

Nonprofit Ethical Case:

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

Lense Eshete and Elizabeth Silva

NPA 601: NONPROFIT ETHICAL LEADERSHIP

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Prof. Marco Tavanti. Ph.D

# 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. Aramony'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

11 days after  
exposé released,  
Aramony resigns

Jan. 1993:  
Elaine Chao  
appointed  
new CEO

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

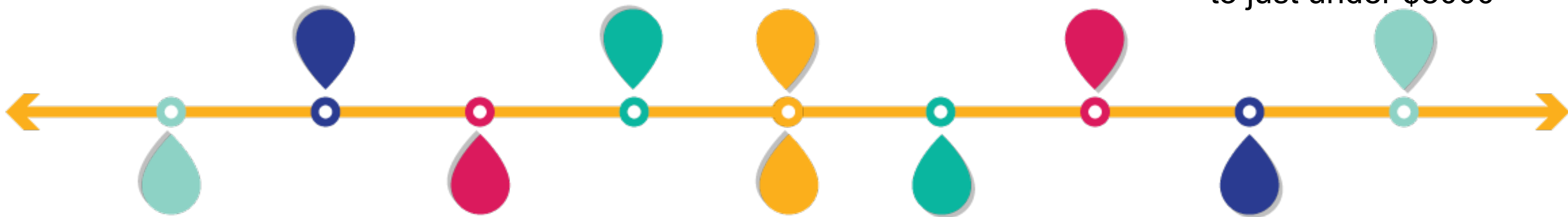
Sept. 2001: Released  
from prison after only 6  
yrs. Lawsuit from UWA  
cut his retirement award  
to just under \$8000

Feb. 1992:  
United Way  
scandal breaks

April 1992:  
United Way  
opens internal  
investigation

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

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



# Compliance

## Compliance Issues:

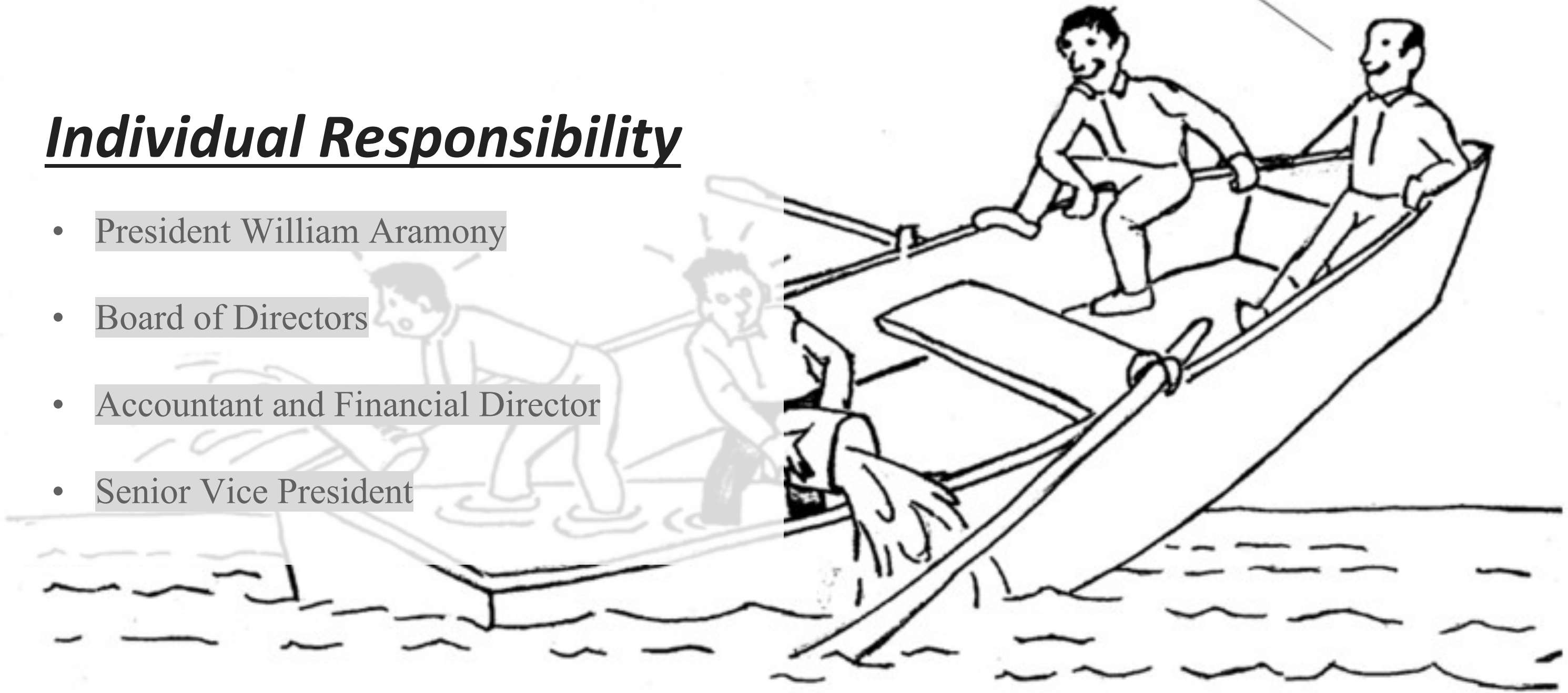
- The compliance issue of the organization stems from the lack of defined rules and procedures.
1. Mismanagement of United Way
    - Staff and Management did what they wanted. Personal gain.
  2. Aramoney's yearly salary of \$463,000 with benefits.
    - There was not a legal issue, when it came to his 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.



Sure glad the hole isn't at our end.

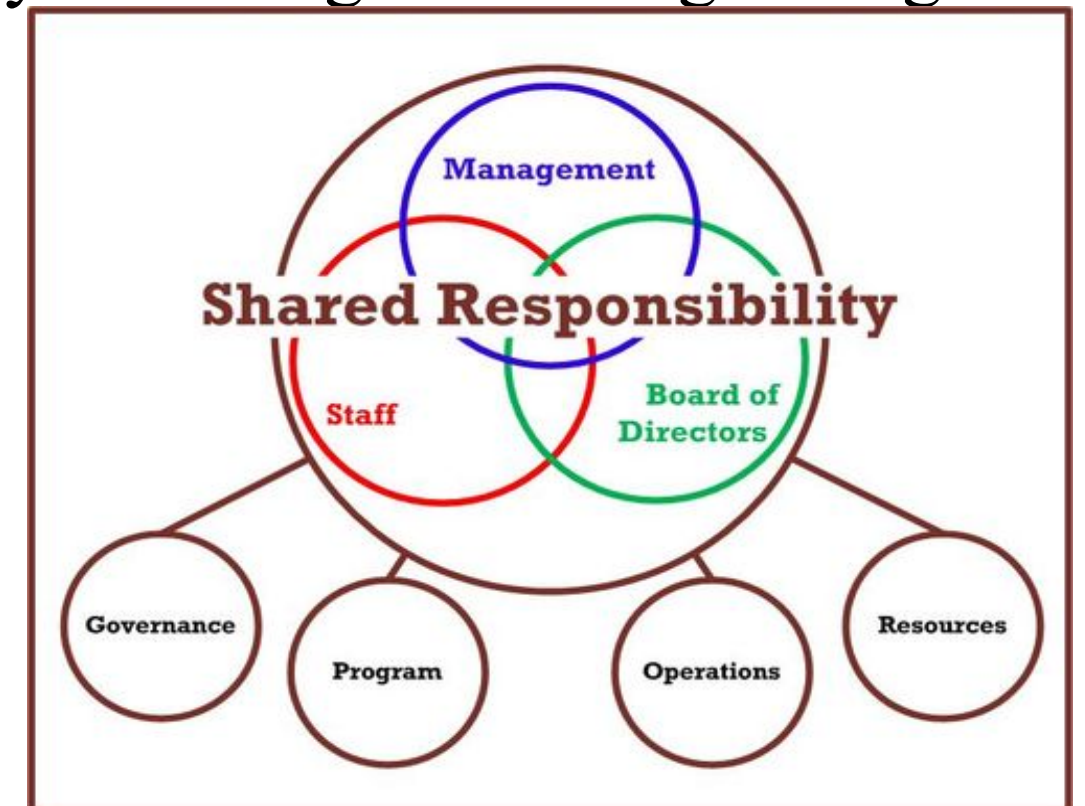
## **Individual Responsibility**

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



# 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/>
- T. (2017, February 26). 10 Charity Scams You Need To Know About (Covenant House, United Way And More). Retrieved October 23, 2017, from <https://www.youtube.com/watch?v=hgqQLTXRSXE>
- Anon, (2017). [online] Available at: <http://prpractices.com/retired-Cases/Standards,%20Ethics,%20and%20Values.pdf> [Accessed 23 Oct. 2017].