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Nonprofits' Work to Prevent Bad Acts Is Never Done

By: Tim Delaney

Nonprofit leaders know that even one dollar diverted from a nonprofit's mission is too much. In an era when more than half of [nonprofits surveyed](#) reported that they didn't have resources to meet the increased demands for their services last year, individual nonprofits can't afford any fraud. And the sector as a whole can't afford the reputational damage from even the hint of fraud.

Recent headlines in *The Washington Post* and elsewhere cast doubt on nonprofits' stewardship of their finances. Such headlines can mislead casual readers into believing that the sector is rife with problems, when in fact it is not. Nonetheless, nonprofit leaders should renew our resolve to get to an ideal world where the number of nonprofits that are victims of fraud is down to zero.

What can we do? First, take this seriously; use the *Post*'s article as a blaring wake-up call that bad actors can infiltrate and hurt even the best nonprofits. You cannot have an attitude that "it can't happen here," because it can happen anywhere. The nonprofit featured by the *Post*, the American Legacy Foundation, was created by state Attorneys General as a result of their victorious case against tobacco companies in the 1990s, and many current and former Attorneys General have served on the Foundation's board. They would be the last to countenance fraud. If it

can happen to them, it can happen to you. (Full disclosure: I was a senior official in a state Attorney General's office when the American Legacy Foundation was established.)

Second, every nonprofit should pull out your existing ethics and accountability materials, discuss them with staff and board members as a refresher of your "zero tolerance" policy, and explore ways to update and improve the materials. If your nonprofit has not yet adopted an accountability program, then do so now. Programs such as [Principles and Practices for Nonprofit Excellence](#) and [Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector](#) offered by many state associations of nonprofits across the country equip nonprofits with proven practices for effective nonprofit governance. Another resource is [Principles for Good Governance and Ethical Practice: A Guide for Charities and Foundations](#) by Independent Sector. The key to success is not the particular plans as much as creating a culture of ethics; having group discussions about which program would be the best for your organization will set the right tone for a positive culture.

Third, we need to expand the work of GuideStar, the Better Business Bureau Wise Giving Alliance, and Charity Navigator to combat the "[overhead myth](#)." The costs for accountability and ethics programs count as "overhead" that too often gets short-changed. Getting governments, foundations, and individual donors out of the mindset that administrative costs are bad and seeing them instead as an essential investment in the core infrastructure of organizations is vital to the health and protection of nonprofits and those they serve.

Also, although individual nonprofits cannot formally police other nonprofits, we all can reinforce our sector's expectation of high ethics. How? One way is to share ethics and accountability materials with colleagues in other nonprofits. It doesn't have to be an exhausting campaign; if each nonprofit board member and CEO proactively reached out to just two other organizations to share an accountability or ethics resource, that supportive act reinforces mutuality of expectations.

Now that [immediate responses](#) dispelling the Post's headline have [been published](#) and more balanced [in-depth](#) and [detailed](#) analyses reported, it's time for nonprofits to pivot to broader efforts to rid the sector of bad actors. Although the tenor of headlines are often salacious, we can still learn from the underlying data developed by [The Washington Post](#), the [Tampa Bay Times](#), and [The New York World](#). They reveal harm from certain categories of individuals injuring nonprofits and the public

(e.g., self-dealing investment advisors, private fundraising telemarketers draining dollars through nonprofit shells to line their personal pockets, and corrupt politicians abusing nonprofits they control to funnel public money to themselves or their families). Such bad actors must be stopped.

Nonprofit leaders and state charity regulators share similar goals here, so collaboration to protect the public and nonprofit resources is essential. Therefore, we extend our hand of support to the National Association of State Charity Officials to work together as state-level partners to develop solutions that target the bad actors preying on the public by misusing the good name of charity.

Without the public's trust and confidence, charitable nonprofits will not be able to fully deliver on their missions to serve their communities. Nonprofit board members, leaders, funders, volunteers, donors, and regulators are all in this together, so let's take proactive steps to prevent fraud and ensure that nonprofits are living up to the high standards the public expects and deserves.

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