

## Charity Fraud: State AGs Crack Down

08.31.17 | Linda J. Rosenthal, JD



Attorneys general around the nation are – now more than ever – high profile and newsworthy as they take on matters ranging from defying presidential executive orders to cracking down on criminal business conspiracies.

They continue to work together as well to root out charity fraud and malfeasance, particularly if these activities cross state lines. Last year, all 50 state attorneys general cooperated in halting a massive cancer charity bogus operation run by a single family. We wrote about it in [“A Huge Charity Fraud Settlement – Or Is It?”](#)

There are two particular areas of concern that have attracted these top law enforcement officials recently: (1) so-called veterans’ charities that do little to help former service members and (2) car donation programs with outsized operating expenses.

### *Veterans Program Fraud*

“...[T]here is a new sheriff in town,” warns a legal blogger in California, describing the Golden State’s new top law enforcement official. “California [Attorney General Xavier Becerra](#) is cracking down on nonprofits that are breaking the law.”

During a [press conference](#) on his [100th day in office](#), Becerra said that he is enforcing the law against organizations falsely claiming to be supporting veterans.

In [“A Third Way to Get Noticed by the CA Attorney General,”](#) we discussed the recently filed lawsuit against the Wounded Warrior Support Group as well as a related organization, the Central Coast Equine Rescue and Retirement. The AG’s 9-count complaint alleges that neither organization – run by a single family – helped the beneficiaries named in the groups’ titles. They fundraised via illegal raffles and used the proceeds, lavishly, on themselves. The State of California seeks to remove the officers and directors of the two organizations, dissolve the two organizations, and recover [hundreds of thousands of dollars.](#)”

Sham veterans' charities have also caught the notice of New York's Attorney General Eric Schneiderman. Last November, he announced major settlements with National Vietnam Veterans Foundation, which also operated as the American Veteran Support Foundation, along with its key personnel:

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*NVVF has operated nationwide since 1992 and began soliciting in New York in approximately 2008. By 2014, NVVF was collecting nearly \$9 million nationwide from its fundraising campaigns, soliciting small dollar donations from the public through direct mail and phone calls – purportedly to help Vietnam Veterans. Nearly all of the money raised through its direct mail campaigns was instead used to pay its fundraisers. For example, in 2014, \$7.7 million of the \$8.6 million raised was used to pay NVVF's fundraisers. The fraction that actually made it to NVVF was further reduced by a pattern of abuse, mismanagement and misspending by [the former president].*

The charity was forced to permanently close and pay damages. In addition, the president issued an apology and is banned nationwide from handling charitable assets. The Settlement Agreements are here and here; the full text of the apology is here.

“There is nothing more shameless than exploiting military veterans in order to enrich oneself. The actions of this charity and its founder are appalling,” said Attorney General Schneiderman. “This organization took advantage of the good will of millions, yet failed to fulfill nearly all of its promises to help those who have sacrificed for our nation. This settlement sends a clear message that charities will not get away with fleecing donors in New York.”

## *Car Donation Programs Fraud*

Minnesota Attorney General Lori Swanson “is taking aim at Kars4Kids, a New Jersey charity that spent less than one percent of the \$3 million it raised from Minnesota donors on charitable programs” in that state.

Kars4Kids is “one of the largest vehicle donation charities in the country and perhaps is best for its radio jingle, solicits vehicles from donors and raises money by selling and scrapping them.”

The group operates in all 50 states. By 2011, at the time it began running radio ads soliciting contributions from Minnesotans, “...the nonprofit and its affiliates were in the cross hairs of charity watchdog groups and attorneys general in Oregon and Pennsylvania. There were allegations it had “misled donors into thinking contributions benefited a broad group of children and not a ‘narrow religious purpose.’” Chicago-based CharityWatch gave a grade “D” rating to Kars4Kids.

According to Minnesota AG Swanson, less than half of the \$88 million Kars4Kids “raised nationally from 160,000 donated vehicles between 2012 and 2014 went to good works. Most of that money,

was given to an affiliated nonprofit called Oorah, which promotes Orthodox Judaism among children mostly in New Jersey and New York. During that time, only one Minnesota child was thought to have benefited from an Oorah program.

“We are concerned and troubled. Minnesotans are good-hearted. They want to help a good cause,” Swanson said. “Donors need accurate and straightforward information to make informed choices.”

“The attorney general’s office forwarded its 300-page report to the Internal Revenue Service, which can revoke the tax-exempt status of a charitable organization. Swanson said she is talking with officials in other states about the findings.”

## Conclusion

Cooperation among the state attorneys general – as well as the Internal Revenue Service – is expected to continue and intensify for the foreseeable future.