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Regulators and Nonprofits - Working Together to Protect the Public Trust

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State charity regulators and the nation's 1.5 million charitable and philanthropic organizations share a common goal: protecting the public's trust in the charitable sector.

How can we accomplish this shared goal? We can work together continuously to communicate information "internally" with each other and provide education "externally" for donors and the public about our respective organizations' activities and the sector we mutually serve.

The internal-facing communications come in the form of various sets of operational standards and best practices that both the nonprofit sector and the regulatory community have developed. Examples by the nonprofit community include the various state-specific [Principles and Practices](#) guides and [Standards for Excellence](#) materials. [BoardSource](#) also offers specialized resources directed to best practices and accountability. The National Council of Nonprofits' website provides [links to resources on ethical and accountability for nonprofits](#) and [other valuable resources on governance and leadership](#).

In addition, many state Attorney General offices and other state charities regulators publish best practice materials and offer training presentations and seminars. For instance, the Colorado Secretary of State offers an interactive [*Nonprofit Board Member Course*](#) online. The Ohio Attorney General [offers monthly webinars and posts recorded versions online](#) for organizations in Ohio. New York Attorney General's Office [publishes dozens of helpful guides and other materials](#). The California Attorney General makes [numerous publications](#) available online, including its [*Attorney General's Guide for Charities: Best Practices for Charities that Operate and Fundraise in California*](#). The Tennessee Attorney General publishes [What Every Board Member Should Know: A Guidebook for Tennessee Nonprofits](#). The National Association of State Charity Officials (NASCO) posts additional [guidebooks and publications](#), plus other resources, [on its website](#).

These and other internal-focused resources that are designed to help individual charities and foundations do their work well are important and should continue. But are they enough? Should additional efforts be made to educate the donating public about what to look for before making contributions?

Professor Adrian Sargeant thinks so. He is the Director of the Hartsook Centre for Sustainable Philanthropy at the University of Plymouth, England and recognized by many as one of the world's foremost authorities on charitable fundraising. Professor Sargeant has reported a perception of American donors that they are well-meaning but wasteful. In support of that thesis are findings from a survey on charitable giving by the Colorado Attorney General and [Colorado's AARP Elder Watch](#) that 27 percent of the donors surveyed made spur-of-the-moment decisions to donate, rather than conducting research before giving.

The Colorado survey results illustrate a knowledge gap that facilitates inefficiencies in giving. The results revealed that donors are unaware of critical information that can help them determine whether a charity is legitimate or fraudulent. Donors are unaware of information that can help protect them from fundraising scams.

Why does this knowledge gap matter to nonprofit organizations? It matters because charities are competing for support from donors who too often are not knowledgeable about their giving and who may be as likely to give to a fundraising scam or a fraudulent organization as they are to give to the many thousands of legitimate operating public charities that are making meaningful contributions in our communities.

Why does the knowledge gap matter to regulators? It matters because the job of regulators is to distinguish legitimate charitable endeavors from fraudulent activity and take action to stop fraud, thereby helping protect the public's trust in the charitable sector. From his research and work in the nonprofit sector over the past 20 years, Professor Sargeant has learned that trust in the sector increases when donors are confident that there is transparency and predictability that organizations and the broader sector operate within regulatory standards of accountability for which noncompliance is enforced.

Importantly, the external-facing information and education we share with the public should not be limited to tips for detecting fraud or possible scams, and not just reports on regulatory and enforcement activity. [Professor Sargeant has learned](#) that "if you want to build up trust in the sector, what you need to do is to educate people about just how good we [charities and nonprofits] are and the realities of our modern sector. If you want to build up trust in your charity, you have to be transparent about how that money is being used and make sure that people get that information."

Accountability matters. The nonprofit and regulatory communities have always known this, but the Colorado survey results show that donors do not know it. Eighty percent of survey respondents said that the best way to determine trustworthiness of a charity is to look at its financial performance. We in the nonprofit and regulatory communities, however, know that donors also need to look at ethics, governance, and the charity's results in order to make reasonable assessments about the credibility and effectiveness of the organization. We know, too, that periodic internal reviews of an organization's ethics, governance and financial policies, and compliance with them should be a routine part of best practices. Thus, it is worthwhile for nonprofits to educate the public about a nonprofit organization's ethics and accountability practices and the good results you accomplish. It pays off, for your organization and the broader sector.

Regulators and the nonprofit community have many resources from which to draw in developing initiatives and templates for public education that could close the knowledge gap that undermines donor confidence in charitable organizations and public trust in the charitable sector. For instance, many of the Principles, Standards, and Guidelines resources referenced earlier also have related webinars, podcasts, training programs, and educational materials that could be adapted for outreach initiatives to better inform donors and the general public. We need to consider how,

collectively, regulators and charities can educate the public better about what to expect from best practice as opposed to bad practice. Perhaps we should have a goal of giving Professor Sargeant something new to research and talk about: how we dispelled the perception that American donors are well-meaning, but wasteful.

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