

Ethics, Part 1

Nonprofits wrestle with ethics.

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By **Todd Cohen**

A donor last year wanted to give more than \$25 million to New York University to endow the directorship of a new center, but the school turned down the gift because the donor wanted to pick the director.

"There's no state or federal law that applies, but there is an ethical question," says Naomi Levine, a special adviser to NYU President John Sexton. "A university puts certain responsibilities in the hands of their faculty. It doesn't matter how much you give."

Ethics, famously described by a British jurist as "obedience to the unenforceable," has become a hot topic in the nonprofit world.

Mounting concern over issues like excessive compensation, self-dealing and conflicts of interest in the nonprofit world have triggered heightened attention by lawmakers, regulators, professional organizations and individual nonprofits to a broad range of ethical questions involving governance, openness and accountability.

The Senate Finance Committee is looking at major changes in regulation of nonprofits, and the Panel on the Nonprofit Sector, convened by Independent Sector at the committee's request, has proposed regulatory and voluntary changes aimed at strengthening nonprofit governance and transparency.

Most ethical problems the nonprofit sector faces are rooted in a lack of openness and must be addressed through a combination of voluntary nonprofit actions, tougher regulatory enforcement and, where needed, improvements in the law to keep pace with changes in charitable practices, says Diana Aviv, president and CEO of Independent Sector in Washington, D.C.

"In my view, the single most important way to improve performance and to decrease the potential for abuse is to increase transparency," says Aviv, who also is executive director of the Panel on the Nonprofit Sector.

To improve nonprofit behavior, nonprofit and ethics experts differ sharply over the balance that will be needed between stronger laws and policing, and voluntary efforts such as codes of ethics, better training and greater attention to ethical issues.

"I never believe that self-regulation by itself is enough," says Levine, who also is chair and executive director of the George H. Heyman Jr. Center for Philanthropy and Fundraising at NYU.

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