JACK ANDERSON and DALE VAN ATTA

Dubious Deals in the Humane Society

The Humane Society of the United States solicits your donations with a tug on the heart strings—"the animals need us now"—and a promise that your money will be "put into action on the front line immediately."

But the nonprofit charity, based here, does not advertise everything that happens on the "front line." For example, the society bought its president a $310,000 home in Maryland last year. And the society's treasurer wrote himself $85,000 in checks last year as reimbursements for lease payments and improvements on ocean-front real estate in Maine.

Recent investigations reveal that the Humane Society's board of directors never authorized these and other dubious financial deals arranged by its officers—deals that could threaten the tax-exempt status of the society.

The situation has until now been kept from the public, but board members first learned about it late last year. In December, the board formed an audit committee and ordered an independent investigation of the books.

In April, the Washington law firm of Harmon and Weiss completed a critical preliminary report spotlighting the "self-dealing" transactions that benefited Humane Society President John Hoyt and Vice President-Treasurer Paul Irwin.

The law firm found that on May 4, 1987, the society bought Hoyt's house in Germantown for $310,000. Hoyt had lived there since 1970 and still lives there, but now rent-free. The society provides the house for its president in lieu of a portion of his compensation.

In October 1987, the society gave Irwin $85,000, allegedly to reimburse him for payments he made on the lease of 11 acres of ocean-front land and restoration of a cabin in Phippsburg, Maine.

A three-person committee approved the expenses for Hoyt and Irwin without asking the majority of the board, although the society's bylaws require the board to set the president's compensation, according to the Harmon and Weiss report.

Hoyt and Irwin maintain the two purchases were for the good of the society. Hoyt's home purportedly will be used by future presidents. The organization was to have an interest in the ocean-front property, but the board has since decided to consider the $85,000 as a loan and Irwin must pay it back, a source in the society told our associate, Jim Lynch.

Hoyt, Irwin and the society's lawyer did not respond to repeated requests for interviews.

The Harmon and Weiss report alleges that the society has prepared and filed "false documents" with the federal government. The society and certain directors could face civil penalties because of those documents, and possible criminal penalties for "aiding and abetting in Hoyt's and Irwin's understatement of income," according to the report.

Not surprisingly, the board hired a lawyer, Jacob A. Stein, in April for a second opinion. Stein handed over his report in July. He verified many of the Harmon and Weiss findings but reached different conclusions. Stein recommended some changes in procedure, but said nothing criminal had taken place and the Humane Society's tax-exempt status was not in jeopardy.

JACK ANDERSON and JOSEPH SPEAR

'Excessive' Pay at Humane Society

Protecting animals from abuse is the urgent business of the Humane Society; an internal dispute over a financial scandal is equally pressing business.

In the past nine months, the board of directors of the national Humane Society in Washington has hired two law firms to conduct independent investigations of its finances. Both probes revealed that the two top officers of the nonprofit charity receive significant compensation in addition to their salaries.

The law firm of Harmon and Weiss concluded that "excessive compensation payments" that were not authorized by the Humane Society's full board, "threaten the status of [the society] as a charity under the federal tax law and appear to constitute a wasting of its assets." The second report, by attorney Jacob A. Stein, agreed that mistakes were made, but said they were not criminal and did not threaten the society's tax-free status.

The Humane Society's Internal Revenue Service forms for 1987 indicated that President John Hoyt received $95,000 and Vice President-Treasurer Paul Irwin received $80,000 from the organization for their services. But those IRS filings failed to include other benefits to Hoyt and Irwin.

Over the past four years, Hoyt and Irwin also have received money from two affiliates of the Humane Society—the National Association for the Advancement of Humane Education and the National Humane Education Center—without the knowledge of the Humane Society's full board.

Since 1985, the NHEC, which is controlled by the Humane Society, has paid Hoyt $55,000 and Irwin $38,000. The NAAHE paid Irwin $10,000 during the past two years.

Those payments, according to the investigations, involved transfers between various bank accounts by Irwin, the treasurer.

Stein reported, "The reason for channeling of the payments through the two corporations is that the salaries of Mr. Hoyt and Mr. Irwin were to be concealed from other organizations. The problem with it all is that it was concealed from the full board of [the Humane Society]."

When the payments appeared on the 1987 IRS Form 990, they were not credited to Hoyt or Irwin, but rather called "payments to annuitants." The board never approved them.

The Humane Society also pays $12,822 a year in insurance premiums for Hoyt and $9,635 for Irwin. The insurance premiums and other benefits boosted Hoyt's compensation to $139,622 and Irwin's to $114,325 last year, according to Stein's report.

But those figures do not include two other financial transactions that we reported in an earlier column. In May 1987, the Humane Society bought Hoyt's house for $310,000, and now allows him to live there rent-free. The Humane Society's IRS filing said the rent was worth $600 a month, but the Harmon and Weiss report placed the rental value between $2,500 and $3,000 a month.

In communications to their board and the investigating law firms, Hoyt and Irwin have maintained that they did nothing wrong. Neither responded to our repeated requests for interviews.

JACK ANDERSON and JOSEPH SPEAR

Where Charity Begins at the Top

Top dogs in the animal-rights business have rallied around the Humane Society of the United States since we hinted at how much money there is to be made in the top ranks of animal charities.

We reported that national Humane Society President John Hoyt and Treasurer Paul Irwin were reaping far more compensation for their work than even their board members knew. Last year, in lieu of a portion of his compensation, the Humane Society bought Hoyt a $310,000 home in Maryland. It also allowed Irwin to write himself $85,000 in checks for another real-estate venture, which was later considered by the board to be a loan.

The Humane Society gets its money with heart-tugging pleas to donors that "The animals need it now," and contributions will be "put into action on the front line immediately."

The questionable financial transactions for Hoyt and Irwin prompted the Humane Society board to hire two Washington law firms to conduct separate investigations of the dealings.

But, presidents of two of the wealthiest animal organizations in the country wrote letters defending Hoyt and complaining that we were out of line to question the dealings.

Frederick J. Davis, president of the Massachusetts Society for the Prevention of Cruelty to Animals, defended Hoyt: "I am confident that future disclosures of all the facts will document his integrity."

John F. Kullberg, president of the American Society for the Prevention of Cruelty to Animals, wrote there was nothing unusual about Hoyt's salary. Kullberg said the average salary for the president of a nonprofit organization is about $119,000, although he was careful to add a "disclaimer," that his salary is less than Hoyt's and "I am not given a house to live in."

We reported that Hoyt's and Irwin's compensation did not stop with salaries. In all, their salaries and benefits amounted to more than $139,000 and $114,000, respectively.

Maybe our report on the money to be made in animal charities hit too close to home. Davis and Kulberg run wealthy nonprofit organizations themselves. A 1983 report published by an Ohio animal-rights group, Mobilization for Animals, noted that Davis' Massachusetts Society for the Prevention of Cruelty to Animals, was the wealthiest animal-welfare group in the country, with more than $40 million in assets. Kullberg's American Society for the Prevention of Cruelty to Animals was in ninth place with $6 million in assets. Hoyt's Humane Society of the United States placed fourth with assets of more than $11 million.

Peter Paul, a San Francisco journalist, recently finished a four-year study of charities in the United States and abroad. His upcoming book, "Easy Pickings," includes a chapter on animal organizations. Paul told our associate Jim Lynch, "I tell people if you want to get rich, get into AIDS, animal rights or missing children."

Paul thinks Humane Society literature should include a disclaimer that the national society is not connected with local humane societies that must raise their own funds to run animal shelters and other projects.

JACK ANDERSON and DALE VAN ATTA

Questions on Humane Society Finances

John Hoyt, president of the Humane Society of the United States, once told the society's animal lovers how they could become more humane: "We begin, I suggest, by living more simply, more sparingly."

Hoyt lives in a $310,000 house bought by the Humane Society, using money that donors gave for prevention of cruelty to animals.

The California Attorney General's Office is now taking a look at that perk and other curious financial decisions made by the national animal protection agency based in Washington.

After reviewing documents about the way the Humane Society is managed, the California attorney general wrote a terse letter to the society stating that, in his opinion, the charity had "engaged in a course of conduct" that "violated" the charity trust laws of California. Much of the money for the national society is raised in California.

The Humane Society sent a letter of response asserting that its problems had been ironed out, but the deputy attorney general told our associate Jim Lynch that his opinion hasn't changed.

In 1988 we reported on an internal investigation into Humane Society finances. The first of two internal reports said a series of "self-dealing" transactions by the charity had benefited Hoyt and the society's vice president and treasurer, Paul Irwin. The big-ticket item was Hoyt's house, which the society bought and lets him live in rent-free.

After our first reports in 1988, instead of cleaning house, the Humane Society hired a consultant for advice on how to handle "negative press." The consultant suggested that the society should have responded to our initial questions two years ago. Apparently that advice was ignored. The Humane Society's attorney did not respond to our questions this time around either.

The latest rub at the Humane Society is the hiring of David Wills as vice president for investigations. In 1987, when Wills was running the Michigan Humane Society, Hoyt tried to convince his board that the national society and the Michigan society should be merged. The national society is not tied to the many state and local humane societies, and the merger with one state agency didn't make sense to the board, so it was vetoed. Two years ago Wills left the Michigan agency in a financial condition that is still under investigation. Hoyt then hired him, and one former board member told us Hoyt is grooming Wills to be his successor.

The National Charities Information Bureau in New York, a watchdog group, does not give the Humane Society of the United States a thumbs up. "We still have some questions about their financial reporting," said bureau spokesman Dan Langan.

Hoyt's house is not the only thing that smells bad in the books. The California attorney general is also looking into money the society paid to Irwin, the treasurer, to help fix up oceanfront property in Maine. Then there is the matter of trips Hoyt's wife made on the charity's tab and other perks for Hoyt and Irwin.

If California decides the Humane Society stepped out of line, it could seize the money collected in California and spend it directly on animal care.