

## How Philly Works Public Officials and Non-Profits

Your eyebrows might have gone up over a story about an audit commissioned by the state's Inspector General that recently appeared on page one of the *Inquirer*.

The audit and the newspaper story should be thought about in a broader context: the growing concerns over the relationship between public officials and taxpayer-supported non-profits. This [HOW PHILLY WORKS](#) takes a look at that issue.

The allegations aired by the *Inquirer* involve state dollars received by the Urban Affairs Coalition, a highly-visible and often-praised city non-profit. According to the auditors, the dollars were apparently influenced, directly or indirectly, by public officials who represent the city of Philadelphia, one in Harrisburg and the other in the U.S. Congress. No charges have been brought. And the infuriated President and CEO of the Urban Affairs Coalition told *Inquirer*, and later the *Philadelphia Tribune*, that she was refused a copy of the audit and hasn't seen it.

Regardless of the outcome, the story could shed some light on how the public may perceive the connections between public officials and the non-profits they support and, in some cases, help fund – and why concerns are growing.

(For the record, the non-profit Committee of Seventy does not accept government funds.)

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### Don't non-profits do great work?

A vast majority do, by providing critical services for their communities, providing education, community development, and poverty relief (among countless other services) that government often increasingly finds too difficult or costly to do on their own.

### What's the concern then?

The concern is when a non-profit gets public money not because it's in the public's best interest, but instead in the interest of a particular public official who has strong connections to the non-profit and is in a position to direct funds its way.

### Give me some examples.

Let's start with the matter best known to most Philadelphians: former state Senator Vince Fumo is now serving time in prison after being convicted for, among other things, diverting public money to Citizens Alliance for Better Neighborhoods – the non-profit South Philadelphia community development group he created – for his personal use (including vacuum cleaners and a bulldozer).

### Weren't other state politicians convicted for similar things?

You might be thinking of Beaver County's Mike Veon, the former House Democratic party whip who was convicted for misusing state funds directed to his non-profit, the Beaver Initiative for Growth, for his personal and political benefit.

### Are there other examples closer to home?

Earlier this month, the *Philadelphia Daily News* traced \$800,000 in state grants to the church where state Representative Thaddeus Kirkland preaches, an arts center run by his wife and son-in-law and a festival he hosts. But, like the Urban Affairs Coalition matter, the story is hot off the presses and none of the participants have been the target of any investigation that we know of.

### Speaking about the Urban Affairs Coalition matter, what's that about?

It involves \$365,000 paid by UAC to two employees auditors say were put on its payroll at the request of state Representative Dwight Evans, who is close to UAC's President and CEO – with no documentation of actual work. The *Inquirer* reported that UAC also collected a management fee in connection with \$1 million in state economic development funds received by a Delaware County assisted living facility, a for-profit entity that, according to auditors, was not eligible for those funds. The facility is run by former Philadelphia City Councilman Leland Beloff, a longtime friend of U.S. Congressman Bob Brady, whose chief of staff's e-mails with UAC officials about the status of the grants drew the attention of auditors. You can read the story at:

[http://www.philly.com/philly/news/breaking/20121117\\_Nonprofits\\_spending\\_is\\_questioned.html](http://www.philly.com/philly/news/breaking/20121117_Nonprofits_spending_is_questioned.html).

### Are there other examples?

A rising trend is the number of public officials closely affiliated with publicly-funded charter schools, either by creating them or serving on their boards. The officials' commitment to improving educational opportunities is welcome news. What isn't so welcome is when failing charter schools linked to officials who make funding decisions seems to survive longer than they should.

### Are you saying public officials should stay away from publicly-supported non-profits?

Not at all. Many public officials are passionate about the causes of non-profits supported by government funds and bring great value to their success. Saying he wants to focus on workforce development, Philadelphia's Mayor Michael Nutter named himself and several top aides last month to the Board of Trustees of the city-supported Community College of Philadelphia. Former Philadelphia Mayor W. Wilson Goode and Philadelphia City Council even established their own non-profit organization, the Philadelphia Cultural Fund, to give city grants to city-based arts and cultural non-profits-groups. City Council members Maria Quiñones-Sánchez and Marian Tasco currently sit on PCF's Board.

### Isn't it a conflict of interest to sit on the boards of non-profits that get public money?

Not according to the Philadelphia Board of Ethics, as long as the public official is not compensated. But even without compensation, the public official can't represent the same

non-profit as its agent or attorney in any city transaction (e.g., negotiating a contract) unless the assistance is given “in the course of or incident to” his or her duties as a city official. If you want to see what the Ethics Board’s counsel has to say on this topic, go to:

[http://www.phila.gov/ethicsboard/pdfs/GC\\_2012\\_508\\_72412.pdf](http://www.phila.gov/ethicsboard/pdfs/GC_2012_508_72412.pdf)

### **Don’t public officials have to disclose their affiliations with non-profits?**

It all depends on whether public officials have to fill out the state, city or mayor’s annual financial disclosure forms. Officials obligated to complete the state and mayor’s forms have to disclose if they are on the Board of Directors of a non-profit. Officials obligated to complete only the city’s form do not. You can see who has to file which form here:

[http://www.phila.gov/ethicsboard/pdfs/3.9.12\\_Who%20files%202012\\_employees.pdf](http://www.phila.gov/ethicsboard/pdfs/3.9.12_Who%20files%202012_employees.pdf)

### **At least the information on the disclosure forms is a start.**

Not necessarily. Many non-profits receive financial and other intangible benefits from their close relationships with public officials. Those relationships often don’t show up on any list of Boards of Directors or in the non-profit’s tax filings. So the public is usually in the dark. Individuals affiliated with non-profits may give back to their political patrons by contributing to their campaigns. This information is public, but wading through pages of campaign finance reports take lots of digging by dogged investigators.

### **Just tell me where I can find the financial disclosure forms.**

It’s not easy. Not one of the three forms city public officials have to fill out is available online. (Not even the state’s website includes the annual state financial disclosure forms filed by Philadelphia’s public officials.) You have to go to the city’s Department of Records (Room 154, City Hall) to see the forms – even the state’s forms. You might want to call ahead to request access to the forms you want to see. The number is 215-686-2263.

### **Other than disclosure, is there a way to get a better handle on the flow of public money to non-profits?**

Some cities, and groups that study best practices surrounding the legal and ethical behavior of public officials, have come up with some controls. Seventy also recommended some ideas in its January 2009 report to the Mayor’s Advisory Task Force on Ethics and Campaign Finance Reform. See what we said here (pages 69-71):

[http://www.seventy.org/Downloads/Policy\\_&Reform/Campaign\\_Finance/Task\\_Force\\_Final\\_Report.pdf](http://www.seventy.org/Downloads/Policy_&Reform/Campaign_Finance/Task_Force_Final_Report.pdf)

### **It seems like you are just scratching the surface of a big issue.**

We are. We hope in time to be able to report on some safeguards to ensure that public funds for non-profits are given solely based on the public’s interest.

*Thanks for reading. As we always say at the end of our **HOW PHILLY WORKS**, if you have something you want to tell us, e-mail [futureofthecity@seventy.org](mailto:futureofthecity@seventy.org).*