



## Charity Fraud

*Ann House*, Utah State University Extension Assistant Professor and Area Agent,

We hear a great deal about fraudulent scams these days. Some include how to avoid telemarketing fraud, criminals who use the Internet to cheat others, scams targeted toward the elderly or identity theft, where someone uses another's name, Social Security number, credit card number, or some other piece of personal information to commit fraud. These scams are serious crimes that may take the victim years to clear their good name and credit.

With the news of increased incidents of fraud, tips abound as to how to protect ourselves. We are generally more aware of who we give our personal information to, and are more cautious about making purchases online. Even the federal government is assisting us in protecting our identity. The Fair Credit Reporting Act (FCRA) was passed in 2003 which enables us to check our credit reports from the three credit reporting agencies once each year for free so we can monitor occurrences of fraud.

Still, we are nervous. We are buying identity theft insurance, credit card insurance and insurance to protect us as we shop on e-Bay. Hartford Financial Services Group is offering eBay shoppers a guarantee up to \$10,000 in coverage if a participating auction seller does not deliver advertised goods at the agreed-upon price ("EBay Moves to Recharge Its Auctions," Bob Tedeschi, New York Times, Nov. 17, 2003, Section C, Pg. 7).

Yet, in the days after Hurricane Katrina thousands of people contributed millions of dollars to agencies collecting donations for the victims without much thought as to protecting ourselves from fraud. As

the devastation along the Gulf Coast was played out through the media, everyone wanted to do something to help. Many well-known national organizations quickly set up means to collect donations. Unfortunately, many Americans found themselves prey to con artists who took advantage of the emotions of the moment to solicit funds for fraudulent charities that do not exist. It is estimated that 60 percent of the donations Web sites were scams ([www.squidoo.com/charityfraud](http://www.squidoo.com/charityfraud)).

The following tips from the Federal Trade Commission will help consumers avoid fraud as they make charitable contributions:

- Be wary of appeals that tug at your heartstrings, especially pleas involving patriotism and current events.
- Ask for the name of the charity if the telemarketer does not provide it promptly.
- Ask what percentage of the donation is used to support the causes described in the solicitation, and what percentage is used for administrative costs. This information can be obtained by going to the Better Business Bureau's Wise Giving Alliance at [www.give.org](http://www.give.org).
- Call the charity to find out if its personnel are aware of the solicitation and have authorized the use of its name.
- If the telemarketer claims the charity will support local organizations, call the local groups to verify.

- Discuss the donation with a trusted family member for a friend before committing the funds.
- Don't provide any credit card or bank account information until you have reviewed all information from the charity and made the decision to donate.
- Ask for a receipt showing the amount of the contribution and stating that it is tax deductible.
- Understand that contributions made to a "tax exempt" organization are not necessarily tax deductible.
- Avoid cash gifts. They can be lost or stolen. For security and tax record purposes, it is best to pay by check – make payable to the beneficiary, not the solicitor.

Utahns are well known for their compassion and for their generous offerings. Unfortunately, Utahns are also well-known for their high bankruptcy rate, high debt to income ratio, and for their susceptibility to scammers. In fact, Utah ranks 8th in the nation in generosity according to the Catalogue for Philanthropy Generosity Index as reported by the Utah Foundation Research Report (2004). This ranking compares each state's income levels to its donation levels. Utah ranks 31<sup>st</sup> in income (or "having") and is 2<sup>nd</sup> in donations (or "giving"). The

difference between these rankings creates a "generosity" index.

Be wary of groups selling merchandise claiming that all profits will benefit victims. Some may be legitimate; while others may have no association with the organization they claim to represent and may be using a charity's name without their approval.

Remember that the need for contributions will be ongoing and that in the months ahead there will be many opportunities to provide support. Take time to choose the recipients of your charitable giving to make sure that the dollars reach helping hands.

For more information contact:

Federal Trade Commission at <http://www.ftc.gov>  
 Utah Division of Consumer Protection at  
<http://www.commerce.utah.gov/dcp/> or at  
 801.530.6601

## Resources

Lynne Grant at [lynne.grant@uconn.edu](mailto:lynne.grant@uconn.edu).  
 Utah Foundation Report Number 670, December 2004.  
 Federal Trade Commission.

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