

FTC Press Conference: Operation Donate with Honor  
July 19, 2018  
Transcript

CATHY MACFARLANE: Good morning, everyone. And thank you so much for being here. We have very significant announcements today about Donate with Honor. And we're very honored to have with us the attorney generals of Nebraska and Connecticut, the Secretary of State of Maryland, Art Taylor of the Better Business Bureau Wise Giving Alliance, and our own chairman Joe Simons, along with two veterans who you will see starring in a wonderful video. And we'll also introduce you to them later on.

A little bit of housekeeping. Please turn off your phones. And what will happen is we'll have all our speakers. And then I will come up, and we'll start taking questions. Andrew Smith, our director of the Bureau of Consumer Protection, is going to be the person taking the majority of questions. If any of the reporters have questions for any of our other guests, please address that at the beginning of your question. Also, please list your name and your outlet when you're called upon for your question.

I will be coming around with a microphone for anyone who has a question, just so we all can hear it. So please just raise your hand. And either myself or Peter, who has red hair-- you'll see him-- will come to you with the microphone. So I believe that's all our housekeeping. And again, thank you so much for being here. And we have very significant announcements. Chairman Simons.

JOE SIMONS: Thank you, Cathy. Good morning, everyone. And thank you for being here today. Today, we announce Operation Donate with Honor, a coordinated law enforcement and educational campaign to crack down on fraudulent charities that con consumers by falsely promising their donations will help veterans and service members.

At its heart, this is about stealing resources from needy veterans. With the National Association of State Charity Officials and the National Association of Attorneys General, this unprecedented effort involves more than 100 law enforcement actions and 70 agencies from all 50 states, the District of Columbia, Puerto Rico, Guam, and American Samoa. And, of course, we count on our partners like the Better Business Bureau Wise Giving Alliance to help get the word out.

The participation by so many agencies across the country reflects the importance of our cause ensuring that when Americans donate to support veterans, their money actually ends up with a legitimate charity that does much needed work, and not with a scammer. It's no secret that Americans are generous people. As a nation, we donated more than \$410 billion to charity in 2017. 70% of those donations came directly from individuals.

As part of Operation Donate with honor, the FTC along with six state co-plaintiffs recently filed suit against an alleged sham charity, Help the Vets, and the individual who controlled and benefited from it. Help the Vets collected more than \$20 million by claiming that donations would help veterans, including disabled veterans, with things like suicide prevention programs and fighting cancer.

But the evidence shows that, in reality, Help the Vets spent more than 95% of the millions it collected paying its founder, fundraisers, and on expenses. Today, we also announced a second case against Travis Deloy Peterson doing business as Veterans of America involving millions of illegal robocalls. The defendant in this case, we alleged, asked for donations of cars, boats, and real estate, which would supposedly benefit veterans.

He also use names like Act of Valor and Saving our Soldiers. These, however, were not charities at all. And despite the defendant's claims, no donations were tax deductible. Indeed, it was a front for the defendant, who sold those cars, boats, and real estate, and then used the money to line his own pockets and fund even more robocalls.

For consumers and businesses, these phony charitable pitches can be hard to spot. With that in mind, we are undertaking a national education initiative aimed at helping donors make informed giving decisions. At [ftc.gov/charity](https://www.ftc.gov/charity), we have rolled out new educational materials for people and businesses to help make sure their money actually helps the causes that they want to support. I encourage you to use and to share them. The video you're about to see shows a few easy steps that each of us can take before we donate.

It can be kind of scary or overwhelming when you hear about charities that are scamming people. To promise services to veterans who need it and not deliver on that promise is reprehensible.

This is something that's going to affect the life of you and your family. As someone wants to play games for their own personal gain.

Scammers have little moral compass. And they're preying upon people's good hearts.

But don't let that keep you from giving. Don't let that scare you away from providing for others.

What makes a difference in your donation is that it gets to a legitimate charity. Ask questions about how your money is going to be used-- who exactly are you, where are you located, and how much of my money is going to go directly to that program?

So that you know that you're giving money to someone that's really going to put your money into practice rather than their pocket.

Charity scams can come in a bunch of different sizes. If anyone calls and asks you to make a charitable donation by wire transfer, by prepaid card, stop. That's an immediate red flag. Go to [ftc.gov/charity](https://www.ftc.gov/charity). There, you'll find information on how to research to spot the good charities and how to identify the scammers.

We all have an opportunity to contribute to the greater community at large and make this world a better place.

Take your time. Do the research. Make sure your donation counts.

[APPLAUSE]

Awesome. And two tangible reasons to check out a charity before you donate are here in this room with us today. I am honored to introduce to you Karen Lenoir, a veteran of both the US Navy and the US army, and Maureen Elias, a former counterintelligence agent in the US army.

[APPLAUSE]

Thank you so much. Thank you for your work on this cause. And thank you for your service. The FTC along with our partners is committed to doing all we can to combat fraud by fake charities that pretend to help our veterans. Alongside me are my esteemed colleagues and partners in this fight, Attorney General Doug Peterson, Attorney General George Jepsen, Maryland Secretary of State John Wobensmith, and Art Taylor, president and CEO of the BBB Wise giving alliance.

Thank you all for being here today. And now, I'd like to turn the podium over to General Jepsen. Thank you.

[APPLAUSE]

GEORGE JEPSEN: Good morning. And thank you to Chairman Simons and the staff at the Federal Trade Commission for all of your work coordinating this event and this important campaign. It's my pleasure to be here along with my friend and co-chair of the NAG Charities Committee, Nebraska Attorney General Doug Peterson, on behalf of state attorneys general from around the country.

As the chairman detailed in his remarks, the campaign we're announcing today represents a tremendous co-operative effort on the part of the FTC, more than 50 state and territorial attorneys general, 16 state charities regulators, including eight secretaries of state, and our partners in the private and nonprofit sectors. State attorneys general have a strong history and practice of joining together on a bipartisan basis across state boundaries and ideological lines to work on issues of mutual importance. We also work arm-in-arm with our federal partners, like the FTC, and appreciate the opportunity to collaborate for the betterment of residents in every state.

But while such cooperation is not in and of itself unusual, the initiative we are announcing today is unique in both its size and its scope. And I'm incredibly proud of the force we have put together. Today, we are announcing more than 100 enforcement actions, as well as a sweeping educational campaign designed to provide resources and assistance to the donating public nationwide.

The strength of this effort and the outstanding level of participation in our educational campaign are testament to the importance of the issue before us. Veterans, active duty service men and women, plus military families all sacrifice for all of us in order to defend our country and our precious and foundational freedoms. The respect, regard, and appreciation that we hold for their service knows no jurisdiction and knows no political party.

It is the sad truth that there are individuals and organizations that seek to take advantage of the genuine altruism of potential donors, and seek fraudulently to raise money on the backs of our veterans to benefit themselves. It is my sincere hope that the coalition we are announcing today will not only help guide potential donors as they search for charities that match their own values, but will also send a strong message that we, as charities regulators, are here, we are unified, and we will aggressively use our collective resources to stop fraudsters who engage in deceptive tactics and violate the public trust.

Thank you. And with that, I'd like to introduce our next speaker, a constitutional officer in the state of Maryland who serves in the governor's cabinet and oversees charities and legal services-- Maryland's Secretary of State John Wobensmith.

[APPLAUSE]

JOHN WOBENSMITH: Well, thank you very much, General Jepsen. On behalf of all of the secretaries of state and the 70 state agencies charged with charity's oversight, I'm here to warn scam artists, watch out. We're investigating complaints. We will track you down. And in partnership with our attorney generals, we will shut you down.

Point out that secretaries of state and other state agencies charged with charity's oversight may have a wide range of responsibilities to the public, and that includes registering charities to solicit, investigating complaints, taking administrative enforcement action to resolve violations, educating and informing the public about charitable giving, and working to ensure charitable donations go to qualified charities and are used for the purpose intended.

The collaborative efforts of the secretary of state and the attorney general in Maryland, I can tell you, are vital to regulating the charity sector. Our officers share information, resources, and workload to ensure successful outcomes. Collaboration in Maryland has led to all of the successful enforcement actions taken against scam charities in Maryland. The office of secretary of state and the attorney general's office in Maryland are a model, quite frankly, of bipartisan cooperation and collaboration.

In addition to rogue charities, we want our citizens to be on guard against phony professional solicitors and fundraisers, scam artists who mislead people and falsely claim to help veterans, harm the reputable veterans charities that indeed do provide essential programs and services that support our troops and their families. Con artists are on the prowl, ready to take advantage of donors, often preying on those who really want to help veterans. So we want to make sure that your donations are given to reputable, well-established charities.

Cases announced today's show that consumers are approached in many ways and in many places to support veterans causes-- so that's in person, in front of retail stores, by direct mail, telemarketing, and online. A group might ask for a donation or might try to sell something with a promise that proceeds will help veterans or deployed military. Today, as part of Operation Donate with Honor, Maryland is announcing actions against veteran charities that operate nationally and locally.

And nationally, they are Help the Vets, VietNow, and Operation Troop Aid. These are a result of multi-state efforts and the efforts of the Federal Trade Commission. So locally, Maryland's actions against Southern Maryland Veterans Association and a gentleman by the name of David Brashear also demonstrate the power of a strong secretary of state and attorney general partnership that benefits our citizens.

The chairman already mentioned Help the Vets. And that particular organization, as he said, falsely claimed charitable contributions would be used to assist veterans through grants, to veteran family retreats, other lodging to veterans, and grants to US veterans fighting breast cancer. Little of that money, as was said, was in fact used this way. In fact, I would also mention \$2 million went to the founder for his salary and benefits.

VietNow was a telemarketing scheme which used a professional fundraiser who told donors that their donations would help local vets. VietNow has admitted it did not fund programs assisting veterans. Operation Troop Aid failed to ensure that donated monies were used for sending care packages to deployed service members. And it also failed to request or receive periodic accountings from the retailer that it was working with to solicit and receive donations.

All three of these actions have resulted in settlements, penalties, and preventing these same people from in the future going out and soliciting for funds. Locally, we had complaints in Maryland from our citizens, from the Maryland Department of Veterans Affairs, and a local senator's office. And our investigation confirmed that Southern Maryland Veterans Association, founded and run by Daniel Brashear, violated the Maryland Solicitations Act.

Fundraisers stood outside storefronts and asked for donations for non-existent programs for homeless vets. They failed to register with the secretary of state's office. They claimed to raise money for a non-existent veterans homeless shelter and much more. In partnership with the attorney general, we shut them down. However, interesting, Mr. Brashear continued to solicit for another sham veterans charity. And in turn, that matter was referred to the office of the local states attorney, who prosecuted him criminally.

So take heart. It's not all bad. We don't want you to be scared off by these scams. We say educate yourself. Check out the charities you want to donate to. And continue to give. Just make sure you're giving to reputable charities.

And I would say, your secretaries of state want to assist you. If you have any doubt about the legitimacy of a charity, please contact us immediately. It's so important for all of us. It's my pleasure now to introduce General Peterson. Elected as Nebraska's 32nd attorney general in 2014, Doug Peterson has dedicated his career to being an advocate for Nebraskans, both in private practice and as a former assistant attorney general to the Nebraska attorney general's office.

He currently serves as the co-chair of both the National Association of Attorney Generals Charities Committee and the National Association of Attorney Generals Consumer Protection Committee. So with that, welcome please General Peterson.

[APPLAUSE]

DOUG PETERSON: Well, you're starting to get a theme here. Obviously, we care greatly about our veterans. And at the outset, Maureen and Karen, I want to thank you for being here and your service to our country. It's very easy to get energized about this. In fact, when attorney generals met about two years ago and we were talking about charity frauds, considering and reviewing what was going on in the area, veteran charity fraud-- it resonated with all of us.

That's how important this is really to honor those who've served our country so well. We now have a duty to go forward and provide both education and also enforcement against those who've fraudulently tried to take from those who want to be charitable and care about veterans.

What I really want to focus upon is this coalition and how important it is. It's very important for us as attorneys general to come together among our 50 states and the districts. But it's also very important to work closely with the Federal Trade Commission, and the authority and sources that they have. And that's what you're seeing now. Because, once again, it's a unifying issue for all of us. And also there's great private organizations-- the Better Business Bureau, AARP, and others-- who are also committed to this cause.

One of the things we have a duty to do in response to honoring our military officers is to do everything we can to educate. And along with what you saw from the FTC's material, that is very helpful to those who might consider giving. All of the attorney general's offices do also have that type of information in their consumer protection area.

I'll put a plug in for Nebraska. We have a web page called Protecting the Good Life. And it talks about criteria to look for. One of the things that's so important to potential givers, those who want to honor our service members in their giving, is to recognize, take your time, and do your due diligence. Use the resources that we are attempting to provide for you. So when you get the phone solicitation-- and you look at some of these names, they're very convincing, yet they're scammers.

National Vietnam Veterans Foundation, Foundation of American Veterans or For American Veterans-- very credible-sounding. And they will pressure you, because the people who do the marketing are very good at what they do. And they will press a message of urgency and everything else.

And so to you potential donors, please do your due diligence. Don't succumb to the pressure that a marketer will use. Simply ask them-- and this will shut the door on a lot of them-- please send me your information so I can consider it. And they'll say, well, we can't. There's urgency here. We can't. Now, if you could give us your charge card number, we can move along quickly.

Shut them down. I think if we work together on this, we can make this much less profitable for these dishonorable people who would do this. And so I'd like to suggest to the public that we want to give you all the resources we can, both from a federal preset perspective and the state perspective. But I also want to encourage you also as potential donors to do everything you can

to do your due diligence, study who you're going to give your money to so that you're comfortable and know that it's going to a good source to serving our veterans. Thank you.

It's my pleasure now to introduce Art Taylor. Art is the president and CEO of BBB Wise giving alliance, a charity monitoring organization affiliated with the Better Business Bureau that assists donors in making informed giving decisions. Art is one of the leading voices in the country on matters affecting charity trustworthiness, standards, accountability, and donor expectations. Art.

[APPLAUSE]

Thanks for your work.

ART TAYLOR: Good morning, everyone. I'm delighted to be here and to be asked to speak with you this morning. I was asked to talk a bit about what we need to assure a strong foundation for charity in our country. And my remarks can really be summed up this way. TTT-- transparency, truthfulness, and trust.

Donors need charities to be transparent and truthful. And clearly, what we've seen here in these cases, is that they haven't been necessarily transparent. Most charities know that it requires more than just filling out a tax return in order to be transparent. And we can see in each of these cases that these organizations failed in the case of transparency.

We asked each of them numerous times to provide us with information so that we could conduct a basic review of their transparency. And in every instance, they failed. Donors also need charities to be truthful. And clearly, these organizations were not truthful. And let me give you just three examples.

The National Vietnam Veterans Foundation failed to be truthful. They indicated that they would help veterans by providing support to them when needed. And when veterans came to them asking for support, instead of supporting them, they funded the needs of their friends, and family members, and others, and did not help the veterans.

In the case of the VietNow organization, we noticed that in Michigan, they promised that they would help veterans who had been stricken with post-traumatic stress disorder after having served in the Gulf War, and helped none of them-- none of them. Instead, 90% of the money went to pay fundraisers.

And there's also the case of the national-- it's listed right here-- the national foundation supporting charities out of-- I'm forgetting the name. But this organization raised \$2.5 million-- 2.5 million. And only \$5,000 was spent to purchase phone cars so that veterans deployed in the Middle East could call home and talk to their families. 2.5 million raised. \$5,000 spent on this purpose. So you see, there was a failure of truth.

So what do donors need? Donors need truthfulness and transparency. What do charities need? Charities need trustworthiness. Charities need to know that the people who give to them will trust them. And we know here that that was not the case. Charities should not have been trusted.

But don't be too dismayed. Because what we can tell you is that most charities are trustworthy. Most charities are trustworthy. We have a list of 25 organizations that we vetted fully. And you can go to our website, give.org, and see these organizations. They've submitted information. We've evaluated them. And you can trust them.

And in the case of military organizations and veterans organizations, Americans want to support these people. No one wants to say, no, to a charity that is purportedly supporting veterans. We all want to help these heroes. And yet, there are instances where we have to be careful.

And so we encourage all Americans to be generous, but also to take a few minutes and do your homework, and make sure that every dollar that you donate ends up with a charity that can actually do the work, and not like the case of some of these here, where the money will end up in places where it's not going to be used for anything other than to line the pockets of scam artists. So thank you very much.

[APPLAUSE]

CATHY MACFARLANE: Thank you to all our guests for their remarks. They were all amazing. We're now going to take questions. I'd like to introduce Andrew Smith, who's the director of our Bureau of Consumer Protection. He's going to take the majority of the questions. But if you do have questions for anyone else, please note it. Andrew.

ANDREW SMITH: Thank you, Cathy. So questions?

Well, while we're waiting for questions, I want to emphasize what so many of our speakers said today, which is that consumers shouldn't be discouraged from giving. I think that the message here today is, one, that there are effective cops on the beat. We have 102 different enforcement actions brought by 70 different state, local, federal partners. Also, all of these resources that are particularly on this slide here.

There are websites that rate charities. Mr. Taylor talked about how there are 25 that BBB has fully vetted that are safe to give to. We have these other tips as well, such as give by check or credit card, which provides you with more safety if you subsequently determine that the charity might be a sham. And never give by gift card or money transfer. That's a sure sign, or at least a red flag, that a charity may not be legitimate.

And if you ever feel pressured on the telephone by a what we call a telefunder or a telemarketer purportedly raising money for one of these charities, if you ever feel pressured, just take a minute. Take a time out. And say, thank you. Get the full name of the organization. Look it up online.

If it's a legitimate charity, they will be happy to take your donation at any time that you choose to give it. Look it up online. Use these resources. Do your research. But don't ever feel pressured to donate over the telephone. Don't do anything that you don't feel comfortable doing.

So with that, questions? Yes, right here.

AUDIENCE: Hi. Maggie Severns with Politico. Thanks for this. I was wondering if you could just talk through briefly-- you have two different kind of scam rings here. And I was wondering if someone could talk through just the kind of timeline for-- in one case, you have a settlement. And in another case, it looks like they were targeted with a restraining order. I'm just wondering, when was the settlement reached? How recently were these scams operating? When did they cease operation? And things like that?

ANDREW SMITH: Right. So we have two cases that the FTC is announcing today with our state and-- state partners participated in both of these. The first is Veterans of America, which was described by Chairman Simons. This was the fellow who was taking donations of real property, and boats, and cars. And he didn't even bother to establish himself as a nonprofit. So the donations that were made weren't even technically tax deductible.

That was a temporary restraining order. So we didn't engage in settlement negotiations with him. That temporary restraining order was issued by the court last week. And he was using robocalls. So that, I think, is a little bit new. And we've brought several actions against charities over the years.

Typically, it's telemarketers, not robocalls or not prerecorded messages. But that was an organization that we considered to be thoroughly fraudulent without any redeeming value. So we didn't engage in settlement discussions. We just got a temporary restraining order and an asset freeze.

Help the Vets was the other case that we're announcing today. With six state partners here, this was more garden variety-- making false promises about benefits provided to veterans organizations and active service members and their families. Very little money actually went to any sort of charitable function.

There, that was a settlement that was just voted out by the commission yesterday. It was reached in the last week or two with the individual who was primarily responsible for the charity, where he essentially disgorged all the compensation that he made from the organization and then some.

So those were both good results. Both of those charities are out of business now. And that's really the big headline here, is that what we're doing is putting these-- 102 announced today-- putting these sham charities out of business so they can't prey on well-meaning consumers going forward. Yes.

AUDIENCE: [INAUDIBLE]. I guess my question is where is the line here between a charity that might just be unwise for you to donate to as far as their percentage going to the product and one that the attorneys general and your office would go after legally. We heard about that 22.5-- only a fraction going to the phone cars. But is 20%, is 10%-- what's the line between just, it's unique to give your money to them versus they're doing something you all see as legally wrong.

ANDREW SMITH: Right. So that's a really good question, because there are legitimate charities where very little might actually go to the program. There might be a lot of reasons for that. For

example, sometimes charities are in what we might consider to be a startup mode. And they need to spend time branding, and getting their message out, and finding new donors.

The other issue is that fundraising costs money, right? Whether it's telemarketing through legitimate telemarketers or direct mail fundraising, it's expensive. And so what I would say is rely on these organizations that are highlighted up here-- so that's Art's organization, give.org, plus guidestar.org, which lists all the Form 990s-- these are the tax returns that charities are required to file. All of them are on guidestar.org. Then there is Charity Watch and charitynavigator.org that also rate charities.

And so I think that those types of organizations that spend a lot of time thinking about charities are able to weigh all of these competing considerations to determine which is a legitimate charity worthy of your support and which is just a sham.

AUDIENCE: I guess my question for you though is how does it go beyond, it's a zero-star charity on Charity Navigator, I probably shouldn't give it my money, versus the attorney general or the FTC is going to come after them.

ANDREW SMITH: Right. So the shams-- there are no lists of shams probably. If there were, then we would go put them out of business. So I think that the trick is to listen carefully, ask the organization for its full name, go to its website, go to these websites, ask the organization, how much of your donations actually go to the program that I'm supposed to be supporting here. So it requires a little bit of education and pro-activeness on behalf of consumers who might give money to these charities.

You're right that the charities that are listed on these websites are probably legitimate. Just some might have higher overhead and may not be as good at furthering their particular program as others.

Other questions? Do we check on the phone?

CATHY MACFARLANE: Yes, there's none there.

ANDREW SMITH: OK. Well, perfect. Thank you all for coming. We really appreciate it. And thank you to all of our state partners for this terrific work today.

CATHY MACFARLANE: Thank you, Andrew.

[APPLAUSE]

And thank you, everyone, for being here.