You Failed the Test: Wealthy Parents and the Illegal and Unethical World of Manufacturing College Applications

A Case Study of Key Worldwide Foundation, Edge College & Career Network LLC, and William Singer

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Summary

This case study reviews the unethical practices of William Rick Singer and his nonprofit (Key Worldwide Foundation) and his for-profit corporation (Edge College & Career Network, LLC) (aka Key) that were used to manipulate the college admissions process at various universities.

These practices included changing college admission scores (the SAT and ACT), providing untruthful information in college applications, and bribing college athletic coaches and administrators to admit non-athletes.

Payments for services were received in the form of donations to the Key Worldwide Foundation and subsequently funneled to coaches and other participants in the forms of reported grants from the nonprofit to the universities.

In March, 2019, Mr. Singer pled guilty to money laundering, racketeering, obstruction of justice, and tax evasion.

HBO, Vice: How Broken The College Admissions Process Is
Retrieved from https://www.youtube.com/watch?v=0v5yHnWQ1LE

NBC Bay Area: College Admissions Scam: Follow the Money Behind The Key Worldwide Foundation
Case involved:
Racketeering, money laundering, conspiracy to defraud the U.S., and obstruction of justice

Parents and guardians taking the low (and expensive) road to ensure particular college futures for their children

The wealthy buying college admissions through years-long legal private counseling for their children covering all steps of the high school and college-admissions process, plus the utilization of bribes and the falsification of test and admissions paperwork

An unethical businessman offering and guaranteeing those outcomes for significant sums of money

College coaches, college administrators, and admissions test-administrators willing to influence admissions outcomes for a fee
Facts - Part II

SAT/ACT TEST ADMINISTRATORS
- Facilitated cheating
- Accepted bribes
- Tampered with scores
- Took exams in place of students

COLLEGE COACHES & ADMINISTRATORS
- Tennis @ UT & Georgetown
- VBall @ Wake Forest
- Soccer @ USC(2), Yale, & UCLA
- Water Polo @ USC
- Sailing @ Stanford
- Senior associate AD @ USCV
- President of tennis academy - middleman for bribe payments

PARENTS
The “Who’s Who”
Compliance

- Lack of oversight by IRS and CA Attorney General
  - KWF filed 990s but they were incomplete

- The Board did not fulfill its governance responsibilities

- Self-dealing between Mr. Singer’s for-profit and nonprofit
Individual Responsibility

• William Singer, staff, and Board Members
  – Reasonable responsibility to make his business profitable, but not to follow illegal pathways or unethical tactics to do so (using KWF as conduit for bribes, bribing coaches and test-administrators, falsifying applications, etc)
  – Board has a responsibility to act ethically and legally in operating its organization

• Parents
  – Responsibility to raise their children in the best way the parents can, but not to falsify their children’s abilities
  – Responsibility to set their children up for success, a success based on their children being able to stand on their own feet - not legs supplied by their parents

• Coaches & Administrators
  – Responsibility to their teams, schools, and individual athletes
    • Financially: high-level collegiate athletics cost a lot of money. Fiduciary responsibility to their organizations - need to be good stewards with the available funds (scholarships, operating costs)
    – Responsibility to act and demonstrate integrity in competition, business, personal life - this is coaching. Coaches teach life lessons via the package of their sport.

• SAT/ACT Test Proctors etc.
  – The WHOLE POINT of these tests is to (supposedly) determine the takers’ academic capabilities in order to help determine (supposed) future success in college. When most areas of shades of gray, these people must act in almost strict black and white.
Organizational Responsibility

• The leaders of the two organizations were guilty - the board of KWF was small and Mr. Singer’s role was large
  – William Singer admitted guilt
  – Used tax-exempt laws to benefit himself and
  – He did provide counseling/strategic services for families through his for-profit organization
    • This calls into question how legitimate those college counseling services were
  – 4-Person Board - if legitimate organization, the two additional board members did not fulfil due diligence
    – Per founding documents and 990s, the board each had a copy of the 990 prior to each year’s submission
• Nothing internal would have prevented this from happening, unless the staff or board members had decided to report the activities
• Importance of transparency from an organizational perspective
  – For general nonprofits, this highlights why being transparent and ethical are essential to developing and maintaining the reputation of the organization
  – Consumers need to be cautious of promises/guarantees of access to closed systems
• Need for transparency in regards to Donor-Advised Funds
  – Too anonymous: “National Philanthropic Trust,” Fidelity Charitable,” Schwab Charitable” were listed as grants. The rest of the donations were not reported because they came from individuals
  – Public charities do not need to disclose their donors, which is different from private foundations (i.e, Trump Foundation)
• Emphasis on the Importance of researching organizations from donor perspective
  – What information is available
  – Understand where the organization’s money is coming from and going
• Need for more oversight from regulatory bodies
  – IRS, state regulatory agencies
Stakeholders Analysis

- **Parents and Students**
  - Increased distrust of the college admissions system, which is already viewed as tainted by preferential treatment for donors, legacy students, and other advantaged groups

- **College and high school coaches and administrations**
  - Increased distrust of high school and college athletics programs and administrations, which are already commonly viewed as having considerable control/influence over the school’s culture and admissions system
    - This distrust could negatively impact well-meaning and well-qualified students’ experience

- **Nonprofits**
  - Adds to the list of scandals that sour the public’s trust of the nonprofit sector, which could affect donation levels

- **SAT/ACT Organizations**
  - Increases distrust of these organizations (which is not a bad thing, actually!), and increases universities’ gradual doing-away-with of ACT/SAT requirements (also a good thing!)
Alternative Solutions

• What are some of the alternative solutions that would have either prevented this situation or that can remedy this situation?
  – Assistant coaches, other members of the athletic administrations, and other school staff should have been more aware of their coaches’ activities. In the strict world of athletic compliance, those staff members should have been monitoring for abuse - or at least not ignoring red flags.
  – Schools could remind parents of the parents’ ethical responsibilities throughout high school (though, given the parent population involved, this would likely not be effective).
  – Test organizations could continue to improve their cultures of integrity within their test-proctor staff and affiliated organizations’ staff.
  – IRS, and state agencies, need more staff to better connect the dots and notice red flags
Questions

A Wide Range of Issues

● What is the responsibility of the CPA firm, William and Olds, who signed off on the 990?

● Gordon Ernst, the Georgetown tennis coach who was part of the scandal received money and recruited 12 players to the team who did not play tennis competitively, received $850k for consulting according to the 990? Should the 990 form be adjusted for more transparency around consulting services?

● How can the nonprofit sector work to maintain trust after organizations take advantage of being a charity?

● Does the end justify the means? How does faking applications and getting admitted compare to someone donating $25 million for a building or scholarships in order to gain access?

● What should be the consequence for the children admitted to college through this scheme?

● How can the college admission process be adjusted to provide more equal access to high and low income applicants as well as minorities?
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