"AS LONG AS THERE IS PLENTY, POVERTY IS EVIL" RFK

Anti-Poverty Nonprofit Leader Leads YPI to Bankruptcy

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YOUTH POLICY INSTITUTE

MISSION:
To transform LA neighborhoods using a holistic approach to reduce poverty by ensuring youth and families have access to high-quality educational and economic opportunities, enabling a successful transition from cradle to college and career.

TRANSFORMING PEOPLE & PLACES
SUMMARY

- Founded in **1983** with funds from the Robert F. Kennedy Memorial.
- In **1996**, Dixon Slingerland became YPI’s President & CEO.
- YPI evolved from a **small nonprofit organization to a $47 Million** nonprofit due to the aggressive government contract approach led by Slingerland.
  - YPI’s approach allowed them to have preferential advantage over other nonprofits for competitive government contracts including those led by the White House Obama Administration.
- YPI’s internal and external trust, funding revenues, and best-in-class anti-poverty programs including after school programs, job training, tax preparation, and other services to vulnerable communities placed YPI as one of the best nonprofits in Los Angeles.
- **YPI’s lack of strong financial and governance** proved Robert F. Kennedy correct, *as long as there is plenty, poverty is evil*. An independent audit requested by the Board identified multiple deficiencies, including Slingerland’s misuse of company funds for personal expenses and inappropriate lobbying activities since 2014.
- After over 30 resilient years, **YPI shocked the public in 2019 after it announced the firing of Slingerland**, hiring of a new CEO, Dan Grunfeld and subsequently **filing BANKRUPTCY**.
The audit of YPI’s financial statements and internal financial controls [was completed]. It is a troubling picture that presents serious challenges for YPI’s new management team and Board of Directors.

A staffers carries a trash bag full of belongings out of the offices of the Youth Policy Institute on Oct. 25, the day the nonprofit abruptly closed. (Francine Orr / Los Angeles Times)
FACTS

- Founded in Washington, DC.
- YPI transferred to Los Angeles
- Dixon Slingerland becomes President & CEO
- Awarded $30M Federal Promise Zone Grant

2014:
- Slingerland directed $1.7 Million of YPI’s money in personal account and democratic party
- $743,713 to Obama Campaign
- Paid personal property taxes, children’s tutoring, and wife’s retirement contribution

2014-2019:
- Bryan Cave Llp hired to lobby executive office of President, Barack Obama & the Dept. of Housing & Urban Development
- $140,000 Lobbying for White House NOT reported to IRS
- Board orders an Independent Audit
- Slingerland is fired
- Dan Grunfeld hired as Interim CEO
- YPI Files for Bankruptcy

2019 CHPT 7

Center for Responsive Politics
After seven consecutive clean audits, the Board determined to rotate the auditor for the 2017-2018 audit. The Board conducted a RFP and selected Armanino LLP.

Covington retained Grobstein Teeple, LLP ("Grobstein") to conduct a forensic accounting review of Mr. Slingerland’s expenses.

- Expenses & reimbursements reviewed from July 1, 2017 to July 31, 2018
- Committee determined that the information Mr. Slingerland provided was often incomplete, insufficient, and delayed.

8/26: after multiple follow-up requests, Mr. Slingerland began providing Covington with the requested documentation, purportedly in support of his expenses.

7/2: Covington and Grobstein conducted an initial interview of Mr. Slingerland;

Two members of the Committee then met with Mr. Slingerland to, among other things, instruct him to cease charging certain expenses to YPI and to direct him to suspend his use of the YPI American Express card for any personal expenses;

YPI decides to perform a "Five-Year-Review" from 2014-2019

9/5: Covington and Grobstein interviewed Mr. Slingerland after review of the documentation he presented

9/12: YPI enact new Financial Controls

9/16: Covington & Grobstein reported their findings to the Committee and the full Board

Following the Five-Year Review, the Committee concluded that Mr. Slingerland had been misusing YPI’s funds for his personal use over an extended period of time, and at least since 2014.

9/20: YPI’s CFO resigned

9/23: terminated Mr. Slingerland

9/26: YPI notified the Government Agencies of Mr. Slingerland’s improper expenditures and potential compliance issues with record-keeping and cost-accounting related to the government grants

10/3: YPI files a voluntary disclosure to the Federal Election Commission

10/11: 26 Employees are laid off

10/24: Employees are notified

10/25: YPI CLOSES ITS DOORS

YPI FILES FOR BANKRUPTCY
COMPLIANCE

Lobbying

- Lobbying activities ended up being against Federal lobbying regulations
  - YPI did not report lobbying expenditures to the IRS
    - Owed IRS $24,000 for this Fed. Tax violation
  - Donations used to support the Democratic party
    - Giving money to companies that were then hired by the Democrats

Company Policy Violations

- Expense Reimbursement not approved by board
- Credit card for personal use
- Policies that were in place did not make sense to employees

Lack of Accountability

- For many years the board, IRS nor the government held them accountable
- Led to closure and bankruptcy

"Lacked the proper financial controls and the systems needed to manage its cash flow" - Los Angeles Times
INDIVIDUAL RESPONSIBILITY

“This is going to be the culmination of all our work, how do you bring all sorts of federal resources, private resources, we have more than 90 partners in this initiative. How do you bring all that together in and actually transform a community actually reduce the poverty rate?

“I have made several attempts to meet with YPI Leadership to resolve any and all issues, including the fact that YPI still owes me money.”

“YPI has refused to engage in discussion or provide me with the necessary detail needed to clear up these matters.”

“Strive not to be a success, but rather to be of value.”
Albert Einstein
INDIVIDUAL RESPONSIBILITY

**Dr. Myung Ki Hong**
UCLA - Chemistry

**Ari Lanin, USC**
Partner @ Gibson Dunn

**Brenda Freiberg, UCLA**
Independent Philanthropist

**Richard Foos, Whittier College**
CEO, Entertainment Industry

**STEVEN SCHULTZ, CFO**
Managed finance, risk management, payroll, and procurement operations

**IRIS ZUNIGA, EVP**
Worked for the CA State Senate District 20 as the Edu. & Health Field Deputy.

**Yasmine Johnson, UCLA**
Philanthropists & Political Activists

**Bradford Pollard**
UCLA, Stanford Private/Corporate Banker

**Amit Verma, NITIE Mumbai**
Principal PwC

**Mary O’Connell, University of Missouri**
Investment & Management

**Tom Unterman, Princeton**
Chairman, CA Comm. Foundation & Executive Lawyer

**Steve Rindner, St. John University**
Corporate Dev. & Counsel

**CARE... LOYALTY... OBEDIENCE...**

“Directors should scrutinize the organization’s internal controls practices for weaknesses”
CA Attorney General’s Guidelines for Charities, 2019

**Not pictured:**
James Alva, Shari Leinwand, and David Messinger
Employees used Glassdoor as a tool to express their concerns. Unfortunately, many of the documented posts do speak about the culture of lack of compliance and foresaw YPIs closing its doors.
ORGANIZATIONAL RESPONSIBILITY

1. Fostering of a culture that lacked rigorously self-reporting to funders and the Board of any issues that jeopardized YPI's funding/tax exempt status

1. Government/Grantors, Vendors, Partners
   a. Lack of full cooperation with Grantors to investigate and remediate deficiencies or delayed payment
   b. Inconsistent or inaccurate contracts with Vendors and Partners

1. Finance & Development
   a. Lack of reliable and dependable accounting systems for a $47M budget organization
   b. Lack or not enforced safeguards and controls to ensure that funds were properly accounted for and that expenditures and reimbursements were appropriately reviewed and approved

1. Human Resources
   a. Vague, unclear, and unenforced policies and procedures for finance, accounting, and grants management
   b. Key leaders hired from certain Universities and with certain work experience
   c. Performance Expectations, YPI focuses on program growth versus administrative support
   d. Lack of compliance training to train employees on grant requirement reporting, falsification of records and updated legal accounting changes
- **Regional Bias**
  - Current policies create a regional bias in philanthropy, favoring parts of the country with concentrations of wealthy people.

- **Government Role**
  - Allocation of Government Funds: Oblivion on the taxpayers’ dime
  - Government Funding Dependency: Consider additional regulations for nonprofits that are too dependent on federal money
  - White House Administration Agenda Pressure vs. Mission

- **“Social Changers”**
  - System Dominated by Elite “Social Changers”
STAKEHOLDERS ANALYSIS

“The closure of these locations creates a tremendous void for our youth, for our families throughout the city of Los Angeles, and it had an incredible ripple effect everywhere in the city”

-Los Angeles City Councilwoman Monica Rodriguez Feb. 2019

Program Participants

- Reduced services and funding for those in need
  - Individuals lost the support provided
  - Many even lost their connection to employment

Employees

- 450+ permanent laid off with less than 24 hours notice
  - Financial, Benefits (current medical conditions, Transition of Care)

Government & Nonprofits

- More mistrust in nonprofits
  - Public’s perception of Gov’t involvement with certain non-profits
- Sour feelings from other non-profits that were denied Govt contracts that had stable financial management

Employees

- Think Together
  - Abruptly absorbed after school programs
  - TT had to rush resources (hiring, training)
ALTERNATIVE SOLUTIONS

Culture of Ethical Compliance:
Empowerment and encouragement to speak up and report wrongdoings

Policies & Procedures:
Clear and updated finance, accounting, lobbying Policies and Procedures

Compensation:
Review of data to substantiate salary increases and performance

Governance & Operational Activities:
Better Memorandums of Understanding with ongoing audits
Further review of govt reimbursements for services provided
Implement sustainable programs with no or limited government funding
REFLECTION QUESTIONS

1. Does Dixon Slingerland know he made unethical decisions?

1. What power did Dixon Slingerland have at YPI besides being the President & CEO that Leadership failed to address the unethical practices he engaged in?

1. There is substantial amount of feedback from current (at that time) and former employees on Glassdoor regarding YPI’s upper management questionable practices, how should the Board use this type of feedback?

1. When should a nonprofit “stop-and-evaluate” the amount of government funded programs? Who should initiate this evaluation?

1. Can you think of other nonprofits that were highly influenced by government or a specific administration?

1. Is 23 years as President & CEO too long? What are the benefits and disadvantages of longevity in leadership and direct services roles?

1. An organization shut its doors, all of the employees were directly impacted, the community was again defrauded, and Dixon Slingerland only requirement is to back-pay $1.7M, should there be additional consequences to him and leaders who commit the same ethical violations?

1. The Audit only reviews financials from 2014-2019, does the Board have an ethical responsibility to review additional information pre 2014?
THE LOBBYING SECTION OF THE IRS WEBSITE INCLUDES NONPROFIT LOBBYING RULES AND ALSO TOOLS TO MEASURE LOBBYING THROUGH THE SUBSTANTIAL PART AND EXPENDITURE TESTS.

RESOURCES

CA ATTORNEY GENERAL’S GUIDE FOR CHARITIES: BEST PRACTICES FOR NONPROFITS THAT OPERATE OR FUNDRAISE IN CALIFORNIA

ASSOCIATION OF FUNDRAISING PROFESSIONALS: CODE OF ETHICAL STANDARDS

INDEPENDENT SECTOR: PRINCIPLES FOR GOOD GOVERNANCE & ETHICAL PRACTICE

EMPOWERING STAFF LEADERSHIPS AND THE BOARD OF DIRECTORS CAN HELP SOLVED ETHICAL DILEMMAS BEFORE THEY COME UP
REFERENCES: CITATIONS


