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Unethical Behavior in the Wounded Warrior Project

Ethical behavior is the foundation of a functioning human community. Ethics, “the discipline dealing with what is good and bad and with moral duty and obligation,” holds nations together by acting as a moral compass and as the frame upon which societal, cultural, and political systems in our country rely (Merriam-Webster). Because our country’s ethics intrinsically entwine with the ideal of giving back to the disadvantaged, it is reasonable to assume they play a large role in the creation, support, and behavior of nonprofits in America. Of course, a legal nonprofit, a 501(c) entity, has to fulfill its fiduciary obligations, but in order to establish ethical credibility, a charity needs to remain transparent and open about the way its board runs the organization and how it uses donations from supporters.

Because many Americans wish to support those who have served in the military, veterans are a popular group to back with charitable donations and volunteer work—and there are a multitude of them. Nonprofits such as Operation Troop Appreciation, Foundations for American Veterans, Military Warriors Support Foundation, and Disabled American Veterans Charitable Service Trust are just a few of the many organizations that support U.S. veterans and their families during and after their military service. However, in recent years, one newer nonprofit has risen above the rest in its fundraising success: Wounded Warriors Project (WWP). This paper argues that the actions of the Wounded Warrior Project in past years have been unethical, and calls for major changes to be made by the organization in order to restore the nonprofit's credibility.

Founded in 2003 by injured veteran, John Melia, WWP started as a small scale venture, offering backpacks filled with comfort items to patients at the Walter Reed Army Medical Center; since the WWP has grown into the country's largest and fastest-growing veterans charity (Philipps). Currently, WWP has 22 locations offering programs to help veterans readjust to society, find work, and participate in athletics (Philipps). In their mission statement, WWP claims that they "serve veterans and service members who incurred a physical or mental injury, illness, or wound, co-incident to their military service on or after September 11, 2001 and their families" (Mission). In theory, the WWP is a successful nonprofit with huge resources; they raised $372 million in 2015 alone (Murtha 1). Unfortunately, the organization does not direct all of those resources towards those they claim to serve. As Army Staff Sergeant Erick Millette pointed out, "their mission is to honor and empower wounded warriors, but what the public doesn't see is how they spend their money" (qtd. in Janisch and Reid). The evaluation of the organization's spending habits by Millette, an employee of Wounded Warrior Project for many years, echoes many former WWP employees' statements, who lost their jobs for asking why the nonprofit's funds were allocated to people and events unrelated to injured veterans (Janisch and Reid).

In early January of 2016, both *The New York Times* and *CBS Evening News* ran stories exposing the unethical spending habits of WWP. These stories focused on fundraising, the salary of the CEO, exorbitant spending on staff activities, and the low percentage of contributions actually going to veteran services. These exposés revealed that the CEO, Steven Nardizzi, was receiving a "near-$500,000 salary," which was twice the amount the previous CEO and founder, John Melia, earned (Murtha 1). Such a dramatic increase in salary was not the only policy that changed once Mr. Nardizzi took control of the nonprofit. In 2010, before Nardizzi's tenure, the WWP spent just $1,741,226 on travel, meetings, and staff events, but in 2014, the nonprofit spent $26,054,363 (Janisch and Reid). Such exorbitant spending angered many and led to further investigations.

CBS Evening News and the *New York Times* discovered that in "2014...the Wounded Warrior Project flew its roughly 500 employees to Colorado Springs" for a $3 million "'all hands' meeting at the five-star Broadmoor Hotel" (Phillips). Other employees described the lavish spending of the nonprofit, recounting that "business class seats and regularly jetting around the country for minor meetings or staying in $500-per-night hotel rooms" was a normality (Philipps). The extravagant support of paid staff had inevitable financial consequences: investigators found that "while the nonprofit says it devotes 80 percent of its fundraising to services, the news organizations found it was closer to 60 percent" (Murtha 2). The discovery that the largest veterans organization in the nation only invests 60 percent of its total income in actual programs for veterans was appalling—especially considering smaller veterans organizations such as the Disabled American Veterans Charitable Service Trust, and Fisher House spend 96 and 91 percent of their money respectively on veterans each year (Janisch and Reid). Not only was WWP spending its money on staff, it was using it to actively lobby for less oversight by outside regulators: in 2013, Nardizzi paid $150,000 to a nonprofit called the Charity Defense Council, whose mission was to defend charity spending on overhead and executive salaries (Philipps). Lavish spending on wages and perks, investment in other nonmilitary-related and self-serving lobbying, and a vast decrease in spending on veterans' programs, led many to distrust the WWP with good reason.

A major criticism of the WWP was that it operates like a business. A *New York Times* article reported: “Under Mr. Nardizzi’s direction, it has modeled itself on for-profit corporations, with a focus on data, scalable products, quarterly numbers and branding,” thus creating a veritable “fundraising factory” (Philipps). Such an approach would explain the excessive spending on company parties, hotels, and flights, and might even be justifiable had WWP been a business based on the sales of a product; however, this was not the case. WWP capitalized on the emotional connection many American people have for their veterans as well as the guilt they feel for “not doing enough” to support the military community. WWP exploited this connection to its financial benefit and then used those donated resources to reward its leaders and staff monetarily, as a for-profit business does. Because 501(c) legal requirements are vague as to the dispersion of charity funds, it is often the unspoken, communal and ethical requirement of nonprofits to give back to the community they claim to serve that constrains such behavior.

Public perception of such behavior matters. The huge sums American nonprofits receive coupled with the unethical behavior of the individuals employed make it necessary to regulate them as if they were businesses, no longer trustworthy and expected to act in self-interest. If the WWP is to continue as a successful nonprofit in the future, it needs to shift away from the business-style approach Nardizzi enacted. Otherwise, WWP will become an organization fully detached from its ethical foundation that misleads donors and gives other nonprofit organizations a bad name.

Since the scandal broke in the news, the WWP has taken some steps to repair their reputation, the first being the firing of CEO, Steven Nardizzi and COO, Al Giordano. Replacing Nardizzi as CEO is former Lieutenant Army General Mike Linnington, who already has set himself apart from Nardizzi by accepting a salary of $280,000, a reduction of almost half

(Schaffer). Currently, Linnington is taking steps to cut operational costs that include "85 people being laid off, including 50 percent of its executive staff, and the closing of nine satellite offices" (Schaffer). Linnington "hope[s] at the end of the day that they [the American people] continue to give to Wounded Warrior Project and other nonprofits that can make a difference" despite what events have transpired (qtd. in Schaffer). In spite of such optimism, WWP announced that they "lost between $90 million and $100 million, representing 25 percent of donations, since all the scandal about the organization started rolling out in January," the equivalent of seven months (Schaffer). Such aversion to the organization is reflected in the major decline in fundraising, which illustrates that gaining back the trust of patrons is imperative.

One such patron, 81-year-old veteran Arnold Ralston, spoke out about his irritation over the misuse of his donation: "Here I am, denying myself. I could go out to a nice restaurant once in a while. It's something I haven't done for years, to splurge on myself. They took that money and squandered it. It's just not fair" (qtd. in McCambridge). Many sympathize with Ralston's point of view in that believe WWP hoodwinked them into thinking they were helping those in need of actual services. Such betrayals of trust deeply undermine the ethics and moral standards that our nation lives by. Donors feel as though their money was stolen and used by WWP for behavior they disapprove of and could not afford for themselves. Therefore, in order to reestablish its credibility with donors such as Mr. Ralston, the WWP must consider becoming a much more transparent and ethically-behaved nonprofit organization.

Since President Barack Obama came into office in 2008, the IRS form that nonprofits must file annually has changed to help reveal more information about how each nonprofit spends money. Now, "all nonprofits must disclose the salaries of their top five employees earning more than $100,000 a year as well as a defined group of 'key employees'" (Kosterlitz). Congressmen such as Iowa Senator, Chuck Grassely also advocate strongly for the openness of nonprofits and "have pushed the IRS and the nonprofits themselves to better police how donor monies and the implicit taxpayer subsidies are used" (Kosterlitz). Such measures are important steps forward in the nonprofit world, as they hold nonprofits up to a new public standard. Public information about a nonprofit such as the "analyzing of financial disclosure patterns among nonprofits is important because many current (and potential) stakeholders contributing significant time and money...want to know their efforts and dollars are used efficiently" (Behn et al.). Robert Bothwell argues that "transparency, though mostly legislatively stimulated, and increasingly Internet stimulated, is on many charity leaders' minds as a better way to self-regulation" (2). The idea behind this claim is that if the nonprofit is held publicly accountable, fewer scandals and ill-advised spending will occur. As each American taxpayer subsidizes these (sometimes very wealthy) "non-profits," legislators and regulators must show more than a cursory interest in the misconduct of those who run and earn salaries from them.

Since *The New York Times* and *CBS Evening News* reported that only 60 percent of funds raised were going to veterans in need, WWP underwent massive scrutiny, which seriously impacted the donations WWP received in 2016. Though the nonprofit did fire the previous CEO and COO, "the same board that approved Nardizzi's annual budget and management style remains unrepentant and fully in place" (Schaffer). In order to move forward and reclaim the credibility of the nonprofit, replacing board members on the executive and director boards, publishing money allocations to increase transparency, and making a greater effort to spend money on veterans programs must be made by the nonprofit. Because the WWP is prominent, if it does not make changes to the way it runs, the public could potentially lose trust in the nonprofit sector as a whole, thus diminishing donations to other ethical nonprofits. Each betrayal of trust undermines the communal spirit of helpfulness and human connection that makes the creation of charitable groups possible in the first place.

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