

Understanding Roles: Management vs. Board vs. Staff

Management Responsibilities

Executive Director/Management: In organizations without a large staff, the Executive Director is likely filling this role. But at some point, Management should refer to a leadership team. Staff will likely handle some day-to-day financial responsibilities. This may also be outsourced through a contractor, bookkeeper, etc. Management prepares and takes responsibility for the financial statements. Management is responsible for maintaining adequate systems of **internal controls**.

Identification and assessment of factors that could cause the financial statements to contain misstatements, whether due to error or fraud

Risk Assessment: Coordinate internally with the auditor and preserve the independence of the external auditor

Coordinate financial reporting process with the external auditor.

Board Responsibilities

The Board is the ultimate governance body Set the organization's business and ethical standards – “the tone at the top.”

Set policies, oversight, and direction Select organizational Management, monitor, and, when necessary, make changes in Management.

An adequate number of board members should understand GAAP, internal controls, the auditing process, and evaluating financial statements.