Establishing Mutual Accountability in Nonprofit-Government Relationships

Margaret Henderson, Gordon P. Whitaker, and Lydian Altman-Sauer

The success of a community festival like Hillsborough Hog Day is highly and immediately visible to sponsors, supporters, and participants. The sponsor of Hog Day is the Hillsborough/Orange County Chamber of Commerce. Among its in-kind supporters are the city and the county.

Henderson, Whitaker, and Altman-Sauer are the project team for the Project to Strengthen Nonprofit-Government Relationships, at the School of Government, UNC Chapel Hill. Henderson and Altman-Sauer are research associates. Whitaker is a faculty member who specializes in local public management. Contact them at mhenderson@iogmail. iog.unc.edu, whitaker@iogmail.iog.unc. edu, or lydian@carolina.net.

■ A neighborhood center receives an allocation from the city to support an after-school program, but without consulting the city, it decides midyear to spend the money on a different project.

■ In the last half of the fiscal year, a state government agency tells a group of its nonprofit contractors that the quarterly payments for their reimbursable grants will be delayed indefinitely.

■ A community loses the opportunity to maintain rental units for low-income housing when the nonprofit in charge cannot justify its expenditures of the six-figure grant from the state or its failure to complete the renovations within the projected time frame.

- An audit reveals that an organization's internal financial controls are not adequate to ensure that designated funds will be spent in compliance with the funders' specifications.

Governments, nonprofits, philanthropies, and businesses all talk about the value of partnering to maximize the impact of their resources. Ironically, in day-to-day life, the ways in which people actually work together often fail to reflect that philosophy of partnership. This article discusses ways to move beyond the buyer-seller relationship often embodied in government-nonprofit contracts, toward shared responsibility for improving public services. It presents a framework of goals, questions, and tools that can help people in government and nonprofit organizations focus on how their work for and with each other can improve public service.

An Alternative to Adversarial Approaches

Traditional adversarial approaches to accountability concentrate attention on blame and punishment rather than shared interests and joint decision making. "Mutual accountability," however, creates more complete and honest communication for the duration of the relationship. It encourages shared responsibility and shared learning. The processes that characterize mutual accountability enhance opportunities for partners to learn from and with each other about public needs, and to decide how best to meet them.

Cross-organizational relationships can be complex and are strongly affected by several factors:

- The personalities involved
- Participants' political philosophies
- Mandates from the state or federal governments
- Emergencies or natural disasters
- Available economic or environmental resources
- The mix of public problems facing the community

Even when all the players work hard to balance this complex set of factors, a change in one changes the whole equation, sometimes dramatically. The processes of mutual accountability anticipate change, however, and build strong relationships so that managing change becomes less stressful.

Reasons to Care about Accountability

accountable *adj.*
1. Liable to be called on to render an account; answerable.
2. Capable of being accounted for; explicable.
—*Webster's*[1]

Governments and nonprofits should work to establish healthy accountability practices for at least two reasons. First, partnering can stretch available public resources. No government has all the resources, power, or authority that it needs to address important public needs comprehensively. To fill the gap between capacity and need, the trend is to encourage governments to establish relationships with other organizations. In fact, today more and more public services in the United States are paid for by governments but delivered and augmented by nonprofit organizations.[2] The potential for meeting public needs when two or more organizations divide responsibilities depends, in part, on how clearly they define and understand their expectations of each other. Service delivery by multiple organizations does not fit well into traditional buyer-seller models of democratic accountability when program goals are broad and service conditions highly variable—exactly the kinds of public service problems frequently addressed by nonprofits. The buyer-seller model often reinforces uni-

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lateral decision making and fault-finding rather than partnership.

The second reason for governments and nonprofits to establish health accountability practices is their need to demonstrate responsible stewardship of taxpayer dollars. Public service organizations and partnerships have a responsibility to serve the greater good of their communities. The public credibility of an organization or its funders can be devastated by a high-profile scandal reported in the media. No matter what the facts are, the reputations of both the nonprofit and its government partner are likely to suffer. Attention is diverted from serving the public to fixing the problems that arise from the perceived breach of faith and to taking measures to rebuild trust with community stakeholders. It is no wonder that much of the focus on accountability is on restraints and reports.

As an authority on accountability puts it, "[A]ccountability means punishment."[3] In other words, people often approach accountability only as a way to establish whom to blame if something goes wrong. Traditional accountability practices often reflect and support an adversarial rather than a cooperative relationship, diverting attention from the public services that are the reason for the partnership.

A Focus on More than Money

How can accountability systems be designed to go beyond conducting surveillance to encouraging better public service? What accountability practices can help partners improve program performance while verifying that public resources are being used appropriately?[4]

The general public commonly equates accountability with fiscal integrity,

As stewards of public funds, both governments and nonprofits have the responsibility to ensure that funds are spent for their intended purposes. Rightly or not, the public may be more interested in finances than in fairness or performance. For example, the public may be aroused more by a rumor that the director of a nonprofit literacy council used funds inappropriately than by a suggestion that the director hired friends over more qualified job applicants or that fewer people than expected actually learned to read through the council's services. Yet all three categories are important and should be considered in any comprehensive approach to defining and implementing accountability.

To ensure that all three goals for accountability are addressed, they must be built into the tools used in these relationships. That is, discussions about mutual expectations, and the contracts, reports, audits, and one-to-one contacts that reflect those expectations, should address all three goals.

Alternatives for Setting Up Accountability Practices

The difference between (traditional) hierarchical accountability and mutual accountability is readily apparent in their contrasting approaches to setting up expectations for accountability:

- **Hierarchical accountability:** Government decides on accountability processes. Nonprofits follow them. Without a conversation with a nonprofit, the government might simply send it a contract that sets out the terms of the relationship, and expect it to return a signed copy. The communication about expectations and responsibility flows in one direction, from the buyer to the seller, often in a take-it-or-leave-it manner.

- **Mutual accountability:** Governments and nonprofits together decide on accountability processes. Both follow them. The relationship begins with a conversation in which both parties negotiate and agree on the terms of the relationship. Communication is two-way.

focusing on finances instead of fairness and on process rather than performance. Although this convention is easy to follow, especially given concerns about negative public attention, it is not adequate for creating partnerships that provide the most effective services. A more service-oriented focus views accountability goals as multidimensional, including three general categories:[5]

- **Fairness,** which addresses the expectation that standards will apply to all people equally, whether the subject is hiring practices for staff or eligibility standards for clients

- **Finances,** which refers to the expectation that funds will be administered honestly and responsibly, usually in accordance with generally accepted accounting principles

- **Performance,** which refers to expectations about the manner in which activities will be carried out and the success that will be achieved
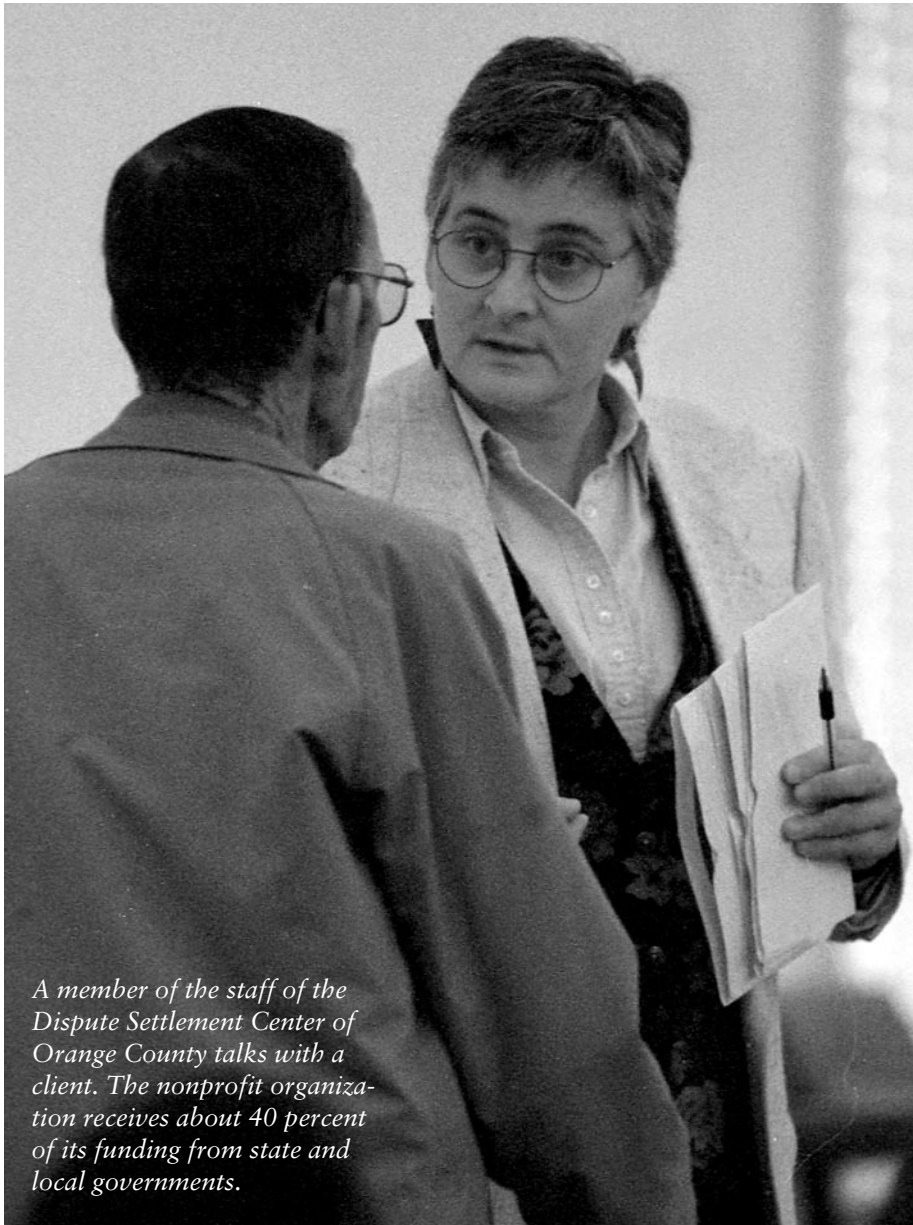
A member of the staff of the Dispute Settlement Center of Orange County talks with a client. The nonprofit organization receives about 40 percent of its funding from state and local governments.

The differences in the two ways of setting expectations establish different tones for the duration of the relationship. To focus attention on encouraging better public service, both parties have to discuss their accountability to each other and to the public. It is inconsistent for one party to decide how relationships are to be mutually accountable and then force that decision on the other partner.

Appropriate Circumstances for Mutual Accountability

Mutual accountability requires a certain level of readiness. Both parties must have or be willing to develop the following attributes. Not having one of them creates an obstacle to success.

- A strong interest in serving the public
- A willingness to discuss possibilities for change
- A willingness to devote time and attention to improving services
- A willingness to learn from and with each other
- A willingness to devote resources to building and maintaining mutual accountability

Being interested in learning from each other is a good start, but it is not enough to ensure accountability to the public. The parties—particularly the parties with authority to act and money to spend—must be willing and able to devote resources to considering changes and improving services in order to address public needs better.

If government officials have confidence that a nonprofit is well managed, they may be more willing to invest time and attention in learning from it. Trust can be built on the nonprofit's record of successfully managing projects. Trust also can be fostered through programs that show how a nonprofit meets standards of management effectiveness. The equivalent of a Good House-keeping Seal of Approval for nonprofits can reassure governments, foundations, and other funders that bearers of the seal will use funds effectively and with integrity. (For a description of two initiatives under way in North Carolina to define standards for effective nonprofits, see the sidebar, opposite.)

Building mutual accountability takes time. It calls for considerable human investment as well. People representing the various stakeholders have to agree on expectations. They also have to carry out their responsibilities, report on their successes and failures, and review the consequences with the other stakeholders. That requires their attention, their time, and their trust, as well as the support of the broader group of stakeholders whom they represent and serve. Too often, government and nonprofit officials do not have adequate resources, interest, or support to create mutual accountability.

In some instances a government may not be sure what kind of service is appropriate to meet the public need that it wants to address. Similarly, a nonprofit may not be certain how to deliver the service or outcome that government wants. Acting unilaterally restricts opportunities to learn from experience and adapt expectations to create more effective public service. By working together to learn what kinds of services are needed and how they can best be delivered in that particular community, government and nonprofit organizations can save money in the long run.

For example, Charlotte recently partnered with a city-funded nonprofit to evaluate the nonprofit's success in economic development in its service area. The partners learned that

although the nonprofit had achieved only seven of the twelve initiatives it had undertaken, the benefits already were notable: the assessed value of property in the service area had gone up 20 percent in two years, compared with only about 4 percent citywide.

After learning together how the program was working, city and nonprofit representatives developed revised expectations for their relationship, supported new approaches by the nonprofit, and increased public funding.[6]

Several case studies suggest some common ways in which mutual accountability develops:[7]

- One person typically convenes or initiates discussions, but others willingly join in the deliberations about accountability expectations.

- When others join in, they often do so because they have a strong interest in solving a public problem or helping clients.

- Usually, expectations about and commitment to working together grow as the parties take tentative first steps and are willing to learn from and build on small initial accomplishments.

- Time and space are available to permit the parties to develop mutual expectations.

- Often, someone is able to protect stakeholders from pressures that would force them to decide immediately or to ignore some voices.

(For a summary of key considerations for governments and nonprofits when discussing whether to establish mutual accountability, see the sidebar on this page.)

Establishing Mutual Accountability

If government and nonprofits are willing to share decision making, take time to deliberate and experiment, and respect the different perspectives of the organizational representatives while designing new accountability patterns, they can begin to decide how they want to work together. Although the steps just listed may look like a sequential process, in reality, people can start at any point in the process: They can start a new project together, collaborate in collecting data on an ongoing project, or review a project together and decide what to do next.

Regardless of where the parties begin, eventually their work toward

mutual accountability will lead them to address the following four questions. Answers to the questions shape the accountability relationship.[8] Although external authorities (such as federal regulations or accreditation standards) may limit flexibility, usually the parties can determine many aspects of accountability directly with each other.

1. Responsibility: Who is expected to carry out which actions for whom? Shared development of expectations about responsibility does not mean that the parties need to decide all the details together. It means only that they need to decide together what each is committed to doing. Thus, government representatives might decide to leave management of a homeless shelter to their nonprofit partner. They might be satisfied to agree to general expectations for how operation of the shelter will change conditions in the community. Clarity about the government's responsibilities to the nonprofit and to support of the work the nonprofit is doing under the partnership forms a key element in mutual accountability.

2. Responsiveness: Who is expected or has the authority to invoke or alter mutual expectations, especially if circumstances do not work out as planned? People who have responsibilities to each other must be clear about how much discretion each party has in carrying out those responsibilities. Responsiveness concerns the day-to-day functioning of the relationship. Who can initiate changes within the context of the current understanding? For example, how much latitude does a nonprofit have to change services unilaterally in response to clients' requests? Answering the responsiveness question defines the degree of flexibility that exists within the broad framework of expectations.

The specificity of the service affects the degree of autonomy that each of the partners enjoys. For example, if a nonprofit is expected to collect recyclables from a specified number of houses in a particular neighborhood, then redefining the service area is not acceptable without renegotiating with the governmental funder. If the nonprofit is charged with a broader goal,

A retiree in Knightdale volunteers for Meals on Wheels.

such as educating the general public on disaster preparedness, then the government might agree to considerable flexibility for the nonprofit to decide how or where to present this service.

3. Reporting: Who should provide what information to whom about how responsibilities are carried out?

Mutual accountability should encourage the sharing of information to promote improved performance. Discussions about expanding traditional notions of how to report on program performance or how to treat clients equitably might begin by collecting information that can be used to define successful results—information like diverse demographic profiles, the number or nature of complaints, demonstrated mastery of course content, or the feedback from evaluation processes. Some organizations invest resources to develop sophisticated ways to track their operations and the results they produce.[9] The data and the conclusions from these can be used not only for internal decisions but also for reports to partners.

The degree of flexibility in reporting on a relationship also depends on the specificity of the expected performance. Responsibilities might be stated in terms of specific activities, general services, or even more general outcomes, such as changed conditions. More generally defined responsibilities or a broader degree of responsiveness typically entails more flexible reporting. For example, counts of meals served, nights of shelter provided, and other service activities describe service quantity but say little about the quality of service or about changes in conditions, which may be the focus of performance expectations. Narrative descriptions of the services or of changes in the condition of clients or the community may provide richer information about what the nonprofit has accomplished but require greater flexibility in reporting requirements because the focus is not so much on numbers as on stories.

4. Reviewing: Who is expected to use what information to make decisions about the future of the relationship?

Reviewing expectations about who may end or alter the relationship can help create mutual accountability. If both government officials and non

profit leaders assume that the nonprofit needs funding more than the government needs the nonprofit's services, an asymmetrical relationship will be created in which both expect the government to review the relationship and decide on its future. That asymmetry, in turn, creates expectations that the nonprofit should be responsive to the government's requests, not vice versa, and that the nonprofit should report to the government on its performance, not the other way around. In this way, accountability often gets focused on government monitoring of nonprofit compliance with government guidelines, rather than on ways the relationship currently serves the public or might improve public service.

Mutual accountability depends on involving all key stakeholders or their representatives in reviewing the relationship and deciding how to change it. Through joint review of the expectations that establish mutual accountability, the parties can refine and revise those expectations to reflect what they have learned about working together and to fit new circumstances or challenges.[10]

Table 1. **Examples of the Dimensions of Mutual Accountability**

Responsibility Who is expected to carry out which actions for whom?		
Fairness Standards apply to all people equally. Governmental practices are applied to all nonprofits similarly. Nonprofit applies same standards to staff, volunteers, and clients.	**Finances** Financial management is honest and responsible. All parties agree on amount and terms of payment, as well as definition and number of services to be provided. Government clarifies practices to be used for requesting and providing installments of financial support. Nonprofit agrees to adhere to generally accepted accounting practices.	**Performance** "Service" and "success" are defined. Government defines type of nonmonetary support it is willing to provide to its nonprofit partners. Nonprofit has clear definition of any other expectations government might have for partnership. Government and nonprofit jointly define service to be provided, criteria for success, and content or plan for evaluation.*
Responsiveness Who is expected or has the authority to invoke or alter mutual expectations?		
Both parties clarify how much discretion government has in deciding which project expenditures to reimburse. Both parties clarify how much discretion nonprofit has in deciding which clients to serve.	Both parties clarify how much flexibility government has in deciding when to make payments to nonprofit. Both parties clarify how much flexibility nonprofit has in redirecting funds without budget amendment.	Both parties clarify how much variation there is in number or type of clients government expects nonprofit to serve. Both parties clarify how much nonprofit can revise program content without government approval.
Reporting Who should provide what information to whom about how responsibilities are carried out?†		
Government provides information about its funding and monitoring practices to public. Nonprofit provides documentation of its hiring, client service, and personnel policies to government.	Government provides summary data and written clarification of funding agreement. Nonprofit reports specific financial information at particular times and allows its records to be reviewed on request.	Parties agree to inform each other in timely fashion of turnover in key staff or other major changes in working environment. Parties agree on kinds of reporting tools that adequately describe and document how things are going. Parties agree on content, format, and time intervals in which to deliver reports.‡
Reviewing Who is expected to use what information to make decisions about the future of the relationship?		
The parties decide which questions of fairness, financial probity, and performance quality will be answered by government, which by nonprofit, which by both together, and which by outside entity.	The parties decide who will review information about relationship and make decisions about changing it.	The parties decide what kinds of changes to relationship each may make independently and what kinds of changes must be jointly agreed on.

*If government officials have a precise definition of what tasks need to be done and how to do them, then the government can easily set up its own program or buy the service from a vendor. Given a clear understanding of what government needs to have done, performance contracts can provide appropriate accountability expectations. Robert D. Behn & Peter A. Kant, *Strategies for Avoiding the Pitfalls of Performance Contracting*, 22 Public Productivity and Management Review 470 (1999). Picking up and processing recyclables is an example of a specific service that is relatively simple to define.

To accomplish broader goals, such as prevention of child abuse, defining either the plan of action or the responsibilities for what would be considered effective public services may be more challenging. People might understandably be unclear about how best to authorize responsiveness, organize reporting, or conduct reviewing. In those situations, discussions of mutual accountability could help the parties organize their expectations to learn how to better meet the needs of those to be served.

†Before defining the reporting expectations, the government should evaluate how much and what kind of information it has the capacity to review. Similarly, the nonprofit should evaluate how much and what kind of information it has the capacity to produce.

‡Nonprofits generally have multiple funders, each with its own expectations for reporting. Being required to present similar information in an array of different formats results in time inefficiencies for the nonprofits and ultimately the whole community. To minimize the amount of effort it takes nonprofits to compose the reports, governments might consider either (1) specifying the content but not the format of the reports or (2) coordinating the expectations of report content and format with other local funders.

Spelling out Mutual Expectations

Who answers these questions about responsibility, responsiveness, reporting, and reviewing, and what those answers are, in large part determine whether accountability is an adversarial or a collaborative process. (For an illustration of how the four questions might be answered to establish mutual accountability for fairness, finances, and performance, see Table 1.)

The appropriate context for holding conversations about mutual expectations will vary. Some conversations might take place in large groups because they apply to all the organizations and people involved. Others are more appropriately held one-on-one. The crucial issue is to identify and involve the key stakeholders in setting performance and process expectations. If the stakeholders do not

Table 2. **What Accountability Tools Can and Cannot Accomplish**

	What This Tool Can Do	**What This Tool Cannot Do Alone**
Contracts	Explicitly state mutual expectations	Ensure that mutual expectations are met
	Provide some protection for both nonprofit and government in case of nonfulfillment	Generate problem-solving or proactive planning
Periodic Reports	Provide quantitative or qualitative information on program operations	Ensure that mutual expectations are met
	Track progress toward fulfilling mutual expectations	Generate problem-solving or proactive planning
Financial Audits	Find evidence of gross fiscal misconduct	Ensure that mutual expectations are met
	Identify ways to strengthen financial management practices	Generate problem-solving or proactive planning
		Ensure that recommended improvements take place
Periodic One-to-One Contacts*	Keep track of progress or problems	Substitute for legal weight of contract that defines mutual expectations
	Generate problem-solving or proactive planning	
	Build mutual trust	
	Exchange information	
	Strengthen personal and professional relationships	
	Permit shared understanding or interpretation of data and events	

*One-to-one contact can take many forms, such as individual conversations, site visits, and client surveys or interviews.

Table 3. **Options for Using Accountability Tools**

Packages of Accountability Tools (in increasing degrees of complexity, top to bottom)	Application for Government Support	Accountability Goal		
		Financial Reporting (Finances)	**Program Reporting (Performance)**	**Management Practices (Fairness)**
Level 1	Letter of request	Copies of receipts	Narrative about completed activity; copies of media coverage	Statement of intention, contained in letter
Level 2	2-page application	Printout of check register for expenses	Program activity statistics	Checklist of policies
Level 3	10-page application with attachments	Program budget report; audit of program or organization	Program activity and results statistics; outcome evaluation	Copies of documents proving policies have been followed

explore and define these mutual expectations together, they may well be operating on different assumptions about what each party is to do. That can cause difficulties in the relationship, especially when unexpected changes happen.

To explore how unexpected changes might affect a relationship, a possible strategy is to use "What if?" scenarios. Discussing what each partner might do in several possible situations helps each party explore responsibilities, responsiveness, reporting, and reviewing in the context of fairness, finances, and performance.

- What if a key staff person leaves?

- What if a program does not develop as planned?

- What if clients' needs or requests change?

- What if the outcomes are not what you expected?

- What if a funding source disappears?

- What if criticism develops in the community?

- What if changes in the environment force unexpected change?

One expectation that may emerge from discussing these different scenarios may be "Don't set us up for surprises.

Keep us informed." Staff can easily become so focused on managing new situations that they forget to inform or consult with their partners. Having this kind of conversation at the beginning of the relationship, rather than during a crisis, can help maximize the support each partner offers the other.

Assembling Accountability Tools

Four tools can help establish accountability:

- **Contracts:** Legal documents that describe the mutual expectations of the nonprofit-government

Government Smart Start funds help Primrose School of Cary run a program for infants.

funding relationship.[11] Answers to all four accountability questions should be made explicit when drafting a contract.

- **Periodic reports:** Relatively informal documents that summarize activities, program accomplishments, or financial transactions, or more elaborate documents that provide answers to specific questions or require supporting evidence. They may be produced separately by one or another of the parties, be a joint product of both, or be produced by a third party.

- **Financial audits:** A fiscal review by a certified pubic accountant that verifies the financial situation of the nonprofit. Programmatic or other types of reviews provide a similar after-the-fact examination of other operational facets.

- **Periodic one-to-one contacts:** Personal interactions among the staff, volunteers, and board members of the nonprofit and government that may include site visits and opportunities to view services.

Of these tools, contracts and financial audits are commonly the most formal ones, using the expertise of legal and accounting professionals. Periodic reports and one-on-one contacts might range from the informal (a conversation) to the formal (a defined presentation of information).

All four tools cover important aspects of the relationship, yet no single tool can ensure that any dimension of accountability is upheld all the time. The most effective strategy is to use a combination of both formal and informal tools. (For a summary of the usefulness of each tool, see Table 2.)

Finding the Right Match between Tools and Situations

Packaging reporting tools differently for relationships of different levels is appropriate and desirable. In the interest of fairness, however, the same package of tools would be used for all relationships within a particular level. (For some options for using accountability tools, see Table 3.)

The following examples clearly require different levels of accountability and therefore different packages of tools:

- **Level 1:** A neighborhood center wants $500 for a neighborhood cleanup day and beautification contest. The expected outcome is an inexpensive, time-limited event.

- **Level 2:** A neighborhood center wants $5,000 to start a Saturday Academy to tutor local children, managed by volunteers. The expected product is a continuing service that involves one-on-one contact between adults and children.

- **Level 3:** A neighborhood center wants $50,000 to enhance its day care services for low-income families by training care providers and improving the on-site educational opportunities for children. The project is ongoing and expensive, and the goal is broadly defined and potentially open to interpretation.

A number of differences among individual nonprofit-government

relationships might encourage shifts between levels:

- **The amount of funding:** Will the desired outcome cost $500 or a much larger amount? The greater the amount, the greater the risk involved in the project. With greater investment, formal accountability becomes more important to the credibility of both the local government and the nonprofit in making appropriate and responsible funding decisions.

- **The expected duration of the project:** Is the desired outcome a one-day event or a continuing service? In comparison with a one-time event, a service that continues over a long period warrants a different kind of scrutiny to ensure that it happens as planned.

- **The complexity of the goal or the specificity of the service:** Is the goal to provide a specific number of services (say, meals for the homeless) or to accomplish a broader goal (for example, reduce homelessness)? Potential projects or services may range from very detailed ones to those promoting broad community benefits.

- **The visibility of the goal:** How likely is it that the goal will be publicly scrutinized? Confidential services provided by a twenty-four-hour crisis line are not easily witnessed. In contrast, a street fair or neighborhood cleanup day is a public event.

- **The amount of trust between the organizations:** Do both the nonprofit and the government trust each other's capacity to fulfill expectations? Is either one a young or unstable organization? Does either employ key staff members who are unpredictable, inconsistent, or unfamiliar with the mutual expectations? Frequent communication can help build and sustain trust and be critical in guiding any necessary project changes (anticipated or unanticipated). When trust exists between nonprofits and government, and when both enjoy stability, informal accountability measures become more acceptable.

- **Recent community events or shifting political philosophies:** What has been happening on the local landscape? A scandal in one nonprofit-government relationship might generate negative publicity that affects all others. Political support or philosophies can change with a single election. In this instance an increase in the use of accountability tools may be what it takes for the community or newly elected officials to regain or build trust with the nonprofits.

Given all these variables, it is difficult to define arbitrary cutoff points between the levels in Table 3 when considering the amount of funding and the duration of the outcome. However, in the interest of fairness, governments should not jump from level to level on the basis of subjective opinions (for example, "We like you; therefore you only have to write us a letter and ask for money rather than complete an application").

Holding all nonprofits to the same accountability standards, regardless of the service or the amount funded, does not make sense either. Different packages of accountability tools may be appropriate and desirable for different types of nonprofit-government relationships, as long as there is clear and consistent logic used to support the plan.

Examining the Effects of Administrative Infrastructure

Aside from the differences in specific relationships, the administrative infrastructure of both a government and a nonprofit can affect the way a relationship is documented. A government's administrative infrastructure determines its ability to request accountability reports responsibly. What is its capacity to collect, review, analyze, and use the information that it requests from nonprofits? No one benefits if reams of reporting documents are required but neither the government nor the nonprofit uses the information to generate a useful outcome or decision.

Local governments often require nonprofits to provide periodic reports that convey critical information, yet the governments frequently do not assign staff to monitor these documents. If no one follows up on the content of these reports, then both the government and the nonprofit lose a critical opportunity to strengthen relationships, review progress, and troubleshoot unanticipated problems. As a result, the reports provide a paper trail only if something goes wrong.

For a nonprofit the depth of its administrative infrastructure can determine the kinds of funds for which it can apply. Many nonprofits are small and focus their resources on services to clients rather than on administrative infrastructure and management. They must carefully evaluate whether they have the capacity to collect and assimilate the information required for reports. A particular small nonprofit with little infrastructure may be exactly the right partner for the government in all other respects. In this case the nonprofit and the government have to decide how much they need each other to meet shared programmatic goals. Do any other nonprofits reach that particular population or hold that specialized

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Figure 1. **Administrative Capacity of Nonprofits and Governments**

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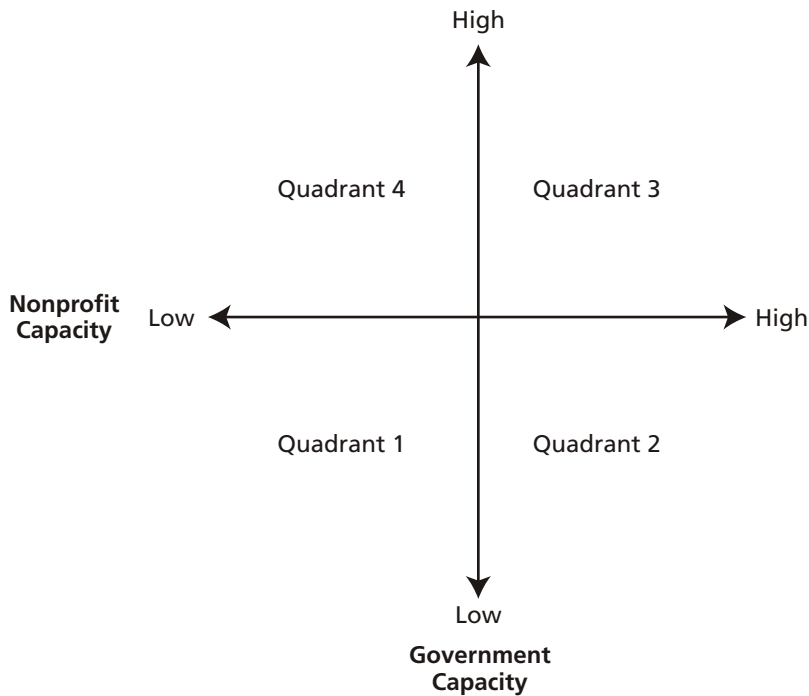
expertise? Do any other funders offer financial support with fewer strings attached? If the answer to these questions is no, then the government and the nonprofit should have a conversation to explore what it would take to enable the nonprofit to build its internal capacity to meet the government's expectations or how those expectations might be modified to reduce the nonprofit's administrative costs of compliance.

In regard to setting accountability expectations, both governments and nonprofits can benefit from an honest self-evaluation of the limitations of their respective administrative infrastructures, as well as a consideration of the implications any mismatch might have for their relationships. If the local government does not have the administrative capacity to track formal reports, requiring them does not contribute to greater accountability. If the nonprofit does not have the administrative capacity to track services adequately, the formal reports it produces might not contain useful or accurate information.

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only the more sophisticated nonprofits can jump through. If the government does not monitor the content of these reports, their value is limited.

Administrative Capacity of Nonprofits and Government

A diagram consisting of two intersecting axes that create four quadrants (see Figure 1) provides a framework for discussing the implications that varying degrees of administrative infrastructure have for the nonprofit-government relationship. Striving to be in a particular quadrant of the diagram is not the goal. Each of the quadrants offers unique strengths and challenges. Instead, the goal is for the partners to recognize the quadrant in which their relationship lies and to use that knowledge to understand the dynamics of the relationship.

Quadrant 1: Neither the government nor the nonprofit has much capacity to manage complex accountability practices. The inclination is to keep things simple. Because the two sectors match in their administrative infrastructure, they might readily understand each other's perspectives. Especially in a small community, some of the

most effective accountability practices are likely to be everyday occurrences. For example, conversations in the local grocery store can provide meaningful opportunities for exchanging informal progress reports or service evaluations.

A complication may arise, however, if the needs of the community have grown in size or complexity, and the development of the public sector's infrastructure has not kept pace with that change. Instead of merely taking out their frustration on each other, nonprofits and governments could choose to unite as allies and educate the public about the need to enhance their administrative infrastructures.

Quadrant 2: The nonprofit has more capacity than the government and might even be able to overwhelm the government with more information than necessary. The absence of a match between the two sectors does not necessarily create a problem. The government can ignore any extraneous documentation that the nonprofit provides, and the nonprofit can easily respond to any request that the government makes of it.

Quadrant 3: Both the nonprofit and the government have the capacity to turn out and monitor complex documentation. The two sectors match. The challenge in this situation might lie in ensuring that the net gain in improvement of community services and products actually justifies the expenses associated with all the reports, outcome evaluations, meetings, and discussions.

Quadrant 4: In this situation the government has many more resources than the nonprofit does and higher expectations than the nonprofit is likely to be able to meet. The two sectors do not match. Excessive accountability measures may discourage nonprofits from partnering with governments. The nonprofit might not be able to do what is necessary to receive funding unless it also can receive support to develop its infrastructure.

The government has four options for dealing with the situation represented by Quadrant 4:

■ Lower its expectations for the nonprofit and accept the accountability

measures that the nonprofit is able to provide

- Help the nonprofit enhance its administrative capacity so that it is able to provide the expected accountability products

- Fund the nonprofit, then penalize it when it cannot meet expectations

- Decide not to fund the nonprofit

Either of the first two options could be appropriate if the nonprofit meets a high-priority need or if the government uses this situation to develop graduated levels of expectations that will be equally applied to all nonprofits in the future. The third choice is not helpful for anyone, although it happens all too often. In the fourth option, the government has to consider how important the potential partnership is in regard to its strategic goals, especially if few other organizations serve a high-priority population.

In summary, an important aspect of mutual accountability is fitting accountability tools with the administrative capacity of both the government and the nonprofit to put those tools to use. Stakeholders in each of the quadrants face advantages and disadvantages. If there is a match between the government and the nonprofit, the conversation might be easier to have simply because they are more likely to be using the same vocabulary, yet other challenges are likely to be present.

Is it ever acceptable to use different accountability measures for different organizations? Yes, for the reasons discussed in the previous section. Governments can design packages of assorted accountability measures based on the type of service to be funded and their own capacity and interest to monitor and evaluate the measures that they require of nonprofits. Nonprofits providing dissimilar kinds of services would provide different packages of accountability measures. But nonprofits with similar programmatic characteristics within the same quadrant in Figure 1

> **Governments and nonprofits should employ good contracts and written reports, but these are not substitutes for personal relationships that can build mutual respect and trust, and lead to shared learning.**

would use the same level of accountability measures.

Whatever tools are chosen to report and review accountability, parties must keep in mind the available administrative infrastructure. Nonprofits need people, time, and reporting tools to count clients served, evaluate programmatic success, create cumulative reports, and prepare for audits. Both governments and nonprofits need resources to receive, read, evaluate, and process the information contained in those reports.

Conclusion

No single practice, process, or documentation can adequately ensure that mutual expectations for accountability will be met. Governments and nonprofits should employ good contracts and written reports, but these are not substitutes for personal relationships that can build mutual respect and trust, and lead to shared learning. Governments sometimes give nonprofits a conflicting message when they talk about the importance of building mutual trust but offer no acknowledgment for the nonprofit's living up to or surpassing expectations. Instead, governments generally require one-size-fits-all accountability practices that convey the unspoken expectation that nonprofits continually prove they are not doing wrong, no matter how stellar their performances might be.

Negative behavior and outcomes by nonprofits can stimulate reactions by government, such as increased monitoring through paperwork, reduction in future support, repayment of past support, or development of an adversarial relationship. Positive behaviors and outcomes can be rewarded by longer contracts, more support, celebration of common success, or simple acknowledgment for work well done.

More articles and guides on local government–nonprofit relations can be viewed online at www.nplg.unc.edu.

Notes

1. WEBSTER'S REVISED UNABRIDGED DICTIONARY (Plainfield, N.J.: MICRA, Inc.: 1998).

2. Support that nonprofits received from all levels of government increased 195 percent between 1977 and 1997. Lester M. Salamon, *The Resilient Sector: The State of Nonprofit America*, in THE STATE OF NONPROFIT AMERICA 3 (Lester M. Salamon ed., Washington, D.C.: Brookings Inst. Press, 2002).

3. ROBERT D. BEHN, RETHINKING DEMOCRATIC ACCOUNTABILITY 3 (Washington, D.C.: Brookings Inst. Press., 2001).

4. For a discussion of collaborative evaluation processes, *see* Maureen Berner & Matt Bronson, *Program Evaluation in Local Governments: Building Consensus through Collaboration*, POPULAR GOVERNMENT, WINTER 2003, p. 29.

5. BEHN, RETHINKING.

6. Berner & Bronson, *Program Evaluation.*

7. These practices are drawn from the cases presented by EUGENE BARDACH, GETTING AGENCIES TO WORK TOGETHER: THE PRACTICE AND THEORY OF MANAGERIAL CRAFTSMANSHIP (Washington, D.C.: Brookings Inst. Press, 1998); KEVIN P. KERNS, MANAGING FOR ACCOUNTABILITY: PRESERVING THE PUBLIC TRUST IN PUBLIC AND NONPROFIT ORGANIZATIONS (San Francisco: Jossey-Bass, 1996); and Beryl A. Radin & Barbara S. Romzek, *Accountability Expectations in an Intergovernmental Arena: The National Rural Development Partnership*, 26 PUBLIUS: THE JOURNAL OF FEDERALISM 59 (1996).

8. These questions are developed more fully in Gordon P. Whitaker, Lydian Altman-Sauer, & Margaret Henderson, Mutual Accountability: From Surveillance to Service, Paper Presented at the Ass'n for Research on Nonprofit Organizations and Voluntary Action, Montreal, Canada (Nov. 16, 2002).

9. For a good overview of performance measurement as a tool for assessing how to meet accountability expectations, *see* DAVID N. AMMONS, ACCOUNTABILITY FOR PERFORMANCE: MEASUREMENT AND MONITORING IN LOCAL GOVERNMENT (Washington, D.C.: Internat'l City/County Management Ass'n, 1995).

10. For a report on a collaborative program evaluation in which Charlotte and a local nonprofit the city funds joined in reviewing the nonprofit's work, *see* Berner & Bronson, *Program Evaluation.*

11. For a description of the requirements and limitations of contracts between local governments and nonprofits, *see* Frayda Bluestein & Anita R. Brown-Graham, *Local Government Contracts with Nonprofit Organizations: Questions and Answers*, 67 POPULAR GOVERNMENT, FALL 2001, p. 32.