

# Ombudsman to the Rescue



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In our work as consultants and ombudsmen who investigate ethics-related complaints, we often hear stories like this:

*A charity received a \$5 million donation to expand a children's program with the stipulation that 92 percent of the funds go directly to the program. Shortly thereafter, the CFO asked Stuart, the finance manager, to "temporarily" divert \$4 million of those funds into the operating account. When Stuart reminded the CFO of the donor's stipulation, he was told that the executive director had agreed that the funds should cover a current operating shortage and that the children's program could be recredited later.*

*Stuart was new to his job and felt uncomfortable but could not find a written policy about this type of transaction. He was hesitant to challenge the CFO or executive director or speak with a board member, so he diverted the funds.*

*Later, after an audit, the donor became aware of the diversion. He made public, embarrassing, and damaging accusations about the integrity of the charity. Executive staff changes were made and it took several years for this venerable nonprofit to recover its positive reputation and regain funding levels.*

Could this unfortunate outcome have been avoided? Easily. We'll show you how.

## Somewhere To Turn

Stuart's issue could have been surfaced and effectively addressed if his nonprofit had had a system for lodging complaints, investigating them, reporting findings, and helping those involved to achieve equitable settlements. Such systems, when they

include both a formal ethics program and an informal ombudsman role, ensure timely and effective conflict resolution within an organization, while helping mitigate financial, legal, and ethical risks (as in the story above). This, in turn, enables executives and boards to fulfill their governance, fiduciary, and oversight responsibilities and ensures an ethical culture. Let's look at both components of such a system.

### ■ Ethics Programs

Formal ethics programs can be extremely beneficial because they foster a clear understanding of the organization's values and standards. These programs frequently utilize codes of conduct, provide training, set policy, conduct investigations, keep records, and act as strategic

## WHAT ARE OMBUDSMEN?

### What do they do?

They help organizations identify options for resolving issues and provide a safe place for a nonprofit's constituents (employees, volunteers, board members, and, sometimes, recipients of services) to seek confidential neutral, independent, off-the-record guidance in getting unethical behavior or other conflicts surfaced early and addressed fairly.

### What issues do they address?

The list is long and includes financial malfeasance, harassment, discrimination, conflict between a national organization and its affiliates, mismanagement, interpersonal conflict, fundraising concerns, inappropriate leadership behavior, questionable ethics, and conflicts of interest.

### How are they trained and selected?

They are trained by the International Ombudsman Association (IOA) and use specific processes to ensure compliance with IOA standards of practice. Organizations select them through a comprehensive process that ensures they have in-depth knowledge of the organization's mission, strategies, and priorities.

### Who uses them?

Universities and government use them, but they are gaining prominence in corporations and nonprofits. Large federated nonprofits might have one or more as employees; small nonprofits might have one as a part-time employee or might use the services of a contract ombudsman.

### To whom do they report?

They report to the executive director and the board. They provide unfiltered communication, early warnings, and written or in-person reports about issue trends, analyses, and change opportunities to prevent recurrence of problems.




NANCY ANNE  
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**I am a true believer in the value of partnerships.** Four years ago, when I became executive director, I was asked by my staff to write a grant on behalf of our local United Way. I was in the process of assessing the needs of “my” organization (both the community and the organization were new to me) and at first I didn’t know how I could complete my own assessment *and* write a grant on behalf of another organization. My staff had worked with the United Way and other agencies in the community to lay the groundwork for Success By 6, a countywide initiative on behalf of young children and their families, so I invested the effort to write the grant. The grant was awarded and we continued to volunteer our time for the countywide effort.

About a year later the United Way contracted with my agency to provide administrative leadership to Success By 6. Today, an effort that began with a handful of committed volunteers includes more than 300 professionals actively involved in Success By 6 partnering with Early Connections and United Way. And most importantly, we are documenting significant, positive outcomes for young children and their families.

An unexpected outcome of this successful partnership was that Early Connections received the exclusive Community Matters Collaboration Award for “...collaboration and selflessly and continuously lending their expertise to others without regard for organizational gain...” We continue to be committed to partnering with all who will join us on behalf of children and their families. We know that we can accomplish so much more *together* than *separately*.



partners to executive teams. Ethics programs also help prevent malfeasance by clearly articulating expected ethical behaviors, thus helping individuals make ethical decisions while ensuring accountability.

### ■ *Organizational Ombudsmen*

Even with a formal ethics program, employees and others often want confidentiality and need guidance before taking formal action. Ombudsmen provide unique capabilities that complement formal ethics programs. They provide a safe environment for an off-the-record conversation, help ensure that issues are surfaced in a timely manner, probe to clearly understand the nature of the issue, and discuss the pros and cons of resolution options. Individuals can choose to take the issue forward or remain anonymous and have the ombudsman surface it.

### Reaping the Benefits

The Ethics Resource Center’s 2005 research shows that the percentage of people who observed unethical behavior — and then reported it — has decreased from 65 percent to 55 percent. Without an ethics program and ombudsman, individuals may not know how to take an issue forward or understand its extent or seriousness, or they may fear retaliation or believe nothing will be done.

But with an ethics program and ombudsman, unethical behavior is more likely to come to light early, saving an organization embarrassment or worse. These systems ensure that the values and standards of the

organization are known and followed, which helps protect the organization’s reputation. A strong reputation helps attract and retain donors, grants, and the best staff, volunteers, and board members. All of this, in the end, translates into providing the highest quality services to constituents.

### The Moral of the Story

If the charity in the opening story had had a formal ethics program and an organizational ombudsman, Stuart would have had a clearer understanding of the ethics issues he faced. He could have had an off-the-record conversation with the independent, neutral ombudsman to help him determine what to do. He could have remained anonymous and asked the ombudsman to go to the ethics officer to suggest an audit of financial transactions. The questionable transaction could have been reversed immediately, avoiding damage to the charity’s reputation and funding levels. Then, the ethics office could have done additional training on the code of conduct, reinforcing the importance of reporting unethical behavior and seeking confidential guidance. The story could have had a happy ending.

### RESOURCES:

Redmond, Williams & Associates:  
[www.redmondwilliamsassoc.com](http://www.redmondwilliamsassoc.com)

*Managing Conflicts of Interest, Second Edition* by Daniel L. Kurtz and Sarah E. Paul. BoardSource, 2006.