

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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NPA 601: NONPROFIT ETHICAL LEADERSHIP

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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.

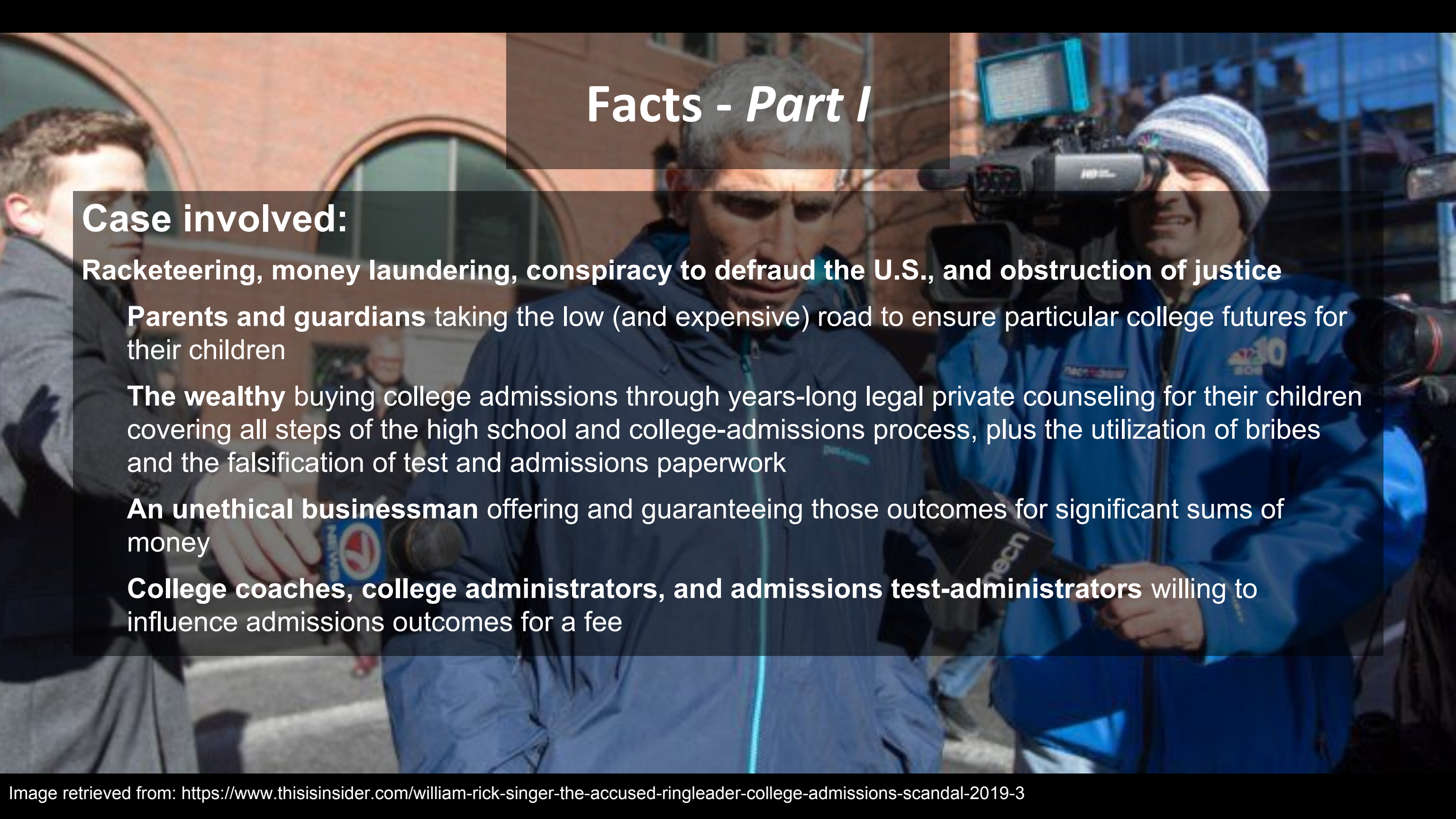


HBO, Vice: How Broken The College Admissions Process Is

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



Facts - *Part I*

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

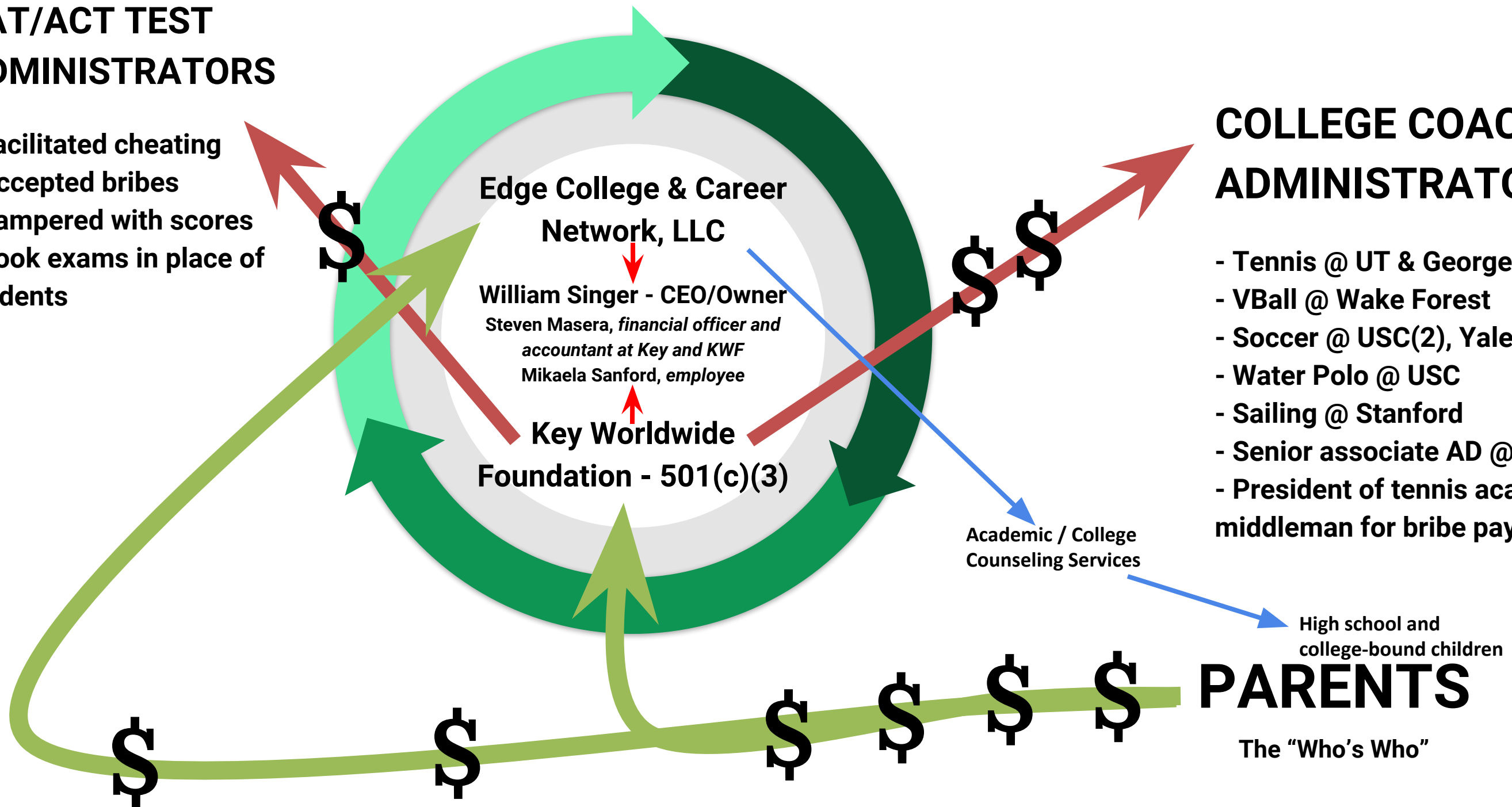
- Facilitated cheating
- Accepted bribes
- Tampered with scores
- Took exams in place of students

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

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Registry of Charitable Trusts P.O. Box 903447 Sacramento, CA 94203-4470 Telephone: (916) 445-2021 WEBSITE ADDRESS: http://ag.ca.gov/charities/	INITIAL REGISTRATION FORM STATE OF CALIFORNIA OFFICE OF THE ATTORNEY GENERAL REGISTRY OF CHARITABLE TRUSTS (Government Code Sections 12580-12599.7)	
NOTE: A \$25.00 REGISTRATION FEE MUST ACCOMPANY THIS REGISTRATION FORM. MAKE CHECK PAYABLE TO DEPARTMENT OF JUSTICE.		
Pursuant to Section 12585, registration is required of every trustee subject to the Supervision of Trustees and Fundraisers for Charitable Purposes Act within thirty days after receipt of assets (cash or other forms of property) for the charitable purposes for which organized.		
Every charitable (public benefit) corporation, association and trustee holding assets for charitable purposes or doing business in the State of California must register with the Attorney General, except those exempted by California Government Code section 12583. Corporations that are organized primarily as a hospital, a school, or a religious organization are exempted by Section 12583.		
Name of Organization: <u>The Key Worldwide Foundation</u>		
The name of the organization should be the legal name as stated in the organization's organizing instrument (i.e., articles of incorporation, articles of association, or trust instrument).		
Official Mailing Address for Organization: Address: <u>265 Hartnell Place</u> City: <u>Sacramento</u> State: <u>CA</u> ZIP Code: <u>95825</u> Organization's telephone number: <u>916-489-8802</u> Organization's e-mail address: _____		

RECEIVED
Attorney General's Office
MAR 15 2013
Registry of Charitable Trusts

CT 0193352
2015

Form 990	Return of Organization Exempt From Income Tax Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations) ▶ Do not enter social security numbers on this form as it may be made public. ▶ Information about Form 990 and its instructions is at www.irs.gov/form990 .	OMB No. 1545-0047 2015 Open to Public Inspection
A For the 2015 calendar year, or tax year beginning <u>2015</u> , and ending <u>2015</u>		
B Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Final return/terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C The Key Worldwide Foundation 265 Hartnell Place Sacramento, CA 95825	D Employer identification number <u>46-1603030</u> E Telephone number <u>916-489-8802</u> G Gross receipts \$ <u>2,657,027</u>
F Name and address of principal officer: <u>Same As C Above</u>		H(a) Is this a group return for subordinates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all subordinates included? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If "No," attach a list. (see instructions)
I Tax-exempt status <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () (insert no.) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527	H(c) Group exemption number ▶	
J Website: ▶ <u>N/A</u>	K Form of organization: <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶ L Year of formation: <u>2012</u> M State of legal domicile: <u>CA</u>	
Part I Summary		
1 Briefly describe the organization's mission or most significant activities: <u>The Key Worldwide Foundation endeavors to provide education that would normally be unattainable to underprivileged students, not only attainable but realistic. With programs that are designed to assist young people in every day situations and educational</u>	RECEIVED Attorney General's Office NOV 16 2016 Registry of Charitable Trusts	
2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposition of its net assets.	3 Number of voting members of the governing body (Part VI, line 1a) <u>3</u>	
4 Number of independent voting members of the governing body (Part V, line 2a) <u>4</u>	5 Total number of individuals employed in calendar year 2015 (Part V, line 2a) <u>0</u>	
6 Total number of volunteers (estimate if necessary) <u>6</u>	7a Total unrelated business revenue from Part VIII, column (C), line 12 <u>0</u>	
7b Net unrelated business taxable income from Form 990-T, line 34 <u>0</u>	7c State of legal domicile: <u>CA</u>	
8 Contributions and grants (Part VIII, line 1h) <u>900,000</u>	Prior Year	Current Year
9 Program service revenue (Part VIII, line 2g) <u>1,977,915</u>	<u>900,000</u>	<u>1,977,915</u>
10 Investment income (Part VIII, column (A), lines 3, 4, and 7d) <u>1,197</u>		
11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) <u>900,000</u>		
12 Total revenue — add lines 8 through 11 (must equal Part VIII, column (A), line 12) <u>1,235,707</u>		
13 Grants and similar amounts paid (Part IX, column (A), lines 1-3) <u>524,898</u>		
14 Benefits paid to or for members (Part IX, column (A), line 4) <u>1,979,112</u>		
15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10) <u>1,235,707</u>		
16a Professional fundraising fees (Part IX, column (D), line 11e) <u>254,229</u>		
17 Total fundraising expenses (Part IX, column (D), line 25) <u>779,127</u>		
18 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e) <u>120,873</u>		
19 Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25) <u>226,440</u>		
20 Revenue less expenses. Subtract line 19 from line 12 <u>200,670</u>	Beginning of Current Year	End of Year
21 Total assets (Part X, line 16) <u>25,200</u>	<u>200,670</u>	<u>427,110</u>
22 Total liabilities (Part X, line 26) <u>175,470</u>		
23 Net assets or fund balances. Subtract line 21 from line 20 <u>401,910</u>		
Part II Signature Block		
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.		
Sign Here	Signature of officer <u>Rick Singer</u> Type or print name and title	Date <u>President</u>



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.

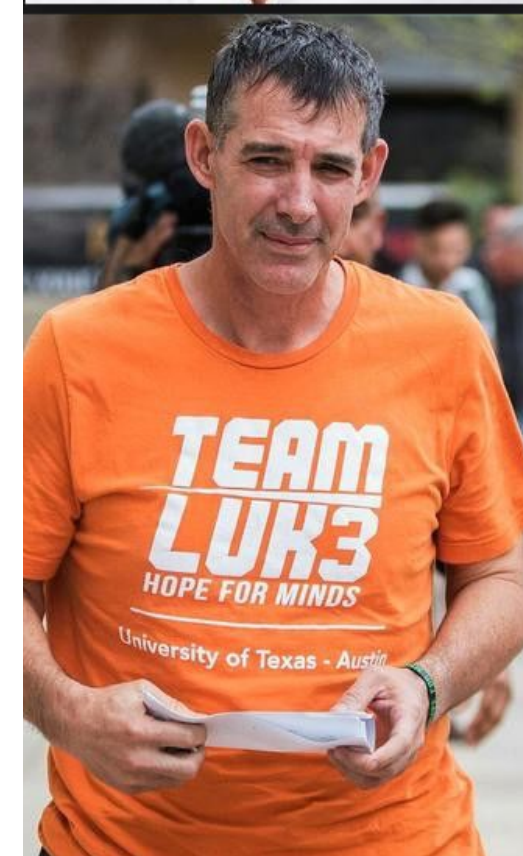


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Image retrieved from: <https://www.usatoday.com/story/news/education/2019/03/12/felicity-huffman-ori-laughlin-how-college-admissions-scam-worked/3142160002/>

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

Systemic Responsibility

- **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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