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THE CHRONICLE OF PHILANTHROPY

THE NEWSPAPER OF THE NONPROFIT WORLD

Accrediting Charities Isn't Government's Role

By Pablo Eisenberg

Prodded by the lapses in accountability that have rocked the nonprofit world -- and pressure from the Senate Finance Committee -- a growing number of nonprofit coalitions are stepping up their efforts to establish accountability and ethical standards for their member organizations. The Maryland Association of Nonprofit Organizations, for example, announced in June that it planned to expand its certification process nationwide so that charities around the country could submit their operations to a comprehensive review and win a "seal of excellence."

Such endeavors are an important move in the right direction. It is time for nonprofit groups to take responsibility for cleaning up their own shortcomings. For all the lip service charities and foundations have paid self-regulation in the past, it is only now that a large and growing number of nonprofit organizations seem to be taking the idea seriously.

But as lawmakers and nonprofit leaders debate how best to prevent nonprofit groups from abusing their tax-exempt status, it is important to be clear about the proper role for government and for private groups.

When the Senate Finance Committee held a hearing in June to consider stepped-up regulation of nonprofit groups, its staff members floated more than 200 ideas for consideration -- including a suggestion that the federal government provide \$10-million to finance an accreditation effort. It said the money should go to the Internal Revenue Service, which could either hire private organizations to run the accrediting service or do it itself.

Several nonprofit officials have seized on that idea, and have recommended in discussions with senators and their staff members that the IRS dole out the money to private groups.

Allocating federal funds to accredit nonprofit groups is a bad idea. Government needs to stick to its role of regulating nonprofit groups and enforcing the law, a role that is essential to keeping nonprofit organizations accountable. It needs to monitor nonprofit groups and go after those who violate the law. But it is not its job to set detailed standards for a large variety of nonprofit organizations, a role that has traditionally been a private

endeavor.

Aside from the philosophical problems with the idea, practical difficulties abound. The Internal Revenue Service would not be able to find a single organization that could be put in charge of the accreditation process. The 950,000 charities and foundations in this country vary widely in size and mission. Some operate locally, others nationally and internationally. No organization possesses the expertise to accredit all those types of organizations.

The IRS could instead spread the money out to nonprofit associations and ask them to accredit their members, but even the biggest associations couldn't reach all that many groups and none has the legitimacy and authority to represent all the different elements of the nonprofit world.

The Council on Foundations and the Philanthropy Roundtable together have fewer than 3,000 members out of the nation's 65,000 foundations. Independent Sector has approximately 600 charities and foundations as members. And the approximately 40 state nonprofit associations may have a combined membership of some 30,000 organizations.

Even if the IRS wanted to give money to several groups, regardless of their reach, it seems very possible that the selection process would be political. How would the IRS justify giving money to certain groups and not others?

The IRS would have to avoid giving money to groups that have sets of principles or standards that are lenient and, therefore, not very meaningful. It would also have to stay away from groups that rarely enforce their codes through punitive action, such as the loss of membership.

Accreditation is a quagmire that the federal government would be well advised to avoid. Already, many critics of the Senate Finance Committee are deriding even the notion of the federal government's imposing tougher oversight and enforcement. It would be unwise to mix up the idea of accreditation with much-needed efforts to crack down on charities and foundations that run afoul of the law.

The Senate committee's best option would be to let the standard-setting movement take its natural course, financed by foundations and other private donors. But as private groups do more, it is important for government, the news media, and nonprofit groups to be realistic about what they accomplish.

Setting ethical and accountability standards and establishing an accrediting system is a slow and time-consuming process that may take years to carry out, especially among organizations that are not members of associations and umbrella groups. For example, the Maryland Association of Nonprofit Organizations has found that it has taken much more time and money than anticipated to check each nonprofit organization that wants to be certified for a seal.

It is also important to keep in mind that neither government nor private accreditation systems can measure

effectiveness.

The most they can do is establish structural and legal requirements that organizations must meet to pass the test of accountability and ethical behavior. They can monitor whether nonprofit boards are independent and free of conflicts of interest and whether board members are involved in overseeing the staff and organizational finances and meet with sufficient frequency to be nominally effective. And they can check whether an organization has completed an annual audit in the past year, whether it has an approved budget for the current year, and whether it issues an annual report to the public on its activities.

Such codes or standards, however, do not tell us how good the organization is, how effective its programs have been, or if it has influenced public policy. They are not evaluations.

Even accreditation systems often provide us with little assurance that more than a minimal level of competence is provided by an accredited institution. The quality of hospitals, for instance, varies greatly; accreditation is no insurance against poor treatment or negligence. The same is true of universities and colleges. Enforcement is the key to effective accrediting systems; however, too many find it difficult to enforce the standards that they promote.

Just as worrisome, however, is the prospect that more and more nonprofit groups will try to buy their way into certification, accreditation, or other honors. Partners for Livable Communities, which names America's Most Livable Cities, was criticized by the *Los Angeles Times* in April for charging a sponsorship fee to each of the 30 winners of the award. Even though the Washington nonprofit group says the money paid for a Web site where the winners are presented, the fact that each winner paid for the honor raises ethical questions and leads the public to distrust nonprofit rating and accreditation systems.

Such questions can also be raised about the Maryland certification system, which asks charities to pay at least \$300 to go through the process, depending on their size, and the Wise Giving Alliance, a charity watchdog group, that now offers "seals of approval" to organizations whose voluntary accountability standards it has approved. The price to license the seal is \$1,000 to \$15,000.

When organizations that are supposed to be monitoring charities try to make money by selling the right to display a seal of approval or certification logo, what message does that send to the public? And when charities agree to pay for those rights, should that give donors pause?

If nonprofit groups are serious about making self-policing work, they may need to start policing the watchdog groups as a first step.

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