

How to Prevent Politicians From Misusing Charities

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Members of Congress, lobbyists, and much of official Washington have been bracing for fallout over the scandal involving Jack Abramoff, the Washington lobbyist who lavished favors on lawmakers and is cooperating with prosecutors after pleading guilty to corruption charges.

Politicians have grown so worried about their reputations that they are donating to charities many of the campaign contributions they received from Mr. Abramoff and his associates.

But that windfall should not get in the way of the real damage that Mr. Abramoff has done to the reputation of the nonprofit world. Mr. Abramoff mingled his campaign, lobbying, and personal interests using a series of charitable entities that he hoped would provide camouflage and anonymity for questionable activities. If anybody wants to be cynical about how easy it is to manipulate a charity for nefarious purposes, they need only look to Mr. Abramoff's dealings.

A hint of the problem could be perceived in a November hearing by the Senate Indian Affairs Committee that was ostensibly aimed at exposing how Mr. Abramoff persuaded Indian tribes to make illegal contributions to influence politicians who would be casting key votes on casino-gambling legislation.

Questions for one of Mr. Abramoff's associates rapidly veered into the unusual operations of the lobbyist's philanthropic venture, the Capital Athletic Foundation. Lawmakers asked Mr.

Abramoff's associate - described as his tax adviser - about perhaps the most unusual of the organization's activities, the foundation's grant to a school in Israel for sniper equipment and sniper training. The tax adviser explained that she had consulted other experts to conclude that the sniper money 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 justifications of what the foundation did with money intended for charitable causes, Sen. Byron L. Dorgan, Democrat of North Dakota, burst out in exasperation that "there wasn't much that wasn't permitted in these transactions. ...It looks like the sky was the limit."

Sen. John McCain, Republican of Arizona, concluded that the Capital Athletic Foundation's grant making "didn't pass the smell test."

Therein lies the danger of Jack Abramoff's philanthropic sideline. From 2000 to 2003, the Capital Athletic Foundation, whose sole trustees were Mr. Abramoff and his wife, served as one of several tax-exempt instruments abused by Mr. Abramoff.

The Capital Athletic Foundation's mission looks almost like satire in light of what has been revealed by the news media in the past year.

According to information the foundation supplied to the GuideStar Web site, the organization's purpose was "to foster character development by promoting the American ideals of sportsmanship" and to encourage "integrity, honor, brotherhood, morality, leadership, and good citizenship."

The foundation pledged to make grants to "support programs and activities that develop sportsmanship, particularly for disadvantaged populations."

But when the foundation in 2002 paid for a Scotland golfing trip for several lawmakers, lobbyists, and Bush administration officials, it is hard to imagine that it did so because the participants were disadvantaged people getting to practice sportsmanship.

One of the participants was Bob Ney, the Ohio Republican who is now stepping aside temporarily from a powerful House position because of the Abramoff affair.

Mr. Ney has been accused of influencing the awarding of a Capitol Hill wireless network contract to an Israeli telecommunications company that had donated money to the Capital Athletic Foundation, probably at the behest of Mr. Abramoff, who represented the telecommunications company.

The foundation-sponsored trip was a bargain for the wireless company: It donated \$50,000 to the charity for a trip that cost \$150,000 to land a contract worth \$3-million. (Mr. Ney has denied any wrongdoing in connection with the telecommunications award.)

Foundation money often went to entities that directly benefited Mr. Abramoff, such as more than \$4-million to the Eshkol Academy, a private school in Maryland founded by Mr. Abramoff and attended by his children.

According to informational tax returns filed by the Capital Athletic Foundation, the portion of the organization's expenditures devoted to anything related to its mission was minuscule, amounting to a handful of \$500 grants to organizations such as the Boy Scouts, the Jewish Community Center of Greater Washington, in Rockville, Md., and the Washington Tennis Education Foundation, in Washington.

Those tiny grants must have been made to hide an array of some of the most odious philanthropic behavior imaginable.

The litany of Mr. Abramoff's philanthropic misadventures includes more than just gifts to benefit his political associates and lobbying targets. He also set up groups like the U.S. Family Network, which had no agenda but was financed mainly by his lobbying clients.

Scores of red flags about Mr. Abramoff's charitable endeavors were flapping in the wind and

should have caught the attention of the Internal Revenue Service, but it does not appear that the tax agency made much effort to look for wrongdoing.

The nonprofit world itself certainly did not catch on to Mr. Abramoff's philanthropic perfidy. As almost a case study of the limits of self-regulation, the Capital Athletic Foundation seems to have escaped the attention of organizations like the Council on Foundations or Independent Sector, the main organizations that represent nonprofit groups on Capitol Hill.

But foundations and charities should let the Abramoff case serve as motivation to seek new regulations that protect tax-exempt groups from the insidious corruption of politicians and political hangers-on like Mr. Abramoff and demand reinvigorated and properly financed oversight by the IRS and state attorneys general. Here's what they should demand:

- Full disclosure of donors and grants. Any foundation or charity connected to a politician should be required to disclose the source of its donations as well as extensive detail on all expenditures. Under federal law, the names of donors to charities are protected from public view, but that same rule should not apply to tax-exempt groups that are founded by or affiliated with lawmakers. Members of the House and Senate, even after they leave office, make policy decisions that affect every citizen, so the public has a right to know what is being done by politicians under the cover of nonprofit entities.
- Tighter ethics rules to govern lawmakers. The growth in the number of charities that operate as political fronts stems from the 2003 repeal of a rule that barred members of House of Representatives from accepting reimbursement for travel and lodging expenses in connection with charity events.

Under the more-relaxed standards now in place, lawmakers and their families can participate in charity fund-raising events, and they do not have to disclose how much money they or their favorite causes receive in connection with those events. Lobbyists know that buying tickets to such events helps them gain access to lawmakers, adding to a climate that charities can be manipulated by politicians for personal gain.

- The House and Senate ethics committees could go a step further and investigate the misuse of foundations by politicians and their relatives and associates.
- Increase money for Internal Revenue Service oversight and enforcement. Many nonprofit leaders have urged state and federal governments to step up enforcement of tax-exempt law, but too few have done anything to press for more money to be channeled to regulators.

Expect more Abramoff-style charities if the IRS does not get more staff, money, and leadership to do what it could have and should have done about the Capital Athletic Foundation years ago.

The Abramoff affair should be a clarion call to prevent politicians, their campaign staffs, and their K Street cronies from cloaking dirty dealings behind the sanctimony of charity and philanthropy. Making a handful of grants to Boy Scout and Girl Scout troops does not mask the real function of Mr. Abramoff's tax-exempt groups as money-laundering centers for scoundrels intent on circumventing and unraveling campaign finance and lobbying regulations.

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