

Nonprofit Ethical Case:

# **The Triad of Bad: The Community Action Organization of Western New York**

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# Summary

This case study reviews the unethical collusion between the Community Action Organization of Western New York's CEO, Nathan Hare, CAO lawyer, Adam Perry, and the Mayor of Buffalo, Byron Brown. We will discuss the events leading up to the firing of Hare before Perry came to the rescue and reinstated Hare all while removing four former board members, all who moved to fire Hare due to mismanagement of CAO funds. We will also take a deep dive into Mayor Brown's ties to Hare and Perry.





The Buffalo News · Follow

March 5, 2019 · 🌐



The Community Action Organization of Western New York's website says, "The public is always w..."



<https://www.facebook.com/watch/?v=334992853806216>

# Facts



## Nathan Hare Starts as CEO

CAO was spiraling out of control at the time, Hare was brought on to "right the ship"

## Adam Perry Awarded Agent of Change Award from CAO

Mr. Perry is CAO's lawyer and received a Corporate Leadership Award from CAO in 2015

## 4 Board Members removed from BOD

4 board members that advocated to remove Hare as CEO and wanted the forensic audit were removed by CAO's lawyer Adam Perry

2005

October 2018

March 2019

2002

2011

January 2019

## Bryon Brown Elected Mayor of Buffalo

Brown was elected with help from The Grassroots Organization which also helped to launch Hare's career and provides grant money to CAO

## Nathan Hare Fired as CEO

BOD moved to remove Hare for his lack of transparency around the finances of CAO

## Armed Guards at March BOD meeting

Guards would not let anyone that was not on the BOD into the meeting

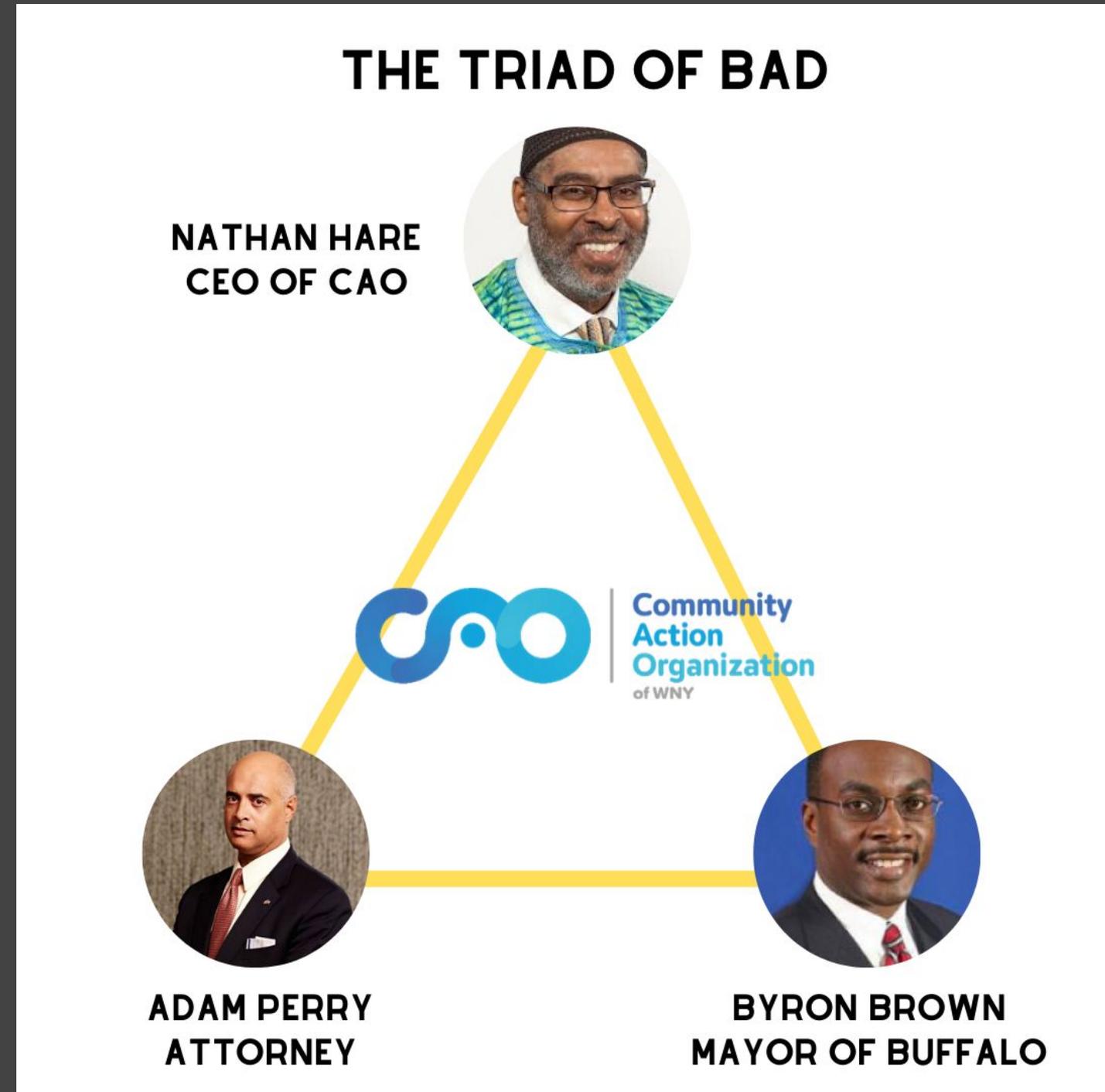
# Compliance

- The organization's attorney, who was not a board member, removed board members and nullified the board vote on the firing of Mr. Hare.
- The organization refused to allow the public to attend board meetings, even though the majority of the organization's funding comes from government grants and one third of the board seats are political appointments.



# Individual Responsibility

- Nathan Hare: CEO of CAO. Multiple instances of financial improprieties, such as missing hundreds of pounds of food meant for children's program, having to pay \$100,000 in restitution to Medicaid Fraud Control Unit due to billing irregularities. Was fired by CAO BOD in October 2018.
- Adam Perry: CAO's lawyer. Reinstated Nathan Hare on a technicality after he was fired. Removed board members who opposed Nathan Hare.
- Byron Brown: Mayor of Buffalo with ties to both Perry and Hare through the Grassroots Organization. Had meeting with board president shortly after Hare was removed. Mayor's office also gives money to CAO.



# Organizational Responsibility

- The organization's governing documents should clearly indicate who does and doesn't have the power to make decisions for the organization.
- The bylaws should have clear guidelines about election of BOD members and those guidelines must be followed and documented in meeting minutes.



# Systemic Responsibility

- There appeared to be numerous conflicts of interest and/or collusion between BOD members, elected officials and private companies.
- The CEO did not provide adequate financial information to the board
- The forensic audit was stopped after some of the board members that called for Mr. Hale's termination were removed from the board.



# Stakeholders Analysis

- The community is not able to attend board meetings and learn more about how the organization is run and decisions are made. The board does not appear to be accountable to the community it serves.
- Accusations of financial and board governance impropriety lead to a lack of trust in the nonprofit, which can make potential donors less likely to give and leave clients unsure of whether they can get the assistance they need.



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# Alternative Solutions

- The organization's governing documents should clearly indicate who does and doesn't have the power to make decisions for the organization.
- The bylaws should have clear guidelines about election of BOD members and those guidelines must be followed and documented in meeting minutes.
- Care must be taken to ensure there are no conflicts of interest or collusion between BOD members, elected officials and private companies.
- Once questions of financial impropriety arise, an audit should be immediately undertaken to determine whether further action is required and to restore public trust in the nonprofit.

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FUTURE.



# Questions

- 1) What are the downsides to having political appointees on a BOD for a community organization?
- 2) What kind of safeguards should a nonprofit have in place to prevent this from happening in the future?
- 3) How can a BOD make sure that a private business or government entity doesn't have too much power over a nonprofit?
- 4) If a BOD discovers that a governance process was not followed correctly – for example in the appointment of new directors - what actions should they take to correct this and how should that affect past decisions made by this BOD?

# References

Code of Ethics for Nonprofits - Council of Nonprofits:

<https://www.councilofnonprofits.org/tools-resources/code-of-ethics-nonprofits-why-your-nonprofit-may-want-adopt-statement-of-values>

Ethical Behavior and Nonprofit Boards:

<https://www.boardeffect.com/blog/ethical-behavior-nonprofit-boards/>

10 Basic Responsibilities of Board Members

<https://www.boardeffect.com/blog/10-basic-responsibilities-board-members/>

