

Panel on the Nonprofit Sector

Convened by INDEPENDENT SECTOR

Work Group Recommendations to the Panel on the Nonprofit Sector Posted for Public Comment January 24, 2005

#17: Criteria for Determining Standards for Self-Regulation

I. Government Oversight and Self-Regulation Work Group Recommendations

A. Statement of Problem

Charitable nonprofit organizations are subject to a wide variety of state and federal laws and regulations, as well as rules imposed by public and private funding agencies. In addition, there are a growing number of private nonprofit sector initiatives to define and enforce standards and accreditation systems for particular types of charities and for all charities that solicit contributions from the public. Maintaining public trust in the nonprofit sector requires a balance of vigorous government enforcement and industry-sponsored self-regulation. At issue is the question of the best method for achieving that balance and ensuring that the majority of charitable nonprofit organizations are able to fulfill the highest standards of public accountability.

B. Recommendations

“The duty to ensure the public’s trust is incumbent upon all charities and nonprofits.”¹
The public expects a higher ethical standard from the charitable sector than from other sectors—and rightly so.

The Work Group strongly encourages nonprofit umbrella organizations to create meaningful, long-term, voluntary self-regulation of their own members. Furthermore, the Work Group strongly encourages individual nonprofit organizations to develop robust codes of ethics and standards of conduct and to take responsibility for their internal implementation.

It is critical that Congress and government agencies examine and understand current standards and systems for assessing the governance and management practices of public charities and private foundations before imposing costly new systems for enforcing additional standards within individual government agencies or within the general tax code.

¹ Comments by Goodwill Industries International, Inc. submitted to the Senate Finance Committee on Charitable Governance, July 22, 2004.

Note: These recommendations have not yet been reviewed by the Panel on the Nonprofit Sector. They will be part of the deliberations by the Panel as it prepares its interim report.

C. Rationale

In Phase II of the work of the Panel on the Nonprofit Sector, the Work Group will be reviewing findings from a study of self-regulatory, certification, and accreditation systems in place among charities and other fields in the United States and other countries being conducted by New York University's National Center on Philanthropy and the Law, under the leadership of Dr. Harvey Dale. Given recent actions by individual government funding agencies to develop and implement new rules for governance and compensation practices at public charities, the Work Group recommends that the Panel comment on the importance of this work in its Interim Report.

D. Other Considerations

None.

II. Expert Advisory Group Comments

The Expert Advisory Group concurred with the recommendation of the Work Group.