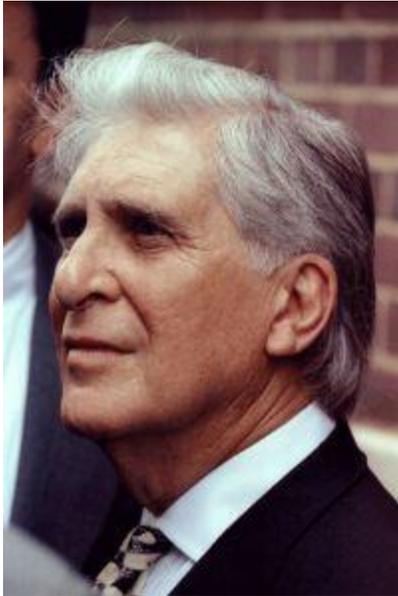


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The Death of a Flamboyant Charity Wrongdoer Sends a Reminder to Regulators



Luc Novovitch/Reuters/Newscom

William Aramony, the influential executive who built the United Way of America into a charity powerhouse but fell from grace amid fraud charges and an affair with a teenager.

By Pablo Eisenberg

The death this month of William Aramony, who spent six years in jail for misusing more than \$1-million in United Way of America money when he served as its chief executive, is a reminder of the time when nonprofit miscreants were larger than life, their careers marked by tremendous energy and panache compared with the current crop of unexciting executive frauds.

Mr. Aramony got into nonprofit work in 1954 as an earnest and creative local United Way administrator in South Bend, Ind., where he was a much admired figure, and then moved on to executive posts in Columbia, S.C., and Miami.

Flamboyant and hard-driving, he quickly established a reputation as an outstanding fund raiser and ardent spokesman for local charities. His skills did not go unnoticed at the national level. In 1970, he

was appointed chief executive of the United Community Funds and Council of America, an organization he quickly renamed United Way of America.

His drive, ambition, and organizational moxie enabled him to establish a strong national network of more than 2,100 independent units supporting some 47,000 charities, including the American Red Cross, Salvation Army, and a host of social-service organizations, with a total annual budget of more than \$3-billion at the height of his leadership.

To assure his power and influence over the network, he handpicked the people nominated to head many of the largest 50 affiliates. He forged strong ties to the National Football League, thereby enhancing the prestige and fund-raising capacity of United Way's headquarters and affiliates.

Few people in the nonprofit world were willing to challenge the United Way's policies and practices. When they did, he was not above using a little intimidation and muscle.

In the early 1980s, when the newly formed National Committee for Responsive Philanthropy, of which I was a founder and chair, started an attack on the United Way's monopoly of workplace-giving campaigns, he summoned me to his office to warn the committee and me to back off our position. Two of his muscular henchmen—aides he called them—stood menacingly in the room as he made his demands, which the committee ignored.

Yet under his direction, the national network expanded rapidly. The national headquarters provided the local affiliates with management advice and training as well as solid help on fund-raising strategies. His public-relations efforts put United Ways on the map and made them the darlings of the philanthropic world.

As his reputation and influence grew, so did his salary and benefits. In the years before the scandal broke, his official compensation exceeded \$460,000, a princely sum for a nonprofit executive at the time. And that amount did not include all the other funds he illegally extracted from United Way pots to underwrite his lavish way of life.

Armed with a pliant board, largely full of corporate chief executives with whom he socialized, Mr. Aramony strode across the nonprofit stage flaunting his authority, influence, and arrogance like few others before him. He didn't try very hard to hide his numerous mistresses, his luxury-laden trips both in the United States and abroad, and his disdain for responding to his critics and inquisitive reporters. Many members of his staff were aware of his peccadilloes, opulent tastes, and excessive expenditures, but few, if any, complained. For them, he was "the man."

But he had a lot of company in the rogues' gallery of "nonprofiteers" at the time.

- John G. Bennett, a businessman from the Philadelphia area, created in 1989 one of the largest nonprofit Ponzi schemes on record, embezzling more than \$135-million from some 1,100 donors including nonprofit organizations. His New Era Philanthropy solicited donations ostensibly for charity from friends, promising enormous returns to them, funds he told them would come from secret investors matching their money. After the scheme imploded, an investigation revealed that Mr. Bennett had pocketed at least \$8-million for himself. Mr. Bennett received a jail sentence of 12 years.
- Benjamin Chavis, the flashy executive director of the NAACP, was fired in 1994 after a year on the job when he used a large amount of the organization's money to settle a sex-discrimination lawsuit against himself. NAACP leaders also accused him of mismanaging NAACP funds and creating the organization's deficit of \$3.8 million.
- Frank L. Williams, the charismatic head of the American Parkinson's Disease Association, embezzled more than \$1-million over seven years in the '80s and '90s because he said that his salary of \$109,000 a year was not comparable to that of other charity colleagues.
- The trustees of the Bishop Estate in Hawaii, created to provide for the education of Hawaiian children, were accused by the state's attorney general of gross corruption, diverting \$350-million from the principal purpose of the estate, accepting excessive compensation for their services, mismanaging the estate, and receiving kickbacks from real-estate transactions. A judge removed four trustees from the board, and the estate had to pay the Internal Revenue Service \$9-million to retain its tax-exempt charitable status.

Today's nonprofit scandals don't match up to any of those.

In the case of Mr. Aramony, his lavish expenditures included gambling trips to Las Vegas, the purchase of an expensive apartment in New York City and a condominium in Miami, Concorde flights to Europe, and extravagant expenses for a 17-year old mistress. He also received personal payments from spin-off companies he created as his personal cash cows.

Thanks to the combined investigative work of both *Regardie's* magazine and *The Washington Post*, his profligate days came to an end. Investigations by the FBI, Internal Revenue Service, and Postal Service revealed the extensive range of his corruption.

The lesson of the Aramony scandal was that the United Way board shared responsibility for what happened. Board members never exercised their authority to oversee the affairs of the organization

or its CEO, preferring instead to treat Mr. Aramony as one of their golfing partners. They, too, should have been punished and dismissed.

Board laxity was a factor in most of the nonprofit scandals that occurred during those times, as was the reluctance and tardiness of the IRS to conduct oversight activities.

A lack of oversight by federal and state regulators, as well as nonprofit boards of directors, continues to undermine the integrity of nonprofit organizations. The fact that today's nonprofit scoundrels are much less conspicuous and flamboyant than their past colleagues means that many of them are flying under the public's radar screen and that of the regulators. They are much less interesting and exciting than past rogues and thus perhaps less worthy of attention.

For all his accomplishments and gross misdeeds, William Aramony provided us with a flair and élan that is lacking today. He and his old colleagues were the Jesse Jameses of nonprofit America: never dull, always exciting. In an odd way, we shall miss him.

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