

## LEGAL LIABILITIES OF A BOARD OF DIRECTORS

## **RISK MANAGEMENT**

- 1. Exercising Due Care
  - a. Mismanagement occurs by commission and non management by purpose, but they are virtually indistinguishable legally. Mismanagement happens when the board either lacks the capability to act on information provided or is provided with insufficient information to act prudently.
  - b. Self-dealing board members who vote on decisions in which they or their associates will realize personal or financial gain.
  - c. Conflict of Interest Disclosure Statements On File
- 2. Adequate Insurance
- 3. Monitoring Finances
  - a. Is the operating plan adequately supported?
  - b. Does the Finance Committee carry out their responsibilities?
    - i. Develop long range financial projections.
    - ii. Review recommended budgets prior to presentation to the board.
    - iii. Review, revise or develop policy statements.
    - iv. Appoint an auditor and follow up on recommendations provided.
    - v. Review and recommend internal controls.
    - vi. Recommend a policy for investment guidelines.
    - vii. Ensure that property management is consistent with long range plans.
- 4. Maintain Records
- 5. Counsel may be advisable to:
  - a. Ensure compliance with federal, state guidelines and DOL labor laws.
  - b. Review and advise on legal documents.
  - c. Review and advise on any official statement developed for the media.
  - d. Be included on critical steps taken during a crisis.