

Investigations of Charities Include High-Profile Groups

By Suzanne Perry

The nonprofit world is regularly rocked by investigations into charities that have allegedly misused donor money.

A sampling of cases that have made news over the past year:

- The New York attorney general's office is investigating Yéle Haiti, the charity set up by hip-hop artist Wyclef Jean to help people in his native Haiti. The charity, which was flooded with donations after Haiti's 2010 earthquake, has been accused of spending heavily on travel, salaries, and questionable contracts, according to the New York Times. (A lawyer for Mr. Jean did not respond to requests for comment. Hugh Locke, a former president of the now-defunct charity, denied many of the incidents reported by the Times in a letter that was posted on a Haitian news site.)
- Nearly five years after lawmakers at a House of Representatives committee hearing criticized Help Hospitalized Veterans for spending too much on payments to its officials and for-profit companies, the California attorney general's office sued the charity. It is seeking the removal of the group's officers and directors and \$4.3-million it says was improperly diverted into noncharitable purposes, including golf memberships and a condominium. (Hugh Quinn, a lawyer who represents the charity, said the allegations have no merit and the group will fight the lawsuit. He said Help Hospitalized Veterans hired an independent law firm to evaluate its operations after the House hearing, and it recommended only a few minor changes, which have been put into place.)
- The Montana attorney general's office ordered Greg Mortenson, co-author of the widely acclaimed book *Three Cups of Tea*, to pay his charity, the Central Asia Institute, \$1-million for transgressions including using money that was donated for charitable programs to buy and advertise his book while keeping all the royalties.
- The Senate Finance Committee is investigating the Disabled Veterans National Foundation following reports that it has spent most of its donations paying bills to Quadriga Art, a direct-marketing company and its affiliates. CNN has aired a series of exposés about charities tied to Quadriga. All were in debt to the company and had little money to spend on their missions. (Quadriga says it forwards money to help struggling charities acquire donors and that the upfront investment will pay off in the long run.)
- Bloomberg Markets published a probe into appeals by a telemarketing company, InfoCision Management Corporation, for charities including the American Cancer Society and American Diabetes Association. It obtained transcripts of telephone calls revealing that the solicitors told potential donors that 70 or 75 percent of the money they gave would go to programs, even though the contracts with InfoCision said the company would keep most of the money. (The charities told the publication that the percentages referred to their

overall spending and that the drives helped them cultivate donors for future giving.) Ohio's attorney general announced a settlement with InfoCision in April under which the company denied wrongdoing but agreed to pay \$75,000 and refrain from misleading donors.