Focus at Adelphi Widens To Board Members’ Role

GARDEN CITY, L.I., Jan. 26—For almost a decade, the chairwoman of Adelphi University’s board has been the prime insurance agent for the university, despite a consultant’s warnings that a rival firm offered more comprehensive coverage at a savings of more than $135,000 a year.

The insurance business was awarded to the chairwoman, Ernesta G. Procope, in 1986 by the university’s president, Peter Diamandopoulos, according to university documents, which also show that the consultant was dismissed five days after urging the university to cancel its policies with Mrs. Procope.

Mrs. Procope has been a staunch ally of Dr. Diamandopoulos as he has weathered faculty demands for his ouster and an investigation by the state Attorney General of his generous compensation, which includes more than $523,000 in salary and benefits plus university-provided housing in Garden City and Manhattan.

But in the last week, the board and Mrs. Procope have become the focus of attention, with the faculty urging all 22 trustees to resign.

University documents indicate that a risk-management firm hired by Adelphi urged the university in 1987 to cancel its insurance program with Mrs. Procope in favor of another package that promised annual savings of up to $155,000 as well as an increase in liability coverage to $5 million, from $1 million.

The consultant also warned that Mrs. Procope’s policies could leave board trustees personally vulnerable to lawsuits, the documents indicate. Still, she remained the university’s broker.

Mrs. Procope did not respond to requests for comment. Her secretary said she was out of the country and unavailable.

In recent days, the State Attorney General’s office, which has been investigating the university’s spending practices, has expanded its inquiry to include the role of the board and its decision-making process.

Attorney General Dennis C. Vacco refused to comment about whether Mrs. Procope’s business ties to the university were under investigation. “It’s not illegal for a board member to have a contract,” he said, but he noted that contracts and fees "must be fairly arrived at and reasonably related to the services performed."

Mr. Vacco said that investigators are trying to determine whether the full board followed proper procedures in approving Dr. Diamandopoulos’s compensation and perquisites, including an agreement that allows him to buy for $900,000 an Upper East Side apartment that cost the university almost $1.2 million to purchase and $300,000 to renovate.

In addition, his office is investigating the university’s purchase of an $85,000 Mercedes for the president’s use. Mr. Vacco said, adding that investigators are also trying to determine the source of financing for Dr. Diamandopoulos’s extensive art collection, which is valued at almost $1 million and includes works by Picasso, Leger, Calder and Miro.

In written responses to the Attorney General, the university says that it has purchased only one artwork in the last 10 years. But the president has thus far failed to respond to a subpoena seeking records of the purchases of his art collection. A second subpoena has also been issued for university records of administrative expenses.

Mrs. Procope, a business tie to Adelphi date to 1986, when she was selected by the president as the official broker for the university. Mrs. Procope, who is also a director of the Chubb Corporation, sold the university an insurance package provided by Chubb. She remained the broker even after the Leonard R. Friedman Risk Management firm urged the university to cancel the account in favor of a Cigna Corporation package brokered by Nicholas J. Salerno.

“I wasn’t surprised,” said Mr. Salerno, whose Syosset firm, Salerno Brokerage Corporation, specializes in insurance for school districts. “I believed something was going on that wasn’t good for us and wasn’t good for Adelphi.”

During the same period, the Friedman firm also sent memos to the university administration warning that the existing insurance did not provide enough coverage and, “in the event of an uninsured loss, the trustees could be sued for the failure to affect and maintain insurance.”

William H. Borten, a trustee from 1982 to 1990, said the warnings were not passed on to all the members of the board.

“I can tell you with no equivocation that never, ever, ever was such a thing presented to me,” Mr. Borten said. “That concerns me. I just think I’m glad I got the hell out of there.” He added that he could not recall that Mrs. Procope’s firm, E. G. Bowman Company, had ever made a presentation to the board about her work for the university.

In response to a question about the extent of Mrs. Procope’s fees and insurance work for Adelphi, the university released a one-paragraph statement:

“Mr. Procope is a paid consultant to the university on insurance issues. The university engages his services to negotiate and oversee insurance contracts. Adelphi typically selects the best insurance plans available to the university.”

Typically, Mrs. Procope has refused to comment directly about Adelphi except for written statements of unconditional support for Dr. Diamandopoulos that have followed faculty controversies about the president’s compensation.

The board’s most recent statement was issued after revelations that the Nassau County District Attorney’s office is investigating a series of harassing phone calls made to a campus group calling for the president’s resignation.

The group, called the Committee to Save Adelphi, hired private investigators who analyzed tapes of the telephone calls and concluded that they were made by the president’s wife,
Examining Adelphi President's Perks, From a Mercedes to a Million-Dollar Condo

By MARIE L. KUNITZ

Last October, the growing storm over Adelphi University's president, Peter Diamandopoulos, prompted an emergency meeting of the board of trustees. He used the occasion, and his presidential expense account, to wine and dine some of his board allies at the Links club on East 62d Street in Manhattan.

Entertaining his old friend on the board, John Silber, over dinner and drinks ended up costing Adelphi $546. Dr. Silber was president and is now chancellor of Boston University.

The next day, food and drinks with another trustee, Hilton Kramer, and a second guest cost the university $707. Mr. Kramer is The New York Observer's art critic and a media critic for The New York Post.

The meal charges were actually modest; it was the bar tab that drove up the grand total. The bill was $454 for the 1982 Brion wine and Martell 100 cognac that Dr. Silber and Dr. Diamandopoulos drank. And the 1983 Chaval and Martell that he and Mr. Kramer sipped cost $552.

These glimpses into Dr. Diamandopoulos's spending were among the many that emerged from documents and testimony at the New York State Board of Regents hearings into Adelphi's affairs. A Regents panel is reviewing a formal complaint from Dr. Diamandopoulos's critics, who contend that Adelphi's board, on which he sits, has mismanaged the university and should be removed.

The hearings, now in recess, have focused mainly on the pay and benefits the trustees have granted Dr. Diamandopoulos. His compensation of $523,000 ranked second among the nation's college presidents in 1993-94, the most recent comparison available. He was surpassed only by Dr. Silber at Boston University.

An $82,314 Mercedes

Among Dr. Diamandopoulos's expenses highlighted by Amy Gladstein, a lawyer for the Coalition to Save Adelphi, was a $579 pen he ordered for Ernestia Procope to celebrate her election as board chairwoman.

There was also the $82,314 Mercedes that Adelphi provided to Dr. Diamandopoulos. When Ms. Gladstein asked at the hearings what model it was, the president seemed puzzled. She apologized for not being clear. "I don't know a lot about cars," she said. "I drive a Taurus."

At the Manhattan condominium that Dr. Diamandopoulos bought, renovated and

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Examining Adelphi President's Perks, From a Mercedes to a Million-Dollar Condo

The school's trustees have defended the spending by saying that they were trying to raise the school's image, with Mr. Diamandopoulos working to create a first-class college by revamping the curriculum.

A Lawyer for All Seasons

Another aspect of the condominium proved embarrassing, bearing on criticism that the trustees have failed to exert independent oversight of Dr. Diamandopoulos.

A year after the president selected the condominium and negotiated the price, Adelphi signed an unusual agreement giving him the right to buy it from the university for $905,000.

That contract listed no lawyer for Adelphi but did list Dr. Diamandopoulos's personal lawyer as Barry Shapiro -- who has also been serving as an Adelphi lawyer, who had drafted its compensation package for Dr. Diamandopoulos and who was sitting at the Adelphi lawyers' table in the Regents hearing.

Ms. Gladstein asked Mrs. Procope, who had signed the contract for Adelphi, if Mr. Shapiro currently had any legal responsibilities to the trustees. After a prolonged pause in which she looked at Mr. Shapiro and twiddled her glasses, Mrs. Procope finally answered: "I'm not sure."

Then Ms. Gladstein asked who authorized Mr. Shapiro to appear at the hearing. "I'm sure Mr. Shapiro represents Dr. Diamandopoulos and represented him in the option," Mrs. Procope said. "No doubt he's representing him here in this hearing."

When the Regents expressed concern about a possible conflict of interest, Mr. Shapiro replied: "We're representing the trustees, as our papers indicate." He also acknowledged having represented Dr. Diamandopoulos on personal matters. In later questioning, Mr. Meyer suggested that the trustees should have had another lawyer reviewing the option contract and compensation package.

On the compensation issue, Ms. Gladstein asked Mrs. Procope why she had appointed Dr. Silber to the trustee committee that determined the compensation.

"Being an educator, he would certainly know something about how presidents are compensated," Mrs. Procope said, "and we can certainly learn from him as to what other universities do."

Stuart Elliott's in Advertising E-mail
NEW YORK REGENTS OUST 18 TRUSTEES FROM ADELPHI U.

Correction Appended

The New York State Board of Regents removed 18 of Adelphi University's 19 trustees yesterday, saying they had paid the university's president too much, did not keep track of his compensation and failed to review his job performance.

The Regents, who immediately appointed 18 new trustees, said that two of the ousted board members had improperly profited by doing business with the university and that they had failed to disclose details of their dealings.

The action, which is authorized under state education law, has been taken against three other institutions in the last 80 years, but never against a university as big as Adelphi, which has 4,300 students.

The Regents also said that the trustees failed to abide by Adelphi bylaws giving the faculty a say in how the university is governed. "Indeed," they wrote in a 49-page report, "in our view there has been a complete breakdown of the principles of governance, which the board of trustees seems to countenance."

For a year and a half, Adelphi's president, Dr. Peter Diamandopoulos, has been attacked by faculty members and others who criticized what they said were his dictatorial management style; his cutbacks in programs; his salary and benefits package, which reached $23,000 in 1994-95, and his close relationship with the trustees, many of whom he had helped select.

He was among the trustees who were removed yesterday, but he remains president and had no comment. Under state law, the Regents can remove trustees who misuse their power but can take no action against administrators.

The one trustee who was not ousted, Donald Kagan, a Yale University professor of history and classics, was appointed late in 1995 and was not deemed to have played a role in the improper actions of the board.

Lawyers for the ousted trustees announced plans to appeal to the courts within 48 hours and seek a stay to restore their clients to office.

The ousted Adelphi board chairwoman, Ernesta G. Procope, denounced the Regents' ruling as "a direct threat to the continued independence of every private nonprofit college and university in the State of New York."

Reading a statement issued by the university, she added: "There were no legal, educational,

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ethical or any other grounds to warrant the removal of any members of Adelphi's board of trustees. Therefore we deplore this disgraceful, irresponsible and totally unwarranted decision by the New York State Board of Regents.

"We will go to the ends of the earth to rectify this gross injustice," she said.

A spokesman for Adelphi, Vincent Passaro, said that Dr. Diamandopoulos did not have a separate comment beyond the statement issued by Mrs. Procopo on behalf of all the ousted trustees.

To replace Mrs. Procopo, the Regents appointed an interim chairman, Steven L. Eisenberg, the former publisher of New York Newsday, who recently completed a teaching appointment in California.

The Regents' vote was 14 in favor of removing the trustees and 1 opposed, Robert Johnson, a former publisher of Newsday. Mr. Johnson voted for the installation of the new trustees.

Mr. Eisenberg, the new board's chairman, said he hoped the trustees would meet soon. He declined to comment about Dr. Diamandopoulos's future and said he had not had a chance to speak with the president.

The Regents' presiding officer, Chancellor Carl T. Hayden, said he had asked the State Education Commissioner, Richard F. Mills, to recruit potential new trustees in case the old board was removed. Mr. Hayden said the recruitment and the Regents' deliberations on removing Adelphi's trustees operated simultaneously but independently.

After more than a year of chaos at Adelphi, the prospect of the court appeal casts a note of uncertainty on who is in charge and when the power struggle will be finally adjudicated. Arthur J. Kremer, a lawyer for the trustees, said the appeal would be filed in the state courts in Albany. The court decision to block or halt the Regents proceedings all failed.

Officials of the Committee to Save Adelphi, a coalition of Dr. Diamandopoulos's critics led by faculty members and including former trustees, former administrators, alumni, students and parents, were jubilant at the votes, taken at the New York Bar Association in Manhattan.

**Correction:** February 12, 1997, Wednesday A list of newly appointed trustees of Adelphi University yesterday misspelled the given name of the president of Richard Stockton College in some copies. She is Vera King Farris, not Nera.
Lawsuits Over Ouster of Adelphi Chief Are Settled

GARDEN CITY, N.Y., Nov. 17—Adelphi University agreed today to a settlement with its ousted president, Dr. Peter Diamandopoulos, that leaves him with $1.4 million before taxes and resolves all the suits and countersuits over his removal last year.

The agreement also yields $3.5 million for Adelphi from several sources, which the university said it would use to hire professors and begin to refurbish its campus here.

Dr. Diamandopoulos, whose unusually high pay and benefits led to his highly publicized downfall, had sought more than $4.5 million but settled for less than a third of that after refunding part of his salary and paying rent owed on a luxury condominium in Manhattan that the university had bought for him, and reimbursing Adelphi for legal fees and other expenses.

Adelphi’s chairman, Steven L. Isenberg, said the settlement “closes the books on what was a difficult and sad chapter in the life of this university.”

Students and professors expressed relief as word of the deal spread slowly across campus. “We just need to get over it,” said Diane Malinauskas, 21, a speech pathology major from Glen Cove. “It got to the point where it was kind of embarrassing to say you went to Adelphi. But things have turned around. Morale’s definitely up.”

The president of the Student Government Association, Kris Mahadeo, 20, who is from Trinidad, said, “I think people are going to be relieved that it’s over — just in terms of having the negative publicity stopped.”

Dr. Diamandopoulos, who was named president in 1985, had sought to transform Adelphi from a commuter college into one with an international reputation, with advertisements that called Harvard “the Adelphi of Massachusetts.”

But as tuition soared, enrollment dropped and financial troubles forced layoffs and cuts in programs, growing dissatisfaction with Dr. Diamandopoulos’s personality and policies erupted into out-and-out battle three years ago after it was reported that his $523,000 a year in pay and benefits ranked among the highest for the nation’s college presidents.

Spurred by a coalition of critics — including faculty leaders, former trustees and administrators, alumni, parents and students — the State Board of Regents held 27 days of hearings before removing 18 of the 19 trustees for neglect of duty and misconduct in February 1997. The Regents cited the trustees for granting excessive compensation to Dr. Diamandopoulos, failing to review his performance and allowing some trustees to engage in private business with the university.
The Regents appointed a new board, headed by Mr. Isenberg, which dismissed Dr. Diamandopoulos. After he sought to stay on as a tenured professor, the new board went to court to cancel his contract rights, and he countersued. The State Attorney General, Dennis C. Vacco, sued the former trustees for restitution of misspent money, and they sued the Regents.

The deal announced today, in which neither Dr. Diamandopoulos nor the former trustees admitted wrongdoing, settled all that litigation.

Under the complicated agreement, which was executed on Monday, the former trustees paid Adelphi $1.23 million and assumed more than $400,000 in legal bills.

It was unclear today how the former trustees would divide their share of the payments to Adelphi. In the group is Hilton Kramer, an art critic, as well as several wealthy executives, including Leonard Riggio, the chief executive of Barnes & Noble.

Adelphi received an additional $1.45 million from National Union, the insurance company that indemnified the former trustees and officers. Dr. Diamandopoulos refunded nearly $650,000 to Adelphi, paid more than $150,000 in rent on the Manhattan apartment and dropped claims worth an additional $767,000.

All told, after paying $500,000 in legal bills that it still owes, the university's balance sheet will be improved by about $3.5 million, Mr. Isenberg confirmed.

Dr. Diamandopoulos, meanwhile, was permitted to keep $1.8 million in deferred compensation and interest, and he received nearly $400,000 more as a settlement of his counterclaim against Adelphi for breach of contract. After his reimbursements to Adelphi, he walked away with about $1.4 million, Mr. Isenberg said. But after taxes were withheld, Dr. Diamandopoulos received only about $650,000 in cash, he said.

Dr. Diamandopoulos, 70, also agreed to vacate the Manhattan condominium, at 422 East 72d Street, by the end of the month, Mr. Isenberg said. A broker has been hired to sell it, with an asking price of $1.45 million. Adelphi had spent a total of $1.3 million to buy, renovate and furnish the high-rise apartment. Dr. Diamandopoulos had sought to exercise an option to buy it for $905,000.

The Attorney General and other critics of Dr. Diamandopoulos had attacked his lavish lifestyle as president, and some had speculated that he used Adelphi’s money to amass an art collection while on frequent trips to Europe paid for by the university. But Matthew D. Sansveric, chief of the Attorney General’s Charities Bureau, said Dr. Diamandopoulos had sworn in an affidavit that he, not Adelphi, had paid for his art collection.

Both Michael N. Rosen, a lawyer for Dr. Diamandopoulos, and Stanley Arkin, who represented the former trustees, said their clients were pleased with the settlement and remained loyal to Adelphi.

Mr. Isenberg noted that since Adelphi named a new president, Matthew Goldstein, in June, enrollment, which fell 6 percent during Dr. Diamandopoulos’s administration, has surged. The freshman class is nearly twice last year’s in number, and total enrollment is up 5 percent, to 4,275.

Adelphi, which has an operating budget of about $76 million, will use the $3.5 million it received under the settlement to continue a buyout of tenured professors that has enabled it to hire 13 new professors this year and which could result in 40 new hires over the next three years, Mr. Isenberg said.

The money will also allow Adelphi to speed up plans to borrow $15 million to rehabilitate its five residence halls, add a computer center to its library and overhaul the interior of its business school, a spokesman, Vince Passaro, said.

President Who Was Forced From Job at Adelphi Is Hired at Boston University

Dr. Peter Diamandopoulos, who was forced out as president of Adelphi University last year over issues of excessive compensation and mismanagement, has been hired as a special assistant to the president of Boston University.

The move reunites Dr. Diamandopoulos with Dr. John R. Silber, the chancellor of Boston University, who has been his mentor, role model and defender. Dr. Silber once said: "I served as a sort of unpaid consultant to Peter."

The two were friendly competitors for the rank as the nation's highest-paid university president, although Boston's enrollment of 30,000 is much bigger than Adelphi's 4,275. Opposition to Dr. Diamandopoulos on Adelphi's campus in Garden City, N.Y., was galvanized by a Chronicle of Higher Education report in 1995 that his pay and certain benefits totaled $23,636 — exceeded only by Dr. Silber's $564,020.

Dr. Silber served on Adelphi's board of trustees until it was removed by New York State's Board of Regents last year for failing to properly oversee Dr. Diamandopoulos and the school. The Regents installed a new board that then terminated Dr. Diamandopoulos's contract.

In hearings before the Regents, Dr. Silber was an often combative defender of Dr. Diamandopoulos, his policies and his pay, which Dr. Silber helped set as a member of Adelphi's compensation committee.

"It doesn't take as nearly as much effort to run Harvard as it does to take over an institution like Adelphi," which was struggling, Dr. Silber testified.

He warned that if the Regents removed the trustees, "it would be nothing short of a national calamity" and "an uncompromising disaster for higher education."

The hearings also revealed that Dr. Diamandopoulos once entertained Dr. Silber at Adelphi's expense for dinner and drinks that totaled $546, of which $454 was for wine and cognac.

A tangle of litigation that followed Dr. Diamandopoulos's removal was settled only last month. He, Dr. Silber and the other former trustees agreed to repay Adelphi more than $1.2 million for the excessive compensation and $400,000 in legal fees. Dr. Diamandopoulos also returned $650,000, paid $100,000 in rent and dropped $767,000 in claims but was allowed to keep $2.2 million — $650,000 after taxes — in deferred compensation and for the termination of his five-year contract as president.

http://www.nytimes.com/1998/12/06/nyregion/president-who-was-forced-from-job-at-ade... 12/19/2009
Dr. Diamandopoulos's new job was reported by the student newspaper at Boston University. A school spokesman, Colin Riley, said that Dr. Diamandopoulos would serve as a special assistant to President Jon Westing, handling projects in development, international education and education policy.

The salary was not disclosed. Dr. Diamandopoulos, who has an unlisted telephone, could not be reached.

At Adelphi, Dr. Diamandopoulos was criticized for not raising much endowment money, resorting instead to big tuition increases that helped cause enrollment to plunge 62 percent during his tenure. He did promote foreign student programs. His education policies often caused conflict with the faculty, but he was credited with creating Adelphi's honors college, which remains.

Once before, in 1985, Dr. Silver tried to recruit Dr. Diamandopoulos to Boston, as executive vice president. But then the Adelphi presidency was offered.

Dr. Silver recalled advising his protégé to go there instead. "I said, 'Peter, this is the only kind of job worth taking. If you're offered the presidency of Harvard, your chances of making a significant contribution are nil. They don't need your help.'" But at Adelphi, he told Dr. Diamandopoulos, "You have a chance to really leave your mark on that place."

Photo: Dr. Peter Diamandopoulos will be an assistant to Dr. John Silver. (Steve Berman)