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NONPROFITS**

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Conducting an Ethics Audit at Your Nonprofit

“A comprehensive ethics audit should assess the extent to which ... agencies have practices, procedures, and policies in place to protect clients, identify ethics-related risks, and prevent ethics complaints and ethics-related litigation.”

– Frederick Reamer, in *The Social Work Ethics Audit: A Risk Management Tool*

Follow this road map for conducting an ethics audit at your organization:

Define the Purpose

Example: “To review the operations of the nonprofit organization to ensure that it both knows and complies with: (i) the minimum standards set by law (societal/ legal audit); (ii) the higher standards that the organization should have of itself (internal audit); and (iii) the highest standards that the organization strives to achieve for those with which it interacts, including donors and the general public (relational audit); and (iv) in the process, identify any areas that need improvement so corrective action can be taken.”

Process:

Who: Who should be involved in the ethics audit? A task force of board members and staff? Will other volunteers from the community be asked to participate? Donors? An ethics audit is most effective when it is conducted throughout the organization – not just with senior staff or board members, but also with representative volunteers in the field, staff behind the scenes, and other stakeholders of the organization.

What: The audit process should look at the overall organization, as well as its component parts, such as special program areas, operational and administrative areas such as fundraising, personnel practices, document storage/confidentiality of information regarding clients and others, use of resources, conflicts of interests, and more. The review should address, among others, the following questions:

1. Do external laws apply to the organization, and do the people who need to know about those laws [e.g., employees, part-time and summer help, volunteers, and agents] know the requirements?
2. Do internal, agreed-upon values/standards exist? (does the nonprofit have a Code of Ethics, or Statement of Values?)
 - If so, are those internal and external standards shared in a meaningful way?
 - Do the organization’s actions align with its articulated values?
 - Does a system exist (and is it known) for complaints about ethical issues?
 - How are the articulated values kept visible and vibrant?

When: A comprehensive ethics audit should be conducted regularly, such as every 3-5 years (depending on the needs of the organization) with periodic reviews more frequently (such as an annual review of any changes to external legal standards), to review written guidelines (such as a code of ethics), or the soundness of training or preventive assistance programs.

Why: An ethics audit is a risk management strategy that can help the organization avoid legal liability, protect the organization's mission/those it serves, and model the way for other nonprofits in the community. It's also the right thing to do!

How: An ethics audit can be conducted either internally (by a respected staff or board leader) or externally (by an independent and respected professional advisor or leader of a colleague organization).

Next steps: Just as you finish a sentence with punctuation, so too you should finish an ethics audit with a call to action: break down barriers to ethical conduct, strengthen the organization's code of ethics, develop necessary procedures, or support board, staff and volunteers with meaningful training.

Practical tips for ethics audits

- **What prompts the audit?** These audits do not occur on their own. Someone concerned about the nonprofit – either out of a proactive desire to strengthen the organization or a defensive effort to address a perceived problem – prompts the process, generally through a complaint. Having an internal complaint procedure already in place is helpful because it will provide the avenue for ethical issues to come to the attention of the nonprofit's senior management or board.
- **Define the Scope of Work for the ethics audit.** Make sure there is a “meeting of the minds” between those who are requesting the ethics audit (in terms of, for example, the detail of the review and the final product) and those who will be conducting the audit. Legal counsel should always be involved if there is an allegation of a violation of law.
- **Know the nonprofit.** Those involved in the audit should be or become familiar with the organization. It is helpful to review public documents, (e.g., annual report, newsletter(s), marketing brochures) internal documents, (e.g., budgets, minutes of recent meetings, bylaws) and interview key leaders (e.g., board chair, CEO).
- **Know the nonprofit's values.** Those involved should also be or become familiar with existing standards or values that the nonprofit adheres to (e.g., mission statement; values statement; written code; written policies) especially those relating to: conflicts of interests; gifts policies; personnel policies and financial reporting procedures. How integrated are the nonprofit's values into its operations and activities? (e.g., is the mission statement used—by board? by staff? by volunteers? Are values shared during recruitment/hiring; orientation; on-going training; performance and program evaluations?)
- **Test the nonprofit's ethical relationship with all its stakeholders.** Be sure to analyze the ethical conduct of the nonprofit in relationship to its: clients, (e.g., confidentiality and privacy) donors, (e.g., solicitations - disclosures and general accuracy of solicitation; written acknowledgements of contributions) volunteers and employees, and board members.
- **Analyze and document the results and follow through on action steps needed.** After collecting information, and conducting an analysis, make sure the report gets to its intended audience and that the organization is committed to follow-through, or else the time and energy spent on the ethics audit will be reduced to useless window dressing.