

Charitable giving

Scamming the charitable and how to stop it

How to spot philanthropy fraud and prevent it from occurring again

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It is not uncommon for consumers to be taken advantage of through online phishing scams and fake emails. Charity fraud, however is particularly dangerous because it is unexpected – consumers often do not anticipate the possibility of being conned by organizations and causes that market themselves as philanthropic or altruistic. Back in April of this year (2016), the Federal Trade Commission revealed two fake cancer charities that kept more than \$187 million dollars over the course of four years. The FTC’s investigation lasted two years, and underscores how difficult it can be to weed out those bad actors in the philanthropy space.

Scammers play on emotion and fear and thus charity fraud schemes tend to flare up following disaster and tragedy, such as in the aftermath of mass shootings, when people are at their most

vulnerable. In anticipation of these scams, the IRS and the Better Business Bureau often release consumer alerts as they did most recently in the wake of the recent Orlando shooting. Just days after the shooting, the BBB had already reported several cases of “click-bait” schemes and other online solicitations.

When tragedy strikes, and makes headlines, there is generally a flood of donations for victims and their families. With this surge in donations, comes a spike in fraudulent activities, including attempts to gain money or private taxpayer information. These scams can take many different shapes and forms, emerging by telephone, social media or even in person solicitations. One particular social media scam emerging after Orlando, featured a “Pulse Orlando” twitter account (posing as the nightclub at which the shooting took place) circulating an ad asking for donations.

In the aftermath of tragic high profile events, scammers will often attempt to impersonate charities or the families of victims using crowdfunding platforms that are rarely vetted and easily set up by almost anyone. Orlando and the Bastille Day attack in France are just two recent examples of tragedy that gave way to multiple fraudulent charities and donation scams. International charity scams have more severe implications as once the donor makes an international wire transfer, or sends money via a pre-loaded card or electronic currency, it is much harder to recover the funds.

There are, however, warning signs and things to look for to properly vet a charity before donating. Donors often don’t do their homework or spend time properly vetting the charity because the donation is often reactionary; people have emotional responses to natural disasters, tragic events and terrorist attacks, and they want to act quickly. Unfortunately, scammers are counting on this. Spending the time initially to investigate where exactly your money is going can help avoid a scam and ensure that your donation is actually making a difference.

Distinguished and widely recognized charities are generally the safest option. Scammers know this, and will use names similar to legitimate organizations and set their websites up to resemble the websites of these organizations to confuse donors. The IRS also provides an “exempt organizations select check” feature on its website that allows users to navigate

different qualified charities. The online tool is essentially a database that houses organizations that are eligible for tax-deductible contributions, organizations that have had their tax-exempt status automatically revoked, and organizations that have filed a form 990-N annual electronic notice. In other words, rather than trying to assess the qualifications of an organization on your own, a donor can search through a database of organizations that the IRS has already vetted for you.

Donors should also be wary of solicitors reaching out directly for a donation. The IRS underscores the importance of never giving out personal information such as social security numbers, bank account information or credit card numbers. Donating in cash is also ill advised; cash is untraceable, which may protect you from identity theft, but does not protect you from the scam nor can you be made whole again if you fall victim to such a scam. It is best to donate using check or credit card so that you have documentation of the contribution.

Finally, if the organization purports to be local, red flags to look for include vague or imprecise goals, transparency around fund collection and spending, and whether or not the charity is registered with a state or local government agency.