

# Human Resources



## Principles

The ability of an organization to make effective use of the energy, time, and talents of its employees and volunteers is essential to accomplishing the organization's mission. Nonprofits should place a high priority on exercising fair and equitable practices that attract and retain qualified volunteers and employees. Like for-profits, nonprofits have an obligation to adhere to all applicable employment laws and to provide a safe and productive work environment. Each nonprofit should establish specific policies and practices that promote cooperation and open communication among employees, volunteers, and other stakeholders so that they can effectively work together to advance the organization's mission.



### General

#### **1. Federal, State, and Local Laws**

A nonprofit must comply with all federal, state, and local employment laws when hiring and employing personnel.

#### **2. Work Environment**

A nonprofit should continually work to provide a safe and healthy work environment. Nonprofits must purchase workers' compensation insurance (C.R.S. § 8-44-101).

#### **3. Guidelines and Procedures**

A nonprofit should adopt a set of guidelines and procedures for managing employees and volunteers. This should include a broad and encompassing equal opportunity employment policy, anti-harassment guidelines, and nondiscrimination guidelines.

#### **4. Employee Records Retention**

A nonprofit should include both employee and volunteer records retention guidelines and procedures in its records retention policy that are consistent with applicable laws and industry best practices.

#### **5. Conflict of Interest Policy**

A nonprofit should establish a clear conflict of interest policy that requires disclosure of relationships, nepotism, and interested-party transactions. The policy should include a disclosure form, which is signed annually by staff and volunteers with decision-making authority, and procedures for managing conflicts of interest and handling situations in which public and private interests intersect (990).

#### **6. Whistleblower Policy**

A nonprofit should implement a whistleblower policy with specific procedures for reporting violations of organizational policy or applicable laws and must ensure that those making such reports are protected from repercussions (18 USC § 1107 – a.k.a. Sarbanes-Oxley; 990).

#### **7. Staff Compensation**

A nonprofit should endeavor to provide compensation in accordance with industry standards and market data in order to obtain qualified employees needed to fulfill the mission of the organization. Compensation should be based on performance and equitable given skills, experience level, and job status. Both Colorado law and federal income tax laws prohibit the payment of more than reasonable compensation (C.R.S. § 7-133-102; IRC § 501(c)(3) and 4958; 990).

#### **8. Periodic Review of Compensation Structure**

A nonprofit should establish and periodically review its overall compensation structure using industry-based surveys of comparable salaries and benefits, market data, and internal review. The organization should also establish and periodically review guidelines on employee benefits including medical insurance, retirement plans, sick leave, maternity/paternity leave, vacation, paid time off, and other benefits as appropriate.

## 9. Chief Executive Performance Review and Compensation

Annually, the board should conduct a performance review of the chief executive including his/her compensation. The chief executive's performance should be assessed in light of organizational accomplishments, and the total compensation package should reflect industry standards and his/her performance.

Both Colorado law and federal income tax laws prohibit the payment of more than reasonable compensation (C.R.S. § 7-133-102; IRC §§ 501(c)(3) and 4958; 990). To reduce its exposure to penalties relating to unreasonable compensation, the board of directors should consider the process outlined under § 53.4958-6 of the Treasury Regulations in order to position itself to create a rebuttable presumption that the compensation is reasonable by following each of these three steps:

- **Independent approval:** An independent governing body (or a committee acting on behalf of the governing body) approves the compensation arrangement. Usually this is a board of directors or a compensation committee of the board of directors.
- **Comparables:** The board or committee obtains and relies upon appropriate comparability data prior to approving the arrangement.
- **Documentation:** The board or committee adequately documents the basis for its determination concurrently with making that determination.

## 10. Volunteer Engagement Plan

A nonprofit that intends to engage volunteers should implement a volunteer engagement plan that fits the needs of the organization. The plan should identify adequate resources and organizational needs; establish effective recruitment, training, support, accountability, and recognition strategies; specify standards for inclusivity and background checks; and determine appropriate evaluation practices. An adequate budget should be provided for the volunteer program including work space, supplies, training, recognition, and other line items to support the volunteer director and volunteers. Additional components of volunteer engagement plans can include:

- **Onboarding:** A process and system for responding to potential volunteers should be in place, which includes an individual or group interview and referral to the appropriate area within the organization.
- **Orientation and training:** An orientation for new volunteers should include information about the organization and how and where the volunteer fits in. Depending on the position the volunteer is filling, job-specific training should be provided as needed.
- **Supervision and support:** Once a volunteer has been placed in a position, a supervisor should be identified who will provide regular support, feedback, mentoring, evaluation and appreciation.

- **Retention strategies:** Evaluation and feedback should be provided periodically, as well as recognition. An annual recognition plan, including both informal and formal recognition, is an effective tool to ensure that all volunteers feel appreciated and valued. Communication of information relevant to their work and awareness of organizational activities is also important.

## Employee and Volunteer Engagement

### **11. Qualifications of Employees and Volunteers**

A nonprofit should utilize skilled and diverse employees and volunteers who are suitable for the positions they occupy and are committed to the goals, values, and objectives of the organization. To better serve their constituents, organizations should endeavor to continually teach employees and volunteers new skills to improve work skills and industry knowledge.

### **12. Diversity and Inclusiveness**

A nonprofit should strive to employ personnel and volunteers who reflect the diversity of the community and the organization's constituency. In addition, a nonprofit should value cultural competency, diversity, and inclusiveness as essential to improving the organization.

### **13. Employee Status/Contractor Status**

A nonprofit must be aware of and in compliance with the rules regarding exempt versus non-exempt employment status, as well as when an individual may be categorized as an independent contractor (IRS Publication 1779; Fair Labor Standards Act).

### **14. Background Checks**

A nonprofit should consider conducting background checks on employees, volunteers, independent contractors, and paid solicitors. This must be enforced in some nonprofits with positions that involve children or vulnerable adults, performing financial duties, or serving in other sensitive areas. A nonprofit must follow certain practices when using a third party to conduct a background check (Fair Credit Reporting Act).

## Training, Development, and Retention

### **15. Employee Retention**

As in all other industries, it is beneficial for nonprofits to maintain a stable, well-informed workforce. Retention of staff is often dependent on numerous factors, including work environment, compensation, training, and opportunity for advancement. Nonprofit management teams should assess their ability to meet or exceed employee expectations on an annual basis. An organization should also be able to answer the question "why do we engage volunteers" as a result of careful planning for volunteer involvement.

# Human Resources

## **16. Job Descriptions and Resources**

A nonprofit should provide volunteer and paid personnel with clear, current job descriptions and the resources they need to conduct quality work.

## **17. Performance Evaluations**

Nonprofit personnel should receive performance evaluations on at least an annual basis. A record of the evaluation, along with employee signature and comment, should be kept in the employee's personnel records, and should be used to help determine compensation.

## **18. Training and Development for Staff**

A nonprofit should support and encourage professional development and education of its personnel. The organization should actively provide personnel with opportunities for growth, advancement, and new challenges.

## **19. Benefit Programs**

To the extent of its ability, a nonprofit should provide personnel with benefits including health, dental, and life insurance, as well as the opportunity to financially contribute to retirement plans (990).

## **20. Feedback from Staff and Volunteers**

A nonprofit should continually solicit and use input from paid and volunteer personnel regarding the organization's activities and results.

## **21. Succession Planning**

The board should engage in succession planning for the chief executive, board members, and key staff, to ensure strong leadership and accountability for the organization during planned – and unplanned – times of transition.