

It's Time to Update Your Nonprofit's Accounting Policies and Procedures Manual



By Roberta Katz

March 3, 2026

Accounting policies and procedures are fundamental elements of a strong financial management system. Updating these policies and procedures and documenting them in an Accounting Policies and Procedures Manual is essential. Providing this manual to all relevant staff members ensures that the policies and procedures are consistently applied throughout the organization.

What Are Accounting Policies and Procedures?

Policies are principles or rules that serve as the basis for making decisions and determining courses of action. *Procedures* are the specific steps taken to ensure these policies are consistently implemented.

Why Are Accounting Policies and Procedures Implemented?

The finance department establishes policies and procedures to:

- Protect the organization's assets, including cash, investments, and physical property, so the nonprofit can effectively operate its programs and successfully achieve its mission.
- Establish internal controls (checks and balances) to mitigate the risk of unauthorized or fraudulent activities.
- Promote transparency in financial management and reporting processes.
- Ensure transactions are recorded accurately and consistently in the financial records, enabling timely and reliable financial reports.
- Maintain compliance with regulatory and accounting requirements, such as the IRS requirement to file Form 990, the organization's annual information return.
- Enable the ongoing operation of the finance department.

Updating the Accounting Policies and Procedures Manual

Nonprofits are currently facing significant changes in funding sources, workforce, and financial operations. As a result, it is important to update the manual at least annually to reflect these changes.

When Are Updates Needed?

Updates to the manual are necessary in many situations, including:

- When policies and procedures have become outdated or are no longer relevant to the organization's financial operations.
- Following significant organizational changes, such as the introduction or discontinuation of programs, or changes in personnel.
- After changes to laws and regulations from regulatory agencies and government funders. Updates should be made immediately to ensure compliance with the new standards.
- With the implementation of new or updated technologies, such as accounting software or artificial intelligence.

Designated senior management should review the policies and procedures in the manual. The Audit or Finance Committee should then approve any changes before they are submitted to the Board of Directors for final approval.

A designated finance staff member, such as the Director of Finance, should be responsible for maintaining and updating the manual. The manual should note the date it was approved and the dates of any changes or revisions. If no changes occur in a given year, this should be documented in the financial records, indicating that the manual was reviewed and no updates were necessary.

Implementing and Enforcing Accounting Policies and Procedures

A manual that is simply stored away serves no purpose. To be effective, staff must understand the reasons behind the policies and procedures and recognize the importance of following them.

Senior leadership and managers should discuss these policies and procedures during staff meetings and mandatory training workshops. Feedback should be solicited to identify any challenges staff encounter in enforcing or adhering to the policies and procedures.

The manual should be distributed to all relevant staff members, either as a hard copy or electronically through the organization's intranet for easy access. Some organizations require staff to sign an acknowledgment confirming they have reviewed and understand the manual's policies and procedures.

Conclusion

Creating and updating an Accounting Policies and Procedures Manual is time-consuming but well worth the effort. The manual provides a roadmap that helps the organization continue to operate efficiently and effectively. It gives the Board of Directors and funders confidence in the effective financial management of the nonprofit. Senior leadership must set a tone at the top for enforcing the policies and procedures and their importance and benefit to the organization.