

APPENDIX A

"Lights, Camera, Action" Setting the Stage for A Partnership Between Area Nonprofits & Sedgwick County

**A Summary of Focus Groups and Interviews Conducted with
Wichita Nonprofits and Sedgwick County Managers.
October, 2000**

Produced by
The Self-Help Network of Kansas:

"Lights, Camera, Action"
Setting the Stage for A Partnership Between Area Nonprofits & Sedgwick County

In order to continue to enhance the delivery of public services by nonprofit agencies in Sedgwick County, the County Manager and Kansas Health Foundation supported a project designed to identify practices and develop standards of assessing the governance, administration, and financial management of nonprofit agencies charged with the delivery of public services; and to propose methods by which Sedgwick County may apply these practices and standards to enhance the delivery of public services by nonprofit agencies in Sedgwick County.

By reviewing available research and literature, the Hugo Wall School of Urban and Public Affairs has "**SHED LIGHT**" on best practices across the county. By focusing its "**CAMERA**" on Sedgwick County, the focus groups and interviews conducted by the Self-Help Network have provided a snapshot of local ideas, suggestions, and best practices. Finally, this report combined with the work of the Hugo Wall School, has set the stage for future "**ACTION**" and partnership building. In fact, many of the comments made during focus groups and interviews may be useful to the future of this partnership.

In conclusion, the primary purpose of the current summary is to highlight findings from focus groups and interviews conducted by the Self-Help Network of Kansas in order to:

- (1) Acknowledge the ideas and comments participants made during these discussions;
- (2) Highlight key similarities and differences between nonprofits and the county; and
- (3) Provide considerations for future action based on comments from nonprofits and the county.

For a more detailed discussion of the research and literature reviewed by the Hugo Wall School of Urban and Public Affairs, please refer to the report, *Enhancing the Delivery of Public Services by Nonprofit Agencies*.

Focus Groups & Interviews: Focusing the Camera

The focus groups and interviews were **VERY** well received by participants as many directors, managers, and board members of nonprofit agencies commented that they appreciated that Sedgwick County provided a forum for their ideas. Similar questions

were asked of nonprofits and county managers in order to find similarities, differences, and move to a shared vision for future action.

The primary purposes of these focus groups and interviews were to:

- ✓ Identify preventive measures that could assure more effective governance, administration, and financial management in nonprofit agencies;
- ✓ Identify early warning signals indicating the need for change in the governance, administration, and financial management of nonprofit agencies;
- ✓ Identify methods of intervention when early warning signals indicate the need for change in the governance, administration, and financial management of nonprofit agencies;
- ✓ Develop professional standards for executive, management, and financial management personnel charged with the administration and financial management of nonprofit agencies; and
- ✓ Provide a forum to discuss what nonprofits and the county could do in the future to build a partnership that benefits all.

What are the Characteristics of Good Nonprofit Agencies?

As the table below presents, most nonprofits and county managers **have a shared view of what a good nonprofit agency looks like** and that it takes more than just one or two elements to have successful nonprofits. Often, nonprofits need a mixture of a strong board, executives with passion, address a real need in the community, and have a capable staff that shares the organization's vision.

What are the Characteristics of Good Nonprofit Agencies?	
What did Nonprofits Say?	What did County Managers Say?
<ul style="list-style-type: none"> ✓ Address a real need in the community. ✓ Have a board that provides direction, sets goals, celebrates, and holds the organization accountable. ✓ Executives who create an excellent environment, build strong boards, have passion for the organization, and continually look for ways to sustain the organization. ✓ Self-examination is a key. 	<ul style="list-style-type: none"> ✓ Fill a niche in the community that focuses on doing it well. ✓ Board that examines the mission, values, and why the organization is going where they are doing. ✓ Strong leadership who have a good business sense, are able to raise multiple lines of funding, and proactively works with the county in overcoming problems. ✓ Periodically evaluate themselves.

More specifically, several comments included:

"A good non-profit starts with having a good board. One that has strong involvement with the mission and direction of the organization."

"Keeping oneself accountable to the services that are provided. Look for measures from funders, clients, and staff in order to determine whether services are successful. Need to make sure people outside of the organization can provide an objective review of the organization and services."

"A good nonprofit re-evaluates their mission as trends change."

"Some nonprofits chose to be in a certain type of business and not in others. They know the goals and what their organization is here for - they perform to their goals."

"A good nonprofit runs on good business principles - it creates a family environment, but also knows that business is business (and not personal). They are able to make difficult decisions."

CHALLENGES of Providing Public Services Through Nonprofits?

Not surprisingly, **the challenges** of providing public services through private agencies identified by nonprofits and county management **differ** based on the context/system in which the individual works. For example, while county managers said that it is difficult to determine exactly what "county" dollars are buying when there are multiple streams of funding to one nonprofit, directors of nonprofits stated that the county does not always appreciate the problems of being accountable to multiple and diverse funding sources. Several other challenges are listed below.

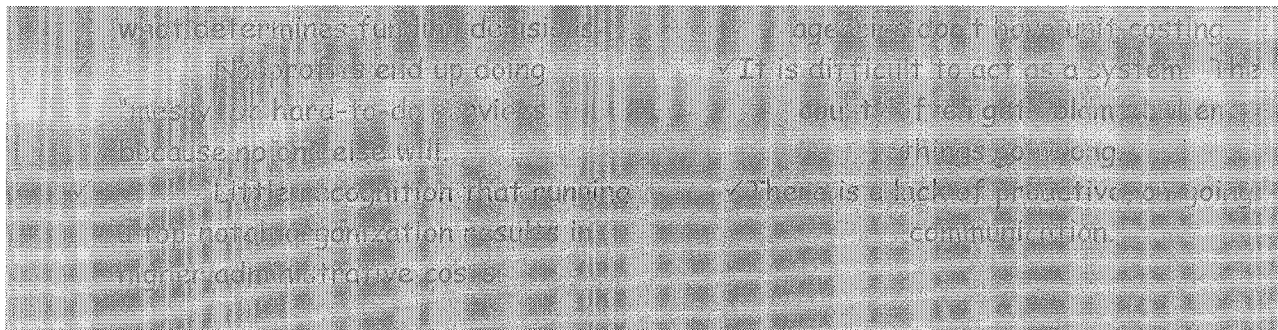
What are the Challenges of Providing Public Services Through Private Agencies?

What did Nonprofits Say?

- ✓ Different reporting requirements for different arms of the same government
- ✓ Lack of understanding of

What did County Managers Say?

- ✓ How issues get funded. It's hard to build solid relationships with state is potential political fall-out
- ✓ Costing of services is difficult. Some



Several of the comments included:

"The United Way, County and other funders need to work together more - each funder is too independent, in addition the agencies that provide similar services need to get together to reduce duplication."

"Every public entity that funds you thinks you only work for them. We have many stakeholders that we are accountable to, which increases the complexity of our work."

"There needs to be a review of the perception that administration costs are bad - these are the costs of running a top-notch organization. Between 15% and 20% should be acceptable, those that report only 6% are probably not accurate or representing themselves correctly."

"The costing of services is also a challenge. Many agencies do not have a unit cost approach to services. Some don't set rates that make sense. This can result in one agency dumping clients on another to save money. Some mix populations and funding sources so that the County does not really know if the target population is being served."

"There is the potential that the funder and the nonprofit operate on different philosophical levels in regards to how services should be provided. There may not be large differences, but ones that impact the delivery of services."

POSITIVE ASPECTS of Providing Public Services Through Nonprofits?

Positive Aspects of Providing Public Services

- ✓ Often nonprofits can be more flexible, bring in different approaches, and avoid "tunnel vision".
- ✓ Nonprofits are not clouded by the same bureaucratic systems as the county.
- ✓ Nonprofits allow a broader array of services in a given area.

For the most part, both nonprofits and county managers **identified similar positive aspects** of providing public services through private agencies. Comments primarily centered on the ability of nonprofits to think and act "outside of the box" and develop create ways to address problems in Sedgwick County. Often the county turns to nonprofits to provide services, rather than having to create a new project or organization.

Several of the comments by board members, nonprofit directors, and county managers, included:

"The level of accountability increases when providing public services through nonprofits because boards keep the organization "in trust."

"It is easier to raise funds from other sources, such as the United Way, Donors, etc. The county would have a difficult time trying to solicit funds from these sources."

"Just the nature of the beast is that Government is limited in the things that it can do and therefore nonprofits can be very useful."

"Nonprofits can be more flexible, bring in different approaches, and avoid "tunnel vision", which is frequently associated with the government. In many ways, nonprofits are not clouded by the same bureaucratic systems that the county government has to deal with."

In The Best Case Scenario: Setting the State for Action

Finally, the nonprofit executives, board members, and county managers were asked questions regarding how the County and area nonprofits could work together to continue to create good nonprofit agencies. It may be useful to prioritize and clarify them with county managers, staff, area nonprofits, and other potential partners. Responses to these questions are grouped according to whether they are (a) preventive measures, (b) early warning signals, (c) potential methods of collaboration, and (d) ways the county and nonprofits could work together to orient and prepare governing board members of nonprofit agencies and county staff.

Identify preventive measures that could assure more effective governance, administration, and financial management in nonprofit agencies

Participants provided a number of ideas and suggestions that could lead to more effective nonprofit agencies. Generally, these ideas centered on increased communication and collaboration between nonprofits and the county and utilizing nonprofit management assistance resources.

1. Many participants' comments centered on improving the collaboration and communication between nonprofit agencies and Sedgwick County. For example, several participants commented that sometimes there is duplication of services because agencies don't know what each other is providing. In addition, the county could learn a lot about the challenges nonprofits face when they receive multiple streams of funding from different sources. Providing opportunities for open communication would allow shared learning.
2. Some nonprofits utilize national and state associations designed to assist nonprofits (e.g., Center for Nonprofits). These are often viewed as valuable resources that have a wealth of information. Both nonprofits and Sedgwick County could benefit from greater utilization of resources that provide nonprofit management assistance.
3. The County should have more authority to decide not to contract with "unstable" agencies. For example, in the Developmental Disability area, the State of Kansas dictates that the County contract with organizations when consumers request services from that entity. The County needs to exercise caution and at times challenge this regulation instead of contracting with weak organizations.
4. Multi-year contracts with conditional funding would allow agencies to conduct business in a more planned and professional manner.
5. Large accounts receivable from government funding sources cause financial problems for private organizations.

Identify early warning signals indicating deficiencies in the governance, administration, and financial management of nonprofit agencies

Nonprofit agencies agreed that Sedgwick County plays a critical role in the review and oversight of services nonprofit agencies provide. There was a general theme that nonprofits and Sedgwick County needed to work together more closely in using information to detect early warning signals of problems.

1. Current focus of regulatory activity is on programs and services. Audit information and related management letters are submitted to the County but currently reviewed by "program" oriented people. Finance and business management staff at the County might be better able to detect issues or problems using this information.
2. Many agencies receive outside accreditation. Some do not submit findings to the County for review. Many do provide this information to the County. These outside accreditation reports often can be a source of information regarding board functioning, finance, and human resources information.
3. Conveying information about internal management problems in a timely manner to County managers would allow for quicker resolution to challenges that nonprofits face.

Identify methods of intervention when early warning signals indicate deficiencies in the governance, administration, and financial management of nonprofit agencies

Directors and board members suggested that the earlier challenges and problems are faced the better the nonprofit, County, and others involved are in the long run.

1. Agencies recommended that intervention activities be conducted at the first sign of concern and take the form of open communications based on trust. They suggested that simply "asking questions" based on information provided can be a first step to problem solving.
2. As one might expect, nonprofit agencies want to be treated with respect and as professionals. Several comments suggested that mistakes are sometimes made by both nonprofits and by the County. By focusing ONLY on the problems, one does not see the complete picture.
3. Many nonprofits are proud to have some of the best business leaders in the community as their board members. With this in mind, these nonprofits have a wealth of expertise in running nonprofits. In most cases, this expertise is at least equal to the management knowledge available to regulators. Continuing to

tap board experts and nurturing their involvement is both a challenge and an opportunity for nonprofits and the County.

Discuss innovative ways in which nonprofits and the county could work together to orient and prepare governing board members of nonprofit agencies and county staff

Participants suggested several existing opportunities and resources that could be utilized for ongoing education about nonprofit governance, as well as the development of something different that could tap each others' areas of expertise.

1. The County could work with agencies and leadership programs to develop a "grow your own" board member development effort. Those who participate in leadership programs should be recruited for boards.
2. Information and educational opportunities are available through nonprofit associations and United Way. These resources provide many nonprofits useful ideas.

For Additional information about this report, feel free to contact Scott Wituk or Kevin Bomhoff at the Self-Help Network of Kansas: Center for Community Support & Research (800) 445-0116.

Appendix B

PROPOSAL

Institute for Nonprofit Leadership

Governance represents an essential component of the leadership for all organizations. Deterioration in the operation of nonprofit organizations is often traceable to failures in governance. Preparation for leadership roles in the governance of nonprofit organizations is sporadically available but not widely utilized. An Institute for Nonprofit Leadership should be established in the Wichita area to orient and prepare individuals for leadership roles in serving as members of the governing bodies of nonprofit organizations. This Institute would draw upon specialized expertise in combination with experienced nonprofit board members and offer a series of day-long or half-day workshops scheduled regularly over a one or two-year period. The institute would culminate in a certificate for governing board members of nonprofit organizations and individuals preparing to serve in this capacity. This series of workshops would cover topics including but not limited to the following:

I. Mastering Duties of Governing Board Membership. This orientation workshop would focus on the primary duties of the governing board of a nonprofit organization, specifically:

- Defining values and determining strategic direction: What are we doing? Where are we going?
- Setting executive limitations: What are the boundaries on the chief executive officer?
- Establishing board processes: By what rules does the governing board conduct its business?
- Conducting relations between the board and the chief executive officer: By what actions does the governing board assure agency performance?

II. Conducting Strategic Planning. This workshop would focus on the tasks and process of strategic planning by a governing board of a nonprofit organization and preparation for answering the following questions:

- What business are we in? What is the product, service, or value we produce?
 - Which needs will we meet? Which consumers will we target?
 - What benefits will we provide for consumers? At what costs?
- Why are we good at producing it? What is our relative advantage or distinctive competence compared with others? Why do others value it?

- What does the future hold for our business? What opportunities are available? What threats exist? What changes in direction are required? What is our vision for the next three-to-five years?
- What indicators will track progress toward fulfillment of the strategic plan?
- How does the governing board assure that it will periodically engage in strategic planning?

III. Exercising Fiscal Oversight. This workshop would focus on the obligations of a governing board of a nonprofit organization in exercising fiscal oversight and preserving the financial resources and assets of the organization, specifically:

- Understanding distinctive qualities in the financing of nonprofit corporations.
- Establishing budgetary guidelines and approving operating and capital budgets in line with board priorities and strategic directions.
- Monitoring execution of approved budgets.
- Requiring and reviewing an annual audit of revenues and expenditures.
- Assuring that revenues are wisely managed and funds are properly invested.

IV. Selecting a Chief Executive and Assessing Executive Performance. This workshop would focus on the most important obligation of a governing board of a nonprofit organization, that is, conducting board-executive relations, specifically:

- Writing a job description and setting boundaries on executive authority.
- Conducting a search and selecting a chief executive.
- Assessing executive performance and determining executive compensation.
- Clarifying roles of board and staff.

V. Conducting Governing Board Meetings. This workshop would focus on making governing board meetings productive including:

- Determining procedures for setting the board agenda and receiving agenda materials in advance of board meetings.
- Setting expectations for the role of board chair.

- Focusing governing board attention, discussion, and action on policy issues.
- Establishing bylaws for the conduct of governing board business and initiating periodic review of bylaws.
- Authorizing board committees and procedures for conduct of committee business.
- Adopting guidelines for handling conflicts of interest confronting governing board members.

VI. Assessing Board Performance. This workshop would focus on self assessment by the governing board of a nonprofit organizations, including:

- Planning and conducting a self assessment retreat of the governing board.
- Refocusing board attention on the primary duties of the board.
- Identifying and addressing issues of board performance.
- Assessing progress in meeting board objectives and setting future directions.
- Building trust and teamwork among governing board members and with the chief executive.
- Recruiting, selecting, and retaining qualified individuals for board membership.

Appendix C

Checklist of Early Warning Signs for Poorly Performing Contractors

Governance

- ☐ Does board member turnover exceed historical or expected levels?
- ☐ Does turnover in the executive director position exceed historical or expected levels?
- ☐ Does the executive director appointment board members?
- ☐ Does the board fail to meet regularly?
- ☐ Does the board fail to maintain timely and accurate meeting minutes?

Administration

- ☐ Does the number of customer complaints exceed historical or expected levels?
- ☐ Has the nature of customer complaints become more serious?
- ☐ Are reports regularly submitted after deadlines?
- ☐ Is the office often closed during regular business hours?
- ☐ Are office phones often unattended?
- ☐ Is staff turnover unusually high?
- ☐ Did the agency fail to file IRS Form 990 on time?
- ☐ Has the organization been sanctioned by a licensing or other regulatory body?
- ☐ Does the organization refuse to accommodate site visits?
- ☐ Have agency staff stopped attending meetings without explanation?
- ☐ Are lawsuits pending against the organization?

Financial Management

- ☐ Are financial reports regularly filed late?
- ☐ Does the agency often call to request payment or ask to pick up payment by hand?
- ☐ Are there identifiable negative trends in financial ratios?
- ☐ Are there alerts about financial problems from other funding agencies?
- ☐ Does the agency submit late or inaccurate bills?