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Nonprofit Ethics Case

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NPA 601: Nonprofit Ethical Leadership
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Unethical Practice by The Disabled Police and Sheriffs Foundation, Inc.

Summary:

This case study will be focused on the unethical organizational practices and misuse of public donations at The Disabled Police and Sheriffs Inc. We will review the sequence of events leading to the shut-down of this nonprofit organization and discuss the case from a leadership and organizational perspective.

Applications:

This case study on The Disabled Police and Sheriffs Foundation Inc allows aspiring and current nonprofit professionals to consider and reflect on the following topics:

- Unethical leadership and its effect on organizational operations
- The importance of sound governance and board member responsibilities
- Organizational Integrity and the effect of nonprofit scandals on public trust
- Financial reporting and auditing

Outcomes:

The lawsuit against The Disabled Police and Sheriffs Inc highlights a worse-case scenario of unethical organizational behaviour. This case study aims to provide insight of consequences of toxic leadership and the consequential unethical practice that results from poor it. We hope this case study will help current and future nonprofit leaders to recognise the importance of leading with and embedding sound ethical values in their practice. Professional with a greater

understanding of ethics and the ability to recognise unethical behaviours are more likely to uphold the public's trust in the nonprofit sector.

Video Links:

<https://abc11.com/finance/ftc-bans-2-charities-for-taking-millions-of-dollars-from-donations/5231803/>

<https://www.newschannel6now.com/2019/04/08/bbb-shares-tips-how-spot-fraudulent-charities/>

<https://www.mystateline.com/news/officials-warn-of-charity-scam-from-so-called-disabled-police-foundation/>

Description:

The Disabled Police and Sheriffs Foundation Inc was a Missouri based 501(c) (3) organization set up to help disabled law enforcement officers and provide education programs. Both the Federal Trade Commission and the State of Missouri filed complaints against The Disabled Police and Sheriffs Foundation Inc, claiming the organization had falsely informed the public on the allocation of their donations.

Between the years 2013-2017 \$9.9 million of donations were collected by The Disabled Police and Sheriffs Foundation. Donors believed their contributions were allocated to the work of the organizational mission:

“To create, design, organize and offer instructional programs to law enforcement, provide assistance to disabled law enforcement officers and to the survivors of law enforcement officers killed in the line duty, provide educational and safety-oriented resources to the general public and to engage in activities that heighten the image of law enforcement.”
(GuideStar, 2019)

According to The Federal Trade Commission (2019) and the State of Missouri, the majority of the public's donations collected were contributed to the personal interests of the organizations' founder and CEO David Kenik and supported for-profit professional fundraisers that were hired by The Disabled Police and Sheriffs Foundation. The case report highlighted financial records from the financial year of 2016 when only five percent of the total cash budget was allocated to programs supporting disabled police officers (United States District Court for The Eastern District of Missouri Eastern Division, 2019). That is less than one penny of each dollar donated (CharityWatch, 2019). The organization had also falsely collected donations from the public under the names American Police and Sheriff's Association and Police Officers Safety Association (CharityWatch, 2019). The organization utilized for-profit telemarketing fundraisers to appeal the public's donations. One example of the telemarketing appeals used to collect donations for The Disabled Police and Sheriffs Inc provided in the Federal Trade Commission's Press release is quoted below:

*“We also **provide . . . relief** to families of **officers killed in the line of duty**. ... Every day officers bravely go out to protect our streets knowing an **officer is killed in the line of***

duty every other day in our country. They are truly real-life heroes.” (Federal Trade Commission, 2019)

The outcome of the lawsuit resulted in the ban of The Disabled Police and Sheriffs Inc. and David Kenik from soliciting charitable contributions. The lawsuit also included a monetary judgement of \$9,932,323 against the organization and David Kenik. Due to inability to pay the total sum was suspended and \$100,000 was collected to be handed to another charity with a similar mission and legitimate charitable purpose. David Kenik agreed to the settlement however, he refused to admit any wrongdoing (CharityWatch, 2019).

Discussion Questions:

From a personal (leadership) perspective:

- What key ethical leadership values was CEO David Kenik missing?
- As a CEO of an organization how would you address the development of personal conflict of interest issues?

From an organizational (nonprofit) perspective:

- Who do you think is accountable and responsible for the organizational behaviour of The Disabled Police and Sheriffs Inc?
- Which other organizational associates do you think should have made efforts to prevent this behaviour?
- As an organization what policies and procedures should be in place to allow unethical practices to be recognized and appropriately dealt with?

From one more ethical perspective:

- Which approaches would you adopt as ethical leaders in addressing situations when the public's trust in your organization has been damaged?
- How could David Kenik have better handled his situation?

Resources:

After the shut-down of The Disabled Police and Sheriffs Inc there is no longer access to the organizations website and policy documents.

Useful information regarding the case can be found through the following recourses:

Case File from United States District Court for The Eastern District of Missouri Eastern Division:

https://www.ftc.gov/system/files/documents/cases/172_3128_dpsf_signed_order_4-30-19.pdf

Charity Watch report:

<https://www.charitywatch.org/charities/disabled-police-and-sheriffs-foundation-dissolved>

Online report from STL Today:

https://www.stltoday.com/news/local/crime-and-courts/sham-missouri-charity-closing-after-raising-nearly-million-for-disabled/article_80657434-d1f9-5457-bb2c-f860a4399019.html

Press Release from the Federal Trade Commission:

<https://www.ftc.gov/news-events/press-releases/2019/03/ftc-states-continue-fight-against-sham-charities-shut-down>

References:

ABC11 Eyewitness news. (2019). 2 first responder charities banned for taking millions of dollars from donations. Retrieved from <https://abc11.com/finance/ftc-bans-2-charities-for-taking-millions-of-dollars-from-donations/5231803/>

Federal Trade Commission. (2019). FTC, states continue fight against sham charities; shut down operations that falsely claimed to help disabled police officers and veterans. Retrieved from <https://www.ftc.gov/news-events/press-releases/2019/03/ftc-states-continue-fight-against-sham-charities-shut-down>

Guide Star. (2017). Disabled police and sheriff's foundation. Retrieved from <https://www.guidestar.org/profile/36-4494026>

Internal Revenue Service. (2019). *Form 990 (2017). The disabled police and sheriff's foundation, inc.* Retrieved from https://www.ftc.gov/system/files/documents/cases/172_3128_dpsf_signed_order_4-30-19.pdf

Kleiner, S. (2017). Charities employ controversial telemarketers to tug on heartstrings — and loosen purse strings. The Center for Public Integrity, Retrieved from <https://publicintegrity.org/federal-politics/charities-employ-controversial-telemarketers-to-tug-on-heartstrings-and-loosen-purse-strings/>

United States District Court For The Eastern District of Missouri Eastern Division (2019) *FTC and missouri v. disabled police and sheriffs foundation, inc. and david kenik*. Retrieved from https://www.ftc.gov/system/files/documents/cases/172_3128_dpsf_complaint.pdfReferences