



August 14, 2023

Lina M. Khan, Chair
Federal Trade Commission
Office of the Secretary
600 Pennsylvania Avenue NW, Suite CC-5610 (Annex R)
Washington, DC 20580
Submitted electronically via www.regulations.gov

RE: FTC Collaboration Act of 2021 Study (Project No. P238400)

Dear Chair Khan:

The Board of Directors of the National Association of State Charity Officials (NASCO) respectfully submits this letter in response to the Federal Trade Commission's (FTC) solicitation for written comments concerning collaboration between the FTC and state Attorneys General. As described more fully below, we believe that the FTC and state Attorney General offices (and other state charity officials) have a strong history of successful collaboration to protect the public from charity scams and other fraudulent fundraising practices through joint enforcement actions, collective enforcement sweeps, and consumer education efforts. We appreciate the FTC's support of these coordinated efforts that have a far-reaching impact and hope to continue this strong collaboration to protect the public from charity fraud.

NASCO is an association of state charity officials, including offices of state Attorneys General, Secretaries of State, and other state offices charged with preventing fraudulent solicitations and the misuse of charitable assets, ensuring that trustees of charitable trusts and directors and officers of charities fulfill their fiduciary duties, and enabling donors to make informed choices about which charitable causes to support.¹ NASCO members work toward the goal of upholding the integrity of the charitable sector through ensuring transparency and accountability.

¹ This letter reflects the views of the NASCO Board of Directors. It does not necessarily reflect the views of any individual Attorney General, Secretary of State, or other state official.

Expertise. The FTC and state charity regulators have enjoyed a highly successful partnership (illustrated by examples discussed below) to protect the public by combating solicitation fraud and holding fraudulent charities and their leaders accountable for the harm they cause to the public and legitimate charitable causes. This includes collaboration between the FTC and Attorneys General as well as our other NASCO member offices. State-level partnership with the FTC enhances the types and reach of enforcement actions and educational initiatives needed to combat large-scale charity scams and frauds by combining this FTC expertise with the insights and investigative efforts of state charity officials.

Joint enforcement efforts. In partnership with the FTC, NASCO member offices have worked to shut down scam charities that employ fraudulent tactics. One well-known example of such collaboration is the Cancer Fund of America case involving the FTC and all 50 states.² More recently, the FTC and 38 states worked together in a case against Associated Community Services, and other professional fundraisers, alleged to have been responsible for 1.3 billion deceptive charitable fundraising calls (mostly illegal robocalls). In both cases, monetary settlements from defendants were directed to the legitimate charitable causes that donors had intended, an equitable remedy unavailable to the FTC alone and without the state enforcement partnership. State laws uniquely protect assets intended for charitable use and authorize Attorneys General to stand in the shoes of charity fraud victims to ensure that their charitable intent is fulfilled. This partnership was possible through shared resources and coordinated investigation and litigation efforts, many of which were facilitated by the FTC.

Sweeps. There is a long history of the FTC convening NASCO members to pursue actions involving deceptive fundraisers or scam charities targeting a particular type of conduct (rather than enforcement efforts targeting a particular bad actor), and often include a consumer education component. These sweeps often involve nearly all 50 states, the District of Columbia and U.S. territories. For example, in 2018, Operation Donate With Honor successfully shut down multiple fraudulent charitable solicitation scams involving veterans and the military.³ In 2009, Operation False Charity involved 49 states and 76 enforcement actions involving fraudulent fundraising on behalf of police, firefighters and veterans.⁴ In 2003, the FTC and 34 states launched Operation Phoney Philanthropy, a joint education and enforcement effort to promote wise giving choices by consumers with 16 states announcing 24 law enforcement actions.⁵ In 1998, Operation Missed Giving brought together 40 states and the FTC in a nationwide campaign against telephone fundraisers who misrepresented ties with police departments, fire fighters, veterans groups, children's health organizations, and other community organizations.⁶ These sweeps are far-reaching, bipartisan initiatives. Their success is directly

² <https://www.ftc.gov/enforcement/cases-proceedings/122-3005-x150042/cancer-fund-america-inc>.

³ <https://www.ftc.gov/news-events/blogs/business-blog/2018/07/operation-donate-honor-law-enforcers-unite-challenge>. In addition to including over 100 enforcement actions against rogue veteran's charities, Operation Donate with Honor featured education for consumers on how to avoid falling victim to charity impersonation scams involving fraudulent charitable solicitations.

⁴ <https://www.ftc.gov/news-events/news/press-releases/2009/05/ftc-announces-operation-false-charity-law-enforcement-sweep>

⁵ <https://www.ftc.gov/news-events/news/press-releases/2003/05/ftc-states-unite-fight-fundraising-fraud>

⁶ <https://www.ftc.gov/news-events/news/press-releases/1998/11/operation-missed-giving-targets-fraudulent-charitable-fundraising>

attributable to the FTC in its role as convenor in facilitating communication between federal officials and state charity regulators.

Joint education efforts. The FTC and NASCO have also undertaken joint education efforts to alert the public to disaster charity scams and the often-shifting landscape of charitable solicitation practices. For example, in March 2017, the FTC and NASCO held a public conference with industry stakeholders to examine how evolving charitable solicitation practices impact individual giving decisions. The ease with which scammers can solicit and the public can donate online are factors that make it difficult for any one state charity regulator to effectively address a scheme that has no jurisdictional boundaries.

The FTC's continued commitment to sharing education tools, graphics, and publications with NASCO members ensures that the public hears a consistent message on best practices and tips to give and donate wisely. In 2018, the FTC and NASCO joined international partners to launch the first annual International Charity Fraud Awareness Week (ICFAW), a global campaign to educate the public and organizations on how to protect themselves from charity fraud. Regulators from England, Wales, Northern Ireland, Scotland, Australia, and New Zealand, among others, joined the FTC and NASCO to educate the public on the latest threats and scams confronting charities. For ICFAW in 2019, the FTC shared its cybersecurity tool kit with ICFAW participants, including NASCO members, to educate organizations on how to protect their data and donor information from cyber threats.

Facilitator role. Another example of effective collaboration between states and the FTC as convenor is the Ian Richard Hosang cases, where the FTC's role in rooting out fraud was in the form of supporting communication among state charity regulators so that state charity regulators could use state tools to protect the public. Ian Richard Hosang formed charities in several states, many of which used variations on the names United Way, American Red Cross, and American Cancer Society. Although acting separately, multiple states acted in a consistent manner to shut down fictitious charities founded by the same individual targeting the donating public.⁷ The long history of effective information-sharing and collaboration among the states, facilitated by the FTC, allows NASCO regulators to identify and understand this and other particularly pernicious forms of charity fraud.

Consumer Sentinel. Finally, the FTC's Consumer Sentinel database collects charitable solicitation complaints by state. This is an effective tool for state charity officials. NASCO supports efforts to enhance the Consumer Sentinel's capacity to continue collecting information on charitable solicitation complaints, which can be broken down by frequency and jurisdiction.

We appreciate the FTC's continued partnership in combatting charitable solicitation fraud and are grateful for the resources that the FTC has committed to this partnership and our joint

⁷ See Michigan -- https://www.michigan.gov/ag/0,4534,7-359-92297_47203-538820--,00.html; North Dakota -- <https://attorneygeneral.nd.gov/sites/ag/files/documents/RecentActions/2018-10-31-Hosang-Judgment.pdf> Washington -- <https://www.nasconet.org/2018/08/washington-ag-ferguson-files-lawsuit-against-nonprofit-founder-with-ties-to-organized-crime/>; see also <https://nonprofitquarterly.org/a-made-man-and-his-six-nonprofits-an-ode-to-regulators/>.

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enforcement and education efforts. Thank you for the opportunity to convey comments in concerning collaboration between the FTC and state Attorneys General. Please feel free to reach out if you would like to discuss.

Sincerely,

/s/ Leslie J. Friedlander

Leslie J. Friedlander
President, National Association of State
Charity Officials (NASCO)