

## **Middle Earth: Audit of a Small Non-Profit Slide Notes and References**

### **Slide 1: Introduction**

Hello, this is my ethics audit of Middle Earth, a small to small-intermediate-sized non-profit with a regional focus in central NJ. This presentation is meant to give an overview of the organization, outline some things it does well, its lapses in ethical infrastructure, and my recommendations for what it could improve based on what we have discussed in this class together.

### **Slide 2: Middle Earth's Purpose**

A quick rundown of Middle Earth's history. Middle Earth was established by community faith leaders who recognized the local need for a non-denominational safe space for adolescents after school. That first place was established in 1969. In 1972, the first permanent community center is created and Middle Earth is formally incorporated as a 501(c)(3) organization.

In the 1990s, Middle Earth grows substantially, adding two new community centers. This is possible due to more access to state and federal grants, as well as community partnerships with other, larger non-profits.

Since then, Middle Earth has continued to grow in the depth of its programs, although it remains geographically focused on central New Jersey.

### **Slide 3: Organizational Overview**

A breakdown of Middle Earth's staff budget.

### **Slide 4: Ethics Structure of Middle Earth**

A detailed breakdown of Middle Earth's ethics infrastructure, including its Board of Trustees, professional leadership, and policies regarding transparency.

### **Slide 5: Snapshot: Organizational Chart**

Middle Earth has a staff comprised of sixteen part-time staff, twelve full-time professionals, and two executive leaders. Full-time and part-time programming staff are distributed between the non-profit's three community centers, with the executive leadership based in offices in Bridgewater, New Jersey. No location is listed for the part-time staff who work outside client services, including the Financial Manager, Grants Writer, and Marketing Associate; these people likely work remotely. The organization is further overseen by a Board of Trustees, which comprises ten members serving three-year terms, with two terms permitted each. The Board of Trustees features a President, Vice President, Secretary, and Treasurer.

### **Slide 6: So, What's Missing?**

Although Middle Earth has a commendable mission and seems composed of knowledgeable program staff, it is lacking in several ways that could hinder the ethical health of the organization. There is no Ethical Liaison Officer or similar role in the organization that would be at the forefront of ensuring all staff is behaving morally individually and that the non-profit is

pursuing its goals ethically. Compounding this problem is the overall need for more financial transparency. For instance, while the organization's Form 990s are filed regularly and can be accessed through third-party sites like ProPublica and Charity Navigator, they are only available from Middle Earth "[u]pon request" (Middle Earth, 2021). This is the case with several other key financial documents; they are filed correctly and promptly but must be hunted for instead of directly hosted on Middle Earth's website.

### **Slide 7: Recent Financial Embezzlement**

Jolee Roberts was fired from Middle Earth, where she had previously been its Financial Manager for fifteen years, "due to concerns involving the impropriety of funds which was discovered" (Tarrazi, 2022). The non-profit subsequently contacted the authorities, alerting them to possible criminal misconduct (Tarrazi, 2022). Law enforcement concluded that she "allegedly cashed checks and used credit cards issued to the nonprofit for unauthorized purchases of more than \$75,000 during a two-year period" (Russell, 2022). Although Roberts' full employment details are unknown, worked in a similar financial management capacity at another non-profit during her tenure at Middle Earth, so it can be assumed she was working for both part-time simultaneously.

### **Slide 8: Recommendation #1: Increase Financial Transparency**

Given Middle Earth's recent financial troubles, I believe the first ethics recommendation must be to increase financial transparency across the organization. Luckily, several of the steps to do so don't have any real cost associated with them, and generally just include hosting and publishing important financial documents (especially tax filings) and itemized annual expense reports on the organizations website.

I do think there is also a need within the organization to prioritize hiring a full-time Financial Manager sitting in the executive leadership team, to ensure moving forward there is someone dedicated and on-site to handling financial concerns within the non-profit.

### **Slide 9: Recommendation #2: Foster Organizational Accountability**

While greater transparency will help, Middle Earth must also grow its organizational accountability. This includes creating, publicly publishing, and updating as necessary several ethics procedures (including a Code of Conduct and Whistleblower Policy) to both support staff and clearly outline correct behavior. Middle Earth should also consider creating (either as a new position, making 11 board members, or elevating an established board seat) to act as an Ethics Advisor, whom the executive leadership team meets with on a regular basis.

Obviously, this is a rather small organization, so while I believe it would be ideal for it to hire at least a part-time Ethics Liaison Officer, if this is not possible it would be a step in the right direction to at least commit to Compliance and Ethics training for the entire staff, done on a bi-annual basis. This would at least ensure that all staff are on the same page when it comes to standards of behavior.

### **Slide 10: Recommendation #3: Develop Public Trust**

Lastly, Middle Earth needs to earn back public trust. As of yet, it has not responded to the recent embezzlement case. Obviously there are legalities that should be followed as it is an active

case, but regardless, the organization should at least outline changes to its processes that it is taking even if it does not directly comment on the case itself.

At the non-profit where I previously worked, I helped create a monthly newsletter that had two different tiers: one more in-depth for stakeholders who had contributed financially, and one more broad for those who were just interested in the organization. Although a time commitment, I believe Middle Earth would benefit from this sort of direct and regular communication with the general public.

Lastly, Middle Earth should work to formalize its strategic plan (5-year and longer, ideally) and publicize it to the community.

## **Slide 11: References**

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