

Case Study: Misbehavior in the Non-Profit Sector

What should a conscientious employee do?

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You are an employee for Homes for All, a well-known non-profit construction company providing housing to people without financial means. To date, Homes for All is responsible for building over 10 thousand homes across the United States, providing needy and homeless families with a home of their own. You have worked for this organization for 2 years within its accounting department, giving it your all, and enjoying a deep sense of satisfaction from knowing that your work is contributing to new homes for people who would otherwise not be able to afford one. Working for Homes for All has been an incredible experience for you overall. Your work is highly rewarding and has always provided you with a deep sense of purpose. And, due to company's reputation for quality and goodwill, Homes for All attracts numerous volunteers and skilled employees, and employee morale is high. You have always appreciated the company environment, being surrounded by knowledgeable and hard-working people, and knowing that you are a part of a prestigious nonprofit organization admired by many. Thus, working for this company has been a positive experience for you and you have been proud to represent it.

Your department handles all financial management for the company, including making sure that all vendors are paid properly. One of the most important duties of the accounting department is providing an end-of-the-year financial report for the board of directors and key stakeholders. The report is important because, given that the company is a nonprofit organization, funding for new construction projects comes mainly from generous donations in the community.

While your company enjoys a good reputation, recently it has been in the news due to a brewing scandal. Reporters have been swarming the company premises, attempting to gain insight into the problem in hopes of being the first to write an article exposing misconduct. Though you have not been personally involved in any wrongdoing, according to the allegations you have heard, some employees "at the top" have been deliberately falsifying documents in order to misrepresent company financial standing.

As more information on the scandal comes to light, you learn that one of the company's donors is claiming that there are inconsistencies in the stakeholder annual report. Specifically, it appears that various personal expenses were misrepresented as being legitimate business expenditures, leading to a massive expense reimbursement scam. In fact, as the story continues to unravel, you find out that several donors and financial

supporters have been affected by the scam, with losses amounting to several million dollars.

It becomes clear to you that the company you have been working for has been involved in fraudulent financial reporting, altering financial records to steal money from loyal donors. Knowing this weighs heavily on your mind and you begin to wonder if you should continue working for this company.

Questions:

1. What are the causes of the ethical dilemma described in the case?
2. What are the potential constraints for the employee making the final decision?
3. Please describe the potential consequences of the misconduct for the organization. How might the organization be affected in the future due to this?
4. Please describe your feelings about the problem of fraudulent financial reporting discussed in the case.