

VIS[®] CONNECTIONS

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We are happy to provide you our publication for nonprofit risk managers, as part of our service to you. The titles in the contents section link directly to their articles. If you need to change the email address to which this is sent, please [contact us](#). Be sure to include your name, organization and address. You also are welcome to call us at 800.222.8920 for assistance. For risk management guidance between the quarterly issues of *VIS Connections*, we invite you to follow our blog at www.volunteerinsure.org.

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How are you doing? – Measure outcomes, not activity, to find out

By Rick Lynch

Editor’s Note: Rick Lynch is principal consultant at Seattle-based Lynch Associates (www.ricklynchassociates.com). Through training, consulting, and coaching, Lynch Associates helps managers develop work environments that enable them to tap the best efforts of the people they lead. Specialties include training in leadership, volunteer management, customer service and strategic planning. He is author and coauthor of several books, including Volunteer Management, the world’s best-selling book on the subject. He also speaks at some 100

workshops, conventions and conferences worldwide every year. VIS Connections is happy to have Rick prepare this article for our readers, on the right and wrong ways to measure results in a nonprofit organization.

Many nonprofit organizations do not spend much time measuring the outcomes their people produce, and as a consequence they are less effective than they might be.

Measuring outcomes has many advantages that are forfeited by those who don't take the time to do this work. These include:

- **More positive motivation of employees and volunteers.** Too often workers are motivated by the fear of missing deadlines that someone else has set. It is more rewarding to be trying to achieve something of value than to try to avoid getting into trouble.
- **Fair and meaningful recognition.** When managers praise worker performance, it can be motivating, but sometimes workers see it as an expression of favoritism or as manipulation. When outcomes are measured properly, worker performance gets an objective score.
- **Enhanced value to funding sources and citizens.** It is always more powerful to talk about your organization in terms of what it accomplishes than what it does. People would rather give to an organization that is making a difference than one that engages in a lot of well-meaning activity. For example, it is more compelling to say "we got seventeen children to improve their reading comprehension by two grade levels" than it is to say "we provided 800 hours of tutoring."

One must be careful about what is measured, however. There is a maxim that "what gets measured gets done." If you measure the wrong things, your people may do things you don't want them to do.

For example, in the United Kingdom, in an effort to improve service to patients in emergency rooms, the government (which controls the emergency rooms through the National Health Service) began to measure the number of times patients had to wait more than four hours between the time they entered the emergency room and the time they saw a doctor. Not wanting to be found deficient, many emergency rooms simply refused to let people into the emergency room until they were sure they could see them within four hours. This created a phenomenon called ambulance stacking, in which long lines of ambulances were seen idling in a line in front of emergency rooms, waiting to unload their patients.

Measuring outcomes

First, begin with the result, or outcome, you are trying to achieve. This is trickier than it sounds, because if you are not used to thinking in this way, the likelihood is that you will begin with what you do instead of what you are trying to accomplish. You will begin with hours of counseling rather than improved mental health, for example. Nearly every time I have had someone tell me they were having trouble figuring out appropriate measures, the problem was that they were attempting to measure activity rather than achievement.

Here are three of the most common pitfalls to avoid in defining results:

- **Mistaking quantities of activities for results.** People sometimes get so bogged down in activities that they lose sight of their purpose. As a consequence, they tend to equate the volume of effort with the outcome they are trying to achieve. Statements such as “Increase the number of volunteer hours contributed to the tutoring program” only define a desire to increase the volume of activity, not a desire for that activity to have an outcome such as student learning.
- **Mistaking quality of activity for results.** Although there can be qualitative results statements – for example, “Those living near the center will view the organization as playing a beneficial role in the community” -- people sometimes try to turn an activity into a result by the addition of qualitative modifiers, such as “Students will be taught in a professional manner.”
- **Mistaking a particular method for results.** A school, for example, may mandate that all elementary teachers use the phonics method for teaching reading. While this may be a superior method, converting to the practice is not an outcome. In today’s high tech world, the adoption of particular equipment is sometimes thought of as a result. But it is only a means to an end, such as greater productivity.

Once you have a result in mind, you can measure it by asking two questions. First, “What information would tell us that the result is being achieved?” Usually the statement of the result will imply the desired information. In a hospital, for example, one desired outcome was defined as “patients will find their meals appetizing.” The information you want would be the opinion of the patients about the meals they were served.

The second question is a bit trickier. “How will we collect the information?” For any given outcome there are often many different ways of collecting the information, each of which may require different levels of effort and have different performance implications. To continue the example of hospital meals, we could collect the information in many ways, including:

- Keeping track of the number of complaints
- Having the person who picks up the tray ask patients how they liked the meal.
- Measuring the volume of food not eaten
- Placing a brief survey form on each tray along with the meal
- Having the nurse ask about the meal when he or she checks on the patient.

Each of these has its plusses and minuses. Counting complaints is easy, but it denies you positive feedback. A question from a person is also relatively easy, but the patient might be reluctant to speak with full candor about the meal. Measuring the volume of food not eaten would give you a clue to the person’s reaction, but people in a hospital may not have much of an appetite due to their condition. Having the patient fill out a survey after each meal requires some effort to tabulate the answers. Although people in other contexts don’t fill out survey cards, a hospital patient has loads of time on his hands with nothing else to do.

For some results the measure of performance is fairly obvious and easy to state. In the case of a crime-prevention volunteer, for example, the number of burglaries in her area is a readily

available statistical measure. We can use these statistics (provided she is responsible for the same geographic area for which statistics are being compiled) to measure the result of keeping people safe from burglaries. Every time a burglary occurs in her area, she will naturally ask “what could have been done to prevent that?” These thoughts spur her creativity, and encourage new, even more effective approaches. If the position is merely defined as talking to citizens about crime prevention, however, and there is no feedback to her on how well she is doing, there will be little likelihood that more effective approaches will be tried.

In other cases, we find the measure more difficult. One desired outcome of a Girl Scout program, for example, might be that scouts develop increased self-assurance as a consequence of their involvement. In cases like this we need to do some hard work to figure out how we are going to measure progress. We need to ask questions such as “How will we know if girls gain self-assurance? What would we see when they are, and when they aren’t, self-assured? What questions could we ask them to determine their degree of self-confidence? What activities would they get involved in if their self-confidence grew?”

I have seen such discussions go on for two hours, before producing an effective method of measuring. Many managers don’t want to do this much work, and so they take the easy course of measuring a set of activities -- hours of volunteer involvement, for example. By doing so, however, they blind themselves to the vital information of how well they are doing. They also deprive volunteers and paid staff of a sense of accomplishment.

More on measuring – Charity Navigator’s CN 3.0

In *VIS Connections*, we’ve often warned about the risk of not telling the organization’s story well enough to attract the support that is deserved. Potential donors do much of their research online now, through organizations such as [Guidestar](#) and [Charity Navigator](#), and use the information they find there – or lack of information – to choose which charitable organizations to support. Recently, Charity Navigator announced its CN 3.0 rating program, which adds “results reporting” to the existing two categories of “financial health” and “accountability and transparency.” The organization explains that “by results we especially are interested in the outcomes of the work of the charity and whether these results are providing a social value (in other words, offering meaningful change in communities and peoples’ lives).” CEO Ken Berger added that with the third element of its rating system, Charity Navigator hopes to “drive more money to the high-performing nonprofits and encourage others to become high-performing.”

Achieving high marks in “results reporting” will require that the charitable organization demonstrate how it measures the results of its work, and communicates that information to the public.

The new component will not affect a charity’s ratings until at least 2016, but Charity Navigator already has begun gathering information, using a new 14-question survey that includes questions such as these:

- Does the charity have a plausible “causal logic” (or plan for achieving goals)?
- Does it indicate how much of a particular action is required to produce a given result?
- Does it publish evaluation reports that cover the results of its programs at least every five years?

More information is available on Charity Navigator’s [Website](#).

Some nonprofit organizations have objected that their missions – particularly if they involve advocacy -- do not allow for measuring “results,” at least over a defined time period. Nevertheless, it is important to understand that if CN 3.0 becomes an accepted standard for evaluation, developing some method for measurement could become important even for organizations not accustomed to evaluating their activities that way.

In a September article, the *Chronicle of Philanthropy* noted that “it’s already clear from Charity Navigator’s initial forays...that most charities will have to make a giant leap to come even close to scoring well on the new tests – and that a one-size-fits-all approach may not work for all groups.”

Help staff, volunteers and clients avoid medical identity theft

With the launch of the Affordable Care Act has come a surge of new identity-theft scams. You might choose to share the information in this article with your staff, volunteers and clients, to help equip them to spot potential fraud and avoid becoming victims.

Linda Vincent is a registered nurse, private investigator and lead consultant at The Identity Advocate (www.TheIdentityAdvocate.com), a resource for information and consultation on preventing identity theft and healthcare fraud. She says, “Consumer confusion about the implementation of the law has allowed identity thieves to get a jumpstart on stealing medical identities using information such as Social Security numbers, addresses, Medicare account information, medical history, and other private information.” Often, she says, the scammers pose as federal employees in order to obtain the information.

“Gaining access to this information enables identity thieves to fraudulently receive medical care, purchase prescription medications, order medical supplies, and submit false insurance claims—among other forms of healthcare fraud,” Linda says. She offers the following guidance:

- Be proactive to prevent medical identity theft by signing up for an identity theft protection service (recommended provider information is on www.TheIdentityAdvocate.com). Never provide or verify personal information over the phone, even if the caller claims to be a federal employee. Federal agencies already have this information on file, so you will never be called to supply it.

- Don't automatically believe a caller ID screen indicating that a state or federal government agency is calling. Scammers have the technology to display a government agency's name on your caller ID.
- The government does not send unsolicited emails to request personal information. It only sends correspondence through U. S. mail. You can check the authenticity of a letter by looking up the agency's phone number yourself and calling it for verification.
- Government employees do not make house calls, nor will they show up at your door requesting information or selling healthcare plans.

Medical identity theft has affected 1.85 million Americans this year, at a cost of \$41.3 billion, according to the [Ponemon Institute](#). The Federal Trade Commission received over 83,000 fraud complaints in 2012 regarding "imposter scams," in which identity thieves pose as representatives of government agencies to collect personal information.

Most common mistakes by nonprofits allowing fraud to take root

By Alan Goldberg

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"Fraud is the dysentery of crime: even after the infection is contained, the unpleasant after-effects linger interminably."

-Jed Rakoff (federal judge, New York District Court)

Although this quote was in reference to Wall Street mischief, I believe it applies even more aptly to nonprofit organizations, as they are commonly held to even higher standards of trust. Stealing of assets, and other acts of fraud, usually are the result of poor internal controls in the organization, and the over-trusting attitude towards long-term executives, managers, staff members and volunteers. To help fight fraud in your organization and protect your hard-earned reputation and the assets that are critical to program delivery and your mission objectives, avoid these risks:

- Failing to maintain adequate segregation of duties in cash receipts and disbursements processes. No one person should be able to process, approve, record and reconcile these transactions. These tasks should be done by different employees to remove conflicts. Or, if your organization is too small for segregation of those duties, at least conduct vigilant secondary reviews.
- Placing excessive control in the president or executive director...leaving tipsters feeling that there's no one to whom they can report unusual and suspicious events. Tips are by far the largest source of fraud leads. There must be a whistleblower mechanism (e.g., hotline) to allow tipsters to report without fear of intimidation or retaliation.
- Focusing on the mission to the exclusion of investing in sound financial and administrative systems with adequate monitoring, reporting and internal controls.
- Lacking financial expertise, interest or control consciousness on the board of directors.
- Lacking financial benchmarks or variance analysis, to flag unusual transactions or activity.
- Failing, on the part of the board, to challenge top management or the executive director regarding financial performance matters or red flags – too much trust, or complete deferral.
- Failing to report or even discuss fraud because of fear that negative publicity might ensue.
- Having high staff turnover or understaffing, making it difficult to segregate duties or provide sufficient financial oversight.

Build a good anti-fraud foundation

Some elements of a good general foundation for nonprofits are listed below. They must be evaluated and right-sized for each particular organization. There's obviously a cost/benefit consideration to be made; just don't underestimate the risks of undetected fraud (including reputation damage and even the demise of the organization!) A small organization may not be able to implement all these elements, but implement complementary ones; for example, secondary reviews of checks generated, if adequate segregation of duties is impossible due to staff size. Evaluate your exposures and high risk areas for fraud potential and impact. Then, institute measures in a way that makes sense for your organization:

- Whistleblower policy and mechanism – anonymous, and retaliation-proof
- Code of ethics, anti-fraud, and conflict-of-interest policies
- Fraud awareness training, including behavioral red flags and options for reporting fraud

- Criminal record and credit history checks for employees or volunteers with access to funds or financial records
- Management and board review of financial reports
- Adequate segregation of duties
- Policy for signature requirements, including threshold amounts for each signature or signatures; require at least two signatures for checks above a certain amount.
- Review of adds/changes to accounts-payable vendor master
- Review of payroll add/change report (employees, pay rates)
- Separate approval of all expense reports with receipts and business purpose documented
- Review and approval of credit card purchases
- Require employees to take vacations
- Limit accounting and banking system access
- Bank reconciliations and review process
- Blank check stock secured
- General ledger account reconciliations and review
- Independent review of bank accounts and cancelled checks
- Results, variance analysis; follow-up
- Behavioral “red flags”
- Investigate all tips in a timely way
- Conduct spot audits

“Trust but verify.” Though this often-quoted advice applied to negotiations of arms agreements with the Soviets in the 1980’s, it very much applies to fraud deterrence, as well. Trust can best be assured by conducting reviews, spot audits, and internal audits of business process controls such as those I’ve listed. That’s the only way you can have some comfort that things are operating as you expect!

This year marks the 50th anniversary of John F. Kennedy’s death. His quote has inspired me and I hope it moves you to take initiative:

“There are risks and costs to a program of action. But they are far less than the long-range risks and costs of comfortable inaction.”

Firing volunteers in no uncertain terms

When we conduct workshops and Webinars on how to manage volunteers’ accident and liability risks, we always note that just because volunteers are unpaid, that doesn’t mean they should not

be held accountable, or even terminated if they do not follow the procedures you have established for them.

Meridian Swift, in a recent post on the Volunteer Plain Talk blog (<http://volunteerplaintalk.wordpress.com>), addressed the topic of firing volunteers. She started with an acknowledgement of how unpleasant the task is, and used that fact to introduce this observation: “I know volunteer coordinators who like to use the ‘I’ll just not call that volunteer and they’ll get the idea eventually’ tactic.”

She goes on to say, “But who benefits from that tactic? Only the coordinator who chooses to avoid the situation...Let me talk to the volunteer and be clear. Volunteers deserve that and I’ve known volunteers, who after discussing concerns, turn out to be good volunteers. And on the flip side, I’ve had former volunteers call me years later because they were never clearly told that they did not fit in the organization. How cruel is that when you think about it? So, as hard as it might be, I’m going to have the conversation.”

Often, in a close-knit organization, people can be reluctant to question or criticize each other. But that reluctance creates a risk, and it can hurt the organization.

VIS members now eligible for discounts on products and services

Volunteers Insurance Service Association now offers our members discounts from several top providers of products and services that might be useful, or even essential, to your operations. They include background check services; publications on nonprofit management; programs for scheduling and tracking volunteer activity; consulting; executive coaching; interim staffing; and training on a variety of nonprofit management topics, fundraising, social media and more.

To see what is available to you as a benefit of participation in VIS, please go to <http://www.cimaworld.com/nonprofits/vis-member-discounts/>. Instructions for identifying yourself as a VIS member are provided. If you have any questions or need help with taking advantage of the discounts, please contact VIS Executive Director [William Henry](#) by email or at 800.222.8920.

VIS® Commitment

Volunteers Insurance Service is committed to providing its members a complete resource for the nonprofit organization’s risk management needs. Our services include:

- Publishing *VIS® Connections* as one of our information resources for members;
- Maintaining for members’ use a library of information relating to management of risks in the nonprofit organization;
- Researching available and appropriate insurance relating to volunteer activities;

- Designing and administering insurance programs, and compiling underwriting information;
- Providing consultation on risk management issues at no additional charge to our members, via a toll-free line (800.222.8920 or 800.468.4200);
- Assisting members, on request, with matters relating to insurance.

Insurance and administrative services are provided to VIS® and its members by The CIMA Companies, Inc. and/or one of its affiliated companies.

VIS®'s Articles of Incorporation, Financial Information, and a list of the members of VIS®'s Board of Directors are available to VIS® Members upon request.

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