



Mpls. nonprofit spent taxpayer money on lavish trips, audit finds

Article by: Alejandra Matos

Star Tribune

September 22, 2014 - 6:30 PM

Leaders of a Minneapolis nonprofit that serves low-income residents used taxpayer money to pay for a celebrity cruise and trips to Palm Beach and the Bahamas, according to a recently completed state audit.

Along with the trips, the audit by the state Department of Human Services found that the nonprofit's leaders spent public money on bonuses, golf, spa treatments, furniture, alcohol and even a personal car loan.

The audit concluded that the organization's longtime chief executive, Bill Davis, misspent hundreds of thousands of dollars from 2011 to 2013.

"It was deeply concerning how the dollars are being used," Chuck Johnson, DHS's deputy commissioner, said in an interview with the Star Tribune. "These are funds that are intended to serve low-income people, and they are entrusted to these agencies to make wise decisions about using those dollars."

Davis said his group, Community Action of Minneapolis, sent the state 112 pages of information in early September challenging some of the audit's findings. He said in an interview that information has been "totally ignored" in the final report.

"I've been here for 24 years," Davis said. "I'm well aware of my responsibilities. I wouldn't be elected to national boards if I was doing things I shouldn't be doing."

The unusually critical audit throws in doubt future funding for a high-profile group that doles out federal and state aid to low-income families for heating assistance, weatherizing homes and providing services aimed at teaching self-sufficiency.

Community Action had an \$11 million budget in fiscal year 2011, with over half of its revenue coming from government grants.

The audit's findings put Community Action at risk of losing at least \$2.8 million in aid. Johnson said the organization might be to pay back more than \$870,000 that was misspent. "There were decisions made about how dollars were spent that are quite frankly pretty egregious," Johnson said

Auditors blamed Community Action's board, which includes several well-known politicians and community leaders, for a lack of oversight and for personally benefiting from \$34,892 worth of activities that "do not appear to serve a business purpose, and are considered waste and abuse as defined in state policy."

Those activities included two weekend trips, between 2011 and 2013, to Arrowwood Resort in Alexandria, where board members and senior management spent \$9,000 for lodging, \$3,200 for food and \$900 for spas.

Davis defended the trips as a "small gesture on our part to offer them a moment of relaxation or entertainment. It's not like we do this every single week of the year."

The state's conclusions about the board give the "illusion that our board members are asleep at the wheel," he said. "We find that appalling."

Board members during the period audited included state Sen. Jeff Hayden, U.S. Rep. Keith Ellison, Minneapolis City Council President Barbara Johnson and City Council Member Robert Lilligren.

Johnson, Johnson and Lilligren all say they didn't attend any board meetings or financially benefit from serving on the board. They each appointed board representatives to serve on their behalf.

Ellison spokesman Mike Casca said the congressman serves only in a honorary capacity. "Rep. Ellison attended no board meetings and reviewed no financial statements," he said in a statement.

Hayden also appointed an alternate board member — his wife, Terri. Board members say the couple were in attendance at Arrowwood retreats.

Hayden said he is reviewing the audit and declined to comment.

Johnson said she has always assigned a representative to the board. "It's disappointing when this sort of thing happens," the City Council president said.

This is not the first time that an audit has found issues with Community Action's spending. A 2012 audit by the state's legislative auditor singled out \$1.35 million given to households that were not eligible for emergency benefits. Community Action paid a \$100,000 fine to the federal government.

Board signed off

Board member Manuel Rubio said in an interview that he believed the board did an adequate job of asking questions about spending, but admits that "not everything was clear to me." He also said he disagreed with the decision to approve more than \$36,000 for a personal loan for Davis to buy a car.

"Not everything was agreeable to me, but I was only one member of that board," said Rubio. He is the only board member who agreed to comment on the audit's findings.

Davis said he bought the car after the board decided to pay him an auto allowance rather than lease a vehicle on his behalf. He said the loan will be repaid by the end of this year.

"We provided the state with evidence that that was not paid with federal money, but they chose to put that into the report," Davis said.

The board also authorized at least \$10,000 for Davis' trips to Palm Beach; Washington, D.C.; California; Virginia Beach; San Diego; New Orleans; Baltimore, and Fort Lauderdale.

Davis said the trips were to attend conferences or conventions. He said he serves on three national boards that meet once every quarter.

On the trip to the Bahamas, the organization paid the airfare for Davis and a personal friend. The organization also paid his cellphone roaming charges during the trip.

Davis said the Bahamas trip was for a Ben & Jerry's franchise convention to speak about running a youth training program out of an old Ben & Jerry's on Washington Avenue.

"The individual that accompanied me was my fiancé," Davis said. "My board had provided a provision that allows me to take a family member on one trip a year to promote family."

In 2012, the board also approved a \$17,624 bonus to Davis, three times the amount allowed by state guidelines, according to the audit.

Davis made \$273,060 in salary, bonuses and deferred compensation in 2011, according to the most recent tax records.

Declining results

As questionable spending and travel increased, state auditors became concerned that Community Action became automatically less effective.

A letter sent to Community Action last January cited the group's declining effectiveness, "including the recent proposal that indicates the lowest outcomes delivered by Community Action of Minneapolis in recent history," according to the audit.

One program funded by DHS helps people obtain jobs through Community Action training. The audit found that there was an 85 percent to 96 percent drop in the number of participants who landed a job.

DHS's audit office decided to investigate because of concerns by state workers over the growing administrative costs within Community Action.

There are 26 community action groups across the state. Administrative costs typically account for 15 percent of their budgets. Community Action spent 54 percent of its budget on administrative costs, according to the audit. Even more concerning to auditors, the organization proposed spending 68 percent of its total budget on administrative costs for the 2014-15 fiscal year.

Davis defended his financial management, saying the organization has been audited by a private accounting firm and that federal auditors did not turn up issues in the past.

"The fact of the matter is we continue to provide a quality and needed service to low-income people in this community," Davis said. "We have a great staff. We have a great board. They understand the importance of this job and the people we are serving."

Alejandra Matos • 612-673-4028 • Twitter: @amatos12

© 2014 Star Tribune