Nonprofit Ethical Case:

Creating Lemonade out of Lemons: A Road to Rebuilding Trust.

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Facts

• United Way provides support and important services to the community.
  – These services include substance abuse counseling, crisis intervention, job training and placement, disaster relief, and literacy programs.

Mission statement: To increase the organized capacity of people to care for one another.

The United Way of America (UWA) is the National Service and Training Center for community-based United Ways. (The national branch does not raise or appropriate money.)

• Rather, it furnishes the community-based United Ways with marketing support, national resources, administrative and personnel programs, and computer software, and it acts as a liaison with other charities.
Summary

Video:  https://www.youtube.com/watch?v=hgqQLTXRSXE  (Video starts at 4:08-5:00)

**February 1992:** United Way under scrutiny after the Washington Post and Regardie's Magazine published an article claiming misconduct by William Aramony, the president of the organization.

Claims Made:
1. Mismanagement
2. Aramoney’s yearly salary of $463,000 with benefits
3. Inappropriate use of funds for travel and personal use (i.e. chauffeurs and expensive condos),
4. Hiring friends and family
5. Creation of for-profit “umbrella” companies.
United Way of America Scandal Timeline


April 1992: United Way opens internal investigation

Jan. 1993: Elaine Chao appointed new CEO

April 1995: William Aramony convicted of defrauding UWA $600,000. Begins seven year prison sentence

1996: Aramony sues UWA for pension benefits. Awarded $4.4 million

Sept. 2001: Released from prison after only 6 yrs. Lawsuit from UWA cut his retirement award to just under $8000

UW sues Aramony saying he already gained $2.02 million from the salaries and funds he stole during his time there
Compliance

Compliance Issues:
• The compliance issue of the organization stems from the lack of defined rules and procedures.

1. Mismanagement of United Way
   • Staff and Management did what they wanted. Personal gain.
2. Aramoney’s yearly salary of $463,000 with benefits.
   • There was not a legal issue, when it came to his salary, more of an ethical one
3. Inappropriate use of funds for travel and personal use (chauffeurs and expensive condos)
   • There were not strict guidelines of what what managers should and shouldn't do with funds.
4. Hiring friends and family.
   • Conflict of Interest procedures were not in place.
Individual Responsibility

- President William Aramony
- Board of Directors
- Accountant and Financial Director
- Senior Vice President

Sure glad the hole isn’t at our end.
Organizational Responsibility

• The lack of Board member involvement
  –Board members only meet once a year (if more involvement, the president would have been monitored more.)
• Conflict of Interest issues
  –It is hard to call out family and friends when they are doing something wrong than it is someone that is just out boss.
• Staff and Volunteer reporting systems
Systemic Responsibility

- Culture of corruption
- Lack of financial accountability
Stakeholders Analysis

1. The Scandal had an effect on; employees, Board of Directors, volunteers and the constituents United Way was serving.

Loss of trust from the their stakeholders and community
– The fund-raising results for United Way of America were not outstanding in 1992. Donations decreased 3.3 percent compared with those collected in 1991.
Alternative Solutions

Board members should meet more than once a year

Analysis of organization’s financial documents at each meeting

Create a better ethical environment
Questions

Question 1: Had United Way included a conflict of interest policy in their bylaws, do you think this scandal could have been preventable?

Question 2: Was UWA wrong to stand behind Aramony at the beginning of the scandal? Do you think this stance caused further damage to the organization’s credibility?

Question 3: Why do you think the board was unaware of Aramony’s misconduct?

Question 4: What would your first steps be as the new President of United Way?

Question 5: Do you think United Way took the appropriate steps in regaining back their credibility?

Question 6: What would you have done differently?
Resources

- **Office of the Attorney General**
  455 Golden Gate Avenue, Suite 11000
  San Francisco, CA 94102-7004
  Phone: (415) 703-5500

- **IRS Office San Francisco**
  450 Golden Gate Ave.
  San Francisco, CA 94102
  Phone: (415) 553-8990

- United Way website: [https://www.unitedway.org/](https://www.unitedway.org/)