Abstract
A rural Indiana grassroots drug prevention coalition that evolved from a handful of passionate activists to a nonprofit catalyst for community change crumbled when it discovered a sophisticated web of misappropriation, forgery and embezzlement that sent its executive director on the run and, ultimately, to prison. An analysis of news coverage, organizational documents, court records, and transcripts of interviews with community members, board members and the perpetrator illuminate organizational blind spots in nonprofit governance, management, and oversight practices. The blind spots shielded unethical practices that ultimately forced the organization to close its doors. Community allies helped breathe life back into the dashed group, but long-term negative effects remain.

Primary Topics
This case study provides practical insight into the responsibilities of the nonprofit board, the importance of establishing effective relationships between the board and executive director, nonprofit life cycle, creating and implementing comprehensive internal controls, building board and executive leadership capacity, crisis patterns in nonprofit organizations, ethics in nonprofit leadership, and community impacts of fraud.
The First Phone Call

On June 28, 2013, Michael Cox, the board president of the A.H.E.A.D. Coalition, a grassroots drug prevention organization in Montgomery County Indiana, received a phone call that proved to be the beginning of the end for A.H.E.A.D. An account executive from a local TV station called him and recounted year-long attempts to collect a $3,950 past-due payment from the Coalition for drug prevention television advertisements she had negotiated with the Coalition’s director. The director had claimed he had a grant for $12,000 to cover the costs of the media, but the bill remained unpaid and the director was now refusing to take her calls or answer her emails. Cox wondered what grant she was referring to, and made a note to ask the director about it when he called him to find out what was going on with this bill. He told the station executive he would look into the issue and get back with her quickly, then he hung up and immediately dialed the director’s number.

Tim Bristol, the Coalition director, answered his phone on the second ring. Cox asked him about the outstanding bill, and Bristol replied that he knew exactly what was going on with it. He told Cox he had documentation to show that the Coalition didn’t have to pay the bill and said he would fax it right over. Later that day, Cox received a fax copy of a letter Bristol claimed had been sent to him in September of 2012 by an executive from the television station’s media production partner. The letter indicated approval of Bristol’s request that the media be
produced and run as a public service announcement, in other words, provided as an in-kind
donation at no charge to the Coalition. Cox read through the letter and believed it would end the
issue once he touched base with the TV station to remind them of it.

When Cox called the station representative back and told her about the letter Bristol had
faxed to him, she informed him that she had received a copy of the same from Bristol, likely
around the same time Cox received it. She explained to Cox that she had attempted verify its
authenticity with the individual whose signature was at the bottom as she waited for Cox’s return
phone call. Following an internal investigation between the TV station and the media company,
she was informed by her superior that the letter was a fake, the signature was forged, and the
executive had no knowledge of the media campaign. She said she would work with her
organization to determine their next steps, and Cox acknowledged that he would need to do the
same on his end, thanked her, and ended the call.

After receiving evidence of this allegation from the TV station, along with a copy of the
past-due bill, Cox immediately called the Coalition treasurer and asked her to go to the bank,
check the balance of the organization’s accounts and put a freeze on them. She called Cox
immediately after leaving the bank and told him that there was not enough money in their
accounts to pay the bill; in fact, the accounts were nearly empty. Neither knew what else to say.
As Cox thanked her and ended the conversation, he sat down at his desk to think. A gut feeling
informed by the station representative’s comment about the $12,000 grant he knew nothing about
and earlier reports Bristol had given of other grants the Coalition had received ‘out of the blue’
led him to speculate whether the present issue was an indication of a much bigger problem, as if
this one wasn’t big enough. Cox and the Coalition treasurer each did some more digging and
Cox made another phone call; then he contacted the rest of the board. Together they began to
investigate. Their query uncovered an extensive web of deceit, forgery and theft woven by Bristol that victimized the Coalition, another local nonprofit, a grassroots advocacy group, and the constituents served by the three organizations. This case chronicles the community’s journey through the situation, the damage left in the director’s wake, and the ultimate fate of what was once “the catalyst for community action”.

Background

The Montgomery County A.H.E.A.D. Coalition, Advocates Helping to Educate Against Drugs, also referred to as A.H.E.A.D. and the Coalition, was convened in 1990 as one of 92 local coordinating councils (LCCs) for the Governor’s Commission for a Drug-Free Indiana (DFI) charged with combatting substance abuse in Indiana’s 92 counties.¹ The LCCs and DFI, the state-level oversight and technical assistance provider to the LCCs, are legislatively directed to create, implement and evaluate county-specific comprehensive plans to engage local coalition member organizations in drug prevention, treatment, and enforcement efforts through the dissemination of mini-grants aligned with their comprehensive plans. The plans are funded by county-generated drug and alcohol offender fees allocated by each County’s Board of Commissioners and appropriated by each County Council. The Coalition’s governing body, the executive board, was appointed by the Montgomery County Board of Commissioners, which remains charged with reviewing and recommending the Coalition’s bi-annual comprehensive plan and appropriation of local offender fees for approval by DFI.²

Between 1990 and 1994, the Coalition operated as an all-volunteer organization. In 1995 it hired its first part-time coordinator whose primary responsibilities were organizing Red Ribbon Week, an annual celebration of drug-free lifestyles, and managing the local offender fee mini-
grant program. Administrative costs for operating the Coalition were appropriated as 25% of local offender fees, between $10,000 and $15,000 per year.

During 1998 to 2007, A.H.E.A.D. grew from a handful of drug prevention advocates to an army of over 160 diverse, committed grassroots activists representing every sector of the community. A plethora of mission-aligned grant funding opportunities and a second coalition coordinator, whose talents mirrored the grant writing and leadership responsibilities listed in her job description fueled this growth; the Coalition expanded exponentially in its diversity of funding streams, staff, volunteer, and coalition member organization commitments. In 1999, The County Board of Commissioners approved A.H.E.A.D.’s first request to apply for federal funding, a Drug Free Communities Support Program grant, for high risk behavior prevention programming, drug prevention campaigns, and coalition capacity-building, through which the Coalition was awarded over $450,000 over 5 years by the U.S. Offices of Juvenile Justice and Delinquency Prevention and Substance Abuse and Mental Health Services Administration. In 2000 the Coalition applied for and received a $132,812 State Incentive Grant from the Indiana Family and Social Services Administration to expand its drug prevention programming, engage additional coalition member organizations with its mission, and transition the coalition coordinator to a nearly full-time executive director position. In 2001, the Coalition pursued and achieved 501(c)(3) nonprofit corporation status with the belief that as an independent organization it could establish greater community legitimacy, strengthen its ability to secure grant funding, and engage private donors and sponsors in sustaining the work. The director and the board worked closely with the county to navigate the somewhat rocky but successful transfer of external grant funding and administration to the organization.
As was anticipated, additional opportunities arose for the Coalition to secure substance abuse prevention and intervention funding. A.H.E.A.D. was awarded tobacco prevention and cessation grants and regional youth empowerment partnership contracts from the Indiana Tobacco Prevention and Cessation Agency (ITPC), community-based funding for emerging issues such as prescription drug abuse and binge drinking, support for large-scale community impact projects focusing on delinquency prevention, safe schools and healthy students, and it began to build its private donor base.

Early in the organization’s life cycle, a wise coalition member cautioned the executive director, “Be careful what you wish for.” While the passionate, yet inexperienced nonprofit director and board had built a community drug prevention engine, they also learned how much they still needed to learn about nonprofit leadership and management, and they spent a great deal of time between 2001 and 2007 building infrastructure, policies and procedures (See Appendix A), often on a just-in-time basis. Fortunately, several funding streams included capacity-building line items they invested consistently in management, governance, strategic planning, advocacy and evaluation training and technical assistance provided by granting organizations and state and national experts. Board members and staff used the knowledge gained to create infrastructure and equip the organization to do its work. At its peak, the Coalition’s 9-member board, equipped with a strategic plan, board manual and fully-populated committee structure met monthly and engaged in annual strategic planning retreats to govern the work of a full-time executive director and four part-time staff. The Coalition engaged an average of 200 volunteers and partner organizations annually in implementing 21 programs across the county focusing on prevention/education, intervention/treatment, youth leadership development and community mobilization against substance abuse.
The engine was running at full speed, but the executive director had to step out of the driver’s seat due to family relocation in 2007. The board and director worked together to create a transition plan, recruit and hire Jennifer Shook, a highly-skilled, experienced replacement, deliver a 2-month orientation, and ensure that the departing director would remain available for consultation on an as-needed, volunteer basis. Over the next few years, though, shifting political priorities and the Great Recession took their toll on the organization’s financial condition. One-by-one, the substantive funding streams on which the organization depended evaporated and, one-by-one, paid staff had to be let go. During this time, the director kept exquisite record of the organization’s coffers, which decreased from an annual budget of over $300,000 to under $100,000 in two years, and she maintained as many coalition services and as strong of a community presence as was possible with limited staff and a board that had dwindled to five members.

By 2010, funding constraints forced the executive director position to revert back to a 10 hour a week, contracted coalition coordinator position, and one additional part-time contracted community outreach coordinator position remained. The Coalition board began contemplating joining forces with another like-minded organization, the Montgomery County Youth Service Bureau (YSB), to combine administrative duties and reduce overhead expenses, but the partnership did not materialize at that time. Shook agreed to remain in her leadership role as the part-time coalition coordinator while also engaging in full-time work at another nonprofit organization, feeling “very strongly that [she] could not walk away – that [she] was committed to making sure A.H.E.A.D. landed in a position where it could grow again.” Tim Bristol was brought in to serve as the community outreach coordinator. A journalist by trade, Bristol was well-known by the board, staff and coalition members as he had been working in the same circles as many of them first as a local reporter, then as a part-time manager of tobacco control
programs at another nonprofit organization. He appeared well-connected and active in community improvement activities, a perfect fit for an outreach coordinator. He worked passionately with Coalition members during community efforts to strengthen smoke-free ordinances. A Coalition member recommended that he be hired, and after a clean Indiana-limited criminal background check, a majority of the board agreed.

In 2011, the Coalition’s financial situation remained precarious, board membership was in flux, and coalition membership had dropped to around sixty members. In the interest of reducing administrative costs and building sustainability capacity, the board again began talks to integrate the organization with YSB. However, the YSB executive director resigned and the integration plan was again tabled. Around that same time, a local bank offered to let the Coalition use its second floor for operations and meetings, and Shook graciously accepted on behalf of the Coalition, thankful that at least some of the costs of doing business were covered by a new community partner. During this time, Shook worked 5-8 hours a week managing the Coalition, and Bristol spent approximately the same amount of time working on outreach activities for A.H.E.A.D while also managing tobacco control programs for a nonprofit health clinic, where he was charged with running programs and establishing partnerships with local organizations to support pursuit of future funding from ITPC. In addition, another contracted, part-time staff member was brought on board as the Coalition’s coordinator for its Prescription Drug Abuse Prevention Task Force, a position funded through a grant from a local foundation.

The following year, Jennifer realized that she could no longer invest the time necessary to effectively manage the Coalition, and she submitted her resignation to the board in April of 2012. She agreed to stay involved in a limited capacity until December so that she would be available to onboard the incoming coordinator. The coordinator position was posted in the local
newspaper three times and no external applications were received; however Bristol indicated his interest in the position to a few board members, suggesting that if the position title were to be changed to “Director”, he would want the job.

The board contemplated whether Bristol would be an appropriate fit for the Coalition coordinator/director position. While a majority of the board viewed him as a selfless, motivated, highly-connected person who seemed visionary and to be able to ‘make things happen’ in the community, a few board members expressed concerns. They had observed that Bristol’s community outreach program reports to the board were generally one-sided, ignoring alternative approaches and potential consequences, and the reports lacked solid data on outputs, which often led the previous coordinator and some board members to question his approaches. The concerned members also noted that Bristol’s reports nearly always reflected what he accomplished, not what the Coalition accomplished, an important distinction in community work. Further, considering the Coalition’s current state of financial health, some of the board members insisted that it was important to find a coordinator who had experience in nonprofit management and grant writing, which Bristol did not bring to the table. One board member in particular, a leader of a local governmental agency, had fielded comments from community members expressing concern about Bristol taking over leadership of the Coalition. She felt heard by the board, and some members agreed. But, in the absence of other options, the board came to consensus and Bristol was slated to become the interim, part-time, contracted A.H.E.A.D. Coalition director in July. All of the board members agreed that Shook should serve as his direct supervisor during the transition. With the fear that the job might be “too big” for Bristol, the board also determined that talks should resume with YSB about integration, with YSB to serve as the fiscal agent for A.H.E.A.D. in the future, the sooner the better. The board
member who most strongly voiced concerns resigned from the board shortly after Bristol was named incoming director.

Between April and December of 2012, Shook spent time onboarding Bristol while incrementally reducing her hours. Simultaneous to her reduced engagement and oversight, Bristol assumed increasing responsibility for financial and programmatic oversight of the work of the Coalition.

The New Director’s Tenure

The work of the A.H.E.A.D. Coalition moved forward between 2012 and 2013 with Bristol at the helm, assisted by the prescription drug abuse prevention coordinator and a variety of volunteers and partner organizations. Dozens of newspaper articles and regular columns in the Journal Review and The Paper of Montgomery County written primarily by Bristol describe the Coalition’s continued efforts to educate against drugs, and the organization built an active social media presence on Facebook and Twitter. Individuals were encouraged to turn in unused prescription drugs to the annual Medicine Take-Back program sponsored by the local hospital and deposit old medicines at two secure “take-back” boxes located at the Police and Sheriff’s Department offices. A.H.E.A.D. collaborated with other community agencies in sponsoring the National Night Out program. The Coalition sponsored educational programs for community nonprofit leaders, it remained involved with the local youth empowerment program, and it sponsored the community’s annual Red Ribbon Week Community Leaders’ Breakfast. Bristol delivered Project Toward No Tobacco (TNT), an education program hosted by area middle schools that helped students build their resiliency and identify the negative consequences of tobacco use. He worked with area schools to present 2-day “Shatter the Myths of Prescription Drugs” programs to students to youth. He also engaged in advocacy efforts related to alcohol
permitting and smoke-free air policy. Bristol tended to work one-on-one with Coalition member organizations to brainstorm new initiatives and put them into place as he was able to find the time and resources to do so, and he reported on programs at the monthly board meetings and coalition meetings, typically establishing and delivering the monthly agendas. Along with doing this work, Bristol built a partnership with a local substance abuse recovery group called Community Unity to begin organizing a concert scheduled for August of 2013 to raise money for A.H.E.A.D. and other like-minded groups, although he did not make the board aware of this evolving relationship. He also volunteered to help another small nonprofit, Pam’s Promise transitional housing organization, manage their finances by serving as the organization’s treasurer and business manager.\[10\]

Management and accounting functions appeared to be going well according to monthly reports and bank statements Bristol submitted to the board. The ongoing LCC offender fee mini-grant process was implemented as planned in June of 2012 and mini-grants were slated to be paid out again in June of 2013 through Bristol’s work of collecting applications from coalition partner organizations, presenting the grants to the County Commissioners, and working with the County Auditor’s office to get grant funds paid out. Annual reports of Coalition activities and finances were submitted to DFI, although some were submitted post-deadline. The board met on the first Tuesday of each month to engage in governance work, and the Coalition membership met every second Tuesday to collaboratively plan community programs and strategies.

The merger with the Youth Service Bureau remained on the board’s agenda, and a series of meetings between the two organizations beginning in January of 2013 brought them ever-closer to solidifying a plan. However Bristol raised questions about whether the Coalition would have to give up its 501(c)(3) status, whether multi-year grants received by the Coalition could be
transferred to the Youth Service Bureau (YSB), whether the Coalition could still facilitate adult programs if under the umbrella of a youth-serving organization, and whether he would be able to keep his job. With guidance from the YSB executive director, staff from DFI and relevant funding agencies, the questions were answered – the Coalition could keep its IRS designation; current multi-year grants could not be transferred to the YSB; the Coalition was authorized to address lifespan issues and that authorization would stand if it were integrated with YSB. Further, it was determined that if enough funds were available, Bristol would be employed by the YSB as a program director and, if not, he would be appointed a committee chairman responsible for Coalition programs. With those answers, along with a first draft of a Memorandum of Understanding between the Coalition and YSB outlining the agreements and details of the integration, Bristol indicated that he still had qualms about it, and he continued the discussion with individual board members in a number of parking lot conversations after board meetings in April and May of 2013.

This period of time appeared to be quite financially fortuitous for the Coalition, as Bristol announced at the May 7, 2013 board meeting that the Coalition had received a grant for $7,100 from a local utility foundation for prescription drug prevention and intervention programming. He made a similar, yet far more significant announcement at the May 9, 2013 meeting of the full Coalition membership that A.H.E.A.D. would be receiving a two-year grant for $149,400 from the Indiana State Department of Health Tobacco Prevention and Cessation Commission (TPC, formerly ITPC) to continue Project TNT, hire an additional staff member, and increase advertising and advocacy of tobacco control efforts at the state level. The announcement of the TPC grant was reported in the Journal Review, and it seemed as though things were looking up for the Coalition, as it had been operating with a budget of around $30,000 and was truly struggling to make ends meet. Bristol informed the board that the TPC grant award letter would
arrive sometime in June. As the end of the month neared, no word was received on the grant, but, as was chronicled at the start of this narrative, another call created excitement of a different nature for the Coalition.

The Investigation

The board’s investigation of questionable actions allegedly taken by Tim Bristol began with the previously-described call from the local television station inquiring about an unpaid bill, which led to an allegation that someone had created a phony document and forged a media executive’s signature in order to avoid paying the bill. The call the Coalition board president made after speaking with the television station was to the director of community programs at TPC to inquire about the pending $149,400 grant Bristol had announced to the board in May to the board, the Coalition membership and the local newspaper. Cox followed the call with an e-mail to the director of the agency, to which he attached two letters Bristol had given to him, both of which Bristol claimed had been sent to him by TPC, one dated May 10, 2013 stating that A.H.E.A.D. had been awarded the grant, and the other, dated May 15, stating that the grant could not be transferred to another agency, and that TPC would be depositing the first $18,000 draw on the grant on or around June 24. In response to Cox’s email, the director of TPC asserted that the documents were not issued by TPC, and the A.H.E.A.D. Coalition had not submitted an application for, nor had it been awarded a 2013-2015 partnership grant. The two letters were forged.

Immediately upon receiving this information, Cox contacted all board members and insisted they have a meeting, and one of the board members contacted the Indiana State Police. When the board convened, it was determined that first and foremost, Bristol should be discharged from his duties immediately in order to protect the organization, in light of the
alleged forgeries. Cox planned to communicate this to Bristol on July 3. Although the Coalition refrained from sharing much information with the public at this point, Cox did assert, “I can say that Mr. Bristol will not be back. Our goal now is to distance ourselves from him and put together a plan so that we can continue to fulfill the same services that the A.H.E.A.D. Coalition has always done.”

The board also agreed to engage the services of a Certified Public Accountant (CPA) to help them scour the Coalition’s financial documents to see if any money had been stolen. When they inquired into the cost of such a review, they found that a forensic audit would cost more than $20,000. A local CPA who was acquainted with one of the board members agreed to complete the audit pro-bono. To prepare for the audit, the board members made a plan to gather all the information they could find related to the Coalition’s programs and finances and reconvene after the president had spoken with Bristol.

Cox also thought it would be wise to contact Cheryl Farr, the director of Pam’s Promise, the transitional living organization for which Bristol had been serving as volunteer treasurer and business manager, to suggest she check her bank accounts. Farr did so, and discovered unusual spending on non-business-related items while reviewing bank statements. Farr called Bristol on July 2, “I told him to turn himself in.” She also let Cox know what she had found.

When the Indiana State Police (ISP) and A.H.E.A.D. representatives attempted to contact Bristol to communicate their findings and dismiss him from his duties as director, he was nowhere to be found and his cell phone was not operating. On July 5 Bristol’s family filed a missing person’s report with the Crawfordsville Police Department. As local police searched for Bristol, ISP began its investigation, which consisted of 28 phone conversations, meetings, e-mail exchanges and submissions of materials and equipment involving the A.H.E.A.D. Coalition
executive board, Pam’s Promise board of directors, Community Unity representatives, the office of the Mayor of the City of Crawfordsville, Crawfordsville Police Department, two Indiana state agencies, and twelve non-profit, public and business organizations located in Montgomery County. Documents and equipment collected from the organizations and community members acquainted with Bristol included the following:

- empty envelopes with return addresses from individuals
- computers and thumb drives that Bristol had used
- a copy of an executive order issued by the City of Crawfordsville regarding a smoking policy
- an uncashed check made out to the A.H.E.A.D. Coalition from a local business and a flier from the fundraiser held there
- statements from the Coalition’s bank accounts appearing to have been altered
- earnings statements from an externally-contracted payroll service for Bristol and another individual who worked part time for the Coalition but was being paid by the Department of Labor
- a flier for a Community Unity “Change of Heart” concert
- invoices from the local radio station
- copies of bank checks and counter withdrawals payable to Bristol
- a copy of a check for $7,100 from a local foundation payable to the Coalition
- and an office supply store credit card statement showing a $1,000 balance and account closed due to nonpayment,

along with a variety of paperwork related to Bristol’s employment and personal affairs.12
The transcripts of the investigation, along with reports from the *Journal Review*, *The Paper of Montgomery County* and additional findings from Coalition board member research illuminated the details of a virtual mountain of untoward actions Bristol had taken.

TPC documents signed and/or submitted over the past several years by Bristol, both in his role at the nonprofit health clinic and the A.H.E.A.D. Coalition were reviewed. The 2011 Community-Based Partnerships grant, in particular, was of interest because it contained signatures from community agency representatives on “Partner Profile” forms, which attested to the agencies’ support of the lead agency’s role, in this case the nonprofit health clinic, in coordinating community-wide tobacco control programming. Interviews with each of the individuals whose signatures were affixed to the forms revealed that of the six of signatures were fraudulent.  

An executive order had been created, indicating that the City of Crawfordsville would implement greater restrictions on smoking than were in effect statewide, and signatures of the Mayor of Crawfordsville and the Crawfordsville City Clerk were affixed to the bottom of the order. Bristol faxed the order to TPC in February of 2013 in an attempt to demonstrate the Coalition’s continued progress in tobacco control advocacy. TPC representatives questioned the authenticity of the order and, in June of 2013 e-mailed a copy to the Mayor of Crawfordsville, who, along with the City Clerk, attested that the document and signatures were fraudulent. According to the Mayor, “It wasn't even on our letterhead,” and, further, “It was an order to ban smoking in all public areas. That’s not even something I could do by Executive Order.”

Grants allegedly awarded to the Coalition were simply fabricated. A financial report submitted to the Indiana Criminal Justice Institute in February of 2013 indicated receipt of a grant for $8,000 from another Indiana state agency that the Coalition never applied for or
The copy of the check for $7,100 written to the A.H.E.A.D. Coalition from a local foundation was also found to be fraudulent. While Bristol reported to the Coalition board that the $7,100 was funding from a grant received in April of 2013 and showed them the check, the foundation asserted that it had never awarded such a grant or issued the check, on which, incidentally, the top and bottom check numbers did not match. No paperwork for a grant from the foundation could be found, the check was never recorded in A.H.E.A.D.’s books, and it was never cashed.

Information was learned about more fictional funding for tobacco control programs. Bristol had communicated to TPC in March of 2013 that the Coalition would be receiving $74,000 from private donors for a new tobacco-related program and the donors wanted to “stay in touch” with TPC, but TPC staff was not invited to attend an event to celebrate the donors because the donation was “private”. No donations totaling $74,000 were received by the Coalition.

Bristol set up an unauthorized account with an external, contracted payroll service attached to the A.H.E.A.D. checking account to pay himself $1,100 in gross wages every two weeks on top of the salary he was receiving from the Coalition and to pay another employee $400 every weeks. Checks were issued to both twice in February of 2013, and Bristol countersigned the other employee’s checks. Also, $1,470 in counter checks were paid to Tim Bristol from the A.H.E.A.D. bank account between January and June of 2013 and checks were written to individuals who claimed they never received them. Further, Bristol had obtained an unauthorized office supply store charge account for A.H.E.A.D., and balance was pending for unauthorized purchases.

Pam’s Promise’s board of directors alleged that Bristol had stolen about $4,000 from the organization between October of 2012 and June of 2013. When he came on board as the
treasurer/business manager, he told the board they should have a debit card available for emergency situations, but that debit cards were not available at their current bank, so they should switch banks. He recommended they use the same bank the Coalition was using. The board authorized Bristol to set up a new bank account and get a debit card, with which he proceeded to spend over $3,000 via ATM withdrawals, counter checks and charges to convenience stores, gas stations, big box stores, shoe stores and state park resorts. He also somehow paid the mortgage payment for the organization using money from somewhere else, which led the organization’s director to believe that he had stolen the $1,200 rent payment from their account, too, and found money elsewhere to pay it back. The board also indicated that Bristol shared information during board meetings about new partnerships and secretive funding opportunities he was nurturing, but the opportunities never materialized. He also misled the board about how he was managing utility payments. Reflecting later on the situation, the director shared, “I’m kicking myself for being so trusting. He seemed like a leader in the community with his hands in everything.”

Community Unity gave Bristol two checks totaling $600 that he was to use to buy supplies for the concert that was planned for August. The group had acquired the money through donations from individuals. No supplies had yet surfaced, but the checks were cashed, and no record of a deposit could be found in the A.H.E.A.D. ledger.

A search of public court case records in Michigan, where Bristol had previously lived, uncovered a 2008 felony conviction and three months of jail time sentenced for attempted uttering and publishing. The crime is defined in Michigan code as “a person who utters and publishes as true a false, forged, altered, or counterfeit record, instrument, or other writing listed in section 248 knowing it to be false, altered, forged or counterfeit with intent to injure or defraud,” a felony offense punishable by up to 14 years in prison.
Upon completion of a forensic audit and reconciliation of the A.H.E.A.D. Coalition’s financial documents, the volunteer CPA found numerous discrepancies between bank statements and the ledger kept by a bookkeeper with whom the Coalition contracted services. It was apparent that several bank statements Bristol provided to the bookkeeper had been tampered with, as they appeared ‘cut and pasted’ and did not match originals obtained from the bank. In reviewing financial records chronologically, the CPA found that the number of discrepancies and questionable transactions doubled between July and December of 2012, when Bristol took over primary management responsibilities for the Coalition, and between January and June of 2013 the discrepancies tripled. During the time that Bristol served as director, an estimated $45,000 in deposits and approximately $38,000 in withdrawals were not recorded on the organization’s ledger, and thousands of dollars of expenditures listed on the bank statements had no corresponding receipts or other documentation. Further, a grant repayment of approximately $6,100 that the board directed Bristol to send to a federal agency was never received by the agency, although Bristol provided an express mail company receipt to the board, showing it was sent. It was later discovered that the check was not sent; instead Bristol sent an old report to the agency.

The End is Near

Halfway through the investigation, on July 16, Bristol was located, sleeping in his car, 150 miles away. While he expected to be arrested on the spot by the Fort Wayne police officer who knocked on his window, he was instead instructed to respond to the missing person’s report that had been filed. Returning to Crawfordsville later that morning, Bristol admitted to the thefts in an interview with the Journal Review, “The first time I did it was in July or August, back when I first started,” and he expected that he would soon be facing the consequences of his actions, “I know some stuff is coming down the pipe.” While he attempted to justify a number
of allegations and turn the blame on others, assertions that were patently denied and supported by evidence, he admitted during the interview that he knew he was on the brink of being discovered, which he believed would happen if A.H.E.A.D. opened its books while finalizing its plan to merge with the Youth Service Bureau. Bristol eventually disclosed the full extent of his illegal activities in a subsequent interview with the Indiana State Police on August 8.

In the ISP interview, Bristol initially asserted that the bulk of his actions were meant to keep both the A.H.E.A.D. Coalition and Pam’s Promise running by using funds from each to pay the others’ expenses, as he claimed that neither had sufficient cash flow to maintain solvency. He then portrayed himself as a victim of politics, dissenting views and misdirected disapproval as he attempted to work with the board and manage the Coalition. Bristol claimed that he didn’t keep track of what he spent and he didn’t turn in receipts in order to keep them off the books because he felt that many of his expenditures would not be viewed favorably by the board. When asked if he shredded receipts and counterfeited bank statements because he knew that the expenditures were benefitting him personally, Bristol responded affirmatively; he admitted using A.H.E.A.D. funds to pay for personal rent, car expenses, fuel, hotel, meals, bowling and cable expenses.

Regarding specific counterfeit documents, Bristol admitted to falsifying the $7,100 grant check, the executive order, the letter from the media company executive, false portrayal of a grant and signature on the ICJI report, and fraudulently representing the grant repayment check and tracking slip. He did not seem as concerned about the bank statements, explaining to the investigator that he believed modifying the statements between August 2012 and summer of 2013 was “internal forgery and he did not think it was a big deal that he was lying to his own bookkeeper.” However, he justified the contracted payroll payments because he felt the money was owed to him for tobacco control work he had done for the free health clinic and to pay for
health benefits. He also justified forging signatures on TPC Partner Profile forms, asserting in some cases that the individuals “supported the grant efforts” and in one case he claimed another person told him to sign one of the forms.⁹

Bristol repeatedly returned to the assertion that his actions reflected his concern for keeping A.H.E.A.D. and Pam’s Promise ‘afloat’. He described multiple instances of using A.H.E.A.D. money to pay bills for Pam’s Promise, and he said he put the Community Unity money in A.H.E.A.D’s account because the Coalition was in financial trouble. When the ISP investigator explained that both A.H.E.A.D. and Pam’s Promise had been able to subsist for several years before Bristol took over financial management, and now they were both in financial ruin because of his actions, Bristol seemed upset.⁹

At the end of the interview, when asked if he would like to make a statement, Bristol asserted,

...he was sorry and wished he did not take the money. He stated he knew he was guilty and just wanted to get it over with so he could get a job and start to pay back what he took. He also asked that he not be arrested and be allowed to turn himself in once he was charged.⁹

The Aftermath

In the wake of the findings, both the A.H.E.A.D. Coalition and Pam’s Promise circled their respective wagons, taking immediate action to secure their financial accounts and organizational information. With Bristol dismissed from his post and just a few dollars in the bank, A.H.E.A.D. Coalition board members stepped up to assume day-to-day administrative responsibilities, and the Coalition called upon DFI and its oversight agency, the Indiana Criminal Justice Institute, to
assist with oversight and the creation of a restructuring plan. According to A.H.E.A.D. Board President Michael Cox,

*We are concentrated on two things. One is the investigation and doing everything we can there. The other side is putting together a plan of where we go next. There are a lot of options. The whole goal of the restructuring process is being able to provide the same programs we have in the past. It is a complete restructuring to make sure we move forward the right way.*

Pam’s Promise’s Director Cheryl Farr took a moment to grieve the outcome, “He left us with $34. We’ve always believed that this was God’s organization. He stole from people that are down and out and stole from God, is the way we see it.”27 According to Farr, donations, fundraising, and client fees began to cover some losses and pay the monthly mortgage and utilities to keep the doors open and additional fundraising events were planned to rebuild the organization’s bank account. Like A.H.E.A.D., Pam’s Promise’s board gained awareness of its resilience, as well as ways it could fortify the organization through establishment of new policies (see Appendix B),

*We are pulling together as a board to share responsibilities and fill in with what we need to do. We have put requirements in place that will prevent this from ever happening again. It’s hard as a director to put demands on volunteers, but we have these requirements in the minutes. (The new treasurer) will have to present the bank statements and printouts of all of the checks at the meetings. If we transfer money, it will be signed off on. The board does not want to let people down that need housing. You learn the hard way sometimes.*28
Sometimes hard lessons lead an organization back to its roots, as the A.H.E.A.D. Coalition ultimately decided through its restructuring process. After several years of contemplating an integration of its programs and services with the Youth Service Bureau (YSB), the present crisis forced the Coalition to make the move. The Coalition dissolved its 501(c)(3) corporation and re-established itself as the Drug Free Montgomery County Coalition, an all-volunteer Local Coordinating Council managed by the existing staff of the YSB. Continuing to follow the legislative guidelines of the Governor’s Commission for a Drug-Free Indiana (DFI), the Coalition now acts as a steering committee within YSB responsible for formulating the county’s Comprehensive Community Plan, which is formally prepared, administered, and evaluated by YSB staff in partnership with the County Commissioners and Council. Coalition volunteers lead bi-monthly coalition meetings and work with community agencies to facilitate the offender fee mini-grant program to support agencies’ programs. All Coalition finances are now managed by the YSB under a separate line item restricted for Coalition business.

The partnership was eagerly solidified by the two organizations. The executive director of the YSB expressed the organization’s commitment “to ensure that the work of the Coalition can continue. The leadership they provide in prevention efforts for our county makes a difference.” Likewise, the Coalition Board President Michael Cox shared the collective relief of the Coalition, “We are excited that this restructuring and partnership will provide the opportunity to continue the Coalition’s work for the betterment of the community.”

Drug prevention efforts have begun anew, finding many individuals and community groups the wiser through these experiences. All are working with eyes wide open, with the assurance that one community member in particular will not be getting in the way of their concerted efforts any time soon.
Consequences for the Director

In response to Indiana State Police findings, the Montgomery County Circuit Court issued a warrant for Tim Bristol’s arrest on Friday, August 23, charging him with fifteen felonies: 12 counts of forgery and 3 counts of theft, and Bristol turned himself in to the Montgomery County jail the following Tuesday. Due to his prior felony conviction in another state and the extent of the thefts, enhanced bail was fixed at $5,000 cash or $30,000 surety bond, and he was prohibited from leaving the state pending a jury trial slated to begin January 14, 2014. The prosecuting attorney filed a plea agreement prior to the start of the trial with the recommendation that if Bristol pled guilty to two counts of class D felony theft and two counts of class C felony forgery, then the remaining count of theft and ten forgery counts would be dismissed, and the attorney appointed for Bristol responded in favor of the plea on Bristol’s behalf. On February 21, 2014 Bristol pled as recommended and was sentenced on one count of forgery and one count of theft to 10 years in the Indiana Department of Corrections and ten years of probation upon release, with the other two counts suspended; he was also ordered to pay restitution of $37,627 to the Coalition, $3,200 to Pam’s Promise, and $600 to Community Unity. While justice was served, and monetary damages appeared fairly assessed for the crimes committed, the prosecuting attorney in the case described the far-reaching consequences of Bristol’s actions, “He was in a position of trust, which he violated. His behavior has put A.H.E.A.D. out of business. It has a detrimental effect on not only the Coalition but the community at large.”

ENDNOTES

1. The history of the A.H.E.A.D. Coalition is chronicled in a series of Comprehensive Plans dating back to 2006 that have been retrieved from the Internet by the authors over a period of several years. Some are no longer accessible online but copies may be requested from the Indiana Criminal Justice Institute. In the most recent plan, the Coalition is referred to as the
“Drug Free Montgomery County Coalition”. A brief explanation of the reason for the name change is described on page 2 of the 2014 Plan. This case study provides a chronicle of the events that led to the name change. See Branch, K. (2014). Comprehensive Community Plan Update: Montgomery County. https://secure.in.gov/cji/files/G_Montgomery_CCP.pdf

2. Indiana Code 5-2-6-16 and Indiana Code 5-2-6-11 https://iga.in.gov/legislative/laws/2014/ic/titles/005/


5. Tim Bristol LinkedIn Profile https://www.linkedin.com/profile/view?id=132394297


10. Transcript of interview summary by Indiana State Police investigator in Indiana State Police Report #12ISPC006725 Supplement #5, pp. 15, dated 07/22/2013


13. Interviews summarized by Indiana State Police investigator in Indiana State Police Report #12ISPC006725 Supplement #10, p. 22-23, dated 08/09/13
14. Interviews summarized by Indiana State Police investigator in Indiana State Police Report #12ISPC006725 Supplement #0, p. 9, dated 08/09/2013; Supplement #1, p. 10, dated 07/18/13; Supplement #4, p. 14, dated 07/22/2013; Supplement #6, pp. 17-18, dated 07/22/13


17. Interview summarized by Indiana State Police investigator in Indiana State Police Report #12ISPC006725 Supplement #6, p. 17-18, dated 07/22/2013


19. Interviews summarized by Indiana State Police investigator in Indiana State Police Report #12ISPC006725 Supplement #0, p. 9, dated 07/12/2014; Supplement #5, p. 15-16, dated 07/22/2013;

20. Interview summarized by Indiana State Police investigator in Indiana State Police Report #12ISPC006725 Supplement #2, p. 11, dated 07/18/2013.


23. Interview summarized by Indiana State Police investigator in Indiana State Police Report #12ISPC006725 Supplement #12, p. 28-29, dated 08/09/2013.


30. Order for Motion for Enhanced Bail, Indiana v. Timothy M. Bristol, Montgomery Circuit Court, #54CO11308FC002999 (2014).


Appendix A: A.H.E.A.D. Coalition Operation Manual Excerpts

- Internal Controls Procedures
- Board Agreement
- Staff Code of Ethics and Receipt of Manual
Montgomery County A.H.E.A.D. Coalition, Inc.
Internal Controls Procedures

The purpose of this Internal Controls Procedures Manual is to promote and protect sound financial management practices for the Montgomery County AHEAD Coalition, Inc. Following internal accounting control procedures shall significantly increase the likelihood that

- Financial information is reliable, so that managers and the board can depend on accurate information to make programmatic and other decisions
- Assets and records of the organization are not stolen, misused, or accidentally destroyed
- The organization's policies are followed and government regulations are met

Internal Accounting Control System

Approval of plans and commitments prior to implementation
The annual budget and periodic comparisons of financial statements with budgeted amounts, leases, loan agreements, and other major commitments shall be examined in full by the Treasurer of the Corporation, along with the Finance Committee, Executive Director, and contracted bookkeeper.

Examination shall include verification of compliance with applicable Granting Agency requirements, Federal, state and local laws, ordinances and guidelines.

Annual Budget
An annual budget shall be prepared in November of each fiscal year by the Finance Committee that projects anticipated income and expenditures based on the Coalition Strategic Plan and Sustainability Plan. The budget shall categorically designate the following anticipated financial conditions:

- Anticipated income, itemized by source and timeframe
- Anticipated expenditures, both administrative and project cost centers, with funding source percentages designated for each line item.
- Anticipated net increase or decrease in budget for the fiscal year.

The budget shall be presented to the Executive Board and Coalition membership in November for review and revision, revised by the Finance Committee and brought to the Executive Board for approval in December of the current fiscal year.

The budget shall be presented to the Coalition for final review and comment at the Annual meeting in January.

Cash Flow Management Segregation of Duties
Cash Flow Management duties shall be divided between paid staff, contracted workers and volunteers to reduce the opportunity for error and wrongdoing.
Cash Receipts Procedure
Receipt of funds into the organization shall follow 3 action steps to ensure that all cash intended for the organization is received, promptly deposited, properly recorded, reconciled, and kept under adequate security. Under circumstances of unforeseen deadline or need, procedures may be adjusted by agreement of the Treasurer and Executive Director. At minimum, every cash receipt transaction must include a copy of the method of payment to the Coalition, deposit slip and date of deposit filed.

- **Cash Receipts Action Step 1**: Cash received by any staff member, board member or volunteer shall be documented with a State Board of Accounts-approved Cash Receipt form. A copy shall be provided to the donor or paying client, and a copy shall be retained for record keeping.

  In the event of numerous cash receipts (such as registration fees at an event), the event coordinator shall count the cash at the event site, identify an additional staff member to count cash, and both shall sign a "Cash Received" form that shall accompany cash and any receipts issued in a sealed, dated envelope to the locked cash box. Executive Director shall collect envelope and document date received for deposit.

  Checks shall be endorsed with preprinted stamp or handwritten "For Deposit Only: Montgomery County AHEAD Coalition, Inc. Staff Signature". Staff member shall attach a photocopy of the receipt to the cash received and submit it to the Executive Director or Treasurer for deposit.

- **Cash Receipts Action Step 2**: The Executive Director or Treasurer shall complete a printed Deposit Slip and deposit the cash into the Coalition checking account, retaining the deposit slip and supporting documentation (payment advice, receipt, check copy, Cash Receipts Tracking Form).

- **Cash Receipts Action Step 3**: The deposit receipt provided by the Bank shall be given to the bookkeeper for posting within 3 days of deposit. The bookkeeper shall post deposits and provide a reconciled bank statement to the Executive Director within 30 days of posting.

Disbursements Procedure
To ensure that cash is disbursed only upon proper authorization of management, for valid business purposes, and that all disbursements are properly recorded, disbursement of payment for goods and services shall follow 6 action steps, which, under circumstances of unforeseen deadline or need, may be adjusted by agreement of the Treasurer and Executive Director. At minimum, every disbursement transaction must include an Accounts Payable Voucher and signatures on checks from two of the following: Treasurer, designated Board Member or Executive Director.

- **Disbursement Action Step 1**: Coalition Staff shall request payments to vendors, employees and contract obligations through the use of Accounts Payable Voucher form, to which source receipts, invoices, purchase orders, packing slips shall be attached as documentation of payment request. Accounts Payable Vouchers shall be submitted to Executive Director for processing.

- **Disbursement Action Step 2**: Executive Director shall submit Accounts Payable Vouchers and documentation to contracted bookkeeping service, which shall process payments according to Vouchers, prepare checks and record transactions using industry-standard accounting software as approved by the Finance Committee.
• **Disbursement Action Step 3:** Treasurer shall approve payments to vendors by reviewing disbursements with accompanying documentation each month and signing approval by signing the Accounts Payable Voucher and affixing signature to checks prepared by the bookkeeping service.

• **Disbursement Action Step 4:** Treasurer shall provide Executive Director with Accounts Payable Vouchers, corresponding documentation and checks. Executive Director shall affix final signature, distribute checks, and file Accounts Payable Vouchers.

• **Disbursement Action Step 5:** Bookkeeping service shall prepare a Trial Balance and Financial Statement to be submitted to Board of Directors and Coalition for review at monthly Coalition meeting.

• **Disbursement Action Step 6:** Bookkeeper shall prepare monthly bank reconciliation and review canceled checks, bringing to the attention of the Executive Director any discrepancy or oversight, who shall then request a joint meeting of the Treasurer, bookkeeper and Executive Director to pursue appropriate problem-solving tasks.

**Double-Entry Accounting System**

Bookkeeping service will prepare checks and record transactions using industry-standard accounting software as approved by the Finance Committee. At minimum, the accounting software shall be a double-entry accounting system capable of identifying expenditures to specific grant awards, appropriations, and funding streams. Chart of accounts shall be organized and maintained according to funding stream cost centers.

**Indirect Costs**

Indirect costs rates will be negotiated with funding agencies as applicable at the rate of 9% when appropriate and allowable. Indirect costs will include a percentage of the following: rent, utilities, equipment, liability insurance, office maintenance, office supplies, program evaluation (if not a designated line item), accounting costs, administrative assistant salary and fringe benefits, telephone and Internet access.

**Petty Cash Procedure**

To ensure that petty cash and other working funds are disbursed only for proper purposes, are adequately safeguarded, and properly recorded, utilizing three action steps, a petty cash account shall be established by the Treasurer and bookkeeper and managed by the Executive Director.

• **Petty Cash Action Step 1:** Bookkeeper shall establish a petty cash account of $100, by issuing a check for cash to the Executive Director, who shall maintain the account in a locked cash box at the program office.

• **Petty Cash Action Step 2:** To be used for immediate expenditures such as postage or training needs, designated staff member(s), with prior approval of the Executive Director, may access petty cash. When an expenditure is made, the source receipt shall signed by the staff person who made the purchase, attached to a Claim Voucher and stored in a separate envelope within the locked cash box. Key shall be returned to the Executive Director. **Petty Cash Action Step 3:** Weekly, the Executive Director shall examine the balance and receipts for Petty Cash and, when the balance is below $10, submit receipts to the bookkeeper and request that Petty Cash be
replenished.

• **Petty Cash Action Step 4:** Bookkeeper shall post expenditures and replenish Petty Cash to $100 balance by issuing a check for cash to the Executive Director.

**Purchase Threshold Procedure**

Individual purchases over $500 which are not specifically allocated in approved program budgets must be approved by the Corporation Board through a majority vote of the Executive Board in a regular or special meeting as recorded in Meeting Minutes, or a majority written approval of the Board through fax transmission of proposed expenditure and affixed signatures of Board.

**Reconciliation of Bank Statement**

The Executive Director receives bank statements and cancelled checks at the close of each month and shall forward them to the bookkeeper who shall reconcile the statement monthly to the general ledger. The bookkeeper shall provide a reconciliation statement each month to the Treasurer and Executive Director, to be filed with the financial documents for the Coalition.

**Transfers Procedure**

To ensure appropriate transfer of budgeted funds between budget classes and within budget classes, that in order to transfer funds from one budget line item or category to another in excess of $750, Executive Director must receive written approval of the Coalition treasurer, and all transfers made in excess of $750 must be noted at next scheduled executive board meeting. Transfers up to $750 may be made without prior approval, but Treasurer would like to be informed if it is out of the ordinary.

To ensure appropriate transfer and utilization of restricted and other funds as part of the general fund, the Executive Director and Treasurer shall make all deposits to the Coalition Checking Account and transfer excessive balance to Savings Account in order to accrue interest. Executive Director and Treasurer are authorized to transfer funds between Checking and Savings accounts to cover expenditures in excess of Checking Account balance.

**Fundraising Management**

**Gifts, Bequests Procedure**

To ensure that all gifts, pledges and bequests are received and properly recorded, and that compliance with the terms of any related restrictions is adequately monitored, receipt of gifts, pledges, bequests into the organization shall follow 4 action steps to ensure that all cash intended for the organization is received, gratitude is promptly expressed to contributing agency or individual, funds are promptly deposited, properly recorded, reconciled, and kept under adequate security. Under circumstances of unforeseen deadline or need, procedure may be adjusted by agreement of the Treasurer and Executive Director. At minimum, every gift, pledge or bequest must be followed by a personal thank you letter from the President or Executive Director, and funds deposited, including a copy of the method of payment to the Coalition, deposit slip and date of deposit filed.

• **Gifts, Bequests Action Step 1:** Within 3 days of receipt of funds, a thank-you letter shall be written to the agency or individual contributor expressing gratitude, describing how the funds shall be used, and inviting the contributor to be involved in the Coalition's activities.

• **Gifts, Bequests Action Step 2:** Executive Director shall create a contribution file for the agency, determine a class for the contribution, deposit funds in Savings Account, file supporting
documentation including required reporting documents, a copy of the method of payment to the Coalition, deposit slip and date of deposit filed in contribution file.

- **Gifts, Bequests Action Step 3**: The deposit receipt provided by the Bank shall be given to the bookkeeper for posting within 3 days of deposit. The bookkeeper shall post deposits and provide a reconciled bank statement to the Executive Director within 30 days of posting.

- **Gifts, Bequests Action Step 4**: Within 12 months of receipt of gift or bequest, a follow-up letter describing progress made using funds shall be sent to the organization or, in the case of restricted funds with predetermined objectives, a progress report or required report shall be filed by the Executive Director or Project Director.

**Grants Procedure**
To ensure that all government and foundation grants and are received and properly recorded, and that compliance with the terms of any related restrictions is adequately monitored, receipt of grants into the organization shall follow 4 action steps to ensure that all cash intended for the organization is received, funds are promptly deposited, properly recorded, reconciled, and kept under adequate security. Under circumstances of unforeseen deadline or need, procedure may be adjusted by agreement of the Treasurer and Executive Director. When appropriate, the Executive Director will send a thank you to the funding source. A grant file created to include award letter, contract, reporting requirements, budget and funds deposited, including a copy of the method of payment to the Coalition, deposit slip and date of deposit filed.

**Grants Authorized Signatory Authority Definition**
Unless otherwise specified by a granting agency, the Executive Director shall act as designated signatory authority for all Coalition-held grants and sub grants that have been approved by formal vote for receipt by the Board of Directors. The Board of Directors reserves the right to deny any grant or award to the Coalition that it feels has been applied for or received in a manner that is not in the best interest of the Coalition.

- **Grants Action Step 1**: Executive Director shall create Grant File which includes signed award letter, fully-executed contract, allowable cost documents, reporting requirements and approved budget. With bookkeeping service, Director shall setup class and budget for grant using industry-standard accounting program.

- **Grants Action Step 2**: Deposit funds or draw down funds for deposit. Executive Director or Treasurer shall deposit funds, file supporting documentation including required reporting documents, a copy of the method of payment to the Coalition, deposit slip and date of deposit filed in contribution file.

  In the case of grants that operate on a draw down system, Executive Director shall prepare monthly or quarterly claim for draw down based on current expenditures or quarterly percentage of funds (based on grant guidelines) and submit claim for draw down to granting agency. The Executive Director shall then process grant payment deposit according to deposit guidelines.

- **Grants Action Step 3**: The deposit receipt provided by the Bank shall be given to the bookkeeper for posting within 3 days of deposit. The bookkeeper shall post receipts and provide a reconciled bank statement to the Executive Director within 30 days of posting.
• **Grants Action Step 4:** In conjunction with bookkeeper, Executive Director or his/her designee shall complete and file required financial progress reports with granting agency on or before reporting deadlines. Failure to do so in a timely manner may result in progressive discipline.

• **Grants Action Step 5:** In conjunction with Grants & Fundraising Committee Chair, Executive Director or his/her designee shall complete and file narrative progress reports with granting agency on or before reporting deadlines and provide a copy for board review. Failure to do so in a timely manner may result in progressive discipline.

• **Grants Action Step 6:** After the close of the fiscal year, upon receipt of audit report from independent auditor, Executive Director shall file audit report and year-end progress report as required with granting agency.

**In-Kind Donations Procedure**

To ensure that in-kind time and materials are acquired, recorded, reported and depreciated accurately, all in-kind donations shall be accrued, recorded and reported utilizing four action steps.

• **In-Kind Donation Action Step 1:** When available, the Executive Director shall obtain a letter of commitment from any agency or organization that outlines the in-kind services or materials. If not available, Executive Director or his/her designee shall obtain documentation of the value of in-kind services, including a representative signature from the organization or individual.

• **In-Kind Donation Action Step 2:** The Executive Director shall obtain representative signature(s) on State Board of Accounts-approved In-Kind Donation Record form.

• **In-Kind Donation Action Step 3:** The Executive Director shall present In-Kind Donation documentation with class/grant to which it should be credited to bookkeeper to be posted as such in industry-standard accounting software.

• **In-Kind Donation Action Step 4:** The Executive Director shall work with the bookkeeper to accurately report in-kind donations to appropriate funding agencies, institutions and contributing organizations.

**Payroll**

To ensure that payroll disbursements are made only upon proper authorization to bona fide employees, that payroll disbursements are properly recorded and that related legal requirements (such as payroll tax deposits) are complied with, the Executive Director, Treasurer, bookkeeper and Coalition staff shall follow 7 action steps to properly execute payroll.

• **Payroll Action Step 1:** Coalition employees shall complete electronic time clock entries 1 day prior to scheduled payroll disbursement date and submit to Executive Director for review.

• **Payroll Action Step 2:** Executive Director shall review timesheets and authorize payment for actual hours worked and credit for flextime by affixing signature to timesheets.

• **Payroll Action Step 3:** Executive Director shall attach timesheets to Claim Vouchers, identify funding stream from which each employee shall be compensated, and submit vouchers and timesheets to bookkeeper for processing.
• **Payroll Action Step 4:** Bookkeeper shall process payroll, print checks, complete withholding vouchers, create payroll summary and submit to Treasurer for authorization and signature.

• **Payroll Action Step 5:** Treasurer shall authorize payroll by affixing signature to checks and vouchers and submit to Executive Director.

• **Payroll Action Step 6:** Executive Director shall execute payroll by affixing signature to checks and vouchers, depositing state and federal withholding, distributing payroll checks and file payroll vouchers and summary in payroll files

• **Payroll Action Step 7:** Bookkeeper shall complete quarterly 941 Internal Revenue Service report and submit to Executive Director, who shall sign, submit and file quarterly.

### Annual Financial Review and Reporting Management

#### Annual Audit Procedures

The annual auditor's management letter is an important indicator of the adequacy of the internal accounting control structure and the degree to which it is maintained. The management letter, which accompanies the audit and is typically addressed to the board as trustees for the organization, cites significant weaknesses in the system or its execution. Audits will be performed in accordance with OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

• **Annual Audit Action Step 1:** Prior to the close of the fiscal year, Finance Committee shall identify scope of audit required by funding agencies. At minimum, Coalition shall participate in annual full financial audit by an independent accounting firm. If, during the fiscal year, the Coalition expends a total of $300,000 ($500,000 for fiscal years ending after December 21, 2003), the Executive Director will pursue an A-133 Audit of Financial Status, as well as internal control procedures.

• **Annual Audit Action Step 2:** Executive Director shall identify Certified Public Accounting firm to perform required audit and present to Board of Directors for approval to retain.

• **Annual Audit Action Step 3:** Executive Director shall, in cooperation with bookkeeper, submit all financial records to CPA firm for audit.

• **Annual Audit Action Step 4:** Executive Director shall inform Treasurer, bookkeeper and Finance Committee of the date, time and location of Audit Exit Conference.

• **Annual Audit Action Step 5:** Executive Director shall present the annual auditor's management letter to the Board of Directors for review. Upon receipt of the management letter, the Board shall review it with the Executive Director, asking for responses to each internal control lapse or recommendation and comparing management letters from year to year. The board shall use this letter as a useful mechanism for monitoring its financial safeguards and adherence to financial policies. This original letter and related documentation shall be filed annually with corporate papers at the Executive Director's office site, and a copy shall be filed annually with a copy of corporate papers at the Coalition Treasurer's office site.
• **Annual Audit Action Step 6:** Executive Director or his/her designee shall disseminate auditor's management letter to funding agencies as required.

**Financial Reporting**

**Reporting to Coalition**
To minimize organizational damage in the event that one or more accounting controls fails to prevent a security breach, the Board of Directors is responsible for periodically reviewing expenditures and actual results compared with the budget.

The Finance Committee shall prepare an annual budget in sufficient detail to establish expense guidelines. Expenses shall be recorded and allocated to general ledger accounts in the same fashion they were budgeted.

The bookkeeper shall prepare and submit a monthly financial report to the Executive Director within 15 days of month's end that compares actual results-to-date with:

- Budgeted amounts-to-date for the current year for each funding stream, including cumulative incurred costs to date for each budgeted line item, detailing significant variances to ensure actual costs do not exceed budgeted amounts for the grant period.

- Actual results-to-date for the prior year, with explanation of any significant deviations.

The report shall be reviewed by the Board of Directors and made available for public review at the Monthly Coalition Meeting. The Finance Committee Chair at the next regularly scheduled Executive Board Meeting shall address any questions and concerns.

**Reporting to Funding Agencies**
To ensure that all government and foundation grants and are in compliance with the terms of funding agreements and any related restrictions, the Coalition shall provide timely, accurate reports of progress to all outside funding organizations following three action steps.

- **Reporting Action Step 1:** In conjunction with bookkeeper, Executive Director or his/her designee shall complete and file required financial progress reports with granting agency on or before reporting deadlines. Failure to do so in a timely manner may result in progressive discipline.

- **Reporting Action Step 2:** In conjunction with Grants & Fundraising Committee Chair, Executive Director or his/her designee shall complete and file narrative progress reports with granting agency on or before reporting deadlines and provide a copy for board review. Failure to do so in a timely manner may result in progressive discipline.

- **Reporting Action Step 3:** After the close of the fiscal year, upon receipt of audit report from independent auditor, Executive Director shall file audit report and year-end progress report as required with granting agency. Failure to do so in a timely manner may result in progressive discipline.

**Reporting to Internal Revenue Service**
To ensure that Coalition is in compliance with federal, state and local employment and corporation
tax filing guidelines, the bookkeeper shall work with the Executive Director, Treasurer and President to complete annual IRS 990 Income Tax Return. Executive Director shall post 990 for public examination on Coalition website, www.aheaddrugfree.org.

Additional Financial Management Procedures

Computer Security
In order to secure paperless transactions and other sensitive areas of information, all electronic media of a financial or confidential nature shall be stored and access provided using a system-level login password procedure. The Executive Director shall manage the password system and shall authorize access on an as-needed basis to Finance Committee, bookkeeper and program-level staff.

Credit Cards
Credit cards and lines of credit may be obtained on behalf of the Coalition by the Executive Director or Treasurer upon approval of the Board of Directors. Application for credit must include the designation of a personal guarantor, specifically a member of the Board of Directors or the Executive Director. Lines of credit may not exceed $5,000.

Credit cards and lines of credit will be paid in full at the end of each billing period. Any interest accrued will be reported to the Finance Committee with an explanation of the reason for interest accrued, an action plan for prevention of further accrued interest, and be paid from unrestricted funds originating from Board contributions or non-restricted contributions.

Fixed Assets Procedure
To ensure that fixed assets are acquired and disposed of only upon proper authorization, are adequately safeguarded, and properly recorded, the Executive Director shall keep a file of all fixed assets, including serial numbers, date of purchase, purchase price, location of fixed asset. Acquired fixed assets shall be presented to the bookkeeper who shall record acquisition and institute depreciation on fixed assets.

Executive Director or his/her designee shall complete an annual inventory of fixed assets, recording location, condition, and level of use to be presented to the Executive Board at the end of the Fiscal Year.

Fixed assets that have been fully depreciated and are no longer needed or are no longer usable shall be presented to the Board of Directors and either donated to a not-for-profit organization or otherwise disposed.

Modification of Internal Controls Procedures
The Coalition Treasurer, Executive Director, bookkeeper and Finance Committee shall review the established internal accounting control system and Accounting Procedures manual annually following receipt of audit findings, and modify it to include new circumstances (bigger staff, more restricted funding, etc.) and regulations (such as receiving federal awards with increased compliance demands.)

Safeguarding of Records
To ensure that Coalition financial records are maintained in an orderly and secure fashion, the following 3 action steps shall be followed.
• **Records management**: Executive Director shall establish a filing system for financial records that classifies documents by income source, vendor, contractor, and/or employee.

• **Records Security**: Corporate and financial records shall be kept securely locked in the Executive Director's office. Access to paper records shall be provided on an as-needed basis to Treasurer, Finance Committee, Board, Coalition, funding agencies and governmental control agencies. Duplicate copies of corporate papers shall be kept at the Coalition office.

• **Records Retention**: Corporate records shall be archived annually to storage area and retained indefinitely. Financial records shall be archived annually to storage area and retained for a minimum of 10 years.
Montgomery County A.H.E.A.D. Coalition, Inc.
Board of Director Code of Ethics/Confidentiality Agreement

As a board member of the Montgomery County A.H.E.A.D. Coalition, Inc.: 

1. I shall not divulge any information concerning participants, consumers of services, events, and issues related to events that I witness or hear while on the premises of or conducting business for the Montgomery County A.H.E.A.D. Coalition, Inc.

2. I shall maintain confidentiality of agency programs. I shall promote the privacy, safety, and security of each participant. I understand that I shall not discuss or relay any information regarding the participant at any time to any person outside of those individuals who are qualified to receive information. I shall never divulge information regarding a program participant unless I have the permission of the Executive Director and the participant.

3. I shall support a policy of empowerment for all participants in the program. I shall strive to assist participants as they learn to help themselves. I shall be non-judgmental and supportive. I shall give information and provide resources to assist participants in the decision making process. I shall support the participant’s right to make decisions and to make mistakes.

4. I shall support a policy of non-violence for all participants of A.H.E.A.D. programs. (For the purpose of the A.H.E.A.D. Coalition, Inc., violence includes: spanking, slapping, yelling, and/or threatening the use of physical violence.) I shall show participants constructive ways to resolve conflicts and tensions that arise in relationships.

5. I shall speak with the Executive Director if I am uncomfortable with any policy or procedure.

6. I shall fulfill my obligation as a member of the Board of Directors. In the event that I am unable to attend a meeting or participate in activities, I shall notify the Executive Director at my earliest opportunity.

7. I shall support the formal decisions of the Board.

8. I shall be an enthusiastic spokesperson for the A.H.E.A.D. Coalition, Inc.

9. I understand and accept that breach of confidentiality policies shall result in termination from the Board of Directors and may result in prosecution by the A.H.E.A.D. Coalition, Inc.

__________________________________    ________________
Signature of Board Member      Date

___________________________________    ________________
Montgomery County A.H.E.A.D. Coalition, Inc.
Staff/Volunteer Code of Ethics

I. I shall support and uphold the Six Pillars of Character, Trustworthiness, Respect, Responsibility, Fairness, Caring, and Citizenship as expectations of behavior on behalf of the A.H.E.A.D. Coalition with community members, staff, volunteers, and participants of A.H.E.A.D. programs and activities.

II. I shall maintain confidentiality, both within and outside the agency programs. I shall promote the privacy, safety, and security of each person. I shall never divulge whether a person has been involved with a program unless I have the permission of the Executive Director, or the participant him/herself, in order to ensure that adequate authorization to release information exists. I understand that violation of confidentiality policies shall result in immediate dismissal from my duties. The only exception to this would be in situations where I would be legally required to report (i.e. reports of child abuse, etc.)

III. I shall support a policy of empowerment for all persons involved in A.H.E.A.D. programs and activities. This means that I shall consistently strive to help each person learn to help him/herself. I shall try to be non-judgmental and supportive. I shall give in formation and provide resources to assist participants, staff, and Board of Directors in the decision making process. I shall support the participant right to make decisions and to make mistakes.

IV. I shall support a policy of no use of illegal drugs and no illegal use of legal drugs for all persons receiving A.H.E.A.D. services. For the purpose of the A.H.E.A.D. Coalition, illegal drugs include any drug that, if purchased, distributed, possessed by an individual, could result in legal or criminal action taken against that individual. Illegal use of legal drugs includes any use of a substance for which possessed by an individual is not prohibited by law, but misuse or abuse could result in legal or criminal action taken against that individual. I shall encourage participants currently using illegal drugs or illegally using legal drugs to utilize community resources to stop such action.

V. I declare that I have never committed an act of abuse or fraud in relationship to another person. I declare that I have never knowingly violated applicable rules or laws in any previous employment in social service or related employment. I declare that I have not been convicted of a crime related to alcohol, tobacco, other drugs, against a person or minor, or any violent crime within the past two years. I understand that evidence to the contrary should be reason for immediate dismissal.

VI. I shall talk with the Executive Director if I am uncomfortable with any policy or procedure.

VII. I shall work to fulfill my obligation as a representative of A.H.E.A.D. and understand that in the event that I am unable to uphold my responsibilities that I shall notify the Executive Director at my earliest opportunity.

I, -----------------------------, agree to protect the integrity of the A.H.E.A.D. Coalition by practicing honest communication, fair and just decision-making, and respect for individual needs and ideas. I further agree to abide by the above rules to the best of my ability.
Receipt of Personnel Policy and Procedures Manual

I have today received a copy of the A.H.E.A.D., Inc. "Personnel Policy and Procedure" Manual. I have been advised to carefully read it as it contains policies, procedures, and guidelines relevant to my employment with the Agency.

I understand that this manual is no way to be interpreted as a contract of employment between A.H.E.A.D., Inc. and any employee. I further understand that the A.H.E.A.D., Inc. reserves the right to amend policies and other working conditions without the consent of the employee. I am aware that the Agency expressly reserves the right to modify, suspend, or revoke any of the policies contained herein at any time without notice. I understand that I am expected to abide by the guidelines or plan documents, the latter shall prevail in all instances.

I understand that no representation, whether oral or written, by any representative or agent of the Agency, at any time, can constitute a contract of employment. Since employment with A.H.E.A.D., Inc. is "at will" employment may be terminated at any time at the option of either the Agency or the employee.

I understand that revised pages may be printed and distributed for insertion in the proper section of this manual. I will take responsibility for keeping my manual up-to-date when new and/or revised material is issued and I am aware that I will be asked to sign upon receipt of any additional or replacement pages in the future.

Employee's Name (Please Print)

________________________________________________________

Employee's Signature                                      Date
Appendix B: Pam’s Promise Cash Handling/Recording Policy

Pam’s Promise Transitional Housing
Cash Handling/Recording Policy

1. All funds received in office will be recorded on Rent/Cash Donation form found in locked file cabinet drawer along with Lock Box. Then all funds will be logged into office computer.

2. The Treasurer will be responsible to check post office mailbox and report incoming checks to director to be recorded in the office computer.

3. All funds received in office will be locked in lock box inside of locked file cabinet.

4. Treasurer will sign and date the form when she picks up the funds for deposit.

5. Banking will have only two board members with the ability to write checks. Namely the Treasurer and the Director.

6. The Treasurer will be responsible to pay the bills in due time. The Director will then take over the duties in the Treasurer’s absence.

7. The Treasurer will bring a copy of each month’s bank statement along with a balanced check book for the previous month.

8. A copy will be given to the Director and to the Board President to be shared with the Board of Directors at each monthly board meeting.

9. The Treasurer will be responsible to file a copy of the bank statement as well as the monthly utility bills that are paid.

10. The Treasurer will see that all payments made are recorded into the office computer.

_____________________________________   _____________________________
Agency Director       Date
Discussion Questions

1. **Founder’s Syndrome:** What evidence can you find in the case that the A.H.E.A.D. Coalition suffered from Founder’s Syndrome? What strategies would you suggest to this organization to help it avoid problems related to Founder’s Syndrome?

2. **Responsibilities of the Board:** BoardSource (2006) has established, “Ten Basic Responsibilities of the Board”, widely-accepted guidance on the functions and roles that must be fulfilled by the members of a nonprofit board, and provides a discussion of these responsibilities on its YouTube channel (https://www.youtube.com/playlist?list=PL9699F7062A2C2422). After viewing the videos, which responsibilities does it appear the A.H.E.A.D. board fulfilled adequately? Which may have been lacking? Recommend three steps the board should take to improve the fulfillment of their responsibilities.

3. **Leadership Capacity-Building:** Best practice suggests that the members of a nonprofit governing board, as well as the executive director and other employees participate in structured onboarding, training for their roles, and ongoing professional development. Although onboarding and training was not discussed extensively in this case, what types of training do you believe should be included, at minimum, in the required training activities of the board members? Of the executive director?

4. **Board/Executive Director Relationship:** One of the authors of this case served as both a board member and volunteer in the Coalition. She observed, “At the end of the day, [Bristol] really didn’t have a boss.” What red flags does that raise in your mind about the relationship between the board and the director as it relates to oversight and accountability? How would you describe an effective Board/Executive relationship? What changes would you recommend to the Coalition in this regard?

5. **Financial Instability:** According to the 2011 Daring to Lead Study, many nonprofit organizations suffer from “chronic financial instability” (p. 6). To what extent did the perpetrator in this case exploit this characteristic of nonprofit organizations to his own advantage?

6. **Internal Controls:** Review the excerpt from the A.H.E.A.D. Coalition’s Policies and Procedures manual found in Appendix A. What is your assessment of the quality of the Internal Controls Policies and Procedures? What is your assessment of the implementation of the organization’s Internal Controls Policies and Procedures? What would you recommend be done differently?
7. **Nonprofit Life Cycle**: Using the Nonprofit Life Cycle Diagram found at [http://www.nonprofitpathways.org/about/our-approach/nonprofit-lifecycle](http://www.nonprofitpathways.org/about/our-approach/nonprofit-lifecycle) and the nonprofit life cycle matrix found at [http://speakmanconsulting.com/pdf_files/NonProfitLifeCyclesMatrix.pdf](http://speakmanconsulting.com/pdf_files/NonProfitLifeCyclesMatrix.pdf), how would you characterize the Coalition’s life cycle? What would you have done differently during the organization’s life cycle to change its trajectory, had you been a board member? The Executive Director?

8. **Ethics**: In October of 2007, the Independent Sector convened a Panel on the Nonprofit Sector, which established *Principles for Good Governance and Ethical Practice*. Download and review the Principles at [https://www.independentsector.org/principles_guide_summary](https://www.independentsector.org/principles_guide_summary). How might the A.H.E.A.D. Coalition have used these principles to strengthen its board? Its staff? Its organization as a whole?

9. **Crisis Patterns in Nonprofits**: Reid and Turbide (2014) analyze their observations of three case studies of nonprofit organizations entrenched in crisis to describe relationship patterns that evolve between the board and staff during different phases of the crisis. Read the article and use the descriptions of the patterns to identify the three phases in the present case.

10. **Community Impact**: Much of the content of this case study was derived from news articles that ran in local newspapers over a span of several months. Consequently, the entire community became aware of the events that took place in the organizations involved. Stakeholders of the organizations were forced to consider how to proceed with support in the future. Put yourself in the shoes of a stakeholder living in the community where this case took place. How would it impact your feelings toward the organizations involved? Toward donating? Volunteering? Partnering? Seeking services? What would the organizations need to do to earn back your support?
The Rise and Fall of the Great and Powerful Nonprofit Director

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Teaching Note

Application of the Case Study to Classroom Teaching and Learning
This case study is intended for use in a classroom setting as a learning activity for upper-division undergraduate students and graduate students studying public administration and nonprofit management. Many of the examples of nonprofit fraud and embezzlement students learn about consist of a brief mention in the newspaper or on a newscast. This case study reaches deep into a community in which an individual committed fraud and theft against multiple organizations to uncover the ‘rest of the story’, including a behind-the-scenes look at how the perpetrator managed to position himself to commit the crimes. Students and practitioners interacting with this case and accompanying questions and activities will find insights into what nonprofit organizations can and should do to protect themselves from unethical and criminal practices. The case may be used over multiple course sessions, or as a cornerstone for ongoing discussion of nonprofit management addressing the following topics:

- Founder’s syndrome
- Board roles and responsibilities
- Leadership capacity-building
- Board/executive director relationships
- Nonprofit life cycle
- Financial instability
- Internal controls
- Ethics
- Crisis patterns in nonprofit organizations
- Community impacts of fraud.

Teaching Strategy
Several teaching strategies can be implemented to process this case study: use of discussion questions to lead conversations about findings; individual or group research and reporting; and process analysis. Using questions as the basis of a whole-class discussion provides opportunity for students to process the information while considering theoretical concepts within the context of a variety of perspectives. Questions with related links can be used as outside-of-class independent or group assignments in which students can access the recommended material, relate its content to the challenges within the case, and provide a written response in the form of
an essay or action plan. Questions that reference organizational processes and documents can be used by small groups or individuals to consider the facts of the case alongside the supplementary materials, analyze the effectiveness of current processes, and make recommendations for improvement.

A wealth of supporting materials accompanies this case, arranged by topic area. Instructors and students may choose to use the list as a menu of resources, or individual materials may be assigned as supplementary reading/viewing for specific questions. The authors consider four resources as particularly insightful to the case, and we recommend starting with these:

- BoardSource’s 10 Basic Responsibilities of Nonprofit Boards video collection
- Independent Sector’s *Principles for good governance and ethical practice*
- Cornelius Moyers & Bell’s *Daring to Lead 2011: A National Study of Nonprofit Executive Leadership.*
- O’Malley’s Internal Controls web tutorial

**Discussion Questions**

1. **Founder’s Syndrome:** What evidence can you find in the case that the A.H.E.A.D. Coalition suffered from Founder’s Syndrome? What strategies would you suggest to this organization to help it avoid problems related to Founder’s Syndrome?

2. **Responsibilities of the Board:** BoardSource (2006) has established, “Ten Basic Responsibilities of the Board”, widely-accepted guidance on the functions and roles that must be fulfilled by the members of a nonprofit board, and provides a discussion of these responsibilities on its YouTube channel [https://www.youtube.com/playlist?list=PL9699F7062A2C2422](https://www.youtube.com/playlist?list=PL9699F7062A2C2422). After viewing the videos, which responsibilities does it appear the A.H.E.A.D. board fulfilled adequately? Which may have been lacking? Recommend three steps the board should take to improve the fulfillment of their responsibilities.

3. **Leadership Capacity-Building:** Best practice suggests that the members of a nonprofit governing board, as well as the executive director and other employees participate in structured onboarding, training for their roles, and ongoing professional development. Although onboarding and training was not discussed extensively in this case, what types of training do you believe should be included, at minimum, in the required training activities of the board members? Of the executive director?

4. **Board/Executive Director Relationship:** One of the authors of this case served as both a board member and volunteer in the Coalition. She observed, “At the end of the day, [Bristol] really didn’t have a boss.” What red flags does that raise in your mind about the relationship between the board and the director as it relates to oversight and
accountability? How would you describe an effective Board/Executive relationship? What changes would you recommend to the Coalition in this regard?

5. **Financial Instability**: According to the 2011 Daring to Lead Study, many nonprofit organizations suffer from “chronic financial instability” (p. 6). To what extent did the perpetrator in this case exploit this characteristic of nonprofit organizations to his own advantage?

6. **Internal Controls**: Review the excerpt from the A.H.E.A.D. Coalition’s Policies and Procedures manual found in Appendix A. What is your assessment of the quality of the Internal Controls Policies and Procedures? What is your assessment of the implementation of the organization’s Internal Controls Policies and Procedures? What would you recommend be done differently?

7. **Nonprofit Life Cycle**: Using the Nonprofit Life Cycle Diagram found at [http://www.nonprofitpathways.org/about/our-approach/nonprofit-lifecycle](http://www.nonprofitpathways.org/about/our-approach/nonprofit-lifecycle) and the nonprofit life cycle matrix found at [http://speakmanconsulting.com/pdf_files/NonProfitLifeCyclesMatrix.pdf](http://speakmanconsulting.com/pdf_files/NonProfitLifeCyclesMatrix.pdf), how would you characterize the Coalition’s life cycle? What would you have done differently during the organization’s life cycle to change its trajectory, had you been a board member? The Executive Director?

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9. **Crisis Patterns in Nonprofits**: Reid and Turbide (2014) analyze their observations of three case studies of nonprofit organizations entrenched in crisis to describe relationship patterns that evolve between the board and staff during different phases of the crisis. Read the article and use the descriptions of the patterns to identify the three phases in the present case.

10. **Community Impact**: Much of the content of this case study was derived from news articles that ran in local newspapers over a span of several months. Consequently, the entire community became aware of the events that took place in the organizations involved. Stakeholders of the organizations were forced to consider how to proceed with support in the future. Put yourself in the shoes of a stakeholder living in the community
where this case took place. How would it impact your feelings toward the organizations involved? Toward donating? Volunteering? Partnering? Seeking services? What would the organizations need to do to earn back your support?

Answers to Discussion Questions

1. **Founder’s Syndrome**: What evidence can you find in the case that the A.H.E.A.D. Coalition suffered from Founder’s Syndrome? What strategies would you suggest to this organization to help it avoid problems related to Founder’s Syndrome?

   According to Edgington (2012), Founder’s Syndrome in nonprofit organizations is characterized by a concentration of power and influence in the hands of the founder, typically the inaugural executive or board chair. The mission, vision, brand and strategies have often been initiated by this individual, and those who disagree with the direction the organization is going may feel powerless to change it. In an organization suffering from founder’s syndrome, the board often acts as a rubber stamp in decision-making processes because board members have learned to depend on the founder for all strategic and programmatic decision-making.

   In this case, the second director moved the organization to its optimum level of operation, and as was illustrated by its swift decline after her departure, this dependence was evident. Once there was not a transformational leader driving the work of the coalition, the board and staff found it difficult to maintain the level of performance that had been previously achieved. Students should be encouraged to review the characteristics of Founder’s Syndrome using the accompanying list of resources and brainstorm ways in which the board could have prevented this decline, such as being more involved in strategic planning and fundraising, particularly finding ways to leverage a more diverse set of funding streams, as the organization relied primarily on grants to operate at its most productive point.

2. **Responsibilities of the Board**: BoardSource (2006) has established, “Ten Basic Responsibilities of the Board”, widely-accepted guidance on the functions and roles that must be fulfilled by the members of a nonprofit board, and provides a discussion of these responsibilities on its YouTube channel (https://www.youtube.com/playlist?list=PL9699F7062A2C2422). After viewing the videos, which responsibilities does it appear the A.H.E.A.D. board fulfilled adequately? Which may have been lacking? Recommend three steps the board should have taken to improve the fulfillment of its responsibilities.

   According to David Renz (2007), the nonprofit board of directors has three fundamental
The Rise and Fall of the Great and Powerful Nonprofit Director

Duties: the **duty of care**, exercising good judgment in the best interest of the organization; the **duty of loyalty**, acting in good faith to further the interests of the organization; and the **duty of obedience**, adhering to the mission, bylaws and policies of the organization, as well as all relevant laws and regulations (pp. 3-4). The discussion and analysis of board responsibilities suggested by BoardSource is best addressed using these three duties as a foundation.

In this case, it appears as though the board is committed to the mission and purposes of the organization, the first responsibility described by BoardSource. If students use the links to news articles included in the endnotes of the case to assess the organization’s public standing, they will find that the Coalition has established quite a positive public presence, although a majority of the articles reflect the views and activities of staff, more so than the perspectives and actions of the board. Therefore it can be assumed that beyond responding to inquiries, the board is not very active in enhancing the public standing of the organization (responsibility 10). From the information provided in the case, the board struggled to recruit and select a qualified chief executive (responsibility 2); its support and evaluation of the chief executive varied (responsibility 3) depending upon who held the position; the board appeared to depend on staff to monitor, report on and strengthen programming; and it also counted on staff to identify and pursue grant funding to provide primary support for the organization (responsibility 6). The organization had a comprehensive internal controls policy, a board agreement form that addressed ethics and a staff code of ethics, all of which can be viewed in Appendix A. However, the lack of appropriate implementation of financial controls and apparent lack of guidance and oversight on expectations for transparent and ethical reporting opened the door for misappropriation and theft, thus illustrating a lack of attention to protecting assets and providing financial oversight (responsibility 7) and ensuring legal and ethical integrity (responsibility 9). The composition of the board and its lack of consistent structure illustrates failure to build and sustain a competent board (responsibility 8). In addressing the embezzlement crisis, the board president did his best to control the damage by refraining from discussing the case publicly and when required to do so, he clearly communicated the intention of the board to “move forward in the right way”, thus setting the stage to repair the Coalition’s public standing through its transition to becoming a YSB committee (responsibility 10).

Students should be encouraged to prioritize the responsibilities that the board should address based on the history of the organization and its most pressing needs moving forward, had it maintained its organizational structure and 501(c)(3) status. First and foremost, the board must become educated on its responsibilities through a well-planned orientation and on-boarding process.
3. **Leadership Capacity-Building**: Best practice suggests that the members of a nonprofit governing board, as well as the executive director and other employees, participate in a structured orientation and onboarding process, training for their roles, and ongoing professional development. Although onboarding and training was not discussed extensively in this case, what types of training do you believe should be included, at minimum, in the required training activities of the board members? Of the executive director?

Before bringing anyone into a new role or position in an organization, whether paid or volunteer, it is critical to consider what that person will need to know in order to interact with his or her colleagues, perform the duties of the job, and adhere to established rules, policies and procedures. Accordingly, students should consider what a board member and an executive director would need to know in order to succeed in their roles. At minimum, students should surmise that any nonprofit organization should develop an orientation manual and orientation/onboarding process and ensure that the process is implemented for each new board member and each new employee that joins the organization. Many examples of nonprofit board orientation and nonprofit staff orientation manuals and plans are available online using those search terms.

Students should use the Leadership Capacity Building resource links provided, as well as course materials, to identify skills necessary for success and strategies for building the capacity of the board and executive director, then use those concepts and strategies to suggest an ongoing training and development plan for these positions. A discussion of best practices in human resource training and development may also be appropriate, which can be informed by materials available through the Society of Human Resources (SHRM.org).

4. **Board/Executive Director Relationship**: One of the authors of this case served as both a board member and volunteer in the Coalition. She observed, “At the end of the day, [Bristol] really didn’t have a boss.” What red flags does that raise in your mind about the relationship between the board and the director as it relates to oversight and accountability? How would you describe an effective board/executive relationship? What changes would you recommend to the Coalition in this regard?

The instructor can refer to the four factors that have been identified in the nonprofit literature as important to establishing a productive relationship between a nonprofit organization’s board and its executive director. As summarized by Markey and Denison (2008), these factors include

- Executive director perceptions of board engagement in the organization
• Expectations for the executive director
• Expectations for the board
• Board-executive director communication (p. 23).

These factors are reiterated and expanded upon by Cornelius, Moyers and Bell in the 2011 *Daring to Lead* study, as they suggest that consistent, comprehensive executive performance evaluation and executives’ expenditure of at least 20% of their time on board-related activity increase the effectiveness of the board/executive relationship and executive performance.

It is not clear from the case study the extent to which expectations were established for the executive director or for the board. However the fact that Bristol “tended to work one-on-one with Coalition member organizations to brainstorm new initiatives and put them into place”, he typically established and delivered the Coalition’s monthly agendas, the board was unaware of pending grant activity, and Bristol was not transparent in his communication about financial matters indicate that the board was relatively hands-off in its management of its chief executive, and the level of communication was less than effective.

Students should use the four factors to suggest strategies the organization might use to increase communication, transparency, and shared expectations of the board and executive director, such as regular informal planning and decision-making meetings between the board chair and director and board establishment of a schedule for annual performance reviews.

5. **Financial Instability:** According to the 2011 *Daring to Lead* study, many nonprofit organizations suffer from “chronic financial instability” (p. 6). To what extent did the perpetrator in this case exploit this characteristic of nonprofit organizations to his own advantage?

In the *Daring to Lead* study, chronic financial instability is characterized by an organization’s lack of operating reserves, unreliable cash flow, and dependence upon time-limited government grants and contracts (2011). These characteristics accurately describe the A.H.E.A.D. Coalition, which operated almost exclusively on grant funding and Pam’s Promise, which existed on a shoestring budget funded primarily by fundraising and inconsistent user fees. Bristol described himself as the self-appointed “savior” of both organizations as he attempted to convince investigators and the press that he used his executive authority to make decisions that would keep both organizations “afloat” through ‘creative’ financial management. He exploited what he had observed as tumultuous fiscal environments by creating a shell game to steal from both organizations. Further, Bristol spent two years watching the previous director/coordinator juggle grant
management duties, bid farewell to a number of government grants, and constantly seek new grant funding. Not having the grant writing and financial management experience of those who came before him, Bristol only saw the surface of the grants management process, large sums of money flowing in and out of the organization. With a relatively uninvolved board, little financial oversight and executive discretion to manage the financial matters of the organization, Bristol identified this process as one he could manipulate to serve as what he believed would be a perfect cover for theft.

6. **Internal Controls**: Review the excerpt from the A.H.E.A.D. Coalition’s Policies and Procedures manual found in Appendix A. What is your assessment of the quality of the Coalition’s internal controls procedures? What is your assessment of the *implementation* of the organization’s internal controls procedures? What would you recommend be done differently?

In accordance with a nonprofit board’s duties of care, loyalty and obedience, a conscientious, effective board of directors is obligated to establish and implement a stringent system of internal controls. A wealth of information is available online to guide nonprofit organizations in fulfilling this obligation. Links to two such resources are included with this case. Organizations that receive grant funding are often required to submit evidence of an established internal controls procedure to funding agencies as part of compliance with the funding agreement. The Coalition was required to do so for nearly every grant it received.

The Coalition secured the services of a financial management consultant to help the executive director create a comprehensive set of internal accounting controls procedures after securing its first federal grant. The procedures were reviewed, approved, and implemented by the board, they were deemed acceptable by a federal program officer during a grant project site visit, and they were evaluated as appropriate by the contracted CPA who completed the Coalition’s annual independent audit. The procedures, available for review in Appendix A, were used consistently through the tenures of the second and third directors/coordinators. As students consider the internal controls procedures in light of the findings of the investigation that took place in the case, they should identify implementation weaknesses and make recommendations of what should have been done differently to address the following practices:

- Cash flow management segregation of duties
- Cash receipts procedure
- Disbursements procedure
- Purchase threshold procedure
- Reconciliation of bank statement
- Gifts, bequests procedure
• Grants procedure
• In-kind donations procedure
• Payroll
• Financial reporting
• Credit cards
• Safeguarding of records

7. **Nonprofit Life Cycle:** Using the Nonprofit Life Cycle Diagram found at [http://www.nonprofitpathways.org/about/our-approach/nonprofit-lifecycle](http://www.nonprofitpathways.org/about/our-approach/nonprofit-lifecycle) and the nonprofit life cycle matrix found at [http://speakmanconsulting.com/pdf_files/NonProfitLifeCyclesMatrix.pdf](http://speakmanconsulting.com/pdf_files/NonProfitLifeCyclesMatrix.pdf), how would you characterize the Coalition’s life cycle? What would you have done differently during the organization’s life cycle to change its trajectory, had you been a board member? The Executive Director?

Students should first view the life cycle diagram and discuss the progression of the Coalition’s operations as it was described throughout the case. The organization moved through the start-up phase during the tenure of the first coordinator, who managed day-to-day operations, facilitated the work of the board and implemented core drug prevention programs (Red Ribbon Week and the mini-grant program). The second coordinator/executive director navigated the Coalition through a ‘rebirth’ as a new 501(c)3 corporation and its adolescent phase, working with the board, staff, partner organizations and consultants to expand the reach and scope of services and develop organizational infrastructure. When the organization transitioned to its third director, it was on the verge of maturity, however its reliance on unstable grant funding and lack of an established set of diverse funding streams, along with other administrative and governance challenges, rendered its operations unsustainable through the transition. The Finance Project suggests eight elements an organization must establish in order to successfully sustain itself ([http://financeproject.org/index.cfm?page=28](http://financeproject.org/index.cfm?page=28)) over the long term:

• Vision
• Results orientation
• Strategic financing
• Broad-based community support
• Key champions
• Adaptability to changing conditions
• Strong internal systems

It may be insightful to ask students to use these elements to assess which were evident and which were lacking as the organization moved through its life cycle.
The Nonprofit Life Cycle Matrix can also be used to identify key characteristics of the organization that indicate transitions through the stages of the life cycle and suggest appropriate next steps to help the organization continue to successfully evolve.

8. **Ethics**: In October of 2007, the Independent Sector convened a Panel on the Nonprofit Sector, which established *Principles for Good Governance and Ethical Practice*. Download and review the Principles at [https://www.independentsector.org/uploads/Accountability_Documents/Principles_for_Good_Governance_and_Ethical_Practice.pdf](https://www.independentsector.org/uploads/Accountability_Documents/Principles_for_Good_Governance_and_Ethical_Practice.pdf). How might the A.H.E.A.D. Coalition have used these principles to strengthen its board? Its staff? Its organization as a whole?

As has been suggested in previous questions, this resource can be used as the basis for a class discussion, or as a tool students can use as a filter to analyze the practices of the organization. Students may suggest that the resource be used as a tool for professional development for the board and staff, or as the basis of an assessment tool the organization could use periodically to ensure it is operating under the evidence-based guidance of these established principals.

9. **Crisis Patterns in Nonprofits**: Reid and Turbide (2014) analyze their observations of three case studies of nonprofit organizations entrenched in crisis to describe relationship patterns that evolve between the board and staff during different phases of administrative crisis. Read the article and use the descriptions of the patterns to identify the three phases in the present case.

Nonprofit governance and management dynamics often lead to dilemmas related to mission and managerial orientation, trust and control, and internal/external governance roles (Reid & Turbide, 2014). Acknowledgement of these dilemmas provides a valuable insight to students of nonprofit leadership and management: administrative crisis in a nonprofit organization is not necessarily the result of “bad” leadership or governance. Often it stems from a lack of understanding of the requirements and expectations of leading and managing a nonprofit organization. Sometimes in the nonprofit sector, volunteer governance defaults to an intuitive process in which well-intentioned volunteers do the best they can with the skills, time and resources they have. It is through the navigation of the phases of crisis that organizations often emerge smarter and stronger.

Students should be encouraged to read the Reid and Turbide article and consider the patterns that tend to emerge when nonprofits face such dilemmas, typically before, during, and after an administrative crisis. The first phase that often surfaces before a crisis is the board’s overwhelming pride in and support of the work staff is doing, often at
the expense of strong oversight, which key actors in the current case attest was evident before Bristol took over. Reid & Turbide term this mission-embedded managerial hegemony in which the board is “mission oriented, internally focused, and highly trusting.” (p. 170). When a board sees success, its trust in staff increases, and often control and accountability decline. This unchallenged trust and “carte blanche” oversight can lead to a decrease in staff productivity, departure from mission-focused activities, and, in the worst cases, unethical or illegal activity, such as what was seen in the present case. When the worst happens, the organization moves swiftly into crisis-induced board control, a period of “high control, managerial focus, and a more external orientation” (p. 171), in other words, circling the wagons, in which the board absolves staff of authority, confidence in staff competence declines, decision-making discretion transfers to the board, board members become involved in day-to-day operations, and the board focuses on damage control in the community. Often employees are terminated, as was Bristol as soon as the alleged crimes came to light. Once the crisis is addressed, the organization moves into negotiated balance, in which a “more complex, balanced and sustainable pattern of behavior develops gradually” (p. 173). In the present case, the Coalition board chose to dissolve the 501(c)3 corporation integrate with an established, stable organization, while Pam’s Promise’s board focused on creating systems and structures to guide more effective management and governance.

10. **Community Impact:** Much of the content of this case study was derived from news articles that ran in local newspapers over a span of several months. Consequently, the entire community became aware of the events that took place in the organizations involved. Stakeholders of the organizations were forced to consider how to proceed with support in the future. Put yourself in the shoes of a stakeholder living in the community where this case took place. How would it impact your feelings toward the organizations involved? Toward donating? Volunteering? Partnering? Seeking services? What would the organizations need to do to earn back your support?

This question requires students to address the issues of trust and transparency, two cornerstones of philanthropy and charitable service. Students may work in groups or individually to brainstorm the impact of the events in the case on stakeholder perceptions and actions, then suggest strategies the organizations should use to rebuild the relationships with different stakeholder groups. Responses should describe the establishment of a clear communication structure in each organization, opportunities for stakeholders to ask such as posting monthly meeting minutes and financial reports online.

**Related Internet and Print Resources**

Founder’s Syndrome
  
  

Responsibilities of the Board  

• BoardSource’s “10 Basic Responsibilities of Nonprofit Boards” YouTube Playlist, https://www.youtube.com/playlist?list=PL9699F7062A2C2422  
  
  
• National Council of Nonprofits Boards and Governance Tools & Resources https://www.councilofnonprofits.org/tools-resources-categories/boards-and-governance  
  

Leadership Capacity-Building  

  
  
The Rise and Fall of the Great and Powerful Nonprofit Director

Teaching Note


Board/Executive Director Relationship


Internal Controls


Nonprofit Life Cycle


Ethics

13


### Fraud in Nonprofit Organizations


### Crisis Patterns in Nonprofits