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

College Applications

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1) Title

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

2) Summary

This case study reviews the unethical practices of William Rick Singer and his nonprofit Key Worldwide Foundation (KWF) 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 to the universities. 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. Thirty-three parents as well as coaches and administrators were arrested in an investigation that was coordinated by the FBI.¹

3) Applications

Nonprofits. This case makes the importance of transparency evident from an organizational perspective. This case highlighted why being transparent and ethical are essential to developing and maintaining the reputation of the organization and ensuring trust in the nonprofit sector to counter high

profile charity scandals and unethical practices. Similarly, consumers need to be cautious of promises and guarantees of access to closed systems.

Donations. Looking at Donor-Advised Funds, it is clear that they are too anonymous. The “National Philanthropic Trust,” Fidelity Charitable,” and “Schwab Charitable” are listed in the Foundation Directory Onlineⁱⁱ because they were grants to KWF. However these grants provided no information on the donors behind the funds. Additionally public benefit corporations, including KWF, do not need to disclose their donors, which is different from private foundations (i.e, Trump Foundation). This allowed the donations from individuals to remain undisclosed and per the Justice Department’s [affidavit](#), many of these, if not all, were payments for illegal services.

Donors. In general, this also highlights the importance of donors doing careful research on organizations which they are considering donating to. They should look at the available information, request information when necessary, and should get an idea of where the organization's money is coming from and going to. In theory, a donor not involved with the college admissions scheme could have chosen KWF as a charity based on the organization’s stated mission to serve underserved children.

Oversight. IRS, state regulatory bodies, professional organizations, and others, need to have the resources to oversee organizations more effectively. It was clear that the IRS, among others, did not have the ability or capacity to connect the or follow-up when KWF was entering incomplete or incorrect information in their annual returns, and leaving out details such as the Tax ID numbers of grant recipients. The IRS did not catch the organization and, according to The [Cut](#)ⁱⁱⁱ, the scheme was uncovered during the course of a separate investigation by the FBI.

4) Outcomes and Responsibility

Organizational. William Singer admitted his guilt in orchestrating this scheme. Key, the for-profit business, could have been providing legitimate services along with the illegal activity, however KWF seems to have been created solely for the purposes of the scheme and as a conduit for bribes, bribing coaches and test-administrators, falsifying applications, etc). If the two board members not implicated in the scandal believed that KWF was legitimate, they had a responsibility to act ethically and legally in operating the KWF and ensuring proper governance. According to the 990^{iv}, board members were documented as having received copies of the organization’s 990s. We are reminded of the importance of reporting unethical and illegal activity: those involved in the operations of both organizations should have known they had the power to report. We assume they did know, and assume they were willing accomplices in the associated crimes.

Parents. The many parents involved had a responsibility to raise their children in the best way they could, but not to falsify their children’s abilities. They had a 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.

Here, possibly, we could consider recognizing the value of schools reminding parents of the parents’ ethical responsibilities in regards to their children. We are reminded, too, of the incredible sense of power and freedom (to act freely, and illegally) that the wealthy sometimes have: a sense that normal rules and ethics do not apply to them. In as much, it would be prudent to look at existing systems for signs of abuse by those who consider themselves outside of the law (or outside of reasonable expectations of behavior).

Coaches and administrators. These staff had a responsibility to their teams, schools, and the individual athletes on their various teams. In terms of financial obligation, high-level collegiate athletics

cost considerable amounts of money. These coaches and administrators were not good stewards of the available funds (scholarships, operating costs). They did not show fiduciary responsibility. In a similar way, they had a responsibility to act with and demonstrate integrity in competition, business, and personal life - this is coaching. Coaches teach life lessons via the package of their sport - and these coaches failed.

Assistant coaches, other members of the athletic administrations, and other school staff should have been more aware of their coaches' activities. Here we are reminded to examine these systems for the same abuse as noted above, especially considering that coaches can hold considerable power over admissions decisions for particular student-athletes - and where large sums of money are inherently involved (team budgets, scholarships, etc).

SAT/ACT test proctors. The 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 are shades of gray, these people must act in almost strict black and white for the betterment of the students, the parents, and the schools involved.

Although one would hope that dishonesty is rare in this population, one must wonder if preventative measures are enough within the ACT and SAT organizations. For broader use, this makes us consider what measures can be taken by organizations to either hire the right people (who will not be unethical) and/or prevent or inhibit the activity for existing staff. It reminds us of the importance of maintaining a culture of integrity.

5) Videos

Especially interesting: HBO, Vice: "How Broken The College Admissions Process Is"

Retrieved from <https://www.youtube.com/watch?v=0v5yHnWCiLE>

NBC Bay Area: "College Admissions Scam: Follow the Money Behind The Key Worldwide Foundation"

Retrieved from <https://www.nbcbayarea.com/investigations/College-Admissions-Scam-Follow-the-Money-Behind-the-Key-Worldwide-Foundation-507070751.html>

6) Description

General. The case, which has resulted in charges of racketeering, money laundering, conspiracy to defraud the U.S., and obstruction of justice, involves William Singer, and his for-profit and nonprofit organizations Key Worldwide Foundation, a California-based (501(c)(3) public charity of which Mr. Singer was CEO, and Edge College & Career Network, LLC, owned by Mr. Singer. KWF, ostensibly created to provide college opportunities for underprivileged youth, was directly tied to the the Edge College & Career Network through its CEO (Mr. Singer), its accountant and financial officer (Steven Masera, who held the same roles at Edge), and an employee with multiple roles (Mikaela Sanford).

This scandal involved many people. In addition to Mr. Singer, at least 33 parents, college administrators, college coaches, SAT/ACT test administrators and proctors, and two employees of Key and the Key Worldwide Foundation were charged in this scheme. At this point, it appears that none of the universities, as a whole, were aware of the scheme.

The story is a case of parents and guardians taking the low (and expensive) road to ensure particular college futures for their children, an unethical businessman offering and guaranteeing those outcomes for significant sums of money, and college coaches, college administrators, and admissions test-administrators willing to influence admissions outcomes for a fee. It is a case of 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, coupled with the utilization of bribes and the falsification of test and admissions paperwork. Mr. Singer would coordinate for SAT or ACT tests to be administered

through certain proctors and for the scores to be falsified to increase the odds of admission to certain universities, including Yale, Stanford, the University of Southern California, the University of Texas and Cornell, among many. Some children may have been aware of the scheme, while others were not aware of the actions.

Mr. Singer also worked with certain athletic colleges at universities to allow children who were not athletes to be listed as such, which helped to ensure admission to the institution. Mr. Singer would create manipulated photos of children playing sports and would create fake sports teams and claim that the children were stars on those teams. When arriving on campus, the children were sometimes instructed to claim injury in order to avoid the suspicion of them not participating in the sport.

Mr. Singer would direct parents to “donate” to the KWF, which would then pass the funds on to the recipients of the various bribes. The Foundation’s 990s were incomplete, and showed false and incomplete information on grants provided to other organizations in order to hide the bribes being paid to coaches and administrators. The form did not include the recipient’s tax ID number for example, and, according to [NBC News](#), at least one of the charities listed on the 990 never received funds from KWF. Unfortunately, the IRS did not have the staff necessary to notice (or act on) the discrepancies, or connect the (missing) dots. They discovered the case because a parent tipped them off after he, himself was being investigated in a securities fraud case.

College admissions is an extremely competitive process that oftentimes favors those who can afford to pay for tutors, provide extracurricular activities, or donate directly to the school. While the uneven competition already exists and is something that should be addressed, Mr. Singer’s scheme took this process to a new level and took advantage of resources and a system that needs to be examined.

7) Questions

- 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?

8) Resources

<https://fconline.foundationcenter.org/fdo-recipient/?collection=recipients&id=2401934>

https://fconline.foundationcenter.org/pdf990s/?key=2401934&name=Key%20Worldwide%20Foundation&type=recip&remoteUrl=http://990s.foundationcenter.org/990_pdf_archive/461/461603030/461603030_201612_990.pdf

<https://www.justice.gov/file/1142876/download>

https://www.lexology.com/library/detail.aspx?g=376596a5-4342-446c-a26a-81515873459b&utm_source=lexology+daily+newsfeed&utm_medium=html+email+-+body+-+general+section&utm_campaign=calbar+tax+section+subscriber+daily+feed&utm_content=lexology+daily+newsfeed+2019-03-20&utm_term=

<https://losangeles.cbslocal.com/2019/03/12/usc-among-schools-named-in-massive-admissions-bribery-scandal-dozens-arrested/>

<https://www.nbcbayarea.com/investigations/College-Admissions-Scam-Follow-the-Money-Behind-the-Key-Worldwide-Foundation-507070751.html>

<https://www.nytimes.com/2019/03/13/us/admissions-cheating-scandal-consultants.html>

<https://www.philanthropy.com/article/College-Admissions-Scandal/245888/>

<https://www.philanthropy.com/article/Could-a-More-Robust-IRS-Have/245904/#.XIVjIC-EA70.twitter>

<https://www.rollingstone.com/culture/culture-news/rick-singer-college-admissions-scam-807736/>

<https://surlysubgroup.com/2019/03/13/key-worldwide-foundation-and-college-admissions-scams/>

<https://www.thecut.com/2019/03/college-admissions-scandal-tipped-by-yale-dad-morrie-tobin.html>

http://www.thekeyworldwide.com/wp-content/uploads/2018/04/TheKey_program_final.pdf

<https://www.thisinsider.com/william-rick-singer-the-accused-ringleader-college-admissions-scandal-2019-3#singer-has-also-been-charged-with-bribing-university-sports-coaches-and-administrators-to-designate-students-as-recruited-athletes-regardless-of-their-athletic-ability-5>

<https://www.youtube.com/watch?v=0v5yHnWCiLE>

<https://www.wbur.org/edify/2019/03/23/university-of-rhode-island-college-admissions-scandal>

9) Endnotes

ⁱ <https://www.justice.gov/file/1142876/download>

ⁱⁱ <https://fconline.foundationcenter.org/fdo-recipient/?collection=recipients&id=2401934>

ⁱⁱⁱ <https://www.thecut.com/2019/03/college-admissions-scandal-tipped-by-yale-dad-morrie-tobin.html>

^{iv} https://fconline.foundationcenter.org/pdf990s/?key=2401934&name=Key%20Worldwide%20Foundation&type=recip&remoteUrl=http://990s.foundationcenter.org/990_pdf_archive/461/461603030/461603030_201612_990.pdf