

## Nonprofit Skimming Money in Arkansas

While nonprofit organizations are admirable and charitable because they serve some purpose that benefits society, some nonprofits let greed get the best of them. Preferred Family Healthcare—formerly operating in Arkansas as Alternative Opportunities—is one such nonprofit.<sup>1</sup>

Preferred Family Healthcare (hereinafter, Preferred Family) is a nonprofit organization located in Missouri, Oklahoma, Kansas, Arkansas, and Illinois.<sup>2</sup> Preferred Family was formed to aid families in dealing with behavioral health issues, by providing services such as substance abuse treatment or mental health services.<sup>3</sup> The organization is funded through government payments, private donations and grants. The organization received over \$620 million through Medicaid reimbursements and an additional \$50 million through grants.<sup>4</sup>

Alternative Opportunities merged with Preferred Family in 2015. Only the locations formerly known as Alternative Opportunities, all located in Arkansas, are a part of this investigation.<sup>5</sup> It appears that all locations in Arkansas have been shut down for “transition.”<sup>6</sup>

Preferred Family has committed many financial crimes. First, three company executives skimmed nearly \$1 million dollars “in a political influence-peddling scheme” that crept all the way to Congress.<sup>7</sup> Second, Preferred Family is linked to a kickback scheme from Arkansas General Improvement Fund. The kickback scheme also involved Ecclesia College and former state Senator Jon Woods. Third, a former board member, Donald Andrew “D.A.” Jones, embezzled almost \$2 million from the organization. He pled guilty in June of 2017.<sup>8</sup>

The first and third of the crimes are interrelated. The money that was embezzled was used to finance lobbying and to contribute to political campaigns. The plea agreement stated that the backdoor lobbying was in order to receive more federal and state support for the organization—specifically, more donations and taxpayer funds.<sup>9</sup> For example, Preferred Family used the influencing-peddling scheme to receive federal money after the 2011 Joplin Tornado. D.A. Jones, conspiring with at least four other members, stole from the organization from April 2011-January 2017.

This story broke almost a year ago in December 2017. A handful of changes have happened since then. First, \$400,000 of grants were returned to Northwest Arkansas Economic

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<sup>1</sup> Doug Thompson, *Nonprofit funds milked for lobbying; 2 in Arkansas said to be involved in scheme*, ARKANSAS DEMOCRAT GAZETTE (Dec. 19, 2017), <https://www.arkansasonline.com/news/2017/dec/19/filing-nonprofit-funds-milked-for-lobby>.

<sup>2</sup> *Services*, PREFERRED FAMILY HEALTHCARE (2018), <http://www.pfh.org>.

<sup>3</sup> *Services*, *supra* note 2.

<sup>4</sup> Thompson, *supra* note 1.

<sup>5</sup> Thompson, *supra* note 1.

<sup>6</sup> *Services*, *supra* note 2.

<sup>7</sup> Influence-peddling is people of power using their influence in government to receive favors or good treatment. It's usually conducted through bribery. Neil Irwin, *Degrees of Influence Peddling in China and U.S.*, N.Y. TIMES (Apr. 23, 2014), <https://www.nytimes.com/2014/04/24/upshot/how-influence-peddling-in-us-and-china-can-merely-be-a-difference-in-degree.html>.

<sup>8</sup> Thompson, *supra* note 1.

<sup>9</sup> *Id.*

Development after the investigation began. Second, the chief operating officer and chief financial officer of Preferred Family have resigned. An unnamed executive was put on administrative leave. Third, D.A. Jones named many people and organizations throughout Missouri, Arkansas, and Oklahoma in his plea agreement, and they are currently being investigated. D.A Jones even hand-delivered the contribution checks to the congressmen in his pocket. Finally, one member of the scheme committed suicide after pleading guilty for embezzlement.<sup>10</sup> The lesson learned is even if you believe your nonprofit organization is doing great things and could do incredible things with more money, do not influence-peddle and do not embezzle!

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<sup>10</sup> *Id.*