

Bribery, Fraud, and Deceit: The Unethical Case of Food for the Poor

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### Summary

Food for the Poor (FftP) is a 501(c)(3) nonprofit that is based in the U.S., with religious motivation to provide food, shelter, access to clean water, and other aid supplies such as medication and disaster relief to seventeen under-resourced countries in South America and the Caribbean. This organization operates in an alarmingly corrupt environment that has led to severe ethical and legal issues. The importance of FftP's work adds extra weight to the seriousness of their unethical actions. Currently, FftP is engaged in legal proceedings in the state of CA where it is accused of intentionally falsifying its 990 and RRF-1 forms, filed with the Attorney General (AG). False information found by the AG includes: reporting in-kind donations as cash gifts, inflating the value of in-kind donations, and reporting administrative and fundraising costs as program costs (joint-cost filing). Ultimately, FftP is accused of intentionally misleading donors by claiming that 95% of its funding goes to programs, when that is not the case (Charity Watch, 2018). In 2018, FftP settled with the Michigan AG for these same issues, and was required to donate \$150,000 to local food banks and shelters. These illegal activities were born out of an environment that is tolerant of inequitable power structures, white savior rhetoric, and sexual misconduct. We found the company culture of FftP to lack integrity, accountability, and transparency. This paper will examine the application of the FftP case study to ethical areas of study in the nonprofit sector, outline what can be learned from this case, review video evidence of the factors at play in this case, offer greater detail on the facts of the case, and consider six ethical questions one can use to assess and learn from this unfortunate situation. Through these various lenses, we have concluded that the FftP case study is an example of how a lack of accountability can ultimately warp even the best of intentions.

### **Applications**

The case study of Food for the Poor is relevant to a series of important arenas in the world of nonprofit study. These fields can be sorted into four categories: consequentialism, fundraising ethics, consequences of organizational culture on outcomes, and the fiduciary responsibilities of the Board of Directors. FftP offers a case study in how each of these elements can negatively affect an organization, and can lead not only to unethical decision-making, but can escalate to illegal practices.

The FftP case study is a clear examination of Consequentialism, a theory positing that actions are right because of their consequences; in essence, the ends justify the means (Hill, M., 2002, & Cameron, A.). This attitude is on display within FftP as evidenced by its organizational attitude of self entitlement and its frequent display of white savior ideology and imagery. Displays of this ideology are evident through its marketing and promotion, which will be discussed later in this paper (Food for the Poor). The clear message that most of its communications portray is that the work FftP performs is vital support for the world's poor. This, taken in combination with its current legal concerns makes it clear that it prioritized service delivery over accountability.

The study of fundraising ethics is multifaceted. However, one of the guiding principles is the idea that donors have a right to understand how their donations will be used (A Donor Bill of Rights, 1993). This is a gold standard in the world of fundraising ethics, and one that was clearly overlooked by FftP. Its choice to ignore the importance of transparency with donors and instead to file its fundraising costs as if they were program expenses, using inflated joint-cost reasoning, is an important examination of why transparency concerning fundraising expenses is so important. This is not to say that spending 35% of revenue on fundraising is too much. However,

it is vital that the donors who gave to the organization understand how their donations were being used.

Nonprofits have long been examining the question of whether organizational culture has an effect on organizational and program outcomes. The short answer to that question is “yes”, the consequences of an organization’s internal culture can be seen in the outputs. It is also evident that organizational leadership is often in a causal relationship with organizational culture (Shiva, 2011). This is blatantly evident in the example of FftP, in which the organization’s internal culture demonstrated a lack of emphasis on accountability. This is likely the result of leadership’s refusal to make accountability a priority, and led directly to an external de-emphasis on transparency.

In every nonprofit, the Board of Directors has a series of responsibilities, based on their duties of care, loyalty and obedience (Renz, 2017). The examination of the FftP’s case study is a vital example of how important it is for the Board of Directors be actively informed and engaged with the longevity of the organization. Because of the laissez faire approach of FftP’s Board of Directors, they were unable to steer FftP away from illegal and unethical practices. The board should have been more actively engaged in decision making and oversight to properly exercise the duty of loyalty.

### **Outcomes**

The greatest takeaways from this case study is the importance of internal accountability and external transparency. Looking critically at FftP, we see that a de-prioritization of accountability is embedded within the organization's culture. The organization has a habit of telling others what they need instead of working in partnership with community. This unethical habit of isolated, prescriber-style decision-making made the organization comfortable with

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falsifying information and “playing dumb” when caught. The organization acts currently as if laws do not apply to it. FftP needs to take extreme actions to heal its culture and provide its services in a sustainable, ethical, and legal manner. “Managers’ capacities to create a culture of integrity take root in the connection between the ethical behavior of those managers and the maintenance of the highest ethical standard of behavior of their nonprofit organizations” (Rens, 2017, pg. 210). We recommend that FftP hire a consultant to run organization-wide workshops around integrity and accountability for all leadership, board members, and staff. The workshops should highlight the key ethical attributes of nonprofits managers: integrity, openness, accountability, service, and charity (Renz, 2017). FftP is committed to its mission, but it needs to find a way to operate ethically. If the culture of the organization can tie its focus on “charity” and “service” to the other imperative organizational elements, “integrity”, “openness”, and “accountability”, it can start to take important steps down the road to internal healing.

To support the mission of healing the organization’s culture with increased accountability, we recommend that FftP adopt the Independent Sector’s “Principles for Good Governance and Ethical Practice”. These practices will help build cohesion between the board and staff to keep them in alignment as they improve ethical practices. There are four principles and each offers an ethical alternative to the path that FftP, unfortunately, chose. First, under “legal compliance and public disclosure”, the principles require adherence to state and federal law, document and data retention, adopting a whistleblower policy, and making information available to the public. This principle would help prevent future falsifying of Form 990 by ensuring that the organization was actively engaged in ensuring legal reporting (Registrant Details). The second principal, “effective governance”, required that the board stay educated about the organizations decisions and communicates effectively with staff. This incorporates a

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needed level of accountability for an organization that has struggled with misleading the public. Adopting it would encourage the organization to keep the donor's needs in mind. The third principle, "strong financial oversight", imposes strict financial reporting that clearly outlines the legal expectations around all expenses, budgeting, and investments. This principle removes any excuse that FftP's Finance Controller, Jeffrey Alexander, could have been confused about concerning Generally Accepted Accounting Principles. The fourth and final principle, "responsible fundraising", demands accuracy and truthfulness. FftP should let these principles guide the organization to make ethical decisions moving forward.

Structurally, we recommend that FftP overhaul its accounting system to install checks and balances that lead to accuracy and transparency in all financial reporting. To do this, FftP should hire a disinterested outside consultant to complete an unbiased internal audit of the organization's financial situation and offer concrete steps to take that would improve the organization's ability to track and classify gifts correctly every time. This improvement would improve internal understanding of correct reporting, and allow the organization to offer greater public transparency around how funds are spent.

This case also reinforces the incredible importance of diversity, equity, and inclusion. The leadership team at FftP is all male and majority white. An important exception to this that we need to name is that the CEO, Robin Mahfood, identifies as Haitian American and the Executive Director, Angel Aloma, identifies as Latinx (Food for the Poor). An organization can only be confident in its decision-making ability if it has gathered a diversity of perspectives from different stakeholders. For example, "A board that is homogenous in any way risks having blind spots that negatively impact its ability to make the best decisions and plans for the organization" (Board Source, 2017, pg. 12). The homogenous perspective of FftP could certainly have

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impacted its unethical culture and decision making which has ultimately led to serious legal trouble. We recommend that FftP increase board and staff diversity to include representation of its clients, people without religious affiliations, and women. This will set the organization up for great success moving forward to feel more confident in its ability to make decisions ethically.

The recommendations that we have identified for FftP are, in effect, outcomes that all nonprofits should strive for because they have a responsibility to operate with high ethical standards. Nonprofits have a responsibility to act ethically both to build public trust and to ensure that they are offering services in a sustainable, equitable way (Rhode & Packel, 2009).

Therefore, our case study highlights the importance that all nonprofits prioritize building an organization with accountable culture, diversity, equity, inclusion, transparency, disinterested audits, and cohesive principles tying the organization together.

### **Video**

Founded in 1982, Food for the Poor is a well-established organization that does make a priority of communicating with its donors. This means that it has a decent collection of videos that it uses for fundraising and promotion. These videos are useful in an examination of the organization's communication practices, to see how it views itself, and what it prioritizes for its public image. In this section, we will take a look at one such video which does an excellent job of highlighting several elements of the FftP case study as examined here, namely: white savior imagery, organizational entitlement, and a lack of transparency about donations, specifically in reference to in-kind donations (Mahfood).

This video features a series of mostly white volunteers talking about their experience working in countries like Guatemala and Haiti. The video employs press-agentry and is liberally sprinkled with images of children in tiny huts, picking through garbage, crying, etc, all with the voice over of volunteers talking about how important this image is, how great it made them feel



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to help those less fortunate. It also includes statistics about child mortality, poverty, and the amount of aid provided by FftP to alleviate this situation.

The overarching message of this video is not really about how much need there is in these countries for aid. Instead, the volunteers featured are all talking about how good being a part of the FftP's mission made them feel, how important it was that they are responsible for the health and happiness of others, how grateful these "poor" people are for the assistance they have "mercifully" been given. This video elevates the volunteers to "savior" status, while at no point does it make an effort to give the "poor" people featured in the video the chance to speak, let alone to have unique thoughts, perspectives, or personalities. It does not treat these individuals with respect, effectively silencing them by never showing them speaking, while displaying images of them picking through garbage, an undeniably distressing position.

This video is clearly made to elicit donations and volunteers for FftP's programs. This is all well and good, but not only does this video not have a clear call to action, it also actively overlooks explaining to donors how their donations will be used. It references the fact that FftP donates "\$11 billion" in aid, but the time frame is not communicated. The video omits the fact that much of this aid is delivered through in-kind donations. Additionally, as discussed earlier, much of this amount is likely overvalued, putting the very number \$11 billion into suspicion. This video clearly prioritizes the opinions of privileged volunteers, and the images of the unfortunate "poor," while displaying the idea that donor's don't need to know any more than that.

### **Description**

The mission of FftP is "to link the church of the First World with the church of the Third World in a manner that helps both the materially poor and the poor in spirit." From the mission

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alone, one can see ethical dilemmas present within this organization. Within its mission, the organization perceives itself to be some sort of ultimate authority. FftP get to decide who is poor in spirit just as it thought that it could decide how to communicate program spending without adhering to the General Accepted Accounting Principles nor state law.

The earliest instance of corruption that we discovered at FftP was in 2000 when the founder, Ferdinand Mahfood used \$275,000 in funds from FftP to pay for the silence of multiple women with whom he had been fornicating (Sinclair, 2000). This behavior is unethical on a multitude of levels. Funds donated to a nonprofit organization were used for bribery instead of allocated to providing resources for under-resourced populations. This action shows a blatant disregard for the law, and active disrespect for donors. This previous drama sets the stage for its current organization culture. The legal troubles that our case study centers around began in 2012. This is the first time that a state, California, claimed that FftP falsified its Form 990 and FRF-1 by filing incorrect joint-cost information, misrepresenting in-kind gifts as cash gifts, inflating the value of in-kind gifts, and not abiding by Generally Accepted Accounting Principles (Kenton, 2018). Joint-Cost Filing occurs when an expense can be allocated to multiple programs at the same time. Most commonly, this means that costs related to fundraising can also be allocated towards programs (Accounting Rules, 2013). Additionally, FftP was claiming its in-kind gifts as cash donations. Therein, it shared publicly and widely that “Fundraising and other administrative costs comprise less than 5% of our expenses; more than 95% of all donations go directly to programs that help the poor.” (Charity Watch, 2018). Truthfully, with the amounts of in-kind donations removed from this amount, only about 65% of all monetary donations go directly to FftP’s programs,

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In March 2018, FftP has received an “Order to Cease and Desist”, “Notice of Revocation of Charity Registration”, and “Notice of Assessment of Penalties” from the California AG. This is an ongoing investigation that has not yet been resolved. The case is ongoing, but currently, FftP is at risk of losing its charitable status in the state of California. FftP was accused of the same misdeeds in the state of Michigan. These allegations were settled in October 2018 and was required to pay out \$300,000 in investigation fees and to local food banks in the area (Hrywna, 2018).

The embedded culture of FftP is rife with ethical dilemmas. The persistent organizational environment of being “above” the law likely contributed to the decision illegally report donations. We argue that FftP sees itself as an ultimate authority, or as being “above” the laws that pertain to everyone else because it expects beneficiaries of the services to exchange their beliefs to receive survival resources. It has a homogeneous leadership team of religious males, it talks about its beneficiaries instead of working alongside them, and it uses “white savior” rhetoric throughout its collateral. All of these actions show that the organization frames itself based on the “Great Man Theory” of leadership. This theory posits that leadership is inherent, male, and that one person (or organization) can be trusted to embody the story of an entire people (Cherry, 2018). This view is problematic because it lacks accountability, integrity, and transparency - all of which are values that are essential to ethical decision-making.

### **Questions**

A thorough examination of the Food for the Poor case unveils a series of questions that are vital for all nonprofits to consider if they want to avoid falling into the ethical traps on display in this organization. We will examine several of these questions here, specifically where

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they pertain to leadership, organizational culture, diversity, religious experience, and social understanding. For each question, we will offer a possible answer.

*1) What could have motivated Food for the Poor's decisions to falsify joint-costs, inflate the fair market value of in-kind donations, and report non-cash gifts as cash on its 900?*

Food for the Poor is guilty of adhering to an unhealthy attitude of organizational entitlement, justified by the fact that its mission is to serve “the poor.” This justification stems from the idea that because FftP’s actions are in service to others, it is above mere legislation.

*2) Why do you think that the organization has not prioritized diversity when its programs and services touch so many different kinds of people both nationally and internationally?*

The lack of diversity may stem from the fact that diversity was not prioritized at the organizations inception. FftP has a lot of religious ties, as well as a religious component to its mission. As such, exhibiting the values of the church, namely patriarchal values, and a lack of religious diversity is to be expected.

*3) How do you think the religious affiliation of FftP could have played into its decisions?*

Beyond the concerning lack of diversity that it fosters, the religious elements of FftP appear to have given the organization the perspective that it is responsible to a higher power than law.

*4) How could nepotism impact the organization's ability to act with accountability?*

The integral involvement of the Mahfood family in FftP is concerning. It was founded by the current CEO’s brother, and the Mahfood name pops up frequently throughout the website and in articles about the organization. This implies a lack of outside perspectives, likely leading to the organization’s cultural concerns.

*5) What cultural narratives of leadership do you think that FftP is adhering to, and why is this problematic?*

FftP displays “Great Man” leadership, which implies that they alone have the ability to embody the story of a whole people.

*6) What could FftP do to reform its external reputation and rebuild trust in the community?*

FftP should begin by taking the steps we have suggested in the “Outcomes” section of this paper to reform its internal attitudes. From there, FftP will need to apologize to its donors, and reform its communication to be more respectful to both donors and clients. Above all, it will need to learn to prioritize accountability and transparency.

### **Conclusion**

The case study of Food for the Poor is important because it reinforces the importance of accountability and transparency within a nonprofit’s organizational culture and operations. FftP illustrates an extreme version of what can happen when staff prioritize entitlement over integrity. Through its issues with bribery, untrue tax filing, white savior rhetoric, and misleading donors, we have learned the value of internal accountability, organizational cohesion between board and staff, structural policies to ensure accuracy, and prioritizing diversity, equity, and inclusion. Unfortunately, FftP is a nonprofit that has contributed to increasing public distrust of the nonprofit sector (Rhode, D. L., & Rackel, A. K., 2009). However, it is possible to take steps to heal its internal relationships and external reputation to provide its services in a more transparent, accountable, and partnership-oriented way.

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