NONPROFITS: BOARD GOVERNANCE

Wounded Warrior Project: "So Many Lessons, ..."

08.25.16 | Linda J. Rosenthal, JD

In 2003, former Marine John Mejia was determined to help wounded service members returning from the Iraq War. He had been injured near Somalia a decade earlier and recalled arriving at a military hospital with nothing more than his hospital gown.

So Mejia started a small project to prepare and distribute backpacks with CDs, socks, and other comfort items for injured veterans. From this modest beginning, the Wounded Warrior Project (WWP) was launched.

A Dramatic Rise ...

When the backpack project grew, Mejia hired several employees including lawyer Steven Nardizzi, the executive of a small nonprofit. Though Nardizzi had no military experience, he became a central figure in WWP.

Over the next several years, Wounded Warrior Project raised millions of dollars and expanded services to include "adaptive sports for disabled veterans, employment and benefits help, and retreats to teach veterans to cope with post-traumatic stress disorder. By early 2009, the organization had about 50 employees and revenue of some $21 million.

With this success, though, came a serious philosophical rift between Mejia and Nardizzi; the latter wanted even more rapid expansion. Mejia objected; he was pushed aside.

Under the leadership of CEO Steven Nardizzi and COO Al Giardano, Wounded Warrior Project took a dramatic – and fateful – new turn.

With an entirely new business model that included an aggressive strategy to swat away the competition along with "ubiquitous TV commercials and product placement," WWP became a fundraising juggernaut. By 2015, WWP had become the largest veterans charity in the nation with

revenue of some $372 million in 2015.

And a Spectacular Fall

Behind the scenes, there had been grumblings and criticism for some time. Current and former employees as well as many in the broader "veterans' advocacy community" were concerned "about the fundraising behemoth WWP has become, and whether it has been as effective as it could be."

> *In interviews, critical veterans' advocates and veterans charged that the Wounded Warrior Project cares more about its image than it does about helping veterans; that it makes public splashes by taking vets on dramatic skydiving trips but doesn't do enough to help the long-term wellbeing of those injured in combat.*

In late January 2016, the dam burst with lurid headlines in the New York Times and on CBS News. Based on evidence including interviews with dozens of disillusioned workers, these news stories exposed lavish overspending and other alleged financial irregularities, along with the flamboyant antics of the CEO Steven Nardizzi.

"As donations poured in," according to many employees, waste became commonplace. "People could spend money on the most ridiculous thing and no one batted an eye," said a former manager. "I would fly to New York for less than a day to report to my supervisor."

In addition to excesses like million-dollar staff meetings at 5-star resorts and a $250K annual budget for candy and soda, questions were also raised about the loss of focus on the core mission.

A former supervisor with WWP said the charity "…slowly had less focus on veterans and more on raising money and protecting the organization." According to another whistleblower, "[e]verything they do is –

> *a dog-and-pony show, and I haven't talked to one of my fellow veterans that were injured… actually getting any help from the Wounded Warrior Project. I'm not just talking about financial assistance; I'm talking about help, period.*

"They're laser-focused on making money to help vets, but forgetting to help vets," said a veterans' advocate.

Since the troubling news reports early in 2016, events have moved quickly and are still unfolding:

- After this intense publicity, and in response to pressure from donors and others, the board of directors retained an outside legal and forensics team to conduct a "review" that was

concluded by early March. Through the crisis-management consulting firm it had retained, the board issued a press release, based largely on this review, concluding that nothing much was wrong, except for some of the lavish corporate retreats which, the board promised, would be curtailed. Apparently, no investigation report is available because the findings were never reduced to writing.

- By mid-March, the board ousted CEO Nardizzi and COO Al Giordano. Board chairman Anthony Odierno became interim CEO. A few weeks later, Charlie Fletcher, a retired Army major general and a member of WWP's advisory board was appointed interim chief operating officer.
- During March, and as a consequence of the intense spotlight on the organization, more and more troubling revelations surfaced; for instance, here, here, and here.
- The Senate Judiciary Committee also jumped into the fray with probing opening questions and followup inquiries.
- While the new leadership tackled the fallout from the tenure of Steven Nardizzi and Al Giordano, these two kept up an aggressive and unapologetic defense of their actions and organizational philosophy.
- Founder John Mejia has come back into the picture, asserting that the board chair, Mr. Odierno, should not remain in charge. He wants different leadership appointed to steer Wounded Warriors Project in a new direction.

A *Classic Cautionary Tale of Governance* "Don'ts"

The organizational turmoil continues. As more and more sordid and troubling facts are uncovered, the public relations debacle is far from over.

Yet it's clear – already – that this is 501(c)(3) cautionary tale of epic proportions; it's a veritable "what not to do" list for public charity governance.

Among the many topics we'll explore in later posts is the key question: How could such a high-profile organization with directors and advisors, celebrity endorsers, and an army of dedicated, individual donors – many elderly and on fixed incomes – get away with all of these shenanigans for so long? How did management suppress so many potential whistleblowers, whose stories finally spilled out in – and after – the published news stories by major media outlets?

And, of course, there are the bread-and-butter governance issues that arise in connection with so many charity scandals: excessive compensation, private benefit and inurement, fundraising improprieties and fraud, and high overhead.

Stay tuned.