

Ohio Attorney General's Charitable Advisory Council
August 10, 2010

Minutes

Participants: George Espy, chair, Mary Gallagher, Joyce Garver Keller, Brad Bebout, Monica Moran, Kip Morse, David Spialter. Others participants included Jennifer Eschbach of the Ohio Association of Nonprofit Organizations, and Kevin Slatzer and Yvonne Aschinger of the Christopher Columbus Education Foundation. Attorney General Richard Cordray joined the meeting briefly by telephone. AG staff members Pete Thomas and Beth Short were present.

1. Mr. Espy called the meeting to order and participants introduced themselves.

2. Attorney General Cordray joined by telephone and thanked the Council members for sharing time and expertise with the Office. He mentioned a number of issues in the office that center on charitable issues, including recent announcements related to grant programs for charities. He also mentioned that the Section has been involved in reviewing the transaction related to the Forum Health bankruptcy case and that the Section has a role in charitable health care transactions to ensure that the charitable mission has been adequately protected.

He highlighted the Section's work related to U.S. Navy Veterans Association, a group that appears to have fraudulently collected millions throughout the country and seems to have spent relatively little for its charitable purpose. He said that board members can not be located and there is a national manhunt for Bobby Thompson, the alleged leader of the group. It is believed that Thompson is not the leader's real name and that over the course of eight years or so, more than \$100 million may have been collected for this sham group. The organization has been shut down in Ohio and an arrest warrant has been issued. Several other states are also involved in investigating the group.

The Attorney General said that there are many fascinating issues in the work surrounding the charitable community and he is appreciative for the group's input in those activities.

2. On motion of Ms. Keller, seconded by Mr. Spialter, minutes of the previous meeting were approved.

3. Ms. Short updated the group on the status of the previously discussed modifications to rules affecting charity registration processes. She said that JCARR had approved a portion of the rules, but had rejected references in the

rules that had attempted to alter the threshold levels for filing requirements so Ohio's system would mirror the IRS levels. Legislators supported the concept, but believed that change needed to be done by statute, rather than rule. Consequently, language making that change was included in the casino bill passed this summer by the General Assembly. In order to fully implement those provisions, the Section submitted additional rule language to JCARR and a public hearing will be held Sept. 8. Council members requested a copy of all of the rule and statutory changes.

4. Ms. Short discussed how staff members from multiple sections in the office have been working on the development of an online charitable registration system to implement the rule changes. She said that some of the guiding needs for a new system were to take the guesswork out of the process for users of the system by combining the reporting requirements and forms for R.C. 109 and R.C. 1716. So users will now be asked a series of questions and, based on the responses provided, the system will determine what additional questions are needed, and what filings and fees, if any, are required. Additionally, the new system will allow multiple people to be associated with each organization which is hoped to help lessen problems with late filings that can occur due to leadership changes. Because the system will provide confirmations, receipts, invoices and email reminders, the office will recommend that several people with each group register. Additionally, lawyers, accountants and other consultants who may handle filings for multiple groups, will easily be able to be associated with many organizations. Finally, the new system would need to process the data in a way that can be useful internally and be shared online with the public. Through the AG's web page, users will be able to search for charities and determine if an organization has registered with the state or not. She shared a Powerpoint showing a number of the screen shots for the system. Additionally, she noted, there are informational bubbles that will pop up next to questions if the user has questions about the information requested. There will be a user guide and e-training modules available online, as well. However, it is hoped that most people will find the system intuitive and not need to make use of the learning tools.

Council members asked about how the information would be used by the Attorney General and reflected on some of the controversy that arose when the IRS began asking questions about governance matters on the new 990. They noted that it can be difficult striking the right balance between regulatory responsibilities and asking about matters that might be beyond the traditional scope of financial reports. There was a wide ranging discussion about some of the fraudulent activities identified in the charitable sector and how it is difficult to easily identify these organizations and scam artists. Mr. Morse reflected on the Better Business Bureau's efforts to evaluate charities and how there is no simple and reliable method for arriving at conclusions about fraud and mismanagement.

The Council discussed the importance of trying to work collaboratively and suggested that it would be a tremendous service to charities if the online charitable

registration system could also indicate when charities should file their five-year continuous existence filing with the Secretary of State's office.

5. Ms. Short said that the system is currently being tested and may go live in mid-September. She said the office was planning to share news of the new system and charities' requirements by distributing information to organizations that commonly work with many nonprofits and asking them to share the information in newsletters, on web pages and listservs. Additionally, each registered charity will receive a letter from the office outlining the new requirements. Advisory Council members said they would be happy to spread the word when the announcement is ready. They also offered to come into the office to assist with any testing needed in the development of the system.
6. Ms. Short shared copies of the last several Nonprofit News issues that are sent electronically throughout the state. The Advisory Council agreed that the publication is a useful educational tool and should include information that raises groups' awareness of issues related to sound governance and planning. She also described the office's recent forays into webinars on board governance. Council members said that they would advertise the monthly webinars in their publications. Ms. Short said that while the office is committed to doing board governance webinars at noon on the first Wednesday of each month until the end of the year, she is considering having a second webinar each month on different topics. Council members offered to help identify possible topics and speakers for those if they are pursued in the future. Council members noted that while webinars can be convenient, they hoped that the office would continue a strong effort to do live trainings. They noted that in-person trainings allow interaction among the participants, which can't happen in webinars, and allow more personal discussions and exchanges with the instructors. Many people will not be comfortable using webinar technologies. Additionally, some noted that when staff from the Attorney General's Office speak at events, it adds a level of credibility and importance to the topic. It also allows participants to feel more comfortable about the services and resources available. They suggested that live trainings should continue to be a priority, along with the exploration of web-based approaches of training.
7. The Attorney General's office will again be a co-sponsor of the Ohio Association of Nonprofit Organization's conference Nov. 9 and 10, a strategy that has been supported by the Charitable Advisory Council during the last two years. Diana Aviv, president of Independent Sector, will be one of the guest speakers. The Grantmakers Forum is having its annual conference in Cincinnati Nov. 8 – 10.
8. Because of the statewide conferences that will be held on the next regularly scheduled meeting date of Nov. 9, Ms. Short will survey members about their availability and preferences for the next meeting.
9. Meeting was adjourned.

Respectfully Submitted,

Beth Short