Why Charities Oversight Matters: Presentation to the NASS Business Services Committee

Yael Fuchs, President, National Association of State Charities Officials (NASCO)
Overview

1. What is NASCO
2. Why charity registration matters
3. How can/do NASCO and SOS Offices work together
What is NASCO

• NASCO is an association of state offices (attorneys general, secretaries of state and other offices) charged with the regulation and oversight of charitable organizations and charitable solicitation in the United States.

• NASCO provides a forum for states to share information and collaborate on matters of common interest related to charities oversight.

• NASCO strives to provide a unified voice for state regulators to communicate with other regulatory and legislative agencies, the not-for-profit sector and its professional advisors.

• On a day-to-day level, we are a group of public servants committed to ensuring the integrity of the not-for-profit sector.

Source: www.nasconet.org
What is NASCO

- NASCO is an association of state offices (attorneys general, secretaries of state and other offices) charged with the regulation and oversight of charitable organizations and charitable solicitation in the United States.

- Current SOS representatives on the NASCO board:
  - Albert Bryant, Colorado
  - Kathleen Smith, Maryland
  - Noula Zaharis, Georgia (current Board Secretary)

- NASCO provides a forum for states to share information and collaborate on matters of common interest related to charities oversight.

- NASCO strives to provide a unified voice for state regulators to communicate with other regulatory and legislative agencies, the not-for-profit sector and its professional advisors.

- On a day-to-day level, we are a group of public servants committed to ensuring the integrity of the not-for-profit sector.
Recent NASCO Initiatives

- Dissemination of information on state actions.
- Brownbag presentations with parts of the sector, including watchdog groups and crowdfunding platforms.
- Our annual conference. To be held virtually on October 13-14, 2021 and October 11-13, 2022 in Denver.

Collaboration Idea #1:
Please share your press releases and reports on the Charity listserv!

Collaboration Idea #2:
Develop joint webinars on topics relevant to SOS offices.

Collaboration Idea #3:
Join us at the Conference!
The role of SOS offices in charities oversight

<table>
<thead>
<tr>
<th>Role</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incorporation</td>
<td></td>
</tr>
<tr>
<td>Registration</td>
<td>(16 states as of 2019*)</td>
</tr>
<tr>
<td>Public Education</td>
<td>for charities, fundraisers, and donors, for example SC’s “Angels” list and online giving brochure</td>
</tr>
<tr>
<td>Compliance, Enforcement</td>
<td>for example:</td>
</tr>
<tr>
<td>MD</td>
<td>cases like the Cancer Society of America aka USA Cancer Foundation</td>
</tr>
<tr>
<td>PA</td>
<td><a href="pa.gov">Charities Enforcement and Disciplinary Actions</a></td>
</tr>
<tr>
<td></td>
<td>“Donate with Honor” initiatives by Maryland, South Carolina, Tennessee, Washington, and others</td>
</tr>
</tbody>
</table>

*Source: The Legal Compendium by the Regulation of Nonprofits and Philanthropy Project | Urban Institute

**Collaboration Idea #4:**
Let us know if you have updates to the Compendium.
Why Registration Matters

- To provide information to the public regarding charities
- To promote self-regulation within the sector
- To inform legislation and regulation
- To identify and prioritize areas for compliance/enforcement/education initiatives
- To identify unregistered or nonreporting entities subject to our jurisdiction who are holding significant charitable assets
To provide information to the public

Is this charity aware of/compliant with its legal obligations?

How much revenue goes to program services?

How much does the charity spend on fundraising?

How much do the charity leaders get paid?

Among others…

Collaboration Idea #2: Joint public education campaigns
To Promote Self-Regulation

"nudge" theory of regulation

Filing requirements provide charities with an essential opportunity to conduct internal reviews, think about spending and processes.
To inform legislation and regulation

Explain the importance, scope and scale of the sector to policy makers

Help shape effective laws and regulations
To identify and prioritize areas for compliance, enforcement and education initiatives.

- Identify parts of the sector that need assistance, compliance efforts, or public education efforts.
- Identify business models or practices for investigation or compliance efforts.
- Identify red flags in individual filings or groups of filings.
To identify and prioritize areas for compliance, enforcement and education initiatives.

Examples

- Multistate actions against “bottomfeeder” charities
  - MD SOS participation in Cancer Fund, Help the Vets, others
- South Carolina “Angels and Scrooges” report
- Charities that report diversion of charitable assets, improper loans

**Collaboration Idea #5:**
Joint compliance/enforcement initiatives
Multistate actions against telemarketers

**FTC et al. v. Outreach Calling et al.**

- A sprawling fundraising operation that allegedly scammed consumers out of millions of dollars will be permanently banned from charitable fundraising along with its owner and others involved in its operation as a result of a lawsuit brought by the Federal Trade Commission and Attorneys General of New York, Virginia, Minnesota, and New Jersey.
- The operation is made up of multiple companies all under the control of owner Mark Gelvan, along with his associates. The complaint filed by the FTC and the states alleged that the defendants served as the primary fundraisers for a number of sham charities that were the subject of numerous law enforcement actions.
- [https://www.ftc.gov/enforcement/cases-proceedings/182-3058/outreach-calling-inc](https://www.ftc.gov/enforcement/cases-proceedings/182-3058/outreach-calling-inc)

**FTC et al. v. Associated Community Services et al.**

- The Federal Trade Commission, along with 46 agencies from 38 states and the District of Columbia, has stopped a massive telefunding operation that bombarded 67 million consumers with 1.3 billion deceptive charitable fundraising calls (mostly illegal robocalls). The defendants collected more than $110 million using their deceptive solicitations. Associated Community Services (ACS) and a number of related defendants have agreed to settle charges by the FTC and state agencies that they duped generous Americans into donating to charities that failed to provide the services they promised.
- [https://www.ftc.gov/enforcement/cases-proceedings/162-3208/associated-community-services-inc](https://www.ftc.gov/enforcement/cases-proceedings/162-3208/associated-community-services-inc)
Operation Donate with Honor was a nationwide “sweep” targeting fraudulent and deceptive fundraising for military causes.

Launched in 2018 but actions have continued into 2021.

Multiple SOS offices participated through public education initiatives and enforcement actions.

In 2018, the FTC, Florida, California, Maryland, Minnesota, Ohio and Oregon settled charges with Florida-based Neil G. “Paul” Paulson, Sr., and Help the Vets, Inc. An investigation found that the defendants collected more than $20 million by falsely claiming that donations would help veterans in need. What really happened to the millions that people donated to Help the Vets directly and through names like American Disabled Veterans Foundation, Military Families of America, Veterans Emergency Blood Bank, and Veterans Fighting Breast Cancer? According to the complaint, it went to Paulson and to the for-profit fundraisers that Help the Vets hired. The FTC alleges that between 2014 and 2016 Help the Vets spent 95% of donors’ contributions to pay Paulson, for-profit fundraisers, and overhead expenses.
To identify unregistered or nonreporting entities subject to our jurisdiction who are holding significant charitable assets

- New campaigns appearing on crowdfunding sites
- Orgs that have had their exempt status revoked by the IRS
Some feedback from NASCO members

- **Thank you** for your attention to charities oversight!
- Promote relationship with other relevant state agencies
  - Hot off the presses success story: Charges brought against the Georgia Peach Youth Club of America
- Donor education efforts
- Consider adding CPA/analysts
- Invest in IT resources
Charities regulators are part of an ecosystem that seeks to empower people who support a charitable mission.
Questions?

My contact information:
Yael Fuchs
Yael.Fuchs@ag.ny.gov
(212) 416-8391
www.nasconet.org