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MASTER OF NONPROFIT ADMINISTRATION

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Nonprofit Ethics Case

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NPA 601: Nonprofit Ethical Leadership

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1. **Title**

Florida Coalition Against Domestic Violence: Gross Misuse of Funds Leads to Dissolution

2. **Summary**

This case study examines the unethical conduct and fraudulent practices of senior leadership at the Florida Coalition Against Domestic Violence (FCADV) and its associated Foundation. The FCADV began providing programs and services to support survivors of domestic violence in 1979, and in 2003 they expanded their capacity by becoming the official coordinator of government funding that supports certified domestic violence centers throughout the state. News reporting into excessive executive compensation at FCADV sparked investigations by state lawmakers that uncovered egregious systemic corruption among top leadership at the organization. In March of 2020, the Office of the Attorney General (OAG) of the State of Florida filed a Complaint comprising five counts, including a request for receivership and dissolution, against the FCADV, the FCADV Foundation, and the FCADV President and CEO, Tiffany Carr individually. The FCADV not only failed on its mission to eliminate “personal institutional violence and oppression against all people”, but the leadership of the organization intentionally acted to perpetuate it.

3. **Applications**

Application 1: Unlawful and Fraudulent Activities

Carr and other officers of FCADV misappropriated public funds and private donations in direct violation of the private inurement doctrine, one of the critical components of federal law governing tax-exempt organizations. Investigations first by local news media and subsequently by the DCF and the Florida House of Representatives confirmed that Carr received compensation (wages, bonuses, paid time off [PTO] payouts, car allowances, retirement/insurance benefits) over a 40-month period that exceeded $7.7 million, of which over $3.7 million came from the PTO payouts, the mechanism designed by Carr that is at the heart of the illegalities. FCADV and Carr also used cash-redeemable PTO to pay bonuses to the CFO and COO. According to court testimony, Carr directed the falsification of records in an attempt to shield or otherwise justify unlawful actions that directed public monies to Carr and others in the organization's leadership.

Application 2: Breach of Fiduciary Duties

The FCADV Board of Directors (Board) demonstrated a lack of diligence, due care, and oversight that directly contributed to the waste of corporate assets and taxpayer funds. Members of the Board were not provided with training regarding their fiduciary duties or the FCADV conflict of interest policy. The Board failed to exercise its fiduciary duties to oversee FCADV officers, which would have ensured their proper conduct and adherence to legal and contractual requirements. The Board claims it was not aware that most of FCADV funding came from government sources or of the source and amount of private funds obtained, demonstrating a fundamental lack of knowledge about the organization. The Board awarded excessive amounts of PTO that were unlawfully and unethically used as bonus compensation. The Board took direction and assurances from Ms. Carr that there was sufficient funding for her excessive compensation, which illustrates a serious lapse in judgment and fundamental financial oversight.

Application 3: Systemic Unethical Leadership

Investigations uncovered evidence of FCADV document forgery and backdating. Carr directed that PTO payouts from public funds were to be charged to an accounting category reserved for private donations and that private donors were not to be notified of this use of their gifts. Under the FCADV contract with DCF, any funds not spent within a fiscal year of receipt were to be returned to DCF. However, in the direction of Carr, the FCADV COO breached this contractual duty. The refusal by FCADV to return the funds to DCF coincided with the excessive PTO payouts at the end of each fiscal year as an apparent means to spend down “excess” funds rather than return them to DCF. Carr and other FCADV directors and officers perpetuated an ongoing system of unethical behavior that included violating the law as well as moral standards. Carr and other officers repeatedly pursued their financial interests and not only neglected their duty of care and obedience but also their duty of loyalty to the organization, its mission, and ultimately the survivors of domestic abuse the organization was formed to directly support.

4. **Outcomes**

Outcome 1: Ensure Legal and Fiduciary Compliance by Leadership

A lack of basic nonprofit governance by the Board of Directors is evident in this case. A nonprofit Board of Directors and its top executives are responsible for understanding the commitment and obligations of their roles before joining and while serving a nonprofit organization. Nonprofit organizations should establish a thorough recruiting and onboarding process aimed at educating potential members and training new members on their fiduciary duties of care, loyalty, and obedience; ethical responsibilities; and local, state, and federal laws to which the organization is legally bound.

Outcome 2: Protect Assets and Provide Financial Oversight

This case exemplifies a failure by the Board of Directors to protect the nonprofit organization’s financial assets and to practice fiscal responsibility to ensure financial resources were used appropriately to further its mission. A nonprofit Board of Directors is responsible for establishing governance procedures -- including compensation practices and policies, as well as whistleblower and conflict of interest policies -- and for reviewing and overseeing all financial transactions with due diligence to ensure the organization can fulfill not only its mission but also its charitable obligations.

Outcome 3: Recruit, Oversee, Foster, and Evaluate Ethical Leadership

This case illustrates a reversed leadership power dynamic as the Board of Directors was brought on by and took direction from the chief executive officer. The Board of Directors of a nonprofit organization is responsible for hiring and overseeing leaders that exemplify ethical leadership and who are committed to building a workplace culture that prioritizes morality and ethical leadership in service of the organization’s mission. The Board of Directors should ensure that a nonprofit organization’s governing documents include clear guidelines and procedures for executive compensation and the review thereof. A nonprofit Board of Directors should recruit, select, manage, and annually evaluate the performance of the chief executive officer of the organization. Most important related to this case, before any change in the chief officer’s compensation, the Board of Directors should conduct a performance evaluation and review provisions in the governing documents and any compensation contract for compliance when considering the approval of compensation changes.

5. Video

Domestic violence spending scandal, ABC Action News (March 4, 2020)
https://youtu.be/k18mBzeePtg

6. **Description**

The Florida Coalition Against Domestic Violence (FCADV) was a private 501(c)(3) nonprofit organization based in Tallahassee, Florida. Founded in 1979, the FCADV provided programs and services for survivors of domestic violence. Its organizational mission was “to create a violence-free world by empowering women and children through the elimination of personal institutional violence and oppression against all people.” In 2003, through advocacy and collaboration with public officials, the FCADV partnered with the Florida Department of Children and Families (DCF) and was recognized as the official singular service provider to survivors of domestic violence. By 2019, the FCADV operated 42 certified domestic violence centers throughout the state, providing emergency shelter, services, and programming for survivors and their children. Its former President and Chief Executive Officer, Tiffany Carr, has led the organization for over 20 years; growing it into an organization with an operating budget of over $52 million and over 80 full-time employees. In November 2019, Carr stepped down from her position as CEO of the organization.

The DCF was the primary monitor for the FCADV, and it was responsible for overseeing the organizational funding, center certifications, and implementation of programs and services. The main service that the FCADV provided was running its 42 domestic violence centers. It also provided 24/7 first-response, emergency shelter, technical assistance, training, education, counseling, case management, and other community services related to domestic violence. The organization also participated greatly in advocacy work and collaborated with local/state government officials and entities regarding domestic violence and public policy.

Concerns with the FCADV first arose when it was discovered that former CEO Tiffany Carr was being compensated for over $700,000 in reported salary. When the DCF requested the coalition’s financial documents for a 2018 audit, the FCADV refused to cooperate, until the Florida House of Representatives threatened the nonprofit with a subpoena. These records revealed that Carr has been collecting excessive compensation payouts for years, resulting in a $7.5 million salary package for Carr over three years. This also included a $4 million payout when Carr left the organization through paid time off and bonuses. Also, numerous complaints regarding the oversight of the domestic violence centers began emerging and gaining media attention. Former volunteers, employees, donors, and community members were dissatisfied with the condition of the centers, and the gradual decline in funding programs and resources. Further investigation revealed that former employees at several domestic violence centers filed numerous complaints regarding mismanagement and a degrading standard for public services. This included insufficient staffing, unsatisfactory building maintenance, unhygienic facilities, and cutting essential counseling and education programs.

In March 2020, Florida's Attorney General Ashley Moody filed an official lawsuit against the FCADV for misappropriation of public funds and private donations. The complaint seeks to dissolve the FCADV and redistribute the recovered stolen funds for continued work regarding domestic violence. This came at a time following directly after a large majority of senior staff and leaders left the organization, including Carr. The 10 former and current board members of the FCADV and Carr faced criminal and civil charges in court as well. Investigations also revealed that Carr's compensation, although legally approved by the board of directors, did require a redirection of funds from the FCADV and the DCF. Many board members and directors were also appointed by Carr through personal past relations, resulting in a conflict of interest between the board of directors and the CEO of the organization. With Carr's $4 million exit package, the FCADV is also subjected to nearly $1 million in tax liability.

Following a thorough investigation, the Leon County Circuit Court ruled in favor of Attorney General Ashely Moody. The FCADV was dissolved, and all funds and duties were turned over to the Department of Children and Families. This included all assets in the FCADV Foundation as well. The verdict came in mid-March 2020, with the DCF officially assuming full responsibility for all FCADV services by May 2020.

7. **Questions**

1. Tiffany Carr appointed the FCADV Board, most of whom were directors of domestic violence centers throughout Florida that relied on (and received a greater proportion of) the funds distributed by FCADV. How can these directors avoid conflicts of interest while they serve on the Board?
2. Are personal sacrifices of integrity made by the center directors worth some domestic violence survivors receiving needed assistance while funds for others are misappropriated? Explain.
3. While Board member expertise in the sector the organization serves can be an asset, how can Board appointments be managed to avoid conflicts of interest?
4. How can an organization like FCADV cultivate a culture of trust where all employees feel that they can report corruption without fear of retribution?

5. What role did the DCF play as the governing supervisory agency that was responsible for overseeing the FCADV? What does it say about relationships in the nonprofit sector between service organizations and their large funders (i.e. corporate/government)?
6. Should governments create a more "capitalistic marketplace" for nonprofits to compete for funding and partnerships? Or should they partner with only one organization for those services (like DCF & FCADV)? Explain.

8. **Resources**

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9. **Endnotes**

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