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The Top Ten Things That Every Well-Run Club Should Have

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Clubs strive to be the best that they can be in providing services to their members. In this pursuit of perfection, club leadership is generally interested in not only what other well-run clubs do, but also in what would be described as “best practices.” Best practices encompass all club activities across the board. In this quest to operate the club in the best manner possible the following are “Top Ten Things That Every Well-Run Club Should Have.”

1. **Conflict-of-Interest Policy** – Members of the board of governors, officers, the general manager, and department heads (collectively referred to as “club leaders”) must not act in their personal interests, or in the interests of others, with respect to club affairs but must act exclusively in the interest of the club. Club leaders must have undivided loyalty to the club and may not use their positions, or use the club’s property, in a manner that allows them to obtain a financial benefit for themselves or others to the detriment of the club. The duties of club leaders should be clearly outlined in the policy and each club leader should be required to sign a disclosure statement annually, which affirms that such person has received a copy of the conflict-of-interest policy, has read and understands the policy and has agreed to comply with the policy.
2. **Whistleblower Protection Policy** – The Sarbanes-Oxley Act of 2002 (the “Act”) makes it a crime for anyone to take action harmful to any person for providing any truthful information about possible wrongdoing within an organization. Accordingly, clubs should establish procedures for reporting and investigating improper conduct and providing protection for the person who reports such conduct to the club management or to the board.
3. **Record Retention and Destruction Policy** – The Act also makes it a crime for anyone to alter, destroy or conceal any document, record or other object with the intent to obstruct an investigation made by any federal agency; furthermore, the Act provides that it is a crime for any individual to knowingly alter, destroy, mutilate or falsify any document with the intent to obstruct, influence or impede any official proceeding. While many clubs follow a record retention schedule, it is important that the policy be formalized and also addresses record destruction.

It should be noted that for tax-exempt clubs that file Form 990 (Federal Return of Organization Exempt from Income Tax) annually with the Internal Revenue Service (“IRS”) Part VI, Section B questions # 12, 13 and 14 of the revised Form 990 inquire as to the existence of the aforementioned three policies. While such policies are not required under the Internal Revenue Code, according to the IRS, “a well-governed organization is more likely to be tax compliant. As a result, the questions included in the 990 have a twofold purpose—to provide some insight into an organization’s practices as well as to educate organizations about such practices.” Clubs should also take into consideration that the Form 990, once filed with the IRS, becomes a public document.

4. **Disaster Recovery Plan** – Club operations can be interrupted by various events as simple as a power outage or as devastating as a fire, flood, hurricane, earthquake, tornado, or even an act of terrorism. Certain types of disasters can be avoided while with others, the best that can be hoped for is a quick recovery. Therefore, it is important for clubs to take appropriate steps to minimize the impact of a disaster. The time to make such contingency plans is before disaster strikes so that all personnel will be aware of their responsibilities in the event of an emergency situation. A well defined, written disaster recovery plan will maximize the club's ability to bring back operations as quickly as possible after they have been interrupted by an event.
5. **Long-Range Plan** – The first and most important step in developing a long-range plan is selecting the long-range planning committee. Members appointed to this committee should represent a cross-section of the club's entire membership. Leaders in various club activities should be on the committee, as well as young and old members. Most important, the club manager, who has the most intimate knowledge of the club's operations, should sit on the committee. The committee should be large enough to handle the workload without being unwieldy. Moreover, because it is a hard-working committee, those appointed to it should have a committee track record indicating a willingness to work. The primary purpose of the long-range planning committee should be to make some practical recommendations to guide the club's future. The committee's focus is the financial means and social needs of the club and its members. The major product of the committee is a detailed long-range budget and cash flow statement.
6. **Investment Policy** – Clubs should formulate and establish a written investment policy that details the club's philosophies, policies and goals (both short and long-term). The policy should allow the club to maximize the income earned on investments at an acceptable level of risk and should safeguard the club's assets against misuse. It should include who has the right to transfer funds between investment accounts, transaction amount limits, what kind of investments can be made, and who can authorize purchases and sales. The policy should also address the investment goals of the club, the targeted return for the investment portfolio, the amount of risk that is acceptable, and evaluate the risk/reward of investment alternatives. The investment returns and composition should be analyzed at least quarterly to evaluate performance and adherence to the investment policy.
7. **Accounting and Internal Control Procedures Manual** – An accounting and internal control procedures manual should contain policies and procedures designed to assist management and staff with all aspects of the club's operation. Such a manual would serve as an aid in training new employees, overseeing the performance of existing employees and improving internal controls. More emphasis is being placed on organizations to document their internal controls and accounting policies. For clubs that do not have such a manual, the lack of this documentation may be considered a significant deficiency in internal controls under current auditing standards.
8. **Board of Governors Policy Manual** – The manual should set forth guidelines for all those who are involved in governance and its administration so that they are familiar with the duties required for their relevant area of responsibility. The manual should be developed to ensure that a continuity of administration exists within the club.
9. **Employee Policies and Procedures Manual** – Also often called Employee Handbooks. The handbook and related personnel policies should be one of the first formal communications that a club will have with an employee after they are hired. The handbook is also one of the most important communication tools between the club and its employees. Not only does it set forth the club's expectation for its employees, it also describes what they can expect from the club. It is essential that the club has one and that it be clear and as unambiguous as possible. Misunderstanding or misstatements can create legal liabilities for the club. The actual policies in the manual will vary from club to club, depending on its size, number of employees, and benefits offered.
10. **Policy on Background Checks** – Clubs should have a formal policy on performing background checks. Both criminal and financial background checks should be performed on any key management or accounting employee that a club is considering hiring. Clubs should also seriously consider performing criminal background checks on other employees, particularly those who would have contact with children. Any possible findings on these reports should be investigated and resolved before any offer for employment is made. The cost of performing a background check is relatively inexpensive compared to the potential cost of a bad hire.

NCA offers a variety of resources on these topics, including *Club Governance Guidelines: A Path to Organizational Excellence*, *Best Practices for Club Leaders*, and *Disaster Planning & Recovery*. See the online store at www.nationalclub.org.

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