NEW YORK UNIVERSITY
ROBERT F. WAGNER GRADUATE SCHOOL OF PUBLIC SERVICE

PDAM-GP 4142(001): Tools for Managing Nonprofits: Compliance, Internal Controls and Ethics

COURSE SYLLABUS - Spring 2013

Faculty: Prof. John Donnellan
john.donnellan@nyu.edu

Meeting Times: Wednesdays 4:55 – 6:35pm
January 30 – March 13, 2013

Location: Room 307
Bldg 194M
194 Mercer Street

Credits: 2 points

Pre-requisites: None

COURSE DESCRIPTION

This class will prepare the future nonprofit manager to lead a legally compliant and ethically grounded organization. As regulators, public funders and private donors increasingly expect the organizations they support to operate with the highest ethical standards, managers must have the ability to create an ethical culture within their organization and understand the risks and punishments for failing in this critical management function. This is especially true in the present climate where scandals in the public, nonprofit and for profit sectors have heightened awareness and expectations for transparent and competent management.

Using readings and case studies, students will gain an understanding of the legal and regulatory environment of the nonprofit organization. They will learn how to design an agency corporate compliance program, write the policies and procedures of internal controls and the basics of risk management. Ethical behavior and the leader’s role in creating an ethical corporate culture will be woven throughout the course content.
RELATED MANAGEMENT COMPETENCIES ADDRESSED IN THE COURSE

- The ability to understand and apply legal and ethical principles to management and policy decision-making in public and non-profit organizations (Course Focus)

Learning Objectives:

- At the completion of the course students will:
  - Have gained an understanding of the legal and regulatory environment of the nonprofit organization
  - Possess knowledge and ability to design an agency corporate compliance program, write the policies and procedures of internal controls
  - Understand and have a critical awareness of the basics of risk management
  - Understand the similarities and differences between organizational compliance and organizational ethics

LEARNING METHODS

- Teaching methods include:
  - Knowledge transfer though assigned readings, lectures and in-class discussion
  - Work/career simulation exercises through case studies (reading, analysis, in-class discussion and faculty feedback) and student team presentations
  - Skill development though reflective learning and completion of a paper which critically evaluates the performance, completeness and transparency of a nonprofit corporation.

This highly interactive elective will consist of brief faculty presentations, case studies, group discussion and selected readings. Students are expected to come to class prepared to participate in the discussion of major topics outlined for each course session. The course is of interest to all students pursuing a graduate degree and a career in public service.

REQUIRED TEXTBOOKS AND JOURNAL ARTICLES

There are no required textbooks for this course. Students are expected to read the chapters, articles and papers listed in the syllabus for each session and posted on NYU Classes.
CLASS TOPICS AND READINGS

January 30 - Session 1: Introduction to the Course: The Nonprofit Organization

The first class will introduce the content and expectations for the course. The core of this class will be a close look at nonprofit organizations, including their legal status and their tax status. We will study the duties of the nonprofit board and look at recent trends in the sector.

Readings:
- Right from the Start: Responsibilities of Officers and Directors of Not-for Profit Organizations. New York State Attorney General’s Office, Charities Bureau; 2005
- Misc. news clippings posted on NYU Classes

February 6 - Session 2: Fraud and Abuse in the Nonprofit Sector, Corporate Compliance and Internal Controls

In this class we look at fraud and abuse in nonprofit organizations including an examination of several egregious cases. We will also study the conditions that permit fraud and abuse to occur and how to establish and monitor a system of internal controls to reduce the risk of fraud and abuse.

Readings:
February 13 - Session 3: Government Audits and Inspectors General

Following up on Session 2, we will study federal audits and the role of federal and state inspectors general.

**Readings:**

- Circulars A 110, A 133 available at www.whitehouse.gov/omb/circulars/
- The Department of Health and Human Services and the Department of Justice Health Care Fraud and Abuse Control Program. *Annual Report for 2006.* Issued November 2007

February 20 - Session 4: Risk Management

We will study the practice of risk management in nonprofit organizations and how to evaluate risk.

**Readings:**

- Young DR. How Nonprofit Organizations Manage Risk. July 2006. Andrew Young School of Policy Studies, Georgia State University.

February 27 - Session 5: The Internal Revenue Service, Sarbanes Oxley and Nonprofits

This session will explore the regulatory oversight of the Internal Revenue Service and focus on the 990, the tax reporting document for nonprofit organizations. We will examine recent IRS requirements regarding nonprofit governance and discuss the risks of unrelated business income and the extent to which nonprofits are allowed to lobby and engage in political activities. This class will also examine the impact of the Sarbanes-Oxley Act on nonprofit organizations.

**Readings:**

March 6 – Session 6: Compliance, organizational culture and the leadership imperative

In this session we will examine the relationship and distinctions between organizational compliance and organizational ethics. We will explore the components and characteristics of ethical organizations and ethical leaders.

Readings:

• Bass BM, Steidlmeier P. Ethics, character and authentic transformational leadership behavior. Leadership Quarterly. 10(2): 181-217.


March 13 - Session 7: Guest Lecture:

Julie Agris, PhD, JD, LLM
Assistant Professor & Program Director of the Master of Health Administration Program
Hofstra University
Former Director of Corporate Compliance and Privacy Officer
North Shore-LJ Health System
COURSE REQUIREMENTS

Participation:

Attendance and participation in class discussion

Assignment 1:

Select a case of a compliance scandal involving a nonprofit corporation. Conduct a literature and newspaper article search (review a minimum of six articles) involving the particular case you have selected. Write a brief paper (4-5 pages double spaced) summarizing the case (who was involved; what happened; when & where did it occur), indicating the elements of the “Fraud Diamond” that were in play, what internal controls within the organization failed and how the scandal might have been prevented.

Assignment is due February 22, 2013

- Assignment will be scored based upon the following elements:
  - The paper is well written, with an organized discussion and well-backed opinions
  - The background and key elements of the case are clearly described
  - An approach for anticipating, managing and potentially decreasing re-occurrence of the situation is offered
  - The writer makes use of appropriate references

Assignment 2:

Write an opinion piece (as if writing an OP-ED for the New York Times). The theme for the piece is nonprofit transparency and performance. You should begin by selecting three nonprofit organizations to evaluate. They can be any type of 501c(3). Try not to use any organizations with operating budgets of less than $20 million.

You should then go to the Guidestar website and download their most recent 990 forms. Read the forms with a particular attention to the new governance information required by the IRS. You should also look at each organization’s website. See what information is disclosed by the organization itself – is the 990 there? What about the audited financial statement?

The third step is to check the Better Business Bureau where the organization is located and see what they say about your three organizations. You might also do a Lexis-Nexis check to see if your organizations have been in the news lately.

After completing you research, write your Op Ed piece. These pieces usually run about 750 to 1,000 words. Your Op Ed should advise the readers as to your findings about the
transparency of your organizations, and whether or not these three organizations would be good place to donate their money.

Assignment is due March 15, 2013.

- Assignment will be scored based upon the following elements:
  - The paper is well written, with an organized discussion and well-backed opinions
  - The background and key elements are clearly described
  - The paper displays evidence of sufficient research of the topic

**Overall course grade** will be calculated as follows:

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<thead>
<tr>
<th>Assignment</th>
<th>% Final Grade</th>
<th>Date Due</th>
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<tbody>
<tr>
<td>Assignment 1</td>
<td>45%</td>
<td>February 22, 2013</td>
</tr>
<tr>
<td>Assignment 2</td>
<td>45%</td>
<td>March 15, 2013</td>
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<tr>
<td>Class Participation</td>
<td>20%</td>
<td>Ongoing</td>
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**ACADEMIC INTEGRITY:**

The Mission of NYU Wagner is:

... to be a path-breaking leadership school of public service, with a faculty of thought leaders who re-frame the way people understand and act on issues of public importance, and graduates who are bold, well-prepared change makers who expertly navigate real-world complexity and produce results that matter.

Academic Integrity is vital to this mission, to education at NYU Wagner and membership in the Wagner community.

It is a core value. It forms the foundation of trust among students, and between students and teachers. Cheating has no place in our community. Academic dishonesty or other offenses against the community are not individual acts affecting only the individuals involved. Cheating violates our communal trust in each other; it is an offense against our community of scholarship. If tolerated, it undermines all we stand for. Honesty matters at Wagner, just as it does in the broader world of public service.

It is a shared value. Administration, faculty and students each play a vital part in promoting, securing and nurturing it. I invite you to visit the NYU Wagner website and review our Academic Code and Academic Oath ([www.wagner.nyu.edu/current/policies](http://www.wagner.nyu.edu/current/policies)),

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as well as the Wagner Student Association’s *Code of Professional Responsibility*. If at any time you have a question about Academic Integrity or suspect a violation of our code, seek guidance from any member of the faculty or administration.

*It is a promoted value.* It is incumbent on all members of the community to promote it, through scholarship, responsible participation in School events, assistance to other community members who are struggling with it, and by upholding the codes of the school and the Wagner Student Association.

Included below is a list of resources for understanding and avoiding plagiarism:

- "Plagiarism: What is It and How to Recognize and Avoid It," The Writing Center at Indiana University, [www.indiana.edu/~wts/wts/plagiarism.html](http://www.indiana.edu/~wts/wts/plagiarism.html)
- “Principles Regarding Academic Integrity," Northwestern University, [www.northwestern.edu/uacc/plagiar.html](http://www.northwestern.edu/uacc/plagiar.html)
- “Sources," Dartmouth College, [www.Dartmouth.edu/~sources/contents.html](http://www.Dartmouth.edu/~sources/contents.html), and [www.aug.edu/sociology/plagiarism.html](http://www.aug.edu/sociology/plagiarism.html)

**REFERENCE CITATION:**

- For research resources regarding appropriate citation of the many different sources you will use in your work, see Writing on the NYU/Wagner webpage, under "Current Students/Academic Services."
- A quick reference guide to the AMA Manual of Style is posted on Blackboard for your reference.