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# Self-Audit Tips for Nonprofit Accountability

Take this quick quiz to see if you deserve a laurel wreath or an “End-Ron” burial.

BY CHARLES MACLEAN

**P**rovisions of the Sarbanes-Oxley Act for business accountability could be applied to nonprofit organizations. In fact, some states, including New York, have already moved to impose such requirements on nonprofits. Such legislation will subject nonprofit organizations to audit committee standards, internal control procedures, and certification requirements related to financial statements. (See these *Nonprofit World* articles at [www.snpo.org](http://www.snpo.org): “Keep Your Board Above Board: What You Need to Know about Sarbanes-Oxley,” Vol. 21, No. 1, “Nonprofits without Audit Committees Risk Disaster,” Vol. 22, No. 2, and “How to Find the Perfect Auditor,” Vol. 22, No. 3.)

Even if you aren’t required to comply with Sarbanes-Oxley rules, it’s important to follow a set of best practices and ethical behaviors to build transparency and trust. Public expectations of nonprofits are higher than for businesses—and most nonprofits meet that higher standard. Now, more than ever, there’s an opportunity to exceed public expectations and rebuild any trust that may have been lost. When nonprofits are perceived as acting in unprofessional, irresponsible, or ethically questionable ways, public reaction can quickly rise to feelings of betrayal and violation of trust. Distrust in one nonprofit can cause a halt to giving to other nonprofits.

Prevention is so much easier than recovery. For that reason we might heed poet Robert Burns’ wisdom about the power “to see ourselves as others see us.” This self-audit will help you do so.

Be sure to ask your stakeholders to take this test, too. Their answers will be invaluable in helping you pinpoint your areas of vulnerability. It’s vital to enlist your “customers” to make them partners in change, not just critics. Continuous improvement thrives on candid feedback from self-audits that engage those with something at stake. ■

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## Answer “Yes” or “No” to Each Question & Then Ask Your Stakeholders

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1. **Audible Whistle Blowing:** If someone discovered an integrity lapse or accounting error and reported it to your nonprofit’s designated complaint recipient, would that person investigate those concerns thoroughly and promptly?  
\_\_\_Yes \_\_\_No
2. **Self-Scrutiny:** Does your nonprofit conduct an operations and ethics self-audit involving staff, donors, board, and recipients to identify strengths and areas for continuous improvement? Do you then implement those improvements?  
\_\_\_Yes \_\_\_No
3. **Financial Audit:** Does your nonprofit have an independent audit committee and CPA firm that signs its name to the audit report, as does your executive director and CFO?  
\_\_\_Yes \_\_\_No
4. **Exec’s Performance Review with Teeth:** Does your board reserve part of one meeting every year to review the executive director’s performance (with the director absent) and the organization’s performance in accomplishing its mission?  
\_\_\_Yes \_\_\_No
5. **Board Rigor, Not Rigor Mortis:** Do your board members from the business sector guide your nonprofit as rigorously as they guide their own companies? Are you receptive to their coaching? Are there procedures in place to remove unfit directors?  
\_\_\_Yes \_\_\_No
6. **Hard-Edged Monitoring:** Do you monitor the impact of your projects, both successes and failures, noting what you learned? Do you then communicate those findings to donors and other stakeholders?  
\_\_\_Yes \_\_\_No
7. **Uncommon Transparency:** Do your donors know where their money is going and how dollar allocation decisions are made?  
\_\_\_Yes \_\_\_No
8. **Open-Book Use of Funds:** Does your organization have a clear policy about whether a portion of donations can be used to cover overhead, fundraising expenses, or future projects?  
\_\_\_Yes \_\_\_No
9. **Diligent Donor Protection:** Does your organization protect your donors from unwanted solicitations by allowing them to “opt in” or “opt out” of e-mail, U.S. mail, and telephone calls?  
\_\_\_Yes \_\_\_No
10. **IRS Compliance+:** Has your organization filed a current and complete IRS Form 990? Are you responsive to requests from donors for additional information?  
\_\_\_Yes \_\_\_No
11. **Gold-Standard Code of Ethics:** Do you have a code of ethics for staff and board that includes a conflict of interest provision?  
\_\_\_Yes \_\_\_No
12. **Your Money Follows Your Mouth:** Have you included your nonprofit in your own annual giving plan?  
\_\_\_Yes \_\_\_No

### Self-Scoring (Count the Number of Yeses)

- 10-12 Wear a laurel wreath but don’t rest on it
- 7-9 Get sunscreen SPF 35 and prepare for front-page exposure
- 4-6 Buy a supply of tar and feather remover
- 0-3 Prepare for an “End-Ron” burial

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“Congratulations on your willingness to explore cherished mistaken certainties.”