

The IRS Failure with Jack Abramoff's Philanthropy

by Rick Cohen
The Nonprofit Quarterly
January 2006 issue

As Jack Abramoff fingers the beneficiaries of his corrupt largesse, the Justice Department seems to have come up "one short" in its accounting of suspect accomplices. It's not Ohio Congressman Bob Ney, who may well get his own very soon, nor is it Tom DeLay, who already has his own set of court appointments, nor even a variety of other members of Congress-and maybe the Administration too.

No, the Justice Department should have looked to Treasury and the IRS for dereliction of duty concerning oversight of Abramoff's pernicious use of philanthropy as a working component of his multiple mechanisms of spreading favors to politicians, associates, and himself.

One of Abramoff's instruments was a charitable institution, the Capital Athletic Foundation (CAF). Between 2000 and 2003, the foundation distributed or spent close to \$6 million in tax exempt funds ostensibly to promote athletic and educational development. Perhaps the golfing trips to St. Andrews in Scotland for Ney in his capacity as chair of the House Government Operations Committee in the company of General Services Administrations staff counted as building the athletic skills of underdeveloped Congressmen. Perhaps it really was the byproduct of exercise and fresh Scottish air that an Israeli telecommunications company that Abramoff represented as a lobbyist gave \$50,000 to Abramoff's foundation which paid for the Ney trip and then happened to land the Capitol Hill wi-fi contract.

The Capital Athletic Foundation actually operated into 2003, handing out some tiny \$500 grants to Boy Scouts in Irving TX, the Jewish Community Center in Rockville, MD, and the Washington

Tennis Education Foundation in Washington, DC as camouflage for some of the most questionable philanthropic grantmaking imaginable. Among the beneficiaries of its largesse in either grants or contracts were a religious school Abramoff founded and chaired in Rockville, Maryland (receiving the amazing totals of \$1.87 million in 2002 and \$2.37 million in 2003); the politically right wing program Toward Tradition (plus additional contracting fees for the organization's founder, Rabbi Daniel Lapin); and sniper equipment and training for a school in Israel called Kollel Ohel Tiferet whose very existence appears to be in question.

Where was the Internal Revenue Service in all of this? CAF's IRS Form 990PF reports grants of more than \$4 million to Abramoff's Eshkol Academy, but IRS monitors, if they read the report at all, simply checked off the submission and didn't question why a bunch of \$500 grants were so overshadowed by the grant to the school that Abramoff controlled, which happened to be where his children went to school. No one noticed something odd? Apparently not.

They didn't seem to question the sniper purchases either. Most of the commentary about Abramoff's pernicious shenanigans have focused on his vicious abuse of various Indian tribes whose political and philanthropic contributions to and through Abramoff were used in ways that the tribes-to be sure-never contemplated. But the November 2 hearings of the Senate Indian Affairs Committee exposed more than misuse of the tribes' efforts to influence politicians legislating casino gambling rights.

Committee Chair, Senator John McCain and then Senator Byron Dorgan grilled the woman who served as the tax advisor to lobbyist Abramoff in his operations on perhaps the most unusual of CAF's activities, the grant to the unknown school in Israel for sniper equipment and sniper training. She explained how she consulted other experts to conclude that the sniper-package was a "permitted distribution" of the Capital Athletic Foundation. Her motivation, she said, was "to square it so we don't screw up the foundation."

Tracking the expert's various justifications, Senator Dorgan burst out in exasperation that in terms of the legality of the Capital Athletic Foundation's grants, "there wasn't much that wasn't permitted in these transactions...[that] it looks like the sky was the limit."

Senator McCain's angry conclusion that the Capital Athletic Foundation grants for sniper equipment and other purposes "didn't pass the smell test" addressed the substance of Abramoff's purported philanthropy, not the specific legality of the grants or the conflicts of interest in his foundation's operations.

Maybe the IRS might have found something to sniff around if they had noted that some of the grants seem to have never been disbursed. Alleged grantees such as PTACH (a Jewish children's services group in Brooklyn, awarded \$300,000); Chabad Lubavitch (a Hasidic-oriented center in Potomac, Maryland, slated to receive \$20,000); the Waldorf School (a tiny private school in Atlanta, granted \$6,000); and Taylor University (an evangelical Christian college in Fort Wayne, Indiana, to have received \$5,452) claim to have never seen the promised philanthropic support. Where was IRS in all this? As long as Capital Athletic's reports stated that they had made the grants, that was good enough for the IRS? Or maybe these groups are distancing themselves from Abramoff's corrupt philanthropy as fast as their public information offices can advise them to go, or maybe their record-keeping is as faulty as the Capital Athletic Foundation's grantmaking? The IRS seems to have been MIA regarding Abramoff's philanthropic distributions.

Maybe the IRS had nothing to pursue concerning the Foundation's grantmaking for activities such as a memorial dinner for Angolan rebel leader Jonas Savimbi; the purchase of a house in Silver Spring, Maryland under the name of another Abramoff-run corporation; and two Zamboni ice-clearing machines for the Eshkol school that even Abramoff's own emails described as a "front group." Maybe IRS could not figure out how these and other expenditures failed to address the Foundation's mission of providing help for "needy and deserving" sportsmanship programs.

To further feed the IRS's lethargy on investigating and punishing the CAF, there were the leaders of the top foundation trade associations and their heavily lobbied allies in Congress who combined forces in 2003, 2004, and 2005 to avoid any and every effort to toughen the laws and bolster IRS's oversight capacities to stanch the misuse of philanthropy and charity by the likes of Abramoff.

In fact, the national trade associations of the foundation and nonprofit sector have been studiously silent around the Abramoff controversies, even though information about the Capital Athletic Foundation's questionable operations was known in 2003 and 2004. The philanthropic sector's long-touted self-regulatory prowess seems to have been as invisible as the corporate sector's self-regulation against the abuses of Enron, Tyco, Adelphia, and others.

Might it have been because the foundation lobbyists recruited Abramoff's friend and additional St. Andrews golfing enthusiast, House Majority Leader Tom DeLay, to intervene and overcome potential restrictions on foundation expenditures in the Charitable Giving Act of 2003? Might it

have been because a national nonprofit trade association has buddied up to Pennsylvania's Rick Santorum in 2004 and 2005 to thwart new charity oversight rules being considered by the Senate Finance Committee-and who knows how close Santorum might be to the gaggle of Republicans that Abramoff has recruited through the constellation of gifts and favors embedded in the Justice Department indictment?

The Justice Department indictment and Abramoff's plea bargain are incomplete. In his plea bargain, Abramoff acknowledges having used the Capital Athletic Foundation to evade taxes on his own income and having diverted CAF funds for personal and political uses that had not a scintilla of connection to charity and philanthropy. But there was much more that could have and should have been caught if the IRS and the supposedly self-regulating philanthropic trade associations weren't apparently asleep at the switch.

About the Author

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