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Voluntary health and welfare organizations; Consulting services practice aid, 92-9

American Institute of Certified Public Accountants. Management Consulting Services Division

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AICPA

**CONSULTING SERVICES
PRACTICE AID 92-9**

Industry Consulting

***Voluntary Health
and Welfare
Organizations***

Management Consulting Services Division

AMERICAN

INSTITUTE OF

CERTIFIED

PUBLIC

ACCOUNTANTS

NOTICE TO READERS

This practice aid will be integrated into a manual for consulting services issued by the AICPA and is numbered for that purpose. It is designed as educational and reference material for Institute members and others who provide *consulting services* as defined in the Statement on Standards for Consulting Services (SSCS) issued by the AICPA. It does not establish standards or preferred practices.

Consulting Services Practice Aids continue the series of MAS Practice Aids. The change in the numbering system of these series reflects the change of the division name from Management Advisory Services (MAS) to Management Consulting Services (MCS), rather than the discontinuing of any publications in a series.

Various members of the 1990-1991 AICPA MAS Technical and Industry Consulting Practices Subcommittee provided information for this practice aid and advised the authors and staff. The subcommittee members are listed below.

Edward J. Dupke, *Chairman*
Elizabeth S. Hager
Richard J. Jagusztyn
Kevin M. Keliher
Sara S. Lankford

Jay H. Loevy
Julian I. Rosenberg
Ronald L. Seigneur
Mark R. Thaw

The subcommittee gratefully acknowledges the contributions made to this practice aid by former member Robert P. Evans, the principal author. Mr. Evans devoted significant time and effort to this project after his subcommittee service was completed.

John R. Hudson, *Vice President*
Technical Standards and Services

Monte N. Kaplan, *Technical Manager*
Management Consulting Services

Steven E. Sacks, *Technical Manager*
Management Consulting Services

William J. Moran, *Editor/Coordinator*
Management Consulting Services

AICPA

Industry Consulting

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PRACTICE AID 92-9**

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Management Consulting Services Division

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PREFACE

This practice aid is one in a series providing practitioners with information about a particular industry, its typical consulting services engagement opportunities, and additional information on the sources of industry and technical engagements. The practice aid's purpose is to assist practitioners in identifying pertinent issues as well as the resources needed for engagements involving a particular industry.

Although these practice aids often deal with aspects of consulting services knowledge in the context of a structured consulting engagement, they are also intended to be useful to practitioners who provide advice on the same subjects in the form of a consultation. Consulting services are defined in the Statement on Standards for Consulting Services (SSCS) issued by the AICPA's Management Consulting Services (MCS) Division.

This series of Industry Consulting Practice Aids should be particularly helpful to practitioners who are considering (a) offering initial or additional consulting services to clients in an industry, (b) offering consulting services to clients who are entering or considering entry into the industry, (c) expanding their practice by marketing services to potential clients in the industry, and (d) undertaking a cooperative engagement by arranging for an industry specialist from outside the firm to assist a client. For readers employed in the industry, Industry Consulting Practice Aids may be useful in providing advice to management.

These practice aids do not purport to include everything about an industry that a practitioner needs to know to become expert in providing services to that industry. Current conditions in an industry may vary from those at the time the practice aid was developed.

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VOLUNTARY HEALTH AND WELFARE ORGANIZATIONS**82/105 SCOPE OF THIS PRACTICE AID**

.01 The primary purpose of this practice aid is to describe the voluntary health and welfare industry, discuss industry trends, and identify critical operating issues that the CPA practitioner may encounter during a consulting services engagement. It may also help the practitioner working in the voluntary health and welfare industry address various operational and administrative issues. This practice aid is not intended, however, to include all facts and issues the practitioner may need to consider during specific engagements.

.02 The organizations covered in this practice aid include those that fall within the scope of the AICPA Industry Audit Guide *Audits of Voluntary Health and Welfare Organizations* (New York: AICPA, 1991). Many other not-for-profit organizations, however, are not discussed here. These other organizations include hospitals, colleges and universities, governmental units, trade associations, cultural and civic organizations, social clubs, religious groups, and similar organizations covered in the AICPA Auditing and Accounting Guides *Audits of Certain Nonprofit Organizations*, *Audits of Colleges and Universities*, and *Audits of Providers of Health Care Services*.

.03 The primary focus of this practice aid is information about the voluntary health and welfare industry rather than guidance on conducting an engagement in such an organization. It provides information that will help practitioners expand their services as well as identify pertinent issues and resources during an engagement. For information about the process of conducting an engagement for a health and welfare organization client, practitioners will find help in other practice aids. Guidance on preparing an engagement letter, for example, is available in MAS Practice Administration Aid No. 5, *Communicating With Clients About MAS Engagement Understandings* (New York: AICPA, 1988). Other practice aids that practitioners may find useful are MAS Small Business Consulting Practice Aid No. 2, *Identifying Client Problems: A Diagnostic Review Technique* (New York: AICPA, 1983), and MAS Small Business Consulting Practice Aid No. 3, *Assisting Clients in Maximizing Profits: A Diagnostic Approach* (New York: AICPA, 1984). These two practice aids have been combined in software entitled *Small Business Consulting Tool: Diagnostic Review Checklist for Maximizing Profits* (New York: AICPA, 1992). Although these practice aids were developed with profit-making organizations in mind, they can be used during engagements with not-for-profit organizations.

82/110 INDUSTRY PROFILE**Definition of the Industry**

.01 Voluntary health and welfare organizations take many different forms. Typically, they are created to address certain public health and social problems of a community. These organizations are normally tax-exempt, operating under Internal Revenue Service determination letters that grant their tax-exempt status.

.02 Although commonly referred to as not-for-profit entities, these organizations are permitted to generate revenues in excess of expenses. Their purpose, however, is not to benefit any specific individual or group financially but to meet a particular community or societal need. Revenues that are generated from activities unrelated to its charter are subject to taxation.

.03 Typical of the organizations in this industry are those that receive United Way funding. Although many voluntary health and welfare organizations are not funded by United Way, they often do have similar programs, providing a variety of services. The following are examples of these organizations and some representative categories of service that they provide:

- Information and referral services (United Way)
- Family counseling services (Family Services)
- Sheltered workshops (Goodwill Industries, Lighthouse for the Blind)
- Alcohol and chemical substance abuse treatment (area Councils for Alcohol and Drug Abuse)
- Scouting associations (Boy Scouts, Girl Scouts, Camp Fire)
- Disaster relief and emergency services (Red Cross, Catholic Social Services)
- Services to indigent people (Salvation Army)
- Health services (multiple sclerosis, Easter Seals)
- Economic assistance (housing and fuel assistance programs)

Industry Characteristics

.04 The differences between not-for-profit organizations and for-profit organizations define the characteristics of voluntary health and welfare organizations: the service orientation, revenue sources, required statistical evaluation, fund and program accounting systems, accreditation reviews, and uncompensated boards of directors.

.05 Service Orientation. By definition, voluntary health and welfare entities are formed to provide a specific social service. This function is carried out within an agency's defined programs. This service orientation determines how the agency is organized to provide the services, the staff required, and the facilities and equipment used.

.06 The service is intended to directly benefit the clientele served. For example, the clientele may share a health-related malady, such as blindness or another impairment, or a social problem, such as physical or mental abuse, or they may belong to an "at risk" population, such as children of single-parent families. Organizations that charge fees for their services may do so on a sliding-scale basis, which means clients are charged according to their ability to pay.

.07 Generally, operations are labor intensive. Staff salaries and employee benefits are usually a significant portion of an agency's operating budget. Certain agencies, however, such as Goodwill Industries, depend more on facilities and production equipment than on labor.

.08 Revenue Sources. Revenues are derived from contributions, membership fees, grants, fees for services rendered, and other sources. Contributions and grants may be used either for general operating (unrestricted) purposes or for specific donor-restricted purposes. Other income may result from investment income and earnings on endowed funds. The earnings on endowed funds may also be restricted.

.09 Statistical Evaluation. Voluntary health and welfare organizations are usually required by funding agencies to report statistics on the services rendered to clients. Units of service (for example, the number of persons served, the number of counseling hours rendered, or the number of meals delivered to senior citizens) and cost per unit of service are often key measures of productivity. This information provides a basis for evaluating programs in terms of cost per unit of service rendered and the amount of the client population being served. When several agencies provide the same or similar services, these statistics allow the programs to be compared.

.10 Fund Accounting. Voluntary health and welfare organizations use fund accounting methods. The five basic types of funds are (a) unrestricted, (b) restricted, (c) endowment, (d) physical plant (land, building, and equipment), and (e) custodian funds.

.11 Program Accounting. Accounting for program costs enables an agency to monitor the program. Grants either may fund all or part of the cost of a program or may fund a program on a unit-of-service basis. In either case, the granting source may define the cost elements that are allowed to be charged to their grants or may limit cost recovery to prescribed items.

.12 Programs funded on a cost-recovery basis may enable the agency to recoup direct plus indirect costs. Often, an indirect cost recovery rate, which is designed to absorb overhead costs, is established contractually between the agency and the funding source. The cost elements included in the rate are usually prescribed by the grantor and may vary from contract to contract.

.13 Because the agency needs to report on programs by fund, its accounting system needs to identify and accumulate its activities by fund, program, and detailed revenue and cost category. Furthermore, financial information may need to be collected on the basis of grant and restricted-fund activity.

.14 Accreditation. Some voluntary health and welfare agencies are subject to periodic accreditation reviews. The reviews may be required to maintain national or state affiliation or to certify the propriety of their services. Usually, the agency's general operations and specific programs are reviewed to ensure that quality controls meeting the highest professional standards are in place and to identify areas that require improvement.

.15 Typically, counseling agencies such as Family Services, Inc. need to be reviewed for accreditation. Either an outside party performs the review or the agency conducts a self-study. In the latter case, the agency completes a prescribed evaluation form that is reviewed by the accrediting organization.

.16 Recommendations can propose improvements in agency organization or management or in the delivery of technical services to the agency's clientele.

.17 The objective of accreditation is to communicate to the public (clientele, board, staff, contributors, and governmental agencies) that the agency meets criteria established to ensure the quality of services. The result may be high levels of peer and community recognition and more opportunities for funding.

.18 Boards of Directors. A unique characteristic of not-for-profit organizations is their control by community-based boards of directors or trustees. Boards have a fiduciary relationship to the community and to the providers of funds, whether the sources are individuals, businesses, foundations, or government agencies.

.19 Boards normally consist of community volunteers, selected to ensure that an agency has the required resources and skills. Therefore, an agency usually seeks out influential community and business leaders to enhance fund-raising programs and to increase the technical knowledge available to the agency.

Related Industries

.20 Many local voluntary health and welfare organizations are affiliated with state and national organizations. These affiliations are often established to provide a common basis for program philosophy, development, and support; policy, procedural, and reporting (financial and statistical) standards; marketing; national funding; and group purchasing of goods and services. The United Way, Goodwill Industries, the Boy Scouts, and Family Services are examples of organizations with national affiliations.

Standard Industrial Classification Code

.21 A Standard Industrial Classification (SIC) system categorizes industries by type of economic activity. Because of the variety of services provided by organizations in the voluntary health and welfare industry, a singular SIC code is not applicable. Several SIC codes that may be appropriate do exist within the 8000-8999 series, including the following:

- 8000-8099 Health services
- 8200-8299 Social services

.22 The purposes of SIC codes are to facilitate the collection, tabulation, presentation, and analysis of data relating to establishments, and to promote uniformity and comparability in the presentation of statistical data describing the economy. The SIC system is used by agencies of the U.S. government that collect or publish data about particular industries. It is also widely used by state agencies, trade associations, private businesses, and other organizations, including publishers of industry reference books, such as Robert Morris Associates and Dun & Bradstreet.

.23 Since organizations may provide a combination of different services, it may be difficult to develop comparable information. Statistical and financial information may be available, however, from associations and state and national organizations with which the local not-for-profit agencies are affiliated.

.24 Organizations with state and national affiliations may report key financial and statistical information to a central source. Additionally, the state and national affiliates may serve as information resources for program studies, centrally developed strategic plans, and accounting and computerization studies.

Historical Trends

.25 Voluntary health and welfare organizations have been an important part of society for more than one hundred years. They were started to serve local needs, and this is still their primary focus. Many local organizations have merged over the years to form state, national, and international bodies, such as the Red Cross, the Salvation Army, and Easter Seals. As more local organizations competed for limited community funds, the concept of a unified funding campaign was introduced. Initially, funding occurred through community chests, which evolved into the United Way. The objective of these unified fund-raising efforts was to minimize solicitation of the community and reduce duplicate costs in raising contributions. United Way campaigns have provided the funds for the expansion of its affiliated agencies and their programs.

.26 The funding relationship between United Way and its affiliated agencies has typically included a formal reporting routine. Some local United Way chapters require management-by-objectives (MBO) reporting. The agencies they support report program and financial statistics that measure their success in achieving their goals and objectives. Also, the United Way encourages collaboration among agencies to promote efficient use of resources and minimize duplication of services. To this end, it serves as a vehicle by which the community broadly influences the services provided to its citizens.

.27 Voluntary health and welfare organizations are forming relationships with governmental agencies similar to their relationship with United Way. Federal and state governments are becoming increasingly involved in funding the programs of these agencies. With this funding has come regulatory reporting. The federal Single Audit Act of 1984, which requires state and local governments to report their use of funds received from federal agencies, provides for uniformity in the execution of program audits and eliminates some duplication of program audits by governmental agencies. The auditing process also applies to not-for-profit organizations receiving such funding and is governed by Office of Management and Budget (OMB) Circular A-133, *Audits of Institutions of Higher Education and Other Nonprofit Organizations*. State funding entities may require additional information for their specific purposes. Therefore, understanding those specific state requirements is essential for those who solicit and control the funds.

.28 Approximately 6 percent of the gross national product of the United States is attributed to voluntary health and welfare organizations. In 1990, more than 116,000 entities were qualified by the Internal Revenue Service as Section 501(c)(3) organizations. The magnitude of the amount

of the funds being expended by these agencies compelled the establishment of accountability and reporting standards by professional organizations and government bureaus.

.29 Often, voluntary health and welfare agencies were formed to deal with a single need and performed their functions with fairly simple organizations. Today, many of these agencies address multiple problems and are directed by professional managers with highly skilled, professional staffs.

.30 These agencies rely on community volunteers to assist professional staffs in delivering services to clients. Volunteers provide both administrative and technical resources. Recent data indicate that the number of persons providing assistance to not-for-profit organizations has increased significantly. This is due partly to funding limitations that prevent hiring additional professional staff and partly to the increasing number of individuals who are interested in specific community issues.

Current Trends

.31 In recent years, voluntary health and welfare agencies have experienced the pressures of scarce financial and human resources along with increased accountability to funding sources. To deal with these pressures, many agencies are adopting the strategic planning approaches of for-profit organizations.¹ The following paragraphs describe these trends and their impact on agency operations.

.32 **Funding.** Voluntary health and welfare organizations have been under increased financial pressure recently as federal and state legislators cut back funds in response to budgetary limitations. Consequently, these organizations depend more on local government and private sources to provide funds for local community needs. Increased pressure has also resulted from a lowering of income tax rates for individuals, which has raised the cost of personal contributions.

.33 Despite the limits on funding, the demand for services has expanded dramatically. Health and social problems are increasing not only in frequency, but also in complexity, placing a significant burden on the resources of these organizations.

.34 Numerous organizations, including not-for-profit, for-profit, and certain government agencies, perform the same or similar services, thereby increasing competition for the highly skilled personnel needed to perform and manage their activities.

.35 Increased competition for funds has led to increased participation by members of boards of directors in the solicitation of funds. To oversee capital and operating fund development campaigns, agencies with the funds to do so are creating resource development positions. In addition, they are retaining specialized consultants, such as members of the National Society of Fundraising Executives, to support specific or organization-wide funding initiatives.

.36 To underwrite and stabilize their funding bases, an increasing number of agencies are receiving endowed funds. Such funding often has covenants defining appropriate uses, which may require specialized monitoring and reporting. Endowed funds may be used, for example,

¹ The practitioner will find guidance on strategic planning in MAS Small Business Consulting Practice Aid No. 6, *Business Planning* (New York: AICPA, 1986). Most of the guidance provided in this practice aid applies to not-for-profit organizations as well as for-profit organizations.

for designated operating purposes, restricted program activities, and expansion and improvement of facilities, as defined by the donor.

.37 An agency that provides for its own support through program fees and new or different contribution sources is referred to as *self-supporting*. The self-support options available to an agency are increasingly important because key funding sources (for example, United Way, foundations, national affiliations) may no longer be able to underwrite an agency's growth or maintain past funding levels. To be self-supporting, an agency may use a variety of fund-raising techniques. To an extent, some of these techniques may raise concern about unrelated business-income sources. If revenue sources are inconsistent with the reason for an agency's existence as stated within the scope of its determination letter, then it may be subject to an income and property tax liability, or it may jeopardize its tax-exempt status. Even related income can be taxable if it is debt financed (for example, rents, dividends, interest).

.38 Utilization of Resources. Voluntary health and welfare organizations find themselves in a more difficult environment than in the past. Governmental and private supporters are holding them accountable for getting maximum use of their scarce resources. Their situation is somewhat similar to that of profit-making businesses. These organizations need to perform at a higher level of productivity and effectiveness than was required in the past.

.39 The growth of volunteerism has enabled many not-for-profit organizations to enhance their productivity and effectiveness. Many agencies are attracting a larger pool of volunteers from a broader cross section of the community. Often volunteers from a variety of socioeconomic backgrounds view their involvement as a means of improving the general quality of their community and fulfilling a social or health need that is important to them.

.40 Not-for-profit organizations, such as the Volunteers of America, have defined their mission as furthering the scope and availability of volunteer resources. As a result of the growing awareness of their roles, volunteers are demanding new relationships with the agencies they serve. They wish to participate in the decision-making and planning processes and in selecting the type of work they perform, and they are asking for training. Consequently, agencies are reaping the benefit of more involved and often better-skilled individuals who can more efficiently supplement paid staff.

.41 Accountability. The Single Audit Act of 1984, OMB Circular A-133, and other federal and state laws and regulations make agencies and their boards of directors accountable to the public for using financial grants and operating programs according to the guidelines of the funding sources. Similarly, private funding sources are more closely examining the need for funds as well as assessing the degree to which program objectives are accomplished and funds are efficiently and effectively expended.

.42 In the past, funding was usually at the agency level. Now, however, more funding decisions are being made on a program basis. Consequently, accountability has also been established on a program basis. Most funding sources demand accountability for funds spent by requiring agencies to report, for each program and grant, the units of service provided and the cost of providing the service. Furthermore, to ensure achievement of their objectives, many agencies are required to use the MBO (management-by-objectives) process to establish objectives, to allocate resources, and to measure results.

.43 Planning. As a result of the shift to program-based funding, planning by the management and boards of agencies has increased to ensure the optimum use of funds, and of all other agency assets, including equipment and staff, volunteers, and donated goods and services.

.44 Many voluntary health and welfare organizations are finding that planning helps them achieve their mission by providing a focus for their actions and services. With planning, agencies that lack some required resources have identified opportunities to further serve their communities by combining resources with other agencies to achieve mutually beneficial goals.

.45 Other community organizations have provided resources to assist agencies in implementing strategic planning techniques. MBO and strategic planning are complementary tools for helping an organization fulfill its purpose and allocate its resources efficiently and effectively. A full complement of skills among the board and staff can assist an agency in having an effective planning process. Careful selection of board members can ensure the availability of needed skills not otherwise available in the organization.

.46 Despite some progress, many agencies have been unable to institute planning techniques and require assistance in the process. Because voluntary health and welfare organizations are faced with increasingly complex situations and limited resources, they require planning possibly as much as, or more than, commercial businesses.

Impact of Technology

.47 The technology that has had most impact on voluntary health and welfare organizations has been and may continue to be computer technology. Computer resources have been available to this industry for several decades. Mainframe- and minicomputer-based systems and applications have been used by larger not-for-profit agencies. With the development of personal computers (PCs) and local area networks (LANs), virtually all voluntary health and welfare organizations can implement computerized systems at relatively low cost, thereby gaining many of the resources once available only to larger organizations.

.48 Although using computer hardware and software systems has become less complicated as a result of the past decade's developments, voluntary health and welfare organizations often lack the resources to select and implement these systems, to train personnel in their use, and to support the systems technically. This lack of resources creates a significant opportunity for practitioners to provide consulting services ranging from basic chart-of-accounts development to data-base design.

.49 Computer technology provides many opportunities for voluntary health and welfare agencies to operate more efficiently and effectively. First, accounting systems allow these agencies to have sophisticated financial reporting capabilities. Their general accounting system requirements are similar to those of commercial businesses. Consequently, general ledger, accounts payable, payroll, and accounts receivable functions can be automated with a PC.

.50 In assisting an agency to select an accounting system, the practitioner needs to ensure that the system properly supports fund accounting concepts. Sufficient detail needs to be maintained by fund type, granting source, and account distribution. The system also needs to provide accounting of interfund transactions as well as reporting of expenses by function. Systems that have these features and that are specifically designed for not-for-profit organizations are available. Effective system supports accountability by function (a cost-center) as well as by grant source.

.51 In addition to accounting systems, other PC-based systems have given agencies opportunities to improve their operations. PC data-base systems allow agencies to capture, analyze, and report information on their clients, programs, service accomplishments, and fund-

raising efforts. This enhances the ability of the board, management, and staff to understand their clientele, analyze the agency's performance, and identify supporters.

.52 Another way in which computer technology enables agencies to maximize their scarce resources is by automating marketing, administrative, and secretarial functions. Word processing and desktop publishing software are effective tools in general correspondence as well as in communicating agency activities through newsletters and other written communications. These applications can be interfaced with mailing lists to allow agencies to quickly communicate with clients and to appeal to donors or other agency supporters. Agencies can also use desktop publishing systems to develop professional grant application packages. They can create a standard grant application structure and customize each submission to the grantor's particular requirements.

Capital Requirements

.53 The nature of the programs and services provided by voluntary health and welfare organizations determines in large measure their capital requirements. Many of these organizations are labor intensive; therefore, their most critical need is adequate working capital. Generally, in voluntary health and welfare organizations, capital comes from three sources.

.54 First, excess revenues over expenses from unrestricted activities provide a positive balance in the unrestricted fund account. The positive balance can be used to absorb future deficiencies from unrestricted activities, capitalize agency growth, or support a specific purpose.

.55 The ability of an agency to accumulate an unrestricted fund balance when it receives operating monies from such sources as the United Way may require approval by the funding source. If retention of a reserve is unjustified and inappropriate in relation to overall program requirements, anticipated growth, and other criteria, donors may restrict future fund donations.

.56 Second, fund raising efforts can provide endowment and capital asset acquisition funds. Endowment fund earnings give an agency the opportunity to underwrite its ongoing programs or to enter into new programs with more certainty of their success. Endowment fund earnings may be restricted. Capital asset acquisition funds normally are raised for a specific purpose, such as equipment or a new or expanded facility.

.57 Third, restricted funds can provide working capital support for an agency's programs. Restricted funds must be spent according to the directives of the donor; consequently, if they are directed to be spent in support of existing programs, unrestricted monies may become available for other purposes.

.58 Grants normally are restricted for a particular purpose. Cost reimbursement grants fund a specific program and are usually tied to a program budget, whereby funds are to be expended on the basis of a budget category. The grantor often requires the agency to report how the monies were spent and may require the return of unused funds. When expenditures exceed approved budget amounts, the grantor will usually not fund the excess costs and the agency will have to use unrestricted funds to pay them.

.59 Grants awarded on a fee-for-services basis may allow an agency to generate a "profit" from the service rendered. The extent of profitability depends on the agency's understanding of its cost structure and its ability to propose a fee rate per unit of service that exceeds its direct and indirect costs of providing the service. Because competitive proposals are the norm, the agency must

withstand the scrutiny of the grantor and be competitive in price with other agencies vying for the available funding.

Business Cycles

.60 Unlike most profit-making companies, which have definite business cycles, voluntary health and welfare organizations usually have a steady demand for services throughout the year. Their cycles of operation are influenced more by the problems they address and their funding requirements than by regularly recurring business issues.

.61 Demand for the services of some agencies, however, does fluctuate. For example, the Red Cross usually experiences an extremely high demand for volunteer support, followed by a request for funds, when a local or national emergency occurs. Similarly, agencies that provide counseling services may have an increased service demand at certain times of the year, such as the holiday season, when more family-related problems, depression, and other crises requiring counseling tend to develop.

.62 Although there may be exceptions, voluntary agencies tend to align their year with the operating year of their primary funding source. Some affiliated organizations may be required to adopt the same year-end as their national organizations. This allows the collection of comparable financial and statistical information among the affiliates constituting the organization. Because the United Way funds agencies over its budgetary cycle, most of its beneficiary agencies adopt its year-end to more easily and consistently report the results of their operations during the same period. Similarly, agencies receiving large grants from governmental authorities often follow their grantor's operating cycle.

Competition

.63 Competition exists in the voluntary health and welfare industry as in any other industry. Voluntary agencies, governmental entities, and for-profit service providers may address similar community needs and often compete for the same program funding and opportunities to provide the required services.

.64 To be competitive, an agency needs to provide competent service at low cost. Consequently, an agency needs to understand its service niche and to continually compare its ongoing, as well as its new, services with those offered by other not-for-profit agencies and by for-profit providers in its service area. Decisions to expand into new service areas may be based on increasing competition or on a declining demand for the organization's traditional services rather than on identified client needs. Such shifts in focus require detailed analysis of the program and the financial support of a third party.

.65 Funding sources are often concerned that the duplication of services by competing agencies may be an inefficient use of community resources. Consequently, they encourage agencies to collaborate in providing services. By bringing their unique capabilities together to meet a particular community need, several agencies can most effectively use the required skills and funds.

82/115 MAJOR DAY-TO-DAY ACTIVITIES**Labor**

.01 As stated earlier, voluntary health and welfare organizations are labor-intensive. In addition to paid staff, these organizations depend on volunteer workers and members of the board of directors and agency committees. An agency's ability to fully use volunteers has a significant impact on its operating cost.

.02 As an agency grows, it needs to carefully manage and plan for the use of both paid and volunteer labor resources because it is usually dependent on these resources to achieve its objectives. Management should also assess the paid labor in specific program areas so it can allocate indirect costs and develop information on the cost per unit of service.

.03 Staff and volunteer training is vital to provide high-quality services. As in any organization, the development of employees' professional, technical, and administrative skills is critical to the success of the agency. An agency that uses volunteers to staff certain functions needs to provide training specific to the roles being performed and general guidance in overall operations. In addition, members of the board of directors need to learn about the operations and management of the agency sufficiently well to assure the public that the board is fulfilling its fiduciary role.

Management

.04 The management of voluntary health and welfare organizations is responsible for both program and administrative functions. Typically, an agency's senior management is developed from within the program itself. In an agency's early stages, the executive director is usually directly involved in program activities, financial and budgetary matters, and other administrative tasks.

.05 As an agency grows, it needs to develop management competence in technical and administrative functions, such as program management, finance, marketing, and development. The chief operating officer, usually titled the *executive director*, supervises and directs the management team, coordinates activities, and executes board policies and plans. Professional counselors and therapists, with first-hand knowledge of the program services offered, are also an important component of not-for-profit management.

.06 If an agency is unable to develop the required management skills internally, it will benefit from recruiting board members who can provide the needed skills. Consequently, board composition may be a strategic element of a well-operated agency.

Materials

.07 Materials are required most often by an agency that operates sheltered workshops or has a product-related function. Donors may provide materials to an agency to be resold after some refurbishment, or customers may supply materials to be processed by the agency's clients. In such an agency, physical control over materials is important if inventory control and costing systems and procedures are minimal or lacking.

Transportation

.08 Transportation of clients and volunteers to and from an agency may be essential. Clients may be handicapped, may lack the means of transportation, or may be unable to pay for transportation. Because of these circumstances, transportation services may be provided by an agency or by a central coordinating organization in a community.

Membership Administration

.09 Some voluntary health and welfare organizations use memberships as a means of establishing a formal commitment to the organization and its programs. Membership may have various categories to distinguish the members' roles as well as to provide the organization with an additional means to raise money in support of its programs.

.10 If the number of members is significant, there may be a designated staff function for membership administration. Membership administration coordinates membership solicitations and communications, which may include publishing the organization's newsletter.

.11 Because membership development and maintenance requires continuing support and may include numerous repetitive contacts, a computerized data base with such related functions as word processing and desktop publishing can be most beneficial.

Fund Raising

.12 Most voluntary health and welfare organizations are unable to rely solely on program fees, membership dues, and grants from United Way and other funding agencies. Consequently, they have developed formal or informal fund-raising programs.

.13 Initial ventures into fund raising are often informal. Board members and friends of the organization may be targeted for contributions. In addition, the board, along with the staff, may conduct an event to raise additional funds as well as to increase the community's awareness of its programs.

.14 Eventually, the fund-raising function demands more attention. To solicit funds for operating or capital requirements, the agency may engage a development consultant or hire a staff member who will formulate, implement, and monitor a fund-raising program. In this case, the program is often multipronged, using a variety of events and direct solicitation approaches.

.15 It is essential to develop a clear understanding of the organization's support base. Board members, staff, and development consultants work together to create lists of prospective supporters, whether individuals, corporations, or foundations. Because personal contacts as well as general direct mail solicitations may be used, computerized donor records can be beneficial. The information in a data base may include each donor's name and address, itemized contributions, specific program interests, and board or staff contact persons.

82/120 AREAS OF BUSINESS RISK**Capital Formation**

.01 Because voluntary health and welfare organizations depend largely on funding sources to provide the necessary operating capital consistently and continually, their primary business risk is reduction or loss of this funding. An organization that relies on government contracts often needs to obtain either an advance from the funding source or a loan to tide it over during emergencies caused by delays in reimbursements. The uncertainty of renewal of many government contracts necessitates that certain fixed expenditures for rent and equipment be negotiated over the term of the contract, thus minimizing the investment in capital assets. Furthermore, an agency must balance the expansion of its operation through government grants against the risk of lost funding, which may require drastic retrenchment of operations and staff.

.02 The same risks are present when funds are reduced or discontinued by nongovernmental sources, such as private foundations, businesses, and individuals. Fund availability is also affected by such factors as a weak general or local economy, competing social and community needs, and donors' perceptions of the efficiency and value of the organization's programs. An organization therefore can never be certain of adequate funding in the future.

.03 Similarly, an organization that relies heavily on its members for both funding and volunteers is at risk if membership declines. In addition, other funding sources may interpret such a decline as a sign that the organization and its objectives are no longer a priority and may therefore reduce or discontinue funds. Significant loss of funding would probably result in a reduction of critical resources, including personnel. This, in turn, would have an impact on the delivery of services and could eventually cause the organization's demise.

.04 Some not-for-profit agencies engage in activities requiring fixed assets and may acquire additional assets as programs develop and expand. The local operations of Goodwill Industries, for example, require retail store buildings, assembly or manufacturing space, equipment, and transportation vehicles. Other agencies may build offices to house their operations, launching capital campaigns specifically to fund the cost of the building projects.

.05 Restrictions may be placed on the use of fixed assets required in a program and funded by a grant. The grantor may also require their return once the program is terminated.

.06 Fixed assets need to be maintained and replaced in due course. Organizations often reserve funds for the replacement of fixed assets by designating unappropriated, unrestricted funds over a period that parallels the useful lives of the fixed assets involved.

Liability Concerns

.07 Liability concerns can arise in a not-for-profit agency as in any business. They include director and officer liability, professional malpractice liability, and other work-related liability issues. Volunteers, acting as agents, may also create liability risks.

.08 A unique difference in not-for-profit agencies is that they are managed by professional staff with uncompensated boards of directors. The fiduciary responsibilities of such boards have been the focus recently of not only increased litigation, but also major state legislation reducing director and officer liability, except for negligence or fraud.

.09 Professional malpractice may be of special concern in agencies that provide counseling and health care services. The risks in this area are similar to those in the medical profession.

.10 These agencies, as well as those involved in manufacturing processes, may be subject to higher risks associated with certain work activities, such as strenuous labor or transportation services. Workers' Compensation insurance, which covers such risks, has increased significantly in cost during recent years. To minimize related risks and costs, agency managers need to monitor these activities carefully. In agencies providing certain health care services, exposure of staff and volunteers to health risks may also have an impact on liability.

Employees' and Volunteers' Skills

.11 The services provided by an agency determine the composition of the staff and its technical abilities. An agency's stage of development and its size usually determine the organizational depth of professional and administrative personnel.

.12 The chief executive officer fills a critical position in an agency and may serve as both administrative and technical leader. However, if dependency on the executive director by the board and staff becomes too extensive, the agency's continuity and effectiveness may be at risk when the executive director leaves. To ensure an agency's continued productivity, a reasonable organizational structure and managerial competency need to be developed. Similarly, the board needs to avoid inadvertently transferring to the executive director its authority and such responsibilities as monitoring financial performance and fund-raising and planning social service programs.

.13 Agencies that rely on volunteers to provide services need to give them an appropriate orientation to policies and procedures and to clearly define their duties. Volunteers may be more difficult to control than paid personnel; consequently, management needs to provide adequate supervision to ensure their effectiveness and to avoid professional risks.

Environmental Requirements

.14 The environmental requirements of the voluntary health and welfare industry are the same as those of commercial businesses. However, voluntary health and welfare organizations are typically service-oriented and are thus exempt from manufacturing-related environmental regulations.

Employee Health Issues

.15 Employee health issues in voluntary health and welfare organizations are generally similar to those of other industry groups. Agencies involved in health care services may have the same employee health concerns as other health care providers.

82/125 PERFORMANCE MEASURES

.01 Practitioners can use the measures and statistics described in the following paragraphs to evaluate the performance and plan for the future of voluntary health and welfare organizations.

In addition, practitioners can obtain information about service indicators and other data from the national affiliates of local agencies and from professional organizations that are composed of agency staff.

Revenues

.02 By tracking the sources of revenue over time, agencies can be alert to trends that may require management and board action. Agencies that depend on a single revenue source, such as the United Way or a government agency, need to know when that source changes its funding pattern or its mission. This knowledge may help avoid an adverse impact.

.03 Many agencies receive revenues through fees that their clients pay on a sliding-scale basis. In these agencies, revenues per unit of service are an important measure of operational performance. By tracking this revenue measure, agencies can detect changes in client demographics and identify a need to redirect services. They can also compare the revenues-per-unit-of-service measure with those of similar agencies to assess the reasonableness of and opportunities for changes in fees.

Costs

.04 The cost structure of a not-for-profit agency in which no product manufacturing occurs is similar to that of most service-oriented businesses. Rent, communications, transportation, and insurance-related expenditures are other significant cost elements.

.05 Sheltered workshops and other product-oriented agency activities may require inventory accounting and cost accounting for certain costs, such as those related to maintaining production equipment. In cases where production is under specific contracts, customers may supply raw materials. Often, in this environment, personnel are a major cost.

.06 Cost per unit of service is an important measure of success. Funding sources usually evaluate programs on qualitative and quantitative factors. An agency's ability to meet community needs at the lowest possible cost per unit of service enables funding sources to justify their involvement.

.07 Funding sources also evaluate an agency's administrative overhead as a part of its total cost of operations. Federal and state grantors may define cost reimbursement formulas to limit the amount of indirect costs they underwrite.

.08 By closely monitoring the agency's fixed and variable costs, the board and management can respond in a timely way to changes in demographics, economics, and funding relationships. Because an agency may operate from year to year without the benefit of a surplus, understanding its cost structure is essential to taking corrective action when costs exceed revenues. The board and management also need to know the cost structure to consider ways of stabilizing revenue and costs to ensure the agency's long-term viability.

Operations

.09 Besides the performance measures of revenue and cost per unit of service, agencies may maintain information on clients served, levels of service provided, and success rates on cases undertaken. Sheltered workshops may keep production statistics.

82/130 TYPICAL CONSULTING SERVICES ENGAGEMENTS**Strategic Planning**

.01 Every organization, whether not-for-profit or for-profit, recognizes that planning is an essential element of good management. Planning is vital to the very existence of voluntary health and welfare organizations. The uncertainties of funding amounts and sources, coupled with the increased demand for services, have created substantial risks for these organizations. Practitioners can help these agencies develop effective methods for obtaining funds, meeting service demands, and staying ahead of the changing environment by laying the groundwork of a strategic planning process.

.02 Engagement Objectives. The objectives of a planning engagement depend on the needs and capabilities of the organization. For example, each not-for-profit agency prepares an annual budget. Since the preparation of the budget may be influenced by outside funding sources, the practitioner's role may be advisory. Long-range or strategic planning, however, may be unfamiliar to agency personnel. The practitioner therefore can play an important role in a strategic planning project.

.03 The objectives of a strategic planning project are to—

- a. Understand the environment in which the agency functions.
- b. Forecast what this environment will be in the future.
- c. Identify alternative strategies for funding and operations.
- d. Develop a plan to anticipate providing the capital, personnel, and facilities required to carry out the agency's mission in the forecasted environment.

.04 Benefits. During a strategic planning engagement, the practitioner can help identify both the opportunities and the risks in the agency's future and develop an understanding of how best to deal with them. This will help the agency choose the best direction for future activities.

.05 Furthermore, the practitioner can help to develop a strategy for funding by assessing the outlook for retaining present funding sources and for finding new sources. Funding could be the basis for a subsequent consulting engagement in which the practitioner helps the client identify sources and methods to obtain funding.

.06 Engagement Activities. Usually, in a strategic planning engagement, the practitioner's role is that of facilitator, one who helps organize the project, conduct planning sessions, and summarize the results. The practitioner facilitates by undertaking the following activities.

.07 Establishing objectives. The practitioner helps establish objectives and guidelines for the planning process. All key members of the client organization (professional staff, board members, and other interested parties, such as volunteers and contributors) need to agree on the objectives and methodology of the project. The practitioner assists by developing a project outline and timetable and obtaining agreement on the approach and expected benefits.

.08 Understanding the agency's environment. The practitioner gains an understanding of the history of the agency as well as the trends affecting its operations by reviewing internal

documents, such as financial and operating reports, and external material, such as newspaper and magazine articles, and discussing the agency's background and environment with agency and nonagency personnel.

.09 *Conducting planning sessions.* The practitioner prepares a detailed agenda for the planning sessions and selects the site, the participants, session leaders, and other presenters. The following are suitable topics for these sessions:

- The agency's mission statement
- General economic trends, including national, regional, and local trends
- Current and future legislation affecting the agency's mission
- Social trends
- Present and future funding sources
- Self-support activities and other fund raisers
- Organization and personnel
- Systems automation
- Service delivery methods

.10 Practitioners may either lead the sessions or advise the leaders. In either case, they attempt to keep the sessions moving according to the agenda. They may also act as recording secretary, taking notes for subsequent preparation of reports.

.11 *Reporting findings and conclusions.* The practitioner summarizes the findings and conclusions reached during the planning sessions. These may also include plans for specific actions to be taken by individuals within the organization. This document serves as a guide for future activities and is circulated as circumstances warrant.

.12 **Special Concerns.** During a strategic planning engagement, the practitioner may encounter one or more of the following obstacles to a successful outcome:

- Agency personnel may disagree about the conduct and objectives of the project.
- Participants may be more interested in promoting themselves than in contributing to resolving agency issues.
- Participants may focus only on the agency's day-to-day activities and therefore may misunderstand or underestimate the importance of assessing the environment and social trends.
- Insufficient time may be allowed for the program.
- Participants may be reluctant to reach conclusions and state a position.

Funding Study

.13 The lifeblood of any voluntary health and welfare organization is the steady inflow of funds with which to operate. The sources of funding, however, are not always fully under the control of the organization. Since funding is so critical to the existence of the organization, a plan is needed to direct the organization in developing new funding sources as well as exploiting current and past sources.

.14 Engagement Objectives. The objective of a funding study is to develop an action plan for raising the funds needed to operate the organization for at least the coming year. The funding study normally is part of, or a follow-up to, an overall planning engagement, as outlined in the preceding section, "Strategic Planning."

.15 During a funding study engagement, the practitioner may render any or all of the following services:

- Organizing the funding activity and assigning responsibility for the various tasks to effectively use the talents of staff and board members
- Suggesting sources for and methods of funding that the client may never have considered
- Developing a system for comparing program results and fund-raising efforts with the plan
- Developing a system for tracking sources of current donations and grants in order to aid in future fund-raising efforts

.16 Benefits. As a result of a funding study, the client may be in a better position to solicit resources and project revenues. The practitioner will help develop a plan and budget for effectively dealing with current and potential funding sources. The practitioner may also conclude that funds are unavailable and may recommend that the client suspend or curtail services.

.17 Engagement Activities. To help the client gain the benefits of a funding study engagement, the practitioner undertakes the following activities.

.18 Establishing objectives. The objectives and guidelines for the study need to be established, particularly the responsibilities of the executive director, staff, board members, and the practitioner. Although these may be spelled out in the engagement letter, the practitioner reviews them directly with all key individuals and the board to ensure consensus.

.19 Learning the agency's funding history. The practitioner analyzes the agency's funding sources, including amounts and restrictions, if any, for the past five years. The practitioner also reviews the organization's fund-raising activities, noting any trends in amounts or types of donations, and examines any studies that were conducted by others.

.20 Exploring funding sources. The practitioner investigates available funding sources through library research and discussions with individuals in the field and other clients. This investigation often includes several informational interviews with agency personnel, funding source personnel, and community leaders to determine the viability of current and prospective funding initiatives and to discuss related issues, such as levels of commitment and community awareness and business income activities.

.21 *Selecting funding sources.* The practitioner discusses with the executive director and the board the possibilities of receiving funding from current and new sources. New sources could include the sale of agency products. In addition, the practitioner, the executive director, and the board consider a reassessment of current programs and services and materials provided to clients; this may lead to new pricing policies for services that, in turn, could increase revenues. On the basis of these discussions, the practitioner conducts additional research, prepares pro forma financial statements, and contacts potential funding sources, if practical.

.22 *Developing a plan.* The practitioner develops a plan of action, which might include applying to new funding sources, revising fund-raising programs, and maximizing internally generated revenues from existing or new programs.

.23 *Special Concerns.* Perhaps the biggest disappointment a client may have is to be unable to improve funding as a result of the engagement. Consequently, in the engagement letter, the practitioner needs to state that the study does not ensure increased funding, but rather provides a detailed plan of action to assist the agency in realizing its funding goals.

Board Development

.24 Many agencies depend heavily on guidance from their boards of directors or trustees. Board members are uncompensated and have limited time to commit to the organization. Consequently, they need to be selected carefully to ensure that they are truly committed to and have knowledge and skills that will contribute to achieving the agency's objectives. In a board development engagement, the practitioner can assist in defining the ideal size and makeup of the board and in developing recruitment initiatives.

.25 *Engagement Objectives.* Board development is often undertaken in response to or in anticipation of a change in the focus or scope of an agency. As organizational objectives and activities change, the agency needs to ensure that a competent board is in place to guide and monitor such changes. Another objective of a board development engagement can be to promote an understanding of the roles and responsibilities of board members and staff and to train board members in such areas as fund raising, marketing, management, organizational structure, and staff development, and in the technical aspects of service delivery.

.26 *Benefits.* Board development can improve the ability of the individuals involved in directing the organization to deal proactively with problems and to act on opportunities. By learning how to delegate appropriate tasks, board members will avoid the burnout that is often due to failure to meet agency goals. An efficient board that knows its role will greatly enhance the organization's ability to fulfill its mission.

.27 *Engagement Activities.* Typically, the practitioner engages in the following activities during a board development project.

.28 *Board analysis.* The practitioner surveys current board members and senior agency management in order to understand their perceptions of the organization's needs concerning board guidance and decision making. The practitioner also assesses the capabilities of board members in relation to organizational needs.

.29 *Agency analysis.* Through interviews and financial analysis, the practitioner studies the agency's activities requiring board attention and action. An analysis of agency staff and their ability to carry out board actions is often a part of this task.

.30 Documentation review. The practitioner reviews agency documentation of policies and procedures. Controls in this area are often evaluated by potential funding sources interested in determining the agency's ability to properly monitor the application of resources and support provided.

.31 Engagement reporting. The practitioner presents written and oral reports of findings and recommendations to the board or its committee. Specific guidance may cover such areas as optimum board size, board tenure with staggered terms, attributes sought in board candidates, board member recruitment and screening methods, board responsibilities, organizational alignments, and documentation standards. The practitioner can submit the recommendations in the form of an action plan that details responsibilities and targeted time frames for completion of tasks. When presenting these reports, the practitioner may wish to discuss with the client follow-up assistance in implementing the recommendations.

.32 Special Concerns. In conducting a board development engagement for a not-for-profit organization, the practitioner may need a great deal of patience because board members are volunteers and may have limited time to devote to the affairs of the agency. The practitioner also needs to be aware that changes in board membership are often needed to obtain specific skills. In addition, many agencies, perhaps those most in need of board development and improved decision-making capabilities, often have difficulty in approving initial expenditures of limited resources for such purposes. They may even fail to recognize the need to address such issues.

Indirect-Cost Rate Development

.33 Many voluntary health and welfare organizations provide services under contracts with federal, state, and local government agencies. These services are often paid for through cost-reimbursement contracts. Typically, the contract terms set the specific allowable direct costs by budget category. Direct costs may include payroll-related expenses as well as equipment and other costs directly related to the service provided.

.34 Cost reimbursement contracts normally provide for the indirect or overhead costs to be recovered, using an indirect-cost recovery rate determined by the grantor or one proposed by the agency and approved by the grantor. The practitioner can assist an agency in interpreting the guidelines of the granting source to obtain maximum reimbursement. When an agency proposes an indirect-cost recovery rate, the practitioner, knowledgeable of its cost structure, can assist in formulating and documenting the rate to ensure its approval. Ultimately, the indirect-cost recovery rate may become a part of an agency's proposal to a government agency or other funding source.

.35 Often, practitioners provide assistance in interim and final reporting of costs associated with contractual arrangements. The level and scope of this assistance usually depends on the requirements of the grantor. Practitioners can also assist an agency in selecting and installing computer software that can account for costs by program or contract. Such assistance may involve using a spreadsheet as a supplementary program or helping to install entirely new accounting software.

Risk Management Audit

.36 As is described in the section "Liability Concerns," the voluntary health and welfare industry is not immune to workplace risks. For some risks, insurance can be obtained, thus minimizing the financial effect of an unfavorable claim. For many risks, policies and procedures can be developed to minimize exposure to claims. The practitioner can conduct a risk management audit to address and identify risk exposures to the agency and suggest ways to reduce them.

.37 The risk management audit includes interviewing agency personnel and board members to fully understand the agency's programs and activities. The practitioner identifies situations and activities that involve high risk but that provide minimal value to the organization and therefore can be eliminated. The practitioner also identifies opportunities for transferring risk to outside parties and risks that cannot be eliminated or commercially insured.

.38 At the conclusion of the audit, the practitioner prepares a report recommending actions to be taken by the agency. These may include policies and procedures to reduce various risks, such as screening and training volunteers and staff, and maintaining job descriptions, reporting responsibilities, and specific client-service guidelines. The practitioner may include a cost-benefit analysis of the proposed actions in the report to illustrate why a particular action is necessary for the risk involved.

APPENDIX 82/A

**SELECTED SOURCES OF
INDUSTRY INFORMATION**

.01 The library of the AICPA is available to all Institute members. Questions may be directed to staff librarians for either specific information or for assistance in accessing other reference materials. The resources included in this section and in the Bibliography are a limited sample of sources of information about the voluntary health and welfare industry.

.02 Published and unpublished information on health and welfare organizations is available from United Way of America, 701 North Fairfax Street, Alexandria, Virginia 22314-2045, (703) 836-7100.

.03 The following publications list the names of other organizations that may provide information about health and welfare agencies.

Business Organizations, Agencies, and Publications Directory. 4th ed. Detroit: Gale Research Company, Biennial.

Encyclopedia of Associations: National Organizations of the U.S. Detroit: Gale Research Company, Annual.

Encyclopedia of Associations: Regional, State, and Local Organizations. Detroit: Gale Research Company, Biennial.

GLOSSARY

agency A term often used to describe a voluntary health and welfare organization. An agency may have a national affiliation.

campaign A term commonly used to describe the process of fund raising. Used interchangeably with this term are the terms *solicitation* and *resource development*.

clients The individuals served by an agency.

cost recovery A method by which an agency's operating costs are reimbursed by a funding source.

current funds The accounting entity used to record the inflows of operating resources. The resources in these funds are divided into unrestricted and restricted subdivisions.

custodian funds Assets to be held or disbursed on instruction of the person or organization that provided them.

determination letter A letter documenting an agency's exemption status as approved by the Internal Revenue Service.

endowment funds Funds received from a donor with the restriction that the principal is not expendable.

fund An accounting entity with a self-balancing set of accounts that records cash and other financial resources together, including all related liabilities, residual equities or balances, and changes therein. Specific fund accounts are segregated to support specific activities or attain certain objectives.

funding source An organization supporting an agency, such as the United Way, a foundation, an individual or corporate donor, another agency, or a government agency.

grant Funding provided to an agency usually for a specific purpose. The *granting source* or *grantor* normally expects the funds to be accounted for separately through restricted fund accounting.

land, building, and equipment fund An accounting entity, often referred to as the *physical plant fund*, that is used for investments in fixed assets and unexpended resources to acquire or replace such assets.

not-for-profit A term used to describe the nature of an organization in which profit is not the objective in providing goods and services. Instead, its objective is to meet a particular need in a manner consistent with its tax-exempt status.

private care provider An organization that provides services similar to those of voluntary health and welfare organizations but normally is operating to make a profit.

program (programmatic, program level) A functional classification of an agency's activities, which may be funded and accounted for separately.

restricted funds Fund entities or segments thereof that restrict how resources may be used. When the board sets unrestricted resources aside for specific purposes, the funds are referred to as **designated funds**.

sheltered workshops Agency production facilities that employ people with mental or physical conditions which prevent their seeking traditional employment or train them to be capable of accepting such employment.

tax-exempt status Determination by the Internal Revenue Service that the purpose and activities of an organization are not subject to taxation. Voluntary health and welfare organizations that are determined to have this status are usually classified as Section 501(c)(3) organizations. This status gives an agency the right to solicit contributions and may exempt it from certain state and local taxes.

United Way A national organization that provides services through local affiliates at the community level. The local affiliates raise funds through a single community campaign and allocate them according to their community's priorities.

unit of service A statistical measure of service provided (for example, a client visit, a case, a treatment).

unrestricted funds Expendable resources that are not restricted to specified uses.

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Gross, Malvern J., Jr., and William Warshauer. *Financial and Accounting Guide for Nonprofit Organizations*. 3d ed., rev. New York: John Wiley & Sons, 1983.

Henke, Emerson O. *Introduction to Nonprofit Organization Accounting*. 2d ed. Boston: Kent, 1986.

United Way of America. *Accounting and Financial Reporting—A Guide For United Ways and Not-For-Profit Human-Service Organizations*. 2d ed., rev. Alexandria, Va.: United Way Institute, 1989.

Management Literature

Espy, Siri N. *Handbook of Strategic Planning for Nonprofit Organizations*. New York: Praeger, 1986.

Nonprofit Organization Handbook. 2d ed. New York: McGraw-Hill, 1988.

Federal and State Laws and Regulations

In addition to reviewing the following laws and regulations, as appropriate, the practitioner needs to refer to special state laws and regulations relating to agencies responsible for administering funds granted to voluntary health and welfare organizations.

The Single Audit Act of 1984

The United States Office of Management and Budget (OMB) Circular A-110, *Uniform Requirements for Grants to Universities, Hospitals, and Other Nonprofit Organizations*

OMB Circular A-122, *Cost Principles for Nonprofit Organizations*

OMB Circular A-128, *Audits of State and Local Governments*

OMB Circular A-133, *Audits of Institutions of Higher Education and Other Nonprofit Organizations*

READER'S RESPONSES TO VOLUNTARY HEALTH AND WELFARE ORGANIZATIONS

Your assessment of this practice aid will help to ensure that future publications of the Management Consulting Services Division will be valuable to practitioners. Please photocopy this questionnaire and complete and mail or fax it to **Editor/Coordinator, Management Consulting Services Division, AICPA, Harborside Financial Center, 201 Plaza III, Jersey City, NJ 07311-3881**, facsimile number (201) 398-3329.

Thank you for your assistance.

1. How familiar were you with this subject before you read this practice aid?
0 1 2 3 4 5
Unfamiliar Somewhat familiar My area of expertise

2. How useful is the practice aid to your practice?
0 1 2 3 4 5
Not useful at all Extremely useful

3. Is this practice aid sufficiently detailed? Yes ____ No ____

If no, please explain _____

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<i>Improving Organizational Structure</i>	055378
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<i>Assisting Clients in the Selection and Implementation of Dedicated Word Processing Systems</i>	055075
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(continued)

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<i>Human Resources Planning and Management for an MAS Practice</i>	055131
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