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**Charitable Giving Fraud and
Other Online Dangers**

Charitable Giving Fraud and Other Online Dangers



Sadly, our human desire to click on stuff we're not supposed to is enhanced when the stuff to click on is accompanied by a heart-tugging appeal to help others. Criminals, including those in cyberspace, have figured this out and are exploiting this vulnerability in our human condition to great

effect. Veterans scams proliferate around Veterans Day¹, the fires in Lahaina² and the impact of Hurricane Ian³ prompted the FBI to issue warnings about charitable fraud, and the war in Ukraine has spawned at least eight verified fake charities promising to help victims.⁴ The Federal Trade

Commission reported in 2022 that there were 10,217 monitored reports of charitable fraud, with 25 percent of those reporting experiencing a loss; total losses reported from charitable fraud were approximately \$20.6 million, and the vast majority of

1 <https://consumer.ftc.gov/consumer-alerts/2022/11/charity-scams-veterans-tug-heart-strings-and-grab-wallets>

2 <https://www.fbi.gov/how-we-can-help-you/scams-and-safety/common-scams-and-crimes/charity-and-disaster-fraud>

3 <https://www.fbi.gov/contact-us/field-offices/columbia/news/press-releases/fbi-columbia-warns-of-potential-charity-and-disaster-fraud-following-hurricane-ian>

4 <https://news.trendmicro.com/2022/03/18/ongoing-charity-scams-what-to-watch-out-for/>



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these successful frauds had some intersection with social media.⁵

General mistrust and suspicion about charities and how they operate, in part created by the confusion in the space over which are real and which are fraudulent, hurts the intended beneficiaries of the charitable gifts, the charities themselves, and the donors. It should not come as a surprise that any large business, whatever its motivation or mission, should observe all the rules—as discussed more thoroughly in the DRI Center for Law and Public Policy’s recent white paper⁶ on misinformation, disinformation, and malinformation—about internet hygiene, privacy and security practices, and social media self-monitoring, among others. For charitable organizations and their donors, however, there are extra steps that should be taken to prevent the growth of successful fraud in this area.

For charitable organizations and their donors...there are extra steps that should be taken to prevent the growth of successful fraud in this area.

Step One: Know Your Donee

There are some truly hilarious stories about people and governments being deceived by fraudsters simply because no basic home-

work was done on the entity. My favorite is the “sister city” arrangement between the City of Newark, New Jersey, and the completely fictitious “United States of Kailasa,”⁷ but there are others that are more hurtful. To prevent being victimized yourself, there are very basic online resources you can use to verify that your donee is a legitimate entity.

The Better Business Bureau, a staple of consumer confidence since 1912, maintains a search function on its website⁸ to assist consumers in finding accredited businesses, and also has a searchable scam database⁹ that identifies prior reported inappropriate conduct. The bureau claims to have helped users avoid over \$20 million in payments to scammers in 2021 alone.

In addition, sites maintained by Charity Navigator¹⁰ and CharityWatch¹¹ list the top charities in their respective ranking methodologies, compare charitable performance, and let consumers know where they could maximize giving in many different areas. Charity Navigator also provides alerts to potential donors of questionable conduct by charities based on media reports and court filings.¹²

Finally, the Foundation Center and Guidestar have combined to form Candid¹³ and continue to provide donors with research on charitable organizations around the world. Candid still offers the Guidestar Charity Check subscription service for corporate foundation managers and other donors.¹⁴

In short, there really is no excuse for even the casual donor not to know where

their money is going these days, or at least not to be well-informed of the risks of sending money to someone they have never met.

Step Two: Donee, Know Thyself

The ability of criminals to “cyber squat”¹⁵ or to make up similar sounding names for the purposes of deceiving the donating public are nothing new, and the simplicity and effectiveness of business email compromise and other “spoofing” strategies make this all the easier. Sophisticated donees, therefore, need to do periodic environmental scans of social media and other online sites to see if the fraudsters are out there working. Any time there is a well-publicized disaster in which a well-known charity is taking a leading role, the scammers will show up. Sending—and publicizing—cease and desist letters to fraudsters will raise the negative profile of the bad actors online, and reporting the results of your environmental scan—if fraudulent or suspicious activity appears—to the agencies and organizations listed in Step One, as well as to the media generally, will help you and your donors.

Step Three: The Internet Just Makes the Wrong Things Happen Faster and More Frequently

You may remember the days when you saw a donation jar at a cash register in a local business trying to raise money for a child’s surgery or cancer treatment or something similar. With the internet, that donation jar now reaches everyone worldwide through sites like GoFundMe, just-

5 <https://public.tableau.com/app/profile/federal.trade.commission/viz/FraudReports/FraudLosses>

6 <https://www.dri.org/docs/default-source/dri-white-papers-and-reports/data-mining-algorithms-deep-fakes.pdf>.

7 “Inside the ‘cult’ that fooled Newark into being sister cities with a fake nation,” *New York Post*, March 21, 2023

8 <https://www.bbb.org/search>

9 <https://www.bbb.org/scamtracker>

10 <https://www.charitynavigator.org/discover-charities/best-charities/>

11 Formerly the American Institute for Philanthropy; <https://www.charitywatch.org>.

12 <https://www.charitynavigator.org/about-us/our-methodology/alerts/#accordion-d7d82d8331-item-98ea646c05>

13 <https://candid.org>

14 https://www.guidestar.org/guidestar-charity-check/?_gl=1*ya672n*_gcl_au*MTQ0Nzc5NTU4Mi4xNzAyNDExNTc1*_ga*MTEyOTM0MzUyOS4xNzAyNDExNTc1*_ga_5W8PXYYGBX*MTcwMjQxMTU3NS4xLjEuMTcwMjQxMTY0NS41My4wLjA.

15 Cybersquatting (also known as typosquatting or domain squatting) is the abusive practice of registering and using an internet domain name that is identical or similar to trademarks, service marks, personal names or company names with the bad faith intent of hijacking traffic for financial profit, delivering malware payloads or stealing intellectual property. Cybersquatting scams are on the rise with 5,516 new cases filed in 2022 — a 10% increase from 2021. <https://www.crowdstrike.com/cybersecurity-101/threat-intelligence/cybersquatting/>

giving.com, betterworld.org, neonone.com, and others. Different online donation platforms approach donor engagement differently, but GoFundMe is the best at outreach by far, with over \$15 billion in funds received.¹⁶ GoFundMe is also different in two other very critical respects: first, it is not restricted to bona fide nonprofits or registered charities (see Step Four, below); second, as a crowdsourcing platform, GoFundMe relies on—yes, you guessed it: crowdsourcing—to identify fraudulent conduct. *It has no active policing of its users*, notwithstanding its protestations of reliability to the contrary.¹⁷ There are, in fact, numerous examples of GoFundMe fraud that have occurred, the majority of which involve some kind of claimed devastating medical crisis.¹⁸ However, GoFundMe will do nothing proactive to prevent fraud by its users. For donors, therefore, compliance with Step One remains critical.

Step Four: In This Case, the Government Really Is Here to Help You¹⁹

The jargon of fundraising can make it difficult to know whether an organization is really charitable or simply not for profit.²⁰ In the United States, charities generally must file for a tax exemption with the Internal Revenue Service and then register with at least one state's charitable regulatory body in order to solicit funds from the public legally and permit deductions from the donor's income tax liability for those donations. The "gold standard" (not to pick a bad turn of a phrase) for a public charity in the United States is for it to be able to state that it is "a tax-exempt organization recognized under Section 501(c)(3)

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of the Internal Revenue Code and all donations made to [it] are tax-deductible to the extent permitted by law."

It is fairly safe to say that virtually no individual appeals for help on GoFundMe are registered tax-exempt public charities, so the discriminating donor could safely ignore all of these and avoid much mischief in the process. If you are concerned about the legitimacy of a charity, the IRS maintains a database of all charities that are exempt from federal income tax at its website.²¹ States also maintain registries of charities that meet their requirements for public solicitation and tax exemption.²²

The Federal Trade Commission also publishes guides and information on charitable giving fraud and ideas to help avoid becoming a victim. Some of these include:

- *Do not donate using cryptocurrency, gift cards, or by wiring money directly from your bank account.* Most legitimate

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charities have a method to accept donations by check or by credit card. Using a credit card for donations gives you the added protection of most banks' credit card fraud prevention departments and the ability to dispute fraudulent charges. Donations from your bank account are usually gone and difficult to recover.

- *Do not be pressured into giving right away.* Legitimate charities gladly will send you a pledge card or some other documentation to solicit or complete your donation. Any pressure to donate "now" is usually an indicator of fraud.
- *Telephone solicitations that start with a thank you for a prior donation typically are not legitimate.* Both the FTC²³ and AARP²⁴ treat this introduction as a pretext for fraudulent conduct.
- *Do not provide your date of birth or Social Security number.* Neither of these are required for you to receive a tax deduction from a legitimate charity. They will, however, ask for your home mailing address or email address so they can send an acknowledgment of your donation that you would use for tax purposes.

Let's be careful out there.



16 <https://www.gofundme.com/c/blog/charity-fundraising-sites#:~:text=The%20best%20online%20fundraising%20sites%201%201.%20GoFundMe,fundraising%20options%20for%20nonprofits.%20...%203%203.%20Facebook>

17 <https://www.gofundme.com/c/safety/fraudulent-campaigns>

18 <https://www.grunge.com/142197/the-biggest-scandals-to-hit-gofundme/>

19 In 1986, President Ronald Reagan famously said, "The nine most terrifying words in the English language are: 'I'm from the government, and I'm here to help'."

20 A famous legal wag (who shall remain nameless) was fond of saying that an organization "may not be for profit, but they sure ain't much for loss either."

21 <https://www.irs.gov/charities-non-profits/search-for-tax-exempt-organizations>

22 An example of these is the site maintained by the Georgia Secretary of State at <https://sos.ga.gov/charities-division-georgia-secretary-states-office>. You can find the regulator for your state at <https://www.nasconet.org/>.

23 <https://consumer.ftc.gov/articles/giving-charity>

24 <https://www.aarp.org/money/scams-fraud/info-2019/charity.html>