

The Five Commandments of Ethical Grantsmanship

By Karen Hodge

Money may make the world go round, but it is adherence to ethical principles that keeps it from spinning out of control. It is imperative that you, as a grant writer, apply and advertise a code of ethics that will keep you and your organization out of trouble.

I once had the president of a university ask me why we could not tell a foundation that we were going to use grant money for one thing and then, once we got it, use it for something else. After my head stopped spinning around, I explained to him that, among other things, that was fraud and I was not going to be a party to it.

Let's get this straight. When you accept grant funds, you have entered into a contract with a foundation, a contract to carry out the project activities in an agreed upon manner. You have an ethical and legal responsibility to honor that contract or risk losing the funds, incurring costly legal fees, and harming your reputation.

Courts are becoming increasingly open to the idea that donors may have the right to rescind gifts or take legal action if their wishes are not honored. In 1996, Paul Glenn, through his Glenn Foundation for Medical Research, donated \$1.6 million to the University of Southern California to study aging.

In 2001, Mr. Glenn sued the university on the grounds that it did not honor the contract they had entered into through oral and written communication. What is most notable about this case is the attention the judiciary is paying to the issue, perhaps making it easier for future donors to take legal action when they become unhappy with the way a charity uses its gift.

Lawsuits aside, not honoring your agreement with a foundation can result in the loss of substantial amounts of money and some bad press, as the Smithsonian Institution learned when it watched \$38 million from the Catherine B. Reynolds Foundation walk out the door. Ms. Reynolds restricted her pledge made through her foundation to an exhibit honoring "the power of the individual."

Smithsonian curators balked at the idea and expressed concern over the perceived control this donor was to have over museum content. When the two parties could not cross the divide, Ms. Reynolds cancelled the pledge, a move that garnered a lot of publicity, including an appearance by her on 60 Minutes.

As you can see, disagreements over the use of funds given by foundations can be costly. So how does a grant writer protect herself from potential disaster? Ethics.

The Five Commandments of Ethical Grantsmanship

Commandment #1: Thou shalt write grant proposals that reflect your clients' needs

I worked with the executive director of a social service agency once who was a whiz at getting grant money. Her strategy was to tell the funding source whatever they wanted to hear, regardless of whether or not it was an accurate representation of the situation.

For example, she discovered a grant program from the state that provided funds to homeless shelters for alcohol and drug treatment, reimbursing the grantee for each client that went through a substance abuse program. So, every client that entered her agency was mandated into drug and alcohol abuse counseling, regardless of whether or not they had a substance abuse problem.

When I questioned her on her strategy, which was shamelessly designed to put as much money in her organization's checkbook as possible (forget about what the clients needed), she said, "Well, not every one of our clients has a drug or alcohol problem, but I guarantee every one of them knows someone who does."

Hmm. Well, with that kind of logic I should be able to get a job as a surgeon because, while I didn't

attend medical school, I know someone who has. Sheesh!

Never... let me say that again... NEVER design your programs to meet the needs of the funding source. First, decide what your clients need and what you require to meet that need. Next, design the program that addresses your clients' issues. Then, and only then, should you seek out a funding source that matches your agency's focus, programs, and mission.

I have seen too many nonprofits get into trouble because they let the funding source dictate what programs they should initiate. In fact, I once told a donor, no thank you because that's what she wanted to do. Your clients come first; find funding sources that meet their needs.

Commandment #2: Thou shalt honor thy commitment

Nothing ruins your reputation faster than not carrying out the grant activities as stated. If you told the funding source that over a two-month period you were going to hold five workshops for teachers on the latest instructional strategies and you didn't do it, you better have a darn good reason or risk having to return the grant funds and lose out on any future monies. Foundations believe what you say, and if you violate that trust you are certain to run into serious trouble. And foundation representatives talk amongst themselves. You do not want to get a reputation for, at best, incompetence or, at worst, dishonesty.

I once worked with a faculty

member at a college who didn't understand this concept. She believed her restricted grant funds were a departmental Christmas account, to be spent as she liked. It is not an exaggeration to say that I spent hours explaining that you must honor the commitment you made to your funding source OR explain to them why you couldn't do so. Being a good steward of grant funds means being true to your word.

That's not to say that there is no room for flexibility. Costs go up. Costs go down. Partnerships fizzle. Things change, and, sometimes, grant agreements must be modified. Those modifications should come only through... well... through the next commandment.

Commandment #3: Communicate with thy donors

As mentioned above, if you have a change that will require your grant funds be spent differently than your agreement stipulated, call the funding source immediately. Keeping donors informed is key to not only ethical grantsmanship but also to ensuring continued funding in the future.

Don't wait until something goes wrong to communicate with the foundation. Update now, update often. Keep the funding source in the loop about your progress, your accomplishments, and your challenges. This not only engenders trust but it also keeps your organization's name at the top of the foundation rep's speed dial. That's a good place to be.

Commandment #4: Thou shalt know where the money goes

It is imperative that you set up an organized system for tracking your grant expenditures. A separate account or line in your budget should be designated for the grant activities, with each expenditure logged in a timely and accurate manner. In this way, you will have at your fingertips an up-to-date accounting of the funds. When your foundation rep calls and says, "show me the money," you must be able to do this competently and quickly.

Also, be careful about to whom you allow access to the funds. New on a job, I was stunned to find that all of my volunteers were able to spend funds out of my grant budget. I quickly put a stop to that. Only key people should be able to access funds — the fewer the better.

Commandment #5: Thou shalt run from those who are unethical

There are plenty of people in the world with shaky ethics. We have all known at least one — a boss, a board member, a co-worker, a volunteer. If you find yourself in an organization that does not handle grant money in an ethical manner, run — don't walk — to the nearest exit. Unless you are in a position to make changes, get out while you can. Lack of ethics is like poison ivy; it creates a problem for anyone who is touched by it. Save yourself the sleepless nights and potential harm to your career by getting away

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from such organizations as soon as possible.

One final rule

Overall, the ethics of grantsmanship can be summed up in one simple, yet little known, variation of the Golden Rule: Do unto grant money as you would have others do unto your own money. Amen.

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She has also served as a consultant to small non-profits, and frequently speaks on a variety of fund raising and professional development topics. Ms. Hodge has a Bachelor of Arts in Communication and a Master of Science in Technical Education.

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when our leaders abuse the trust we place in them it has a powerful effect on citizens.

Finally, we have had our share of disasters (9/11, Katrina) in which the performance of nonprofit relief organizations was under the incredibly intense glare of public scrutiny. When they have not performed well, the public feels cheated.

Do you believe the public distrust can be reversed?

Not through any type of marketing campaign or other communications strategy. Rather, the nonprofit sector needs to demonstrate that it is committed to and capable of "self-policing" or else the government will intensify its efforts to regulate the sector more strictly.

Ultimately, actions speak louder than words. Anticipating accountability challenges and preparing for them is important. But, it is also important to admit quickly when the organization has fallen short of public expectations and make immediate efforts to correct the situation. Often more damage is done by cover-up or delay, than by the original offense.

What do you predict will happen to nonprofit organizations in the next ten years as far as accountability issues?

Predicting the future is always dangerous. But I will venture this

forecast: We are likely to see more and more competition within the nonprofit sector for scarce resources and between the nonprofit and for-profit sectors for markets and services. As for-profit firms pursue services and markets traditionally served almost exclusively by nonprofits (healthcare, senior services, child care, job training, youth detention, corrections) and engage more aggressively in competition with nonprofits, there will be more pressure on nonprofits to "fight back."

My personal view is that nonprofits will not win the battle based on their ability to go toe to toe with for-profits on issues like service efficiencies, economies of scale, or other quantitative measures of performance. Private businesses will typically win those battles based on their access to capital and their sheer size and capacity.

Rather, the comparative advantage of nonprofits is (and always will be) the fact that they will not allow profitability or lack of profitability drive decisions about what consumers they serve or how well they serve them.

Nonprofits serve a higher objective and a higher purpose. They have earned the public's trust by being accountable to those higher purposes ... social justice, service to vulnerable populations, filling gaps that neither business nor government are willing or able to fill.

The nonprofit sector must remain true to those historical values, playing to its strengths, and the most trusted source for the most sorely needed services.