend a hand. Send us an email! [info@nonprofitrisk.org] Protecting your investment in technology is prudent risk management.

Risk on the Road
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organization, not the employee or volunteer. Coverage applies above the liability limits of the vehicle owner's personal automobile policy. There is no coverage for damage to the vehicle that is not owned by the nonprofit. To really circle the wagons and close the coverage loop, some carriers will provide an endorsement on non-owned auto policies that add the volunteer who drives his or her own car on the nonprofit's business as an additional insured under the nonprofit's non-owned auto policy. This provides coverage in excess of the volunteer's own policy limits.

Non-owned auto insurance is critical for any nonprofit that uses volunteer drivers who drive their own cars, or those nonprofits that expect employees to use their own cars for work-related transportation.

Does State Law Limit Liability for Volunteer Drivers?

Some state laws limit volunteer liability when volunteers are providing services for tax-exempt charitable organizations, however, exceptions abound. For instance, in many states while there may be charitable protection for volunteers, the protection does not apply when volunteers are operating motor vehicles. In other states, the protection does not apply at all. For a summary of state liability laws relating to volunteer transportation programs, visit the web site of the National Conference of State Legislatures, "Information for State Volunteer Driver Liability Laws." [www.ncsl.org/programs/transportation/SVDLLaws.htm#md]

What Risk Management Steps Should Be Considered For Volunteer Drivers?

The Nonprofit Risk Management Center is pleased to share some volunteer driver risk management tips published on the web site of its newest satellite program, the Toronto-based *Insurance and Liability Resource Centre for Nonprofits* [http://insuranceinfo.imaginecanada.ca/?q=en/node/387]. The *Resource Centre* correctly points out that the more miles volunteers drive, the greater the vulnerability for the nonprofit and

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> "If you are not sure whether the use of a vehicle is covered by your nonprofit's commercial auto liability policy, ask your broker. Also be sure to tell your broker or agent all the ways the nonprofit uses cars or vans for transportation—whether for staff or clients—and be sure to disclose how volunteers are used in connection with transportation."

Risk on the Road
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its clients to accidents and injury. Additionally, when volunteer drivers are providing transportation to children or vulnerable adults, there are safety considerations that won't be present when drivers have no passengers in their autos. All these factors should shape the volunteer driver screening process, as well as orientation and training.

Screening volunteer drivers is an important risk management process that demands attention. Nonprofits that use volunteer drivers must determine the level of screening that is appropriate for the role that volunteer drivers will play. For instance, drivers who transport clients, especially minor children, and those transporting multiple clients in vans, should be subject to much more stringent screening, background checking, and supervision, than a volunteer who drives his or her own car to transport equipment to a local park for a "clean up the lake" work day. Ask your broker or agent whether your nonprofit's commercial auto insurance carrier provides guidance on screening procedures for volunteer drivers. The Center can also provide you with helpful information and practical procedures customized for your volunteer driving program.

In addition to screening and supervision, here are some straightforward "Smart Tips" http://insuranceinfo.imaginecanada.ca/?q=en/node/388 that every nonprofit can take to manage the risk that an unprepared driver will be behind the wheel.

- **Identify a Driving Program "Supervisor" or Coordinator** to assign and, if necessary, terminate volunteer drivers. This person will have to enforce policies and procedures, put together training sessions, conduct spot checks by phone or in person, carry out annual evaluations as your program grows and develops, and make important decisions such as when to cancel a volunteer's driving duties due to inclement weather. Visit http://insuranceinfo.imaginecanada.ca/node/398 for other ideas provided by the *Insurance and Liability Resource Centre* for how to use a "Volunteer Driving Supervisor."

- **Screening.** Basic core qualifications for volunteer drivers need to be determined to ensure that inexperienced drivers are disqualified and that every driver provides proof of a valid license and up-to-date vehicle registration. A formal orientation and training program should be required for all volunteer drivers, and the nonprofit needs to determine which driving infractions will disqualify a volunteer, and whether a formal driving records check is required for eligibility to volunteer. Visit http://insuranceinfo.imaginecanada.ca/node/399 for a comprehensive list of screening procedures suggested by the *Insurance and Liability Resource Centre.*

- **Create Guidelines for Conduct.** There are a host of issues that should be addressed with volunteers, such how and whether they are responsible for assisting clients in and out of vehicles, whether they should be alone with clients, and how many passengers may be transported at one time. Visit http://insuranceinfo.imaginecanada.ca/?q=en/node/404 for ideas provided by the *Insurance and Liability Resource Centre* for what might be included in Guidelines for Volunteer Drivers.

- **Volunteer Driver Pledge Form.** Having volunteers sign a pledge form that spells out exactly whose insurance is responsible and that the volunteer agrees to maintain his/her vehicle in good condition can go along way to protecting the nonprofit as well as managing the expectations and guiding the prudent conduct of volunteers. Visit http://insuranceinfo.imaginecanada.ca/?q=en/node/405 for an excellent list compiled by the *Insurance and Liability Resource Centre* of issues to consider including in such a form. A sample Pledge Form is reprinted below.

- Educate volunteers about their own insurance limitations and coverages, as well as the limitations of the nonprofit's coverage. Enlist the help of your broker or agent to outline what the nonprofit's own auto insurance does and does not cover and make sure to manage volunteer drivers' expectations about what the nonprofit's insurance does—and does not—cover.

- **Incident and Accident response.** Volunteers need to know what emergency procedures to follow if there is an accident while they are driving on behalf of the nonprofit and simple procedures for keeping themselves and any passengers, as safe as possible. Visit http://insuranceinfo.imaginecanada.ca/?q=en/node/408 for suggestions from the *Insurance and Liability Resource Centre.*

- Other volunteer driver program suggestions, such as how to monitor and evaluate driver safety are also available from the *Insurance and Liability Resource Centre's* website.[http://insuranceinfo.imaginecanada.ca/?q=en/node/408]

If all this sounds overwhelming, it need not be. There are resources available to help nonprofits design effective volunteer transportation programs, including the nonprofit's own insurance professionals. Additionally, staff at the Nonprofit Risk Management Center can provide an objective assessment of risks associated with your nonprofit's transportation activities, and review the nonprofit's auto insurance program, or help your staff determine what policies will most effectively protect all involved.

Consider using a Volunteer Driver Pledge such as this one to manage your volunteer drivers' expectations and enlist their cooperation for a safe transportation program.

Sample

Volunteer Driver Pledge Card

As a volunteer for [Name of Nonprofit], I understand that my safety and the safety of others is paramount. I understand that driving as a volunteer is a privilege, not a right and therefore, I agree to:

1. Provide evidence of my current status as a licensed driver in [insert Name of State]
2. Comply with all of [Name of Nonprofit]'s policies and procedures and any directions provided by my supervisor;
3. Comply with all laws and regulations concerning driving, including laws pertaining to the use of seat belts, child safety seats, cell phone use, and speed limits;
4. Promptly notify my supervisor of any physical conditions, vehicle defects, or road conditions that might affect my safety or the safety of those I am driving;
5. Notify my supervisor of any traffic citations I receive—even if given while driving on my personal time;
6. Attend driver training at the request of [Name of Nonprofit];
7. If involved in an accident, I agree to complete an Accident Report provided by [Name of Nonprofit] and to cooperate with the police, my supervisor, and [Name of Nonprofit]'s insurer, its insurance adjusters and attorneys.

I pledge that if I drive my own vehicle on behalf of [Name of Nonprofit], adequate insurance will always be in force; and I also understand that as a volunteer driver, the limits and coverages provided by my personal automobile insurance are applicable to any accidents or incidents that involve my vehicle, including those that occur while I am serving as a volunteer driver for [Name of Nonprofit].

Signature____________________________________ Date_______________

- If the volunteer will be driving his/her own vehicle, the nonprofit should also obtain a copy of the volunteer's current auto insurance policy and vehicle registration.

The Nonprofit Risk Management Center is available to assist your nonprofit with the development of appropriate policies and guidelines for your volunteer driving program. For further resources and answers to your questions, contact us! info@nonprofitrisk.org.

The Center is grateful to David Szerlip of David Szerlip and Associates, an insurance specialist serving the nonprofit social service community, for assistance with this article.

Professional Development and Training Calendar

Fill out your 2008 calendar with professional development and training opportunities brought to you by the Nonprofit Risk Management Center. You won't want to miss any of these.

REGIONAL CONFERENCES

The Center's 2008 Spring Regional Conferences will be held during May–June 2008. Preliminary details on these recent events are featured below. To inquire about hosting a one or two-day risk management conference in your community, contact Melanie Herman via e-mail at Melanie@nonprofitrisk.org.

May 28
Risk Management & Finance Essentials for Nonprofit Leaders
Phoenix, AZ

Hosted by: Berkley Risk Administrators Company, LLC

May 29
Risk Management & Finance Essentials for Nonprofit Leaders
Tucson, AZ

Hosted by: Berkley Risk Administrators Company, LLC

June 10
Risk Management & Finance Essentials for Nonprofit Leaders
Dallas, TX

Hosted by: Center for Nonprofit Management and Texas Association of Nonprofit Organizations

June 11
Risk Management & Finance Essentials for Nonprofit Leaders
Little Rock, AR

Hosted by: Arkansas Coalition for Excellence

June 12
Risk Management & Finance Essentials for Nonprofit Leaders
Springdale, AR

Hosted by: Arkansas Coalition for Excellence

June 19, 2008
Risk Management & Finance Essentials for Nonprofit Leaders
Billings, MT

Hosted by: Montana Nonprofit Association

June 26–27
Risk Management & Finance Essentials for Nonprofit Leaders
Kennebunkport, ME

Hosted by: Maine Association of Nonprofits and New Hampshire Center for Nonprofits

WEBINARS

High-quality, monthly training delivered right to your desktop.

The series of 12 topics is ideal for in-service training, risk-management skills polishing and orienting senior management and board members to individual aspects of managing risks in nonprofit organizations.

Risk Management & Finance Summit for Nonprofits

Minneapolis, MN | September 7–9, 2008

The Center has delivered a dozen annual meetings (formerly the *Nonprofit Risk Management Institutes* and then the *Risk Management and Finance Summit for Nonprofits).* The three-day event comprises keynote speakers, workshops, networking opportunities and a helpful exhibit hall provided by the corporate sponsors, whose participation makes our reasonable, nonprofit-friendly registration fees possible.

Hosted by: the Nonprofit Risk Management Center, the Minnesota Council of Nonprofits, ChoicePoint, Riverport Insurance Company, and Travelers.

We encourage you to book your hotel accommodations early at the Marriott City Center, the site of the *Summit*, as we anticipate that rooms will fill quickly! To reserve your sleeping rooms at the Marriott City Center, go to www.nonprofitrisk.org, Training Tab, Annual Conference and click the link for the Marriott.

Features

- A new topic each month. (See below for full list.)
- 60-minutes of content with continuous live chat
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Topics

June 4
Whistleblowers and Retaliation Claims: Policies That Protect Your Nonprofit

July 2
Reviewing Financial Transactions: Board and Staff Roles in Internal Controls and Audit Functions

August 6
Benefits in the Nonprofit Workplace: Balancing Risk and Reward

September 3
Background Checking and Your Nonprofit

October 1
Managing the Risks of Deploying Youthful Volunteers

November 5
Managing Fundraising Risks

December 3
Managing Special Event Risks

PUBLIC ENTITY RISK INSTITUTE
PERI

The Center is grateful to the Public Entity Risk Institute (www.riskinstitute.org) for providing a generous grant to support the 2008 Web Seminar series.

New Canadian Satellite Office Brings International Perspective

Expanding on its international reputation as the 'go-to' resource for risk management products and advice for the North American nonprofit sector, the **Nonprofit Risk Management Center** has recently welcomed the *Insurance & Liability Resource Centre for Nonprofits* [http://insuranceinfo.imaginecanada.ca/?q=en/node/123] located in Toronto, as one of the Center's newest satellite offices. The Center offers its satellite offices and their members and clients technical support, as well as access to risk management products and services that complement their existing member benefits. The satellite programs provide the Center with a more localized hub for dissemination of risk management education and resources, and also share with the Center information on risks facing the nonprofit sector gleaned from a regional and local perspective.

Melanie Lockwood Herman, the Center's Executive Director explains: "We are excited about the addition of the *Insurance & Liability Resource Centre for Nonprofits* as a satellite office because it will expand our already considerable knowledge base to include field experience from Canadian nonprofits and insurance companies. Shared knowledge is always more powerful. With volunteers traveling internationally for service programs, and nonprofits in the US expanding their work around the world, we can anticipate that partnerships such as ours with the *Resource Centre* in Canada will be increasingly helpful to all of us."

The *Resource Centre* is located in Toronto, Ontario, and is part of a partnership that includes the Government of Ontario, Imagine Canada, the Insurance Bureau of Canada, the Insurance Brokers Association of Ontario, and Ryerson University's Centre for Voluntary Sector Studies. The Centre will host a "super workshop" on Risk Management on June 5th at the Ted Rogers School of Management at Ryerson University in Toronto featuring Herman as the special guest speaker. For more information about the workshop, contact DHartley@imaginecanada.ca.

The Center's Satellite offices in the United States are:

- Nonprofit Resource Center of Alabama, www.nrca.info
- Arkansas Coalition for Excellence, www.acenonprofit.org
- California Association of Nonprofits, www.canonprofits.org
- Maine Association of Nonprofits, www.nonprofitmaine.org
- Michigan Nonprofit Association, www.mnaonline.org
- Minnesota Council of Nonprofits, www.mncn.org
- Center for Non-profit Corporations (New Jersey), www.njnonprofits.org
- Council of Community Services of New York State, www.ccsnys.org
- North Carolina Center for Nonprofits, www.ncnonprofits,org
- South Carolina Association of Nonprofit Organizations, www.scanpo.org
- Texas Association of Nonprofit Organizations, www.tano.org

Together the Center and its satellite programs serve more than 100,000 nonprofits, from small, all-volunteer programs to large education, social, and human service providers as well as churches, faith-based organizations and grant-makers.

RISK MANAGEMENT MARKETPLACE

Inclusion in the Marketplace does not constitute an endorsement by the Nonprofit Risk Management Center. To inquire about space availability, contact Melanie@nonprofitrisk.org

RISK MANAGEMENT MARKETPLACE

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Products/Publications Order Form

	Price	No.	Total
NEW! Coverage, Claims & Consequences: An Insurance Handbook for Nonprofits, *2nd Edition*	$30.00		
NEW! Financial Risk Management: A Guide for Nonprofit Organizations	$25.00		
Taking the High Road: A Guide to Effective & Legal Employment Practices for Nonprofits—*2nd Edition*	$45.00		
Staff Screening Tool Kit—*3rd Edition*	$30.00		
The Season of Hope: A Risk Management Guide for Youth-Serving Nonprofits	$30.00		
Managing Facility Risk: 10 Steps to Safety	$15.00		
No Surprises: Harmonizing Risk and Reward in Volunteer Management—*4th Edition*	$15.00		
Pillars of Accountability: A Risk Management Guide for Nonprofit Boards—*2nd edition*	$12.00		
Playing to Win: A Risk Management Guide for Nonprofit Sports & Recreation Programs	$20.00		
Ready in Defense: A Liability, Litigation and Legal Guide for Nonprofits	$20.00		
A Golden Opportunity: Managing the Risks of Service to Seniors	$20.00		
Vital Signs: Anticipating, Preventing and Surviving a Crisis in a Nonprofit	$20.00		
Risk Management Essentials Series* (free shipping)	$129.00		
Risk Management Classroom (or purchase at www.RiskManagementClassroom.org)	$179.00		
My Risk Management Plan (or purchase at www.MyRiskManagementPlan.org)	$139.00		
Nonprofit CARES™—Version 2.0 (or purchase at www.nonprofitrisk.org)	$89.00		
E-News—free e-mailed newsletter (sign up at http://visitor.constantcontact.com/email.jsp?m=1101479661768)	$0.00		
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Visit **www.nonprofitrisk.org** for a complete description of all current titles, including tables of contents. Also available: e-books—download our current titles and save shipping and handling costs.

*The Risk Management Essentials Series includes: *Coverage, Claims & Consequences; Staff Screening Tool Kit; Pillars of Accountability; No Surprises; Ready in Defense;* and *Vital Signs.*

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Risk Management ESSENTIALS

Tips, Knowledge and Tools for Nonprofit Organizations

Please route to:

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- ☐ Director of Volunteers
- ☐ Risk Manager
- ☐ Legal Counsel
- ☐ Human Resources
- ☐ Finance/Administration

Prepared for distribution to:

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- Big Brothers Big Sisters of America
- Boy Scouts of America
- California Association of Nonprofits
- Center for Non-Profit Corporations, Inc
- Council of Community Services of New York State, Inc.
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- Michigan Nonprofit Association
- Minnesota Council of Nonprofits
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- North Carolina Center *for* Nonprofits
- Texas Association of Nonprofit Organizations

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