

Nonprofit Ethical Case:

Unethical Telemarketing by Disabled Police And Sheriffs Foundation, Inc.

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NPA 601: NONPROFIT ETHICAL LEADERSHIP

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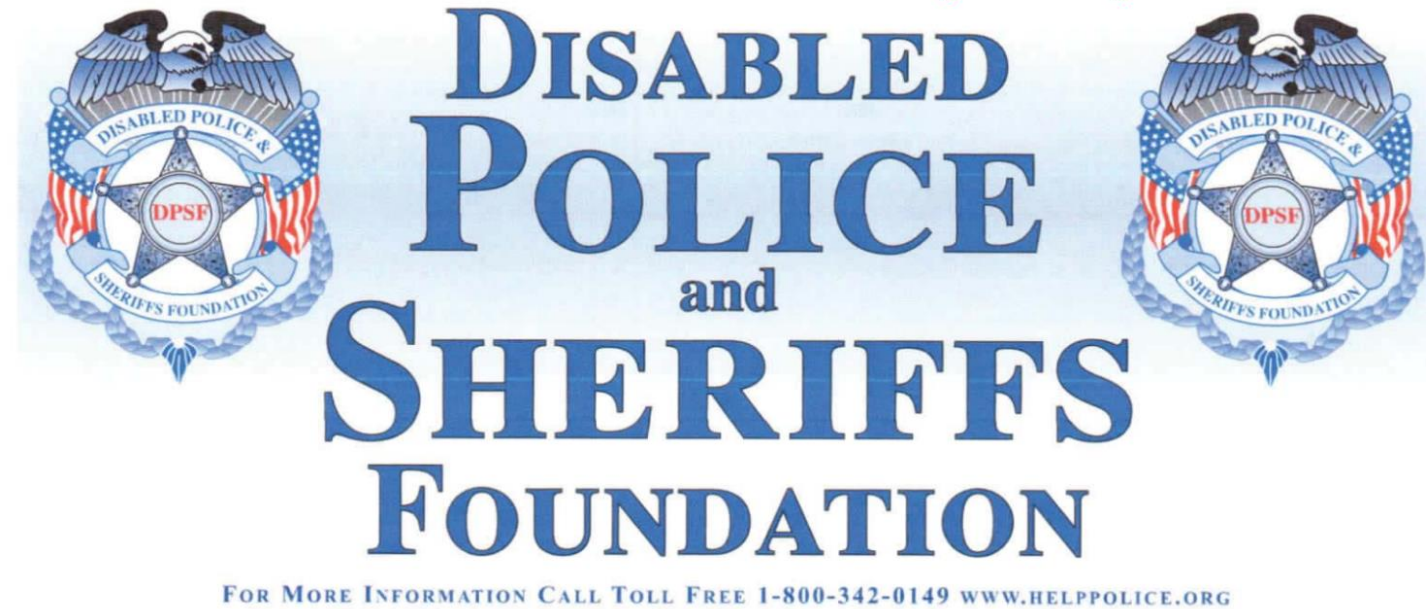
Presentation Sequence

- ❑ Disabled Police and Sheriff's Foundation, Inc.
 - ❑ Case Summary
 - ❑ Timeline of events
 - ❑ The Facts
 - ❑ Media Coverage
 - ❑ Individual Responsibility
 - ❑ Organizational Responsibility
 - ❑ Systemic Responsibility (Form 990)
 - ❑ Stakeholders Analysis
 - ❑ Discussion Questions
- ❑ Alternative Solutions
 - ❑ References



Disabled Police and Sheriffs Foundation Inc.

Case: 4:19-cv-00667 Doc. #: 1-5 Filed: 03/27/19 Page: 4 of 8 PageID #: 102



Mission statement :

*“To create, design and organize and offer instructional programs to law enforcement, provide assistance to disabled law enforcement officers and to the survivors of law enforcement officers killed in the line of duty, provide educational and safety orientated resources to the general public and to engage in activities that heighten the image of law enforcement.”
(guidestar.org, 2019)*

CASE SUMMARY

- Complaints filed by both the Federal Trade Commission (FTC) and the State of Missouri (OAG) claiming the organization had been misleading the public by making false claims of the allocations of their donations
- March 27, 2019 the Disabled Police and Sheriffs Foundation was dissolved.
- Founder David Kenik was banned from engaging in charitable fundraising or nonprofit organizational activity.
- David Kenik may have agreed on the settlement but refused to admit any wrongdoing.



Images retrieved from: [CHARITY WATCH](#)

Timeline of Events

- ❑ 2002-Began the Police Officers Safety Association
- ❑ 2008-Began the American Police and Sheriff's Association, Inc.
 - ❑ - DBA-Police Officers Safety Association
- ❑ 2013-Began organization as Disabled Police and Sheriff's Foundation, Inc.
 - ❑ DBA-American Police and Sheriff's Association, Inc.
 - ❑ DBA-Police Officers Safety Association
- ❑ 2018-Filed their last year Form 990 (for 2017)
- ❑ 2018-Attorney General and Federal Trade Commission, file complaints in Dec.

THE FACTS



Disabled Police and Sheriffs Foundation Inc. collected over \$9.9 million in donations from telemarketing and direct mail in the USA form 2013-2017



95% of 2015 donations were spent on CEO wages and the hiring of professional fundraisers



Less than 1 penny per 1 dollar donated (0.0065 cents) was spent on helping disabled law enforcement officers – this money was spent on 5 individual officers



Between 2013-2016 only 5.41% of donations was spent on any charitable program

What does the charity of this organization look like?

Total of donations collected= \$9.9 Million

Total contributed in grants to support 5 families
=\$64,350



The average income is about \$53,000 as of a Missouri Police Officer which is about an average of \$4,416 a month. (Billy Mash, friend, St. Louis County Sheriff Department)

This would come to \$12,870 to each family which was helped by this organization. As you can see this wouldn't even have covered 3 months pay.

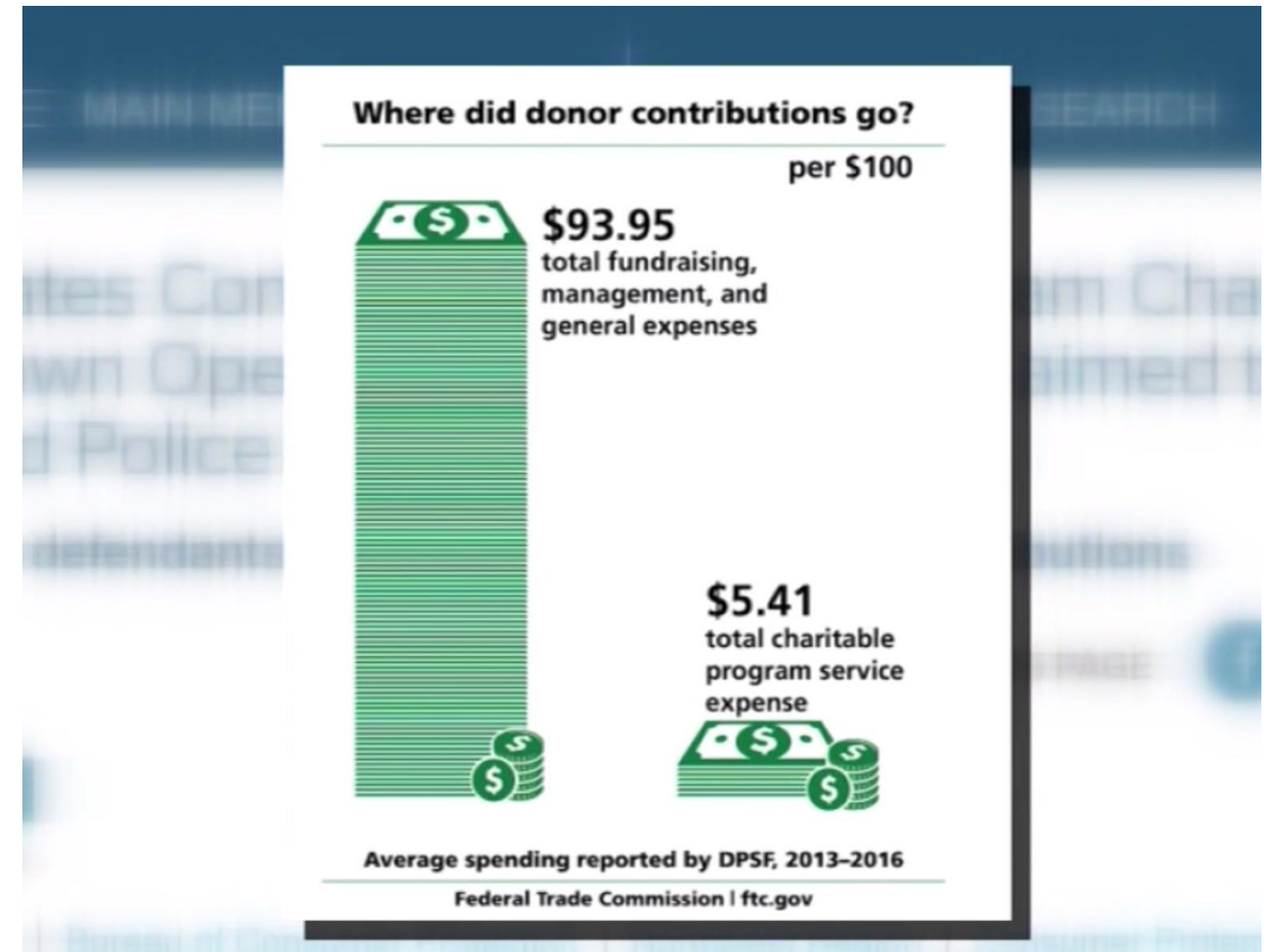
MEDIA COVERAGE

Charities Employ Controversial Telemarketers To Tug On Heartstrings — And Loosen Purse Strings. Article from The Center for Public Integrity 13 Dec 2017

Two First Responder Charities Banned For Taking Millions Of Dollars From Donations – News Report from ABC11 Eyewitness News 4 April 2019

Charity name	CharityWatch (A+ to F scale)	Charity Navigator (0 to 4 stars)
Breast Cancer Survivor Foundation	not rated	high concern advisory
Center for American Homeless Veterans	F	not rated
Childhood Leukemia Foundation	F	0 stars
Crisis Relief Network	not rated	not rated
Defeat Diabetes Foundation	F	1 star
Disabled Police and Sheriffs Foundation	F	0 stars
Firefighters Support Foundation	F	not rated
Healing Heroes Network	F	not rated
International Union of Police Associations	F	not rated
Kids Wish Network	F	0 stars
Law Enforcement Officers Relief Fund	F	not rated
National Vietnam Veterans Foundation	F	high concern advisory

[Charities Employ Controversial Telemarketers](#)



[ABC 11 - Charities Banned](#)

Individual Responsibility

- Lack of self awareness- understanding his own personal motives and conflicting interests.
- Lack of Integrity- inability to admit ethical wrongdoing.



David Kenik- CEO of The Disabled Police and Sheriffs Inc.

Picture retrieved from: [St. Genevieve Herald](#)

Organizational Responsibility

- Governance-The Role of the Board of Directors
- Organizational culture (through leadership and embedded ethical values)
- Whistle blowing policy





Systemic Responsibility



- Increased government funding allocated to the **Internal Revenue Service**
- Increased government funding to the **Attorney General Offices across the nation** to improve regulation of nonprofit organizations
- Both of the above will aid **earlier recognition** of unethical organizational practices before crisis points
- **Ethics in Education**- both for-profit and non-profit sectors require further training in ethics

IRS 990 Filings

Additional Data

Software ID:

Software Version:

EIN: 36-4494026

Name: DISABLED POLICE AND SHERIFF'S FOUNDATION

Form 990 (2017)

Form 990, Part III, Line 4a:

PROGRAM SERVICE AREA NO#1 TRAINING PROGRAM 1 TRAINING VIDEOS DEVELOPED WITH LEADING EXPERTS AND AVAILABLE NATIONWIDE FREE OF CHARGE TO HELP INCREASE THE SAFETY AND EFFECTIVENESS OF LAW ENFORCEMENT

Form 990, Part III, Line 4b:

PROGRAM SERVICE AREA NO#2 DISABILITY GRANT PROGRAM 2 PROVIDES GRANTS TO LAW ENFORCEMENT OFFICERS WHO HAVE BECOME PERMANENTLY DISABLED IN THE LINE OF DUTY

Form 990, Part III, Line 4c:

PROGRAM SERVICE AREA NO#3 LAW ENFORCEMENT EQUIPMENT GRANT PROGRAM 3 LAW ENFORCEMENT DEPARTMENT EQUIPMENT GRANT PROGRAM PROVIDES CASH GRANTS FOR DEPARTMENT TO PURCHASE EQUIPMENT TO IMPROVE THEIR OWN AND CITIZEN SAFETY

GRANTS PAID IN 2017

Schedule I (Form 990) 2017						Page 2
Part III Grants and Other Assistance to Domestic Individuals. Complete if the organization answered "Yes" on Form 990, Part IV, line 22 Part III can be duplicated if additional space is needed						
(a) Type of grant or assistance	(b) Number of recipients	(c) Amount of cash grant	(d) Amount of noncash assistance	(e) Method of valuation (book, FMV, appraisal, other)	(f) Description of noncash assistance	
(1) DISABILITY GRANTS	7	20,000		FMV		
(2) LINE OF DUTY DEATH GRANT	8	14,500		FMV		
(2)						
(3)						
(4)						
(5)						
(6)						
(7)						
Part IV Supplemental Information. Provide the information required in Part I, line 2; Part III, column (b); and any other additional information.						
Return Reference	Explanation					
PART I, LINE 2	EQUIPMENT DONATION GRANTS 1 GRANTEEES MUST SIGN A CONTRACT AGREEING THAT THE FUNDS WILL ONLY BE USED FOR THE PURPOSES INDICATED WITHIN 30 DAYS OF RECEIPTS OF THE GRANT MONIES 2 GRANTEEES MUST PROVIDE COPIES OF INVOICES THAT THEY PAY FOR THE GRANTED EQUIPMENT 3 GRANTEEES AGREE TO PROVIDE A PICTURE OF THE EQUIPMENT IN USE AND/OR WITH SERVICES MEMBERS 4 COPIES OF THE ORIGINAL AND CANCELLED CHECKS ARE KEPT ON RECORD OFFICER SURVIVOR GRANTS 1 GRANT FUNDS ARE GIVEN TO THE SURVIVORS FAMILY OF SERVICE MEMBERS KILLED IN THE LINE OF DUTY WITH NO RESTRICTIONS 2 COPIES OF THE ORIGINAL AND CANCELLED CHECKS ARE KEPT ON RECORD 3 A NEWSPAPER AND/OR WEB ARTICLE DESCRIBING THE CIRCUMSTANCES OF THE SERVICES MEMBER'S LINE OF DUTY DEATH IS KEPT OF RECORD DISABILITY GRANTS 1 GRANT FUNDS ARE CHOSEN BASED ON APPLICANTS ACCORDING TO INJURIES RELEVANT TO DUTY 2 COPIES OF THE ORIGINAL AND CANCELLED CHECKS ARE KEPT ON RECORD THE FOUNDATION CONTRACTS THE OFFICER'S DEPARTMENT TO CONFORM THAT THE OFFICER WAS, IN FACT, INJURED IN THE LINE OF DUTY					

PAY FOR DAVID KENIK (PRESIDENT) IN 2017

Schedule L (Form 990 or 990-EZ) 2017

Page **2**

Part IV Business Transactions Involving Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) DAVID KENIK	FAMILY MEMBER OF JILL KENIK, PRESIDENT	75,000	EMPLOYMENT ARRANGEMENT		No

Part V Supplemental Information

Provide additional information for responses to questions on Schedule L (see instructions)

Return Reference	Explanation
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Schedule L (Form 990 or 990-EZ) 2017

Fundraising (Telemarketers)

Part I Fundraising Activities. Complete if the organization answered "Yes" on Form 990, Part IV, line 17.
Form 990-EZ filers are not required to complete this part.

1 Indicate whether the organization raised funds through any of the following activities. Check all that apply.

- | | |
|--|---|
| a <input checked="" type="checkbox"/> Mail solicitations | e <input type="checkbox"/> Solicitation of non-government grants |
| b <input type="checkbox"/> Internet and email solicitations | f <input type="checkbox"/> Solicitation of government grants |
| c <input checked="" type="checkbox"/> Phone solicitations | g <input type="checkbox"/> Special fundraising events |
| d <input type="checkbox"/> In-person solicitations | |

2a Did the organization have a written or oral agreement with any individual (including officers, directors, trustees or key employees listed in Form 990, Part VII) or entity in connection with professional fundraising services? ☐ Yes ☒ No

b If "Yes," list the ten highest paid individuals or entities (fundraisers) pursuant to agreements under which the fundraiser is to be compensated at least \$5,000 by the organization.

(i) Name and address of individual or entity (fundraiser)	(ii) Activity	(iii) Did fundraiser have custody or control of contributions?		(iv) Gross receipts from activity	(v) Amount paid to (or retained by) fundraiser listed in col (i)	(vi) Amount paid to (or retained by) organization
		Yes	No			
1 OUTREACH CALLING 200 S VIRGINIA STREET 8TH FLOOR RENO, NV 89501	TELEMARKETING		No	2,194,270	1,974,807	219,463
2 CHARITABLE RESOURC FOUNDATION 698 OLDEFIELD C DRIVE SUITE 2	TELEMARKETING		No	236,515	216,433	20,082

Stakeholders Analysis

Who was affected by The Disabled Police and Sheriffs nonprofit scandal?

- **The wider public**
- **The nonprofit sector**
- **The wider community**



Discussion Questions

From a personal (leadership) perspective:

- What key ethical leadership values was CEO David Kenik missing?
- As a CEO of an organization how would you address the development of personal conflict of interest issues?

From an organizational (nonprofit) perspective:

- Who do you think is accountable and responsible for the organizational behavior of The Disabled Police and Sheriffs Inc?
- Which other organizational associates do you think should have made efforts to prevent this behavior?
- As an organization what policies and procedures should be in place to allow unethical practices to be recognized and appropriately dealt with?

From one more ethical perspective:

- Which approaches would you adopt as ethical leaders in addressing situations when the public's trust in your organization has been damaged?

Alternative Solutions

Suggestions: As donors - question the integrity of organizations before making donations. Use databases such as Guidestar and Charity Watch to review charity's allocations of donations.

Ethical leadership principles: Nonprofits require leaders who embed ethical values in their practice and create organizations where ethical behaviors are the norm. Ethical leaders must be self aware and recognise if their intentions are not in the best interests of their organizations mission.

Audits: Organizations require sound governance to ensure practice such as annual financial audits are undertaken, enabling the early recognition of unethical practice and such as the false allocation of public donations.

Compliance training: Organizations should utilize the assistance and resources provided by the IRS or the AG's Office to train staff and ensure there is an organizational wide understanding of compliance and ethical practices.

References

ABC11 Eyewitness news. (2019). 2 first responder charities banned for taking millions of dollars from donations. Retrieved from <https://abc11.com/finance/ftc-bans-2-charities-for-taking-millions-of-dollars-from-donations/5231803/>

Federal Trade Commission. (2019). FTC, states continue fight against sham charities; shut down operations that falsely claimed to help disabled police officers and veterans. Retrieved from <https://www.ftc.gov/news-events/press-releases/2019/03/ftc-states-continue-fight-against-sham-charities-shut-down>

GuideStar. (2017). Disabled police and sheriffs foundation. Retrieved from <https://www.guidestar.org/profile/36-4494026>

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United States District Court For The Eastern District of Missouri Eastern Division. (2019). *FTC and missouri v. disabled police and sheriffs foundation, inc. and david kenik*. Retrieved from https://www.ftc.gov/system/files/documents/cases/172_3128_dpsf_complaint.pdfReferences