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Funds Misappropriated at 2 Nonprofit Groups

By [STEPHANIE STROM](#)

Two prominent national nonprofit groups are reeling from public disclosures that large sums of money were misappropriated in unrelated incidents by an employee and a former employee.

The groups, Acorn, one of the country's largest community organizing groups, and the Points of Light Institute, which works to encourage civic activism and volunteering, have dealt with the problems in very different ways.

Acorn chose to treat the embezzlement of nearly \$1 million eight years ago as an internal matter and did not even notify its board. After Points of Light noticed financial irregularities in early June, it took less than a month for management to alert federal prosecutors, although group officials say they have no clear idea yet what the financial impact may be.

A whistle-blower forced Acorn to disclose the embezzlement, which involved the brother of the organization's founder, Wade Rathke.

The brother, Dale Rathke, embezzled nearly \$1 million from Acorn and affiliated charitable organizations in 1999 and 2000, Acorn officials said, but a small group of executives decided to keep the information from almost all of the group's board members and not to alert law enforcement.

Dale Rathke remained on Acorn's payroll until a month ago, when disclosure of his theft by foundations and other donors forced the organization to dismiss him.

"We thought it best at the time to protect the organization, as well as to get the funds back into the organization, to deal with it in-house," said Maude Hurd, president of Acorn. "It was a judgment call at the time, and looking back, people can agree or disagree with it, but we did what we thought was right."

The amount Dale Rathke embezzled, \$948,607.50, was carried as a loan on the books of Citizens Consulting Inc., which provides bookkeeping, accounting and other financial management services to Acorn and many of its affiliated entities.

Wade Rathke said the organization had signed a restitution agreement with his brother in which his family agreed to repay the amount embezzled in exchange for confidentiality.

Wade Rathke stepped down as Acorn's chief organizer on June 2, the same day his brother left, but he remains chief organizer for Acorn International L.L.C.

He said the decision to keep the matter secret was not made to protect his brother but because word of the embezzlement would have put a "weapon" into the hands of enemies of Acorn, a liberal group that is a frequent target of conservatives who object to its often strident advocacy on behalf of low- and moderate-

income families and workers.

Wade Rathke said he learned of the problem when an employee of Citizens Consulting alerted him about suspicious credit card transactions. An internal investigation uncovered inappropriate charges on the cards that led back to his brother.

“Clearly, this was an uncomfortable, conflicting and humiliating situation as far as my family and I were concerned,” he said, “and so the real decisions on how to handle it had to be made by others.”

The executive director of New York Acorn, Bertha Lewis, who has been named director of an interim management committee set up to run the national group’s day-to-day operations, said Dale Rathke was paid about \$38,000 a year but that none of that money was used to pay back Acorn.

Instead, she said, the Rathke family has paid Acorn \$30,000 a year in restitution since 2001, or a total of \$210,000.

A donor has offered to give Acorn the rest of what the Rathkes owe, and an agreement to that effect should be finalized in coming days, Ms. Lewis said.

“Now that this is under our watch, we are putting financial auditors in place, legal counsel in place, a strong management team in place to make sure this organization moves forward for another 38 years,” she said. “I will not allow and the board will not allow something like this to happen again.”

But the fact that most of the handful of people who did not disclose the fraud when they learned of it eight years ago still work for Acorn or its affiliates concerns many of the group’s financial supporters.

“We’ve told them that when the process is ended, we’ll have a look at it,” said Dave Beckwith, executive director of the Needmor Fund, which has given money to some of Acorn’s charity affiliates for at least 10 years and was contacted by the whistle-blower in May.

Representatives of some 30 foundations and large donors have been discussing the matter on conference calls and may establish a committee to monitor Acorn’s overhaul of its management and accountability systems.

Officials at Points of Light began looking into complaints about a store the organization operated on eBay and by late June had discovered what its president and chief executive, Michelle Nunn, called “abnormalities” in the business practices of an independent contractor hired to run the store, which did a brisk business auctioning travel packages and items donated to the organization.

The travel auctions were stopped immediately, Ms. Nunn said, and the store was shut down a short time later. Points of Light also posted a statement on its Web site last weekend about the problems and contacted the United States Attorney’s Office in Washington, as well as people who had bought the travel packages.

Two people who have been involved in the internal investigation at Points of Light, who spoke on the condition of anonymity because it is incomplete, said it appeared that Maria Herrmann, a former Points of Light fund-raiser who was hired as an independent contractor to manage the eBay store operation, may have been auctioning off bogus trip packages.

Ms. Herrmann did not respond to a message left at her home on Tuesday, and phone and e-mail messages to

the office were answered by automated responses from the service Points of Light has hired to process reimbursement applications for the packages.

The organization is making good on trips scheduled through next Tuesday, Ms. Nunn said, and hopes to repay consumers for the rest of the packages that were sold. She said Points of Light began alerting donors last week about the problem, and some have agreed to help it repay customers who bought the packages.

Ms. Nunn also said she did not know how much the group would lose. “Our hope is that this is an isolated event, and that the actions of what we believe to be a single individual at this point doesn’t jeopardize the work of millions of volunteers,” she said.

The problem surfaced when Points of Light began getting complaints from people who had not received the vouchers and certificates they needed to redeem the travel packages.

Anna Ware, a small business owner in Atlanta, said that in late June when she arrived at the Seattle hotel included in a package she had bought from the Points of Light eBay store, the hotel had not received the certificates for her stay. She sent Ms. Herrmann an e-mail message and received an automated response from her Points of Light e-mail address. Two days later, the certificates arrived by FedEx.

“I could be out several thousand dollars,” said Ms. Ware, who has bought trip packages as bonuses for her employees as well as for gifts for friends and family. “I’m now calling them all and letting them know those trips may not happen.”

Dozens of people posted similar comments on an eBay discussion board, which the site has closed.

The legitimate trip packages were put together by Mitch-Stuart Inc., a company that bundles airline seats and hotel rooms. It sells the packages on consignment to nonprofit organizations like the Red Cross and Big Brothers Big Sisters, which resell them for a higher price, pocketing the difference.

Ms. Nunn said that Mitch-Stuart was not involved in any way with the bogus packages and that it was helping Points of Light make good on all trips sold for travel through next Tuesday.

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