

Case Study: The Story of “Help the World”

“Help The World” (“HTW”) is a not-for-profit, Non-governmental Organization (“NGO”) that provides aid work in various countries that have been the subject of civil wars, natural disasters or are generally under-developed. HTW receives its funding from various governmental aid organizations such as the UN, World Bank, and country specific Aid Organizations such as USAID. HTW’s founder and current CEO, Joshua Johnson, is a former missionary, with specialization in food distribution programs. He created the company in the late 70s to expand the work that he and his wife were doing because they were passionate about helping people in distressed parts of the world.

Over the years, as HTW grew, it began competing for and winning a number of lucrative aid projects in the Middle East, Eastern Europe, Asia and Africa. HWT developed a reputation for being a group that would go into the most difficult and dangerous situations and successfully fulfill their missions. As HTW won more business, it grew in size by adding staff to its Human Resources, Finance and Accounting, Legal and other administrative functions and, in particular, in Business Development.

Like many entrepreneurial nonprofits, the mission drove the leadership. People were hired as the need arose. As the company grew, functions were created such as finance, legal, and human resources. But Founder Johnson continued to make all key decisions.

As a 501(c)3, there was a legal requirement for HTW to have a Board of Directors. Mr. Johnson personally selected each board member from a group of friends and colleagues who shared his vision.

The Board of Directors is a dedicated group of experienced leaders and executives who graciously donated their time and money without compensation.

As a Board, it did provide some advice and counsel in a friendly way. But there was little audit and oversight. In fact, Mr. Johnson created the agenda for each Board meeting.

As a result, the Board has not historically provided strong oversight of the main corporate functions and activities, such as Finance, Contracts, Audit (particularly follow-up of open audit recommendations), and Human Resources management.

IT’S ABOUT WINNING PROJECTS

The Board met quarterly to review HWT’s business, any legal issues that may have arisen since the previous meeting and to discuss new business opportunities. There were no phone calls between meetings. The CEO also served as Chair of the Board. The only Board committee created was a Compensation Committee which was responsible for determining the salary and other benefits for the Founder. Over the years, the Board approved salary, significant salary increases, bonuses and an exit plan for the founder and his family. This was only fair since the Founder had established the company and had single mindedly grown the company.

When the wars in Afghanistan and Iraq started, HWT competed and won an U.S. Agency for International Development project worth \$250 million for aid contracts in diffuse lines including

food distribution, healthcare, construction, security, education and many others. It lacked expertise in many of these areas but the contracts were won through the relationships built by Founder Johnson.

Mr. Johnson later said, “Winning that contract was the best thing that ever happened to us...and the worst.”

The new revenue required the company to submit to external U.S. AID and other agency audits. And the audits were finding deficits in its management of the contracts and budget.

One government audit found submitted claims for travel and food expenses that had never taken place and for other questionable expenditures both on the contracts and in company overhead. Mr. Johnson stated that these claims were the result of poor quality leadership in Accounts Payable and sloppy record keeping by personnel.

Board members had never been briefed on the seriousness of the performance problems on some of the projects that HWT was operating. The Board had also not been briefed by the Compliance Officer about ongoing investigations or Hotline complaints in at least 3 years.

HOW DO WE HANDLE THIS AS A BOARD?

To the outside world, HWT presented a well-run, well organized entity that was mission driven.

Any scandal might jeopardize future donations and the ability to generate future grants.

The BOSTON GLOBE “Spotlight” has come out with a story in which former executives of HWT allege improprieties in HTW’s stewardship of funding, excessive spending by the founder, nepotism, and over-stating the organization’s capabilities to meet the services it proposed on its contracts, as well as other excesses by the Founder.

Following the Globe story, one agency which had funded some of the HWT contracts asked for a meeting to address the issues raised in the story.

The Board has called for an executive session and asked the CEO/Founder to excuse himself. The Board then created an Action Committee to address the issues raised. An outside consultant was brought in to assist the Board in creating an action plan to remediate any systemic issues identified.

AFFILIATED MONITORS, INC.

Vincent L. DiCianni, President

Email: VDICIANNI@AFFILIATEDMONITORS.COM