

United States House of Representatives
Committee on Oversight and Government Reform

Full Committee Hearing

“Assessing Veteran’s Charities”

Testimony

of

Bonnie Carroll

Chairman and Executive Director

Tragedy Assistance Program for Survivors, Inc., [“TAPS”]

Washington, DC

December 13, 2007

MISTER CHAIRMAN AND DISTINGUISHED MEMBERS OF THE COMMITTEE:

On behalf of TAPS, the Tragedy Assistance Program for Survivors, and the families of those who have died while serving in the Armed Forces, I am honored to have this opportunity to speak about the care provided to surviving military families.

Dr. Daniel R. Sudnick (CAPT USNR Ret.), the Chief Financial Officer for TAPS, has provided a written statement addressing critical aspects of the subject before today's panel and I respectfully request his statement be submitted to the record. He is with me today to address questions.

The subject of today's hearing reflects the gravity of the words of President Abraham Lincoln, inscribed on the front of the Department of Veterans Affairs building: "With malice toward none; with charity for all; with firmness in the right, as God gives us to see the right, let us strive on to finish the work we are in; to bind up the nation's wounds; to care for him who shall have borne the battle, and for his widow, and his orphan..."

As the widow of a commanding general killed in the crash of an Army National Guard C-12, as a Reserve commander who lost two of my airmen, as Chief of Casualty Operations at HQ USAF Casualty Affairs, as a Department of the Army civilian serving in Iraq and now as the Executive Director of TAPS, I have seen the best of the services provided to our surviving families both in the public and private sectors. It is my privilege to offer insight today.

For the past fourteen years, TAPS has been a sanctuary providing hope, comfort and healing for all those whose lives have been forever changed by the death of a loved one who served in the Armed Forces. Whether they are parents, children, spouse or sibling, TAPS meets a critical need by offering a national network of peer based emotional support, the Survivor Seminars and Good Grief Camps for Young Survivors, long term case work assistance connecting families with all public and private agencies, bereavement and trauma resources and information across America, and crisis intervention. This network is available 24 hours a day, 7 days a week, at no charge to the family and at no expense to the government. In cooperation with our fellow Veterans Service Organizations – the Gold Star Wives, Gold Star Mothers, Society of Military Widows, National Military Family Association, and others – we meet the need of offering loving emotional support services to all those grieving the death of their loved one.

TAPS was founded after two years of careful research examining the need, the existing services provided, and the private and public support already in place. The goal of creating this Veterans Service Organization was to provide care not otherwise offered. From this extensive research, TAPS identified those areas where gaps existed and carefully benchmarked the best practices of existing peer based emotional support programs in America and abroad.

In speaking with officials from the Departments of Defense and Veterans Affairs in 1993 and 1994, TAPS was able to determine where the federally funded services ended and it was appropriate for private sector support to begin. I would offer special thanks for guidance in

those early days to then Secretaries of Defense Cheney and Perry; Senators Bob Dole and Ted Stevens, and the Director of our sister organization for police officers, Suzie Sawyer.

The military has a critical mission to meet. The surviving families likewise have a mission – remembering the life and grieving the loss of their loved one while honoring their service and sacrifice. TAPS provides an understanding embrace of care and comfort. Through our peer based emotional support network, families not only are able to help others, but in doing so, continue to help themselves. As Emerson said, "It is one of the most beautiful compensations of this life that no man can sincerely try to help another without helping himself." This network, and the staff and infrastructure to support it, is made possible entirely through the generosity of Americans who understand our mission and support our nonprofit organization.

A decade ago, then Chairman of the Joint Chiefs Shalikashvili looked carefully at our program and when he spoke at the TAPS National Military Survivor Seminar he told our families, "We can't do for you what you can best do for each other." This solidified our mission and forged the bond that exists to this day between TAPS and the military casualty teams. After 9/11, TAPS served alongside the American Red Cross as the only private organizations inside the Pentagon Family Assistance Center. It is our partnership with the military that allows us to provide a comprehensive package of support to all who are grieving a loss.

TAPS supports over 15,000 surviving family members in our data base with 24/7 support, quarterly journals, invitations to regional and national events, and weekly online support services. In the past year, TAPS has hosted eleven regional and national survivor seminars and “Good Grief Camps” serving over 2500 family members, we provided “TAPS Care Teams” to support four major national gatherings of surviving military families attended by over 5,000 people, mailed 5,236 “TAPS Survivor Care Packages” to grieving families, casualty officers and military installations supporting surviving families, received 8,844 calls from surviving families on our toll free line, averaged 750,000 website hits per month, hosted 208 national online support group sessions, organized 24 regional “TAPS Care Groups,” trained 254 “Peer Mentors” to support newly grieving families, provided “Care Team Training” to over 834 military members and DOD civilians, recruited and trained 465 military volunteers who serve as Mentors to the surviving children, expanded our services to support the families of over 1,000 civilian contractors who died while serving in Iraq and conducted outreach to the large population of Spanish speaking surviving family members.

To meet our mission, we must have a sophisticated technology and communications infrastructure and a staff who not only understand the military surviving family but who are also academically and professionally qualified. We are in the process of developing our next level of staffing and infrastructure to meet the demands of today. This will require TAPS to invest significant portions of its operational budget in the technology infrastructure and training that will enable us to deliver critically needed support services to the surviving family members. This infrastructure is vital to the TAPS mission of caring for the families of those who have borne the battle.

The military casualty officer, commander, chaplain and family readiness group leader understand and appreciate the critical services TAPS provides. The surviving family who calls the toll free number in the middle of the night seeking comfort also understands and appreciates the need for this emotional support safety net.

On behalf of the families of our fallen heroes and TAPS, I appreciate the dedication and commitment of the distinguished members of the Committee to protect, defend, restore, and improve the services provided to those who have served our nation in peace and war and to their families, and to ensure the organizations who are seeking funds from a patriotic public use the funds received wisely, to meet essential mission requirements as dictated by needs of the military and the families, not by the needs of the nonprofit organization. To again quote Abraham Lincoln, “It is rather for us to be here dedicated to the great task remaining before us...that from these honored dead we take increased devotion to that cause for which they gave the last full measure of devotion; that we here highly resolve that these dead shall not have died in vain...”

Your actions on behalf of today’s surviving military families will send a powerful signal that their sacrifice is recognized and honored. Thank you for the opportunity to submit testimony on behalf of the surviving families of TAPS.

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Daniel R. Sudnick

Chief Financial Officer

Tragedy Assistance Program for Survivors, Inc., [“TAPS”]

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Good morning, Chairman Waxman, Ranking Member Davis, and Committee Members.

My name is Daniel Sudnick. I am the Chief Financial Officer of the Tragedy Assistance Program for Survivors, "TAPS". Thank you for the opportunity extended to to me to testify on this timely subject on the role of Veteran's Charities.

Bringing awareness on this topic to the American people is timely and important for three principal reasons: 1) as a society, during this peak of the holiday giving season, we need to inform the donating public of the roles of private charities, especially those which serve our military veterans and their families. We must inform the public that some charities, although they may present noble external appearances, in actuality may not perform as advertised or purport to serve; 2) as a country, we experience the consequences of our nation's decision to apply the use of combatant forces in projecting our national security interests. These consequences affect all aspects of our society, especially the image and values which we project as a nation. As we continue the public debate, we thankfully do not diminish the often heroic roles of our men and women in uniform who serve in hostile zones or who have traveled into harm's way, and their families who keep the fires warm at home; 3) lastly, as a society we need to recognize and reaffirm the vital role of the non-profit sector as an essential shock absorber for the road bumps resulting from shortfalls of publicly-mandated programs and from voids in mission and focus of the commercial, for-profit sector.

I am honored to participate and to testify.

The Business of Being a Charity.

First and foremost, a charity organized as non-profit corporation is a business. As with a for-profit business, a non-profit must address all of those same concerns as any businessperson: the hiring and training a staff of paid staff of full-time professionals and trained volunteers, providing an appropriate and safe work environment, delivering programs and services efficiently and productively, managing costs and expenses, making payroll, making strategic investments, safeguarding and managing intellectual property, complying with oversight by an internal board of directors, and conducting internal assessments of the effectiveness of our services with our clients and customers .

In addition to these internal oversights, we must additionally comply with external controls. Charities must comply with state and federal regulations, including obtaining permits, paying use fees, and paying local taxes. Where charities and other non-profits begin to flounder or outright fail occurs when their leadership focuses solely upon the charity's mission to the exclusion of the needs of the business. Some of the charities which this Committee is examining may wander aimlessly in a forest of poorly-conceived and ill-constructed fundraising plans. Regrettably, a small percentage of non-profits exist solely to satisfy the egos of its principals rather than to perform their stated public services.

Properly managed charities must also comply with mandatory or voluntary standards imposed by professionally accrediting organizations. TAPS' mission touches the borders

of the mental health profession. Accordingly, as para-professionals, we rely upon external oversight by accrediting organizations to qualify our programs and to certify our staff.

State Charter

By definition, any business which receives a state charter exists to perform a public good. TAPS, as any company which wishes to maintain its good standing, registers annually with its charter-issuing jurisdiction. In our case, TAPS is an Alaska corporation. We have been active since 1994.

IRS Accreditation as a 501.c.3 Corporation

Upon receiving its state charter, a non-profit applies for 501.c.3 status with the Internal Revenue Service. Upon receipt of a favorable determination letter by the IRS, the charity may then practice as a non-profit. Earnings derived from fundraising events and campaigns which are related to its primary business activities remain exempt from corporate income taxes.

The IRS monitors unrelated business activities (UBA). That is, those fundraising activities which are not core to the non-profit or charity's mission. Any UBAs constitute taxable income. Depending also, on how the non-profit is structured, UBAs may affect that entities insurability for underwriting purposes and complicate its risk management profile.

TAPS takes great strides to manage its revenue sources so as to stay “on course”. In partnership with publicly-spirited, for-profit companies we have built of a portfolio of fundraising programs which support TAPS’ mission. Nevertheless, as these programs emerge from the incubation phase, mature, and begin to generate revenue, we monitor their individual relationships to our core mission. Those which become tangential to our core mission, become UBA targets. We take appropriate actions. We advise our Board of Directors, our auditors and legal counsel; we then examine the various options and make the appropriate business decisions

Foreign Corporation Oversight by States

Before a charity may solicit within a state’s jurisdiction, it must register as a foreign corporation and receive that states’ consent to solicit. TAPS maintains current registrations within all fifty states and the District of Columbia. We also register any paid solicitors which we may engage within a jurisdiction to perform services as agents on our behalf. Each state Attorney General (AG) or corresponding oversight agency polices charities operating within its jurisdiction to varying degrees. Some are rigid in enforcing their rules; other jurisdictions provide less rigor.

Compliance with the IRS and State AG regulations

Most jurisdictions require foreign non-profits to renew their registrations annually. The registration consists of filing an annual report with copies of the most recent tax return and independent auditors’ reports. The charity’s registration and reporting requirements

flow down to the charity's agents including direct mail solicitors, if employed. All of these compliance rules drive the overhead upward. Accordingly, as with any for-profit business, we segment our markets served, and allocate funds in our budgets accordingly.

Financial Expenditures and Ratios: Federal and Private Third Party Accreditation

To assist the donating public with its making informed decisions, a number of organizations exist which examine and report the business and financial practices of non-profits and charities.

TAPS belongs has registered with a variety of 3rd-party accreditation firms including GuideStar and the Independent Charities of America, the ICA. Within ICA, TAPS belongs to a select number of "Military, Veterans, and Patriotic Services Organizations" (MVPSO). For the most part, all of the MVPSO charities are mature, well-established, and professionally operated. We work closely with sister organizations, such as the National Military Family Organization, Fisher House Foundation, and the Injured Marine Semper Fi Fund. Sadly, many of the families of those gravely injured soldiers, sailors, airmen, and marines, die from their wounds. Their grieving families then become TAPS "clients". The work which each charity performs for its respective constituency, including those which I have not mentioned here, bears public recognition and accolades.

The ICA serves to benchmark those charities selected for participation in the federal workplace giving program known as the "Combined Federal Campaign", or "CFC".

TAPS belongs to ICA along with NMFA, Fisher House, and IMSFF. The Office of Personnel Management (OPM) oversees the CFC and its annual work-place giving campaigns and distributions.

The OPM is highly selective in whom it selects, accredits, and admits into the CFC. Among the metrics which it monitors, the OPM monitors a charities overhead ratio. OPM defines the overhead metric as the ratio of [fundraising + management] expense to total revenues. These numbers derive directly from the charity's IRS Form 990. To be compliant [but only until recently] a charity must maintain its overhead at 25% or less. That is, the converse of overhead, namely, program expenditures, should exceed 75% in a given fiscal year. TAPS audited overhead rate, based upon our 2006 financial results as reported to the IRS, was 26.2%.

The OPM has relaxed this 25% limit, by recognizing that not all resources received by charities can be expended in a given tax year. For example, if a charity has entered has received new funding grants, it may elect to retain these sources on its balance sheet as restricted assets before expending the resources in the succeeding out-years. Similarly, a charity may elect to direct some of its sources of income toward building infrastructure. By illustration, TAPS has invested heavily in building its information infrastructure to manage the data associated with over 15,000 survivors in our Survivor Database. We use this database to monitor and record the in-take, care, and casework with we provide to our family survivors distributed all across the fifty states, the District of Columbia, and at over 23 non-US installations where US troops and their families are deployed.

Mismanagement and Avenues for Abuse.

Where charities can fall short in their respective mission frequently stems from drifting afar from the charity's mission. In the urgency to raise funds to pay for expenses of all kinds, charities will frequently grow disproportionately large fundraising and development staffs. As these machines requires increasingly larger amounts of resources to feed direct mail and marketing programs, the charities management oftentimes will lose focus on their core mission and saner ways of outreach and solicitation.

Opportunities for abuse or occasional outright fraud may arise in the wake of natural or man-made disasters. This Committee has undoubtedly studied those organizations which arose in the wake of Hurricanes Rita and Katrina, the Indonesian Tsunami, the recent Southern California wildfires. Organizations attendant to the 9-11 disasters advertised relief for victims whether primarily civilian {New York City} or primarily military [Pentagon]. Many of the charities appeared overnight like mushrooms sprouting after a spring rainstorm.

Once again, new veteran's support organizations have appeared overnight in the wake of the Iraq and Afghanistan conflicts. These charities often appear with a single purpose, such as collecting toys for donating to children whose military parent is deployed, injured, or as TAPS sees, whose parent has been killed. TAPS' mission is more

expansive, however. TAPS cares for all family members, regardless of the relationship to the deceased service member, the place or circumstances surrounding his or her death.

What the Public and the Congress can do.

An informed public will conduct due diligence before donating. As Executive Director, I respond daily to requests from donors who are “checking us out” before writing their donation check or giving a gift of fungible property. We take great strides to bring transparency to our business operations for all donors. We post our IRS 990s and auditor’s report for all to download and analyze in their unabridged raw format. We are now preparing our annual report which we send to our large private donors and to corporate donors. We submit our financial data to third-party accreditation organizations such as the Independent Charities of America.

The public should read the published reports and factor in those assessments prepared by “watch” firms. Many of these reports are free of charge. If these data and reports do not exist, those omissions should raise the first “red flag”.

As with many businesses, favorable referrals are invaluable. As a purchasing manager or contracting officer evaluates suppliers based upon past performance, so should a donor examine the results of charities’ programs. This evidence is found not only in the charity’s publications and websites, but also in the reports of industry groups, community social services organizations, and in the press and media.

We have registered TAPS' logos brand with the US Patent and Trademark Offices (USPTO). As when the public purchases consumer or industrial products, the selling company's brand reflects a broad spectrum of tangibles and intangibles, all which reflect value. Donors to military charities should similarly look for those charities who have branded their name, logos and marks. This takes time, money, and patience. But these investments imply a degree of staying power.

In today's world of the Internet and e-commerce, new charities may appear overnight and present websites with great emotional appeal. Without providing the tools for conducting due diligence by consumers at the state AG level, however, policing many of the companies or individuals behind these websites, may be challenging. This Committee may wish to refer its findings to its colleagues with oversight in these areas and propose a broad spectrum of reforms.

In TAPS case, however, we receive the greatest accolades and referrals from the military and our military survivor families. The Departments of Defense and the Veterans Affairs give TAPS consistently high marks for the work which we perform as members of their extended casualty affairs and decedent affairs teams. From these institutions TAPS seeks to identify and capture, and to extend the expertise of knowledgeable retired casualty affairs and military mental health counselors as full or part-time staff, or as unpaid volunteers as contributors to our programs and case work. As an aging society, we find these new recruits to our TAPS workforce as assets rather than as high-cost liabilities.

From our military survivor families come unsolicited testimonials, such as “if it were not for TAPS, I would not be here today”, or from various soldiers and marines, “if I am deployed and the worst should come to me, I will rest assured that someone from TAPS will be there for my loved ones”. Recently, a wounded marine whom I met pointed to his prosthetic leg and remarked: “if that bullet which took my leg, had hit me 1 inch higher, I would be dead. My family would be a TAPS client.”

We collect and publish these anecdotes in our paper and electronic publications to donors, so that donors receive testimony directly from the “customer” so that they see where their money goes.

The merit of any non-profit or charity resides with the value which it provides to its clients and customers.

With the Chairman’s concurrence, I respectfully submit these written remarks to the proceedings of this Hearing. I will now be happy to answer any questions that you may have.