It’s a Wrap

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Resource Type: Risk eNews

Topic: HR Risk and Employment Practices

December is a popular month for wrapping things up and filling things in. Whether you’re wrapping up an end of the year report to stakeholders, filling a sleigh with brightly wrapped packages, or finalizing a budget spreadsheet with numbers in red and black ink, you’re probably wrapping, filling, shipping, or filing *something* this week.

As you wrap things up for 2011, why not pencil in a few risk management “to do” items on your 2012 calendar? Here are a few suggestions:

- **Fix What’s Broken: Employee Classification** – We have had an unprecedented number of calls and emails this year concerning employee classification and misclassification. Exempt or non-exempt? Employee or independent contractor? Employee or volunteer? Since my glass is always half full, I see the increase in inquiries as a good thing—leaders who were previously content with the risk of misclassification are finally getting serious about properly classifying workers. The bottom line is that it is *never* permissible to classify an employee as “exempt,” or as an independent contractor simply as a cost-savings measure. Did you know that the U.S. Department of Labor has stepped up its enforcement efforts with regard to employee misclassification? The Department refers to the sin of misclassification as “wage theft.” My article on the “exempt” versus “non-exempt” issue can be found here. Additional resources on the employee versus volunteer conundrum will be announced in next week’s eNews, and featured in the upcoming issue of *Risk Management Essentials*.
- **Recruit and Deploy Risk Management Champions** – If your attempts to squeeze the topic of “risk” into a crowded board agenda were met with resistance, it may be time to recruit a team of risk management champions, and to organize the team into a task force or Risk Management Committee. Possible “to do” items for the newly formed committee include: (1) defining the nonprofit’s risk appetite (for help on how to do that, see Chapter 3 in *Ready…or Not: A Risk Management Guide for Nonprofit Executives*), and (2) discussing how best to surface and assign accountability for “enterprise” as well as function-specific risks.
- **Get Back to Basics with the Board** – Throughout 2011 we fielded numerous inquiries about the intersection between boards and risk and the consequences of board neglect. “Inspired Governance” was our most requested workshop and governance structures and risks made the top ten lists in each of the risk assessments we completed this year. As you end another calendar year with (or on) the board, reflect on whether you have:
    - a thoughtful and thorough *board development process* that brings diverse perspectives and relevant experience and talents to organization,
    - well written *board policies* that enable effective and timely decision making,

- a *culture of candor* that supports the surfacing and discussion of critical risks in an environment of mutual respect, and
- a *constructive, mutually supportive relationship between the CEO and board*, with each recognizing the value, talents and critical role of the other.

If any of these qualities is missing at the board table, resolve to get down to business with governance in 2012. A neglected board or inadequate governance structure exposes a nonprofit to a wide range of downside risks—some that may lurk for months or years before causing irreversible damage. If you need help, let us know!

Melanie Lockwood Herman is Executive Director of the Nonprofit Risk Management Center. She welcomes your ideas about any risk management topic, feedback on this article and questions about the Center's resources at Melanie@nonprofitrisk.org or 703.777.3504. The Center provides risk management tools and resources at www.https://nonprofitrisk.org/ and offers consulting assistance to organizations unwilling to leave their missions to chance.