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Whistleblower Protections for Nonprofits

Federal law¹ prohibits all corporations, including nonprofits, from retaliating against employees who “blow the whistle” on their employer’s financial management or accounting practices.

Additionally, more than 45 different states have enacted laws to protect whistleblowers from retaliation at the workplace.

Consequently, committing to an internal process for addressing complaints about financial practices that protects whistleblowers from retaliation will help a nonprofit comply with state and federal laws *and* can help ensure that if there is a problem, it will be investigated and fixed.

Additionally, adopting a whistleblower protection policy signals to employees, board members, and the donating public that your nonprofit is open to hearing concerns or complaints about its practices, demonstrating that it values transparency and accountability practices.

Does your nonprofit need a whistleblower protection policy?

When Congress enacted the *Sarbanes-Oxley Act* following scandalous behavior by some in corporate America, it included provisions that also apply to nonprofits. [Federal law](#) prohibits all corporations, including nonprofits, from retaliating against employees who “blow the whistle” on their employer’s accounting practices and from destroying evidence. (These legal requirements led to the recommendations that all nonprofits also adopt a [document retention and destruction policy](#)).

Today, nonprofits are much more likely to adopt whistleblower protection policies that are broader than only financial accounting practices, and address complaints about other aspects of a nonprofit’s activities and operations. Even organizations that do not have paid staff should put a whistleblower protection policy in place to encourage volunteers to bring their concerns forward without fear of retaliation.

Organizations that encourage complaints by having an “open door” policy and have a standard of “no retaliation” for raising concerns are considered more transparent and accountable. These organizations will be in a better position to address all concerns, whether they are about fraudulent accounting practices, unsafe conditions, or alleged discrimination or harassment.

The IRS views whistleblower policies as helpful because:

A whistleblower policy encourages staff and volunteers to come forward with credible information on illegal practices or violations of adopted policies of the organization, specifies that the organization will protect the individual from retaliation, and identifies those staff or board members or outside parties to whom such information can be reported.

Source: [Instructions to the Form 990](#)

Additional Resources

Here are some starting points to help your nonprofit design an appropriate whistleblower policy. But be sure to research your state’s legal protections for whistleblowers, as the details of an appropriate policy will differ state-to-state.

- [Sample Whistleblower Protection Policy](#) (National Council of Nonprofits)
- [Sample Whistleblower/Complaint Resolution policy](#) (CAPLaw)
- [Sample policy](#) (American Institute of Certified Public Accountants)

[1] The [Sarbanes-Oxley Act](#) includes two provisions that apply to nonprofit corporations: the whistleblower protection and document retention provisions

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