

## **THE KAIN MUTINY**

By William Nicoson

For poor George Kain it's been out of the frying pan, into the fire, as his commitment to community service moved him from Treasurer of Reston Association to President of Reston Citizens Association.

At RA Kain reported monthly to the Board of Directors on such matters as investment of RA reserve funds. On his watch, the Chief Financial Officer on the RA staff steered funds into high-risk debt obligations in violation of RA's investment policy but, in monthly reports prepared for Kain to deliver to the Board, portrayed these investments falsely as consistent with RA policy. At one point Kain volunteered to perform an internal audit which would surely have exposed the CFO's fraud, but a majority of the Board, including then-President Cynthia Warger, voted against the audit as constituting "micro-management". Almost a year later, the fraud was exposed by outside auditors, causing a furor in the community and the firing of the CFO.

For about two years Kain had unwittingly delivered false information to RA directors for which they later took considerable heat. Shortly after discovery of the fraud, he resigned as RA Treasurer. When the scandal died down, he ran for President of RCA and was elected. In that office, he has recently become enmeshed in still-unfolding scandals so severe that he must long for the good old days when he served in innocence as a conduit for fraud at RA.

The problems for Kain at RCA began with the inability of new candidates for elections last spring to obtain timely information regarding the deadlines and information required for filing to qualify for the ballot. It appeared, rightly or wrongly, that incumbents were resisting electoral challenges. The outcome, after young candidates were finally able to file, was their election.

The new blood at RCA, led by David Bobbitt, then resisted the arteriosclerosis of past boards, requesting basic corporate documents, including historical and current financial statements, budgets and tax returns, and evidence of tax exemption consistent the corporation's non-profit status. Unable to comply, the Treasurer of RCA resigned effective Dec. 31. President George Kain, once again, found himself struggling to explain a corporate financial history about which he had only the familiarity bequeathed by past Treasurers.

The RCA scandal prompted Reston Association's President David Haas to address an extraordinary letter to RA members reminding them that RA was not RCA; that RA was "registered with the IRS"; and that RA, "unlike RCA", was "professionally run and managed" and "complied with all federal, state and local regulations".

The RCA corporate crisis raises the question whether RCA contributes to, or detracts from, Reston's image as an orderly community and its future prospects. RCA has served well in the past as the community's voice, particularly in planning, zoning and other matters under

consideration by Fairfax County. One of the ironies of the current scandal is that RCA has never had much in the way of finances to manage or document, relying not on paid professionals but on the professional capabilities of volunteers. When Reston was a fledgling community, that approach made sense. Now Reston is a mature and complex community requiring the best professional advice available in dealing with the County and government agencies. RCA, a non-profit that never troubled to deal with the IRS because it never had enough income for which to claim exemption, is manifestly not qualified to fulfill that role. RA, with a professional staff, is.

RCA has historically performed another important community service in planning and managing an annual spring festival commemorating Reston's birth. RCA defaulted on management of the festival some five years ago, and it was continued until 1996 by a consortium of community groups but then abandoned. Now new RCA directors Linda Pfost and Jim Traylor are determined to revive the RCA festival mandate. After all, George Kain deserves at least one triumph during his years of calamity-prone service to his community.

*William Nicoson is a former RA director and former publisher of Connection Newspapers.*