

GAO

Report to the Ranking Minority  
Member, Committee on Finance, U.S.  
Senate

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December 2002

SEPTEMBER 11

More Effective  
Collaboration Could  
Enhance Charitable  
Organizations'  
Contributions in  
Disasters



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# Highlights

Highlights of [GAO-03-259](#), a report to the Ranking Minority Member, Committee on Finance, United States Senate

## Why GAO Did This Study

Surveys suggest that as many as two-thirds of American households have donated money to charitable organizations to aid in the response to the September 11 disasters. To provide the public with information on the role of charitable aid in assisting those affected by the attacks, GAO was asked to report on the amount of donations charities raised and distributed, the accountability measures in place to prevent fraud by organizations and individuals, and lessons learned about how to best distribute charitable aid in similar situations.

## What GAO Recommends

To help facilitate collaboration among charitable organizations involved in disasters, GAO is recommending that FEMA convene a working group of involved parties to take steps to implement strategies for future disasters, building upon lessons learned in the aftermath of September 11.

The working group should address issues such as the development and adoption of a common application form and confidentiality agreement for use in disasters and strategies for enhancing public education regarding charitable giving.

This group could include representatives of key charitable and voluntary organizations and foundations; public and private philanthropic oversight groups and agencies; and federal, state, and local emergency preparedness officials.

[www.gao.gov/cgi-bin/getrpt?GAO-03-259](http://www.gao.gov/cgi-bin/getrpt?GAO-03-259).

To view the full report, including the scope and methodology, click on the link above. For more information, contact Cynthia M. Fagnoni (202) 512-7215.

## SEPTEMBER 11

# More Effective Collaboration Could Enhance Charitable Organizations' Contributions in Disasters

## What GAO Found

Although it may be difficult to precisely tally the total amount of funds raised in response to the September 11 attacks, 35 of the larger charities have reported raising an estimated \$2.7 billion since September 11, 2001. About 70 percent of the money that has been collected by these 35 charities has been reported distributed to survivors or spent on disaster relief since September 11, 2001. Charities used the money they collected to provide direct cash assistance and a wide range of services to families of those killed, those more indirectly affected through loss of their job or residence, and to disaster relief workers. Some of the charities plan to use funds to provide services over the longer term, such as for scholarships, mental health counseling, and employment assistance.

Charities and government oversight agencies have taken a number of steps to prevent fraud by individuals or organizations, and relatively few cases have been uncovered so far. However, the total extent of fraud is not known and will be difficult to assess particularly in situations when organizations solicit funds on behalf of September 11 but use the funds for other purposes.

Overall, charitable aid made a major contribution in the nation's response to the September 11 attacks, despite very difficult circumstances. Through the work of charities, millions of people contributed to the recovery effort. At the same time, lessons have been learned that could improve future charitable responses in disasters, including easing access to aid, enhancing coordination among charities and between charities and the Federal Emergency Management Agency (FEMA), increasing attention to public education, and planning for future events. FEMA and some charitable organizations have taken some steps to address these issues. However, the independence of charitable organizations, while one of their key strengths, will make the implementation of these lessons dependent on close collaboration and agreement among charities involved in aiding in disasters.

VIP Viewing Area at World Trade Center Site.



Source: GAO.

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**Abbreviations**

FEMA	Federal Emergency Management Agency
IRS	Internal Revenue Service
NYC	New York City
USG	United Services Group



United States General Accounting Office  
Washington, DC 20548

December 19, 2002

The Honorable Charles E. Grassley  
Ranking Minority Member  
Committee on Finance  
United States Senate

Dear Senator Grassley:

On September 11, 2001, America suffered terrorist attacks that resulted in the deaths of more than 3,000 people in New York City (NYC), at the Pentagon in Virginia, and in Pennsylvania. In addition, economists suggest that in NYC alone, about 100,000 people may have lost their income as a result of these events.<sup>1</sup> Federal, state, and local governments responded to this disaster in a variety of ways, and private charities provided aid beyond that of government.<sup>2</sup> Some surveys suggest that as many as two-thirds of American households have donated money to charitable organizations to aid in the response to the disaster.

To provide you with information on the role of charitable aid in assisting those affected by the attacks, you asked us to determine the following:

- (1) How much in donations have charities raised to assist September 11 survivors, and what assistance has been made available to them?
- (2) What accountability measures are in place to ensure that only eligible individuals receive aid, and what is known about fraud committed by organizations and individuals?
- (3) What coordination efforts have been pursued, if any, in response to the disaster?
- (4) What lessons can be learned about how to best distribute charitable aid in similar situations?

To answer these questions, we contacted September 11-related charities identified by the Chronicle of Philanthropy, a key trade publication of the nonprofit sector, and gathered information on the funds they raised and

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<sup>1</sup>See U.S. General Accounting Office, *Review of Studies of the Economic Impact of the September 11, 2001, Terrorist Attacks on the World Trade Center*, [GAO-02-700R](#) (Washington, D.C.: May 29, 2002).

<sup>2</sup>The 2001 Emergency Supplemental Appropriations Act for Recovery from and Response to Terrorist Attacks on the United States, P.L. 107-38, mandates that not less than one-half of the \$40 million appropriated shall be for disaster recovery activities and assistance activities in New York, Virginia, and Pennsylvania.

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distributed. We supplemented the Chronicle's list with information we gathered from additional charities during our review. We interviewed officials from 12 of the larger September 11-related funds in NYC and Washington, D.C.; representatives from three September 11 victims groups; officials from various philanthropic oversight organizations; and representatives from the major charities providing assistance after the Oklahoma City bombing in 1995. We also spoke with officials from the Federal Emergency Management Agency (FEMA), the federal agency charged with responding to disasters; the NYC Office of Emergency Management; and the Office of Family Policy of the Department of Defense. Finally, we interviewed officials from government oversight agencies, including the Internal Revenue Service (IRS), officials from state charity offices or attorneys general offices in seven states, and the New York County (Manhattan) District Attorney's Office. We conducted our review from January through November 2002 in accordance with generally accepted government auditing standards. We did not independently verify data provided by the charitable organizations or oversight officials, and it was not within the scope of our work to review the charities' systems of internal control or to trace their use of funds. On September 3, 2002, we issued an interim report on the results of our review.<sup>3</sup>

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## Results in Brief

Although it may be difficult to precisely tally the total amount of funds raised, 35 of the larger charities have reported raising almost \$2.7 billion since September 11, 2001. About 70 percent of the money that has been collected by these 35 charities has been distributed to survivors or spent on disaster relief as of October 31, 2002. Fund distribution rates vary widely among this group of charities, in part because of differences in their operating purpose. For example, some charities were established to provide immediate assistance, while others, such as scholarship funds, were established to provide services over a longer period of time. Charities reported distributing these funds for cash grants and a wide range of services to families of those killed, those more indirectly affected through loss of their job or residence, and to disaster relief workers. Questions about how best to use the funds as well as service delivery difficulties complicated charities' responses. For example, to distribute aid, charities had to make extensive efforts to identify victims and survivors as there were no uniform contact lists for families of victims. In

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<sup>3</sup>See U.S. General Accounting Office, *September 11: Interim Report on the Response of Charities*, [GAO-02-1037](#) (Washington, D.C.: Sept. 3, 2002).

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addition, charities faced challenges in providing aid to non-English speaking people in need of assistance. Some charities have focused their efforts on these individuals.

Charities and government oversight agencies have taken a number of steps to prevent fraud by individuals or organizations, and relatively few cases have been uncovered so far. Most charities we spoke with required applicants to provide documentation certifying identity, injury, death of a family member, or loss of job or home, and may have asked for proof of financial need. State attorneys general and local district attorneys also told us that although they had limited resources available to address September 11-related fraud, they are actively responding to public concerns about charities. While information is available on identified fraud cases, the total extent of fraud is not known, and it will be difficult for charities and oversight agencies to assess.

Despite some early efforts, little coordination of charitable aid occurred early on, although a more integrated approach emerged some months later. Even with these efforts, September 11 survivors generally believed they had to navigate a maze of service providers, and both charities and those individuals who were more indirectly affected by the disaster were confused about what aid might be available. Although steps were taken to address some of these issues in previous disasters, the scope and complexity of the September 11 attacks presented a number of challenges to charities in their attempts to provide seamless social services for surviving family members and others in need of aid. Some months after the disaster, however, oversight agencies and large funders established a more coordinated approach. This included the formation of coordinating entities, the implementation of case management systems, and attempts to implement key coordination tools, such as client databases.

Charities, government agencies, watchdog groups, and survivors' organizations shared with us lessons that could improve the charitable aid process in disasters in the future. These lessons include easing access to aid for those who are eligible, enhancing coordination among charities and between charities and FEMA, increasing attention to public education on charitable giving, and planning for future events. Some efforts are under way to address these issues. However, the independence of charitable organizations, while one of their key strengths, will make implementation of these lessons learned dependent on close collaboration and agreement among these independent organizations. To help facilitate collaboration among charitable organizations involved in disasters, we are recommending that FEMA convene a working group of involved parties to

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take steps to implement strategies for future disasters, building upon lessons learned in the aftermath of September 11. In commenting on a draft of this report, FEMA agreed with our recommendation and said that such a working group would likely foster enhanced coordination and collaboration and potentially lead to improvements in service to those affected by disasters.

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## Background

Charities are organizations established to address the needs of the poor or distressed and other social welfare issues. Federal, state, and private agencies and the American public monitor how well charities are meeting these needs. Although not all charities have a disaster relief focus, historically charities have adapted their work as needed to the immediate or longer-term needs of disaster survivors. In these disaster aid efforts, charities may cooperate with FEMA. Though charities and FEMA have a substantial role in providing disaster aid, people affected by disasters may also pursue other government or private sources of relief.

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## Purpose and Scope of the Charitable Sector

Charities represent a substantial presence in American society. Internal Revenue Code Section 501(c) establishes 27 categories of tax-exempt organizations; the largest number of such organizations falls under Section 501(c)(3), which recognizes charitable organizations, among others. The term charitable, as defined in the regulations that implement Section 501(c)(3), includes

- assisting the poor, the distressed, or the underprivileged;
- advancing religion, education, or science;
- erecting or maintaining public buildings, monuments, or works;
- lessening neighborhood tensions;
- eliminating prejudice and discrimination;
- defending human and civil rights; or
- combating community deterioration and juvenile delinquency.

An organization must apply for IRS recognition as a tax-exempt charity that strives to meet one or more of these purposes. In general, a charity serves these broad public purposes, rather than specific private interests.



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By 2000, IRS had recognized 1.35 million tax-exempt organizations under Section 501(c), of which 820,000 (60 percent) were charities. At the end of 1999, the assets of Section 501(c)(3) organizations approached \$1.2 trillion and their annual revenues approached \$720 billion. Charities pay no income taxes on contributions received, but they can be taxed on income generated from unrelated business activities.

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## Oversight of Charities

Federal agencies, state charity officials, other nonprofit organizations, and the general public may all participate in overseeing charitable operations to protect the public interest. At the federal level, IRS has primary responsibility for recognizing tax-exempt status and determining compliance with tax laws, such as those governing the use of charitable funds.<sup>4</sup> Notwithstanding these powers, IRS is not generally responsible for overseeing how well a charity spends its funds or meets its charitable purpose.

Despite the federal government's significant indirect subsidy of charities through their tax-exempt status and the allowance of charitable deductions by individuals, the federal government has a fairly limited role in monitoring charities, with states providing the primary oversight of charities through their attorneys general and/or charity offices. These officials maintain registries of charities and professional fundraisers, including financial reports of registrants. They also monitor the solicitation and administration of charitable assets. Attorneys general and state charity officials have extensive power to investigate charities' compliance with state law and can correct noncompliance through the courts. Although local law enforcement agents, such as district attorneys, may assist the state with investigations of charities, they tend to focus on the prosecution of the criminal cases of individuals who defraud charities.

Further oversight of charities' efficiency and effectiveness is likely to be carried out by the private sector, including "charity watchdogs," and the American public. Watchdogs such as the Better Business Bureau's Wise Giving Alliance and publications such as *The Chronicle of Philanthropy* are the public's primary sources for information on charitable organizations and fund-raising. The questions and concerns people bring

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<sup>4</sup>IRS evaluates compliance by reviewing the informational Form 990, Return of Organization Exempt from Income Tax.

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to the attention of watchdogs and government officials are often the key motivators for initiating investigations.

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## Charities' Roles in Disasters

Charities have historically played a role in the nation's response to disasters. First, some charities, for example, the American Red Cross or the Salvation Army, are equipped to arrive at a disaster scene and provide mass care, including food, shelter, and clothing, and in some circumstances, emergency financial assistance to affected persons. Next, depending on the extent and nature of devastation to a community and charities' typical services and capacities, some charities are best structured to provide longer-term assistance, such as job training or mental health counseling. Finally, new charities may form post-disaster to address the needs of all survivors or specific population groups. For example, after the September 11 attacks, charities were established to serve survivors of restaurant workers and firefighters.

FEMA is the lead federal agency for responding to disasters and may link with charitable organizations to provide assistance. According to FEMA regulations, in the event of a presidentially declared disaster or emergency, such as September 11, FEMA is required to coordinate relief and assistance activities of federal, state, and local governments; the American Red Cross; the Salvation Army; and the Mennonite Disaster Service; as well as other voluntary relief organizations that agree to operate under FEMA's direction. Although charities are expected to be among the first agencies to provide assistance to those affected, in the event of some natural disasters, FEMA may anticipate need and be the first to respond. FEMA can provide a range of assistance to individual disaster survivors. In a natural disaster, such as a hurricane or flood, the bulk of FEMA's individual assistance program money tends to be given to individuals whose residences have been damaged. September 11 presented a different challenge for the agency: few people had damage to their homes, but many needed unemployment assistance and help paying their mortgage or rent.

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## Other Sources of Disaster Relief Assistance

Though FEMA and charities provide key resources to survivors of disasters, a range of additional aid may be available for those affected by the September 11 attacks.<sup>5</sup> Federal sources of aid to individuals include

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<sup>5</sup>Businesses, as well as individuals, may also access federal aid, for example, Small Business Administration loans.

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Social Security, Medicaid, Disaster Unemployment, and Department of Justice benefits for fallen police officers and firefighters.<sup>6</sup> In addition, the Congress has set up a Federal Victim Compensation Fund for individuals injured and families of those who died in these attacks. See appendix I for more information about this fund. From states, survivors may obtain State Crime Victim Compensation Board funds, unemployment insurance, or workers' compensation. Some families may also be able to access private insurance or employer pensions.<sup>7</sup>

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## Charities Have Played an Unprecedented Role in the Amount of Money Collected and Types of Assistance Provided to September 11 Survivors

While it may be difficult to tally precisely the total amount of funds collected, 35 of the larger charities have raised almost \$2.7 billion and distributed about 70 percent of the money. Distribution rates vary widely among the charities, in part, because some were established to provide immediate assistance while others were established to provide assistance over the longer term. Charities used the money they collected to provide cash and a broad range of services to people directly and indirectly affected, although questions about how best to use the funds as well as service delivery difficulties complicated charities' responses.

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### Of the Larger Charities, 35 Have Raised Almost \$2.7 Billion; Most Aid Collected Has Already Been Distributed

Thirty-five of the larger charities have raised almost \$2.7 billion as of October 31, 2002, to aid the survivors of the terrorist attacks. (See table 1.) These include a range of organizations, including large, well-established organizations such as the American Red Cross and the Salvation Army and other organizations created specifically in response to September 11, such as the Twin Towers Fund. While the total amount raised may increase over time, many organizations are no longer actively collecting funds. For example, The September 11th Fund stopped soliciting donations in November 2001 and in January 2002 asked the public to stop sending contributions to the fund.

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<sup>6</sup>The Department of Justice's Public Safety Officers Benefit Fund provides a one-time sum of \$250,000 to the next-of-kin of a fallen public safety officer, such as a firefighter. This amount was retroactively adjusted after September 11, as the 2001 amount had been \$152,000.

<sup>7</sup>State Crime Victim Compensation Board Funds are available post-disaster if, like the September 11 attacks or the Oklahoma City bombing, the disaster site is also a crime scene.

**Table 1: September 11 Fund Data for 35 Charities**

<b>Relief charities</b>	<b>Amount raised</b>
American Red Cross Liberty Fund	\$1,011,000,000
The September 11th Fund	512,000,000
Twin Towers Fund	205,000,000
International Association of Fire Fighters	161,000,000
New York Police and Fire Widows' & Children's Benefit Fund	117,000,000
Citizens' Scholarship Foundation	113,167,336
Salvation Army	87,722,612
Uniformed Firefighters Association	71,000,000
New York State World Trade Center Relief Fund <sup>a</sup>	68,730,000
New York Times 9/11 Neediest Fund	61,147,017
Robin Hood Foundation	60,300,000
Catholic Charities USA	31,847,514
Catholic Charities of NY	25,400,000
Survivors Fund	20,000,000
Windows of Hope	19,000,000
World Vision	12,428,378
New York State Fraternal Order of Police Foundation	12,028,314
Port Authority Police Benevolent Association	11,642,025
NYC Police Foundation	11,000,000
Americares Foundation	9,261,073
Navy-Marine Corps Relief Society	6,800,000
Army Emergency Relief	5,792,588
Federal Employee Education & Assistance Fund	5,500,000
United Jewish Communities	4,800,000
United Way National Capital	3,956,512
Union Community Fund	3,092,105
Lions Clubs International Foundation	3,023,000
Rotary International	1,800,000
American Society for the Prevention of Cruelty to Animals	1,744,000
Kiwanis International Foundation	1,591,916
Tides Foundation	597,207
Jewish Federation of Greater Washington	450,000
National Italian American Foundation	334,000
Farmers' Market Federation of NY	162,000
American Lung Association	139,000
<b>Total</b>	<b>\$2,660,456,597</b>

Source: Data provided by charities. Most data are as of October 31, 2002, unless otherwise noted in appendix II.

Note: We asked the charities to exclude funds they had received from other September 11 funds to avoid overstatement of the funds involved.

<sup>a</sup>This is not a charity; the New York State Department of Taxation and Finance established and administers this fund of donations.

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The large number of charities collecting funds for September 11 complicates the efforts to determine a precise count of the total funds raised. The Metro New York Better Business Bureau Foundation has identified 470 September 11-related charities, and the IRS estimates that about 600 charities are involved in September 11-related fundraising. The IRS took steps to quickly grant tax-exempt status to about half of these 600 charities after September 11.<sup>8</sup> While some of these new charities appear to be smaller, specific fundraising events such as the Hike of Hope, others like the Twin Towers Fund, which raised \$205 million, became major charities. While any one charity will have information on its funding and services, the charitable sector as a whole generally does not have reporting mechanisms in place to track funds across entities or for any one event. Some tracking efforts are under way, however. For example, the Metro New York Better Business Bureau Foundation recently surveyed the 470 September 11-related charities they identified and 270 responded to its request for fund information.

Further complicating a precise tally of funds is the interfund transfers that occurred among charities. For example, the Americares Foundation raised \$5.3 million in its Heroes Fund and transferred it to the Twin Towers Fund to be distributed. Likewise, the United Jewish Federation of New York distributed \$5.4 million in grants it received from the New York Times 9/11 Neediest Fund and the United Jewish Communities of North America. The Metro New York Better Business Bureau Foundation estimates that more than \$400 million of the charitable aid it is tracking represents duplicate listings of money raised by grant-making organizations and the direct service providers they are funding. Moreover, an unknown number of corporations have sold and are still selling products for which some portions of the proceeds are to be donated to September 11 charities, a practice known as “cause-related marketing.” Some reports cite hundreds of products being sold in the name of September 11 charities; the extent to which these funds have already been forwarded to charities is not known.

A more complete accounting of the number of September 11 charities and the amounts they raised might be possible when all charitable organizations have filed with IRS the required annual information form,

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<sup>8</sup>IRS told us that in December 2002, it would begin a “limited operational review” of 88 of the newly approved charities. This review will examine whether the money raised by these charities was expended for charitable purposes, whether these charities met their IRS filing requirements, and whether or not the charitable funds raised provided personal or private benefit to the charity or individuals involved.

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called the IRS 990. Among other items, these tax-exempt 501(c)(3) organizations must report on their total revenues (including donations), expenses, grants and allocations, and the total dollars of specific assistance they provided to individuals.<sup>9</sup> This form is due in the fifth month after the close of the organization's taxable year. As IRS 990 forms for these charities become available, examination of them may yield more information; however, the way these data are reported may not necessarily allow a precise accounting of dollars raised for September 11. For example, pre-existing charities that served other purposes as well as September 11, may not report funding data at the level of detail that would link spending to September 11 purposes.

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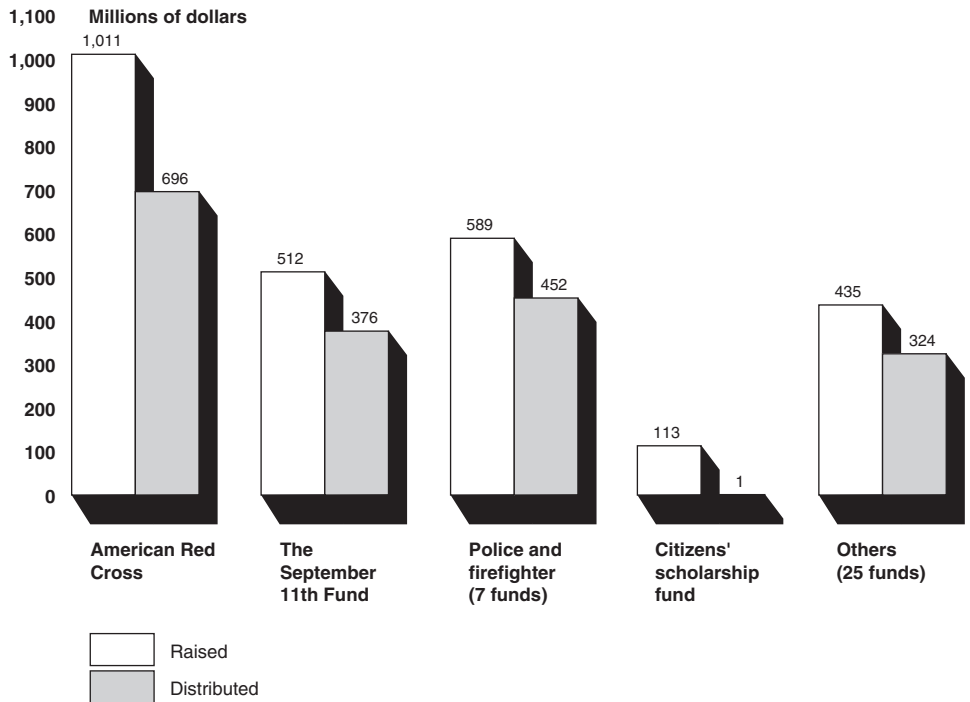
### Fund Distribution Rates Varied, Reflecting Different Charitable Goals and Purposes

Of the almost \$2.7 billion estimated collected by the larger 35 charities, about \$1.8 billion, or 70 percent, has been reported distributed as of October 31, 2002. Fund distribution rates, however, vary widely from less than 1 percent to 100 percent, in part because of the differing goals and purposes of the charities. For example, some charities with high distribution rates like the New York Times 9/11 Neediest Fund or the United Way of the National Capital Area are primarily fundraisers that make grants to direct service providers such as the Children's Aid Society and the Salvation Army, which provide immediate assistance to survivors. Other charities, particularly those that will be providing scholarship assistance to survivors like the Citizens' Scholarship Foundation, the Navy-Marine Corps Relief Society, the Army Emergency Relief, and Windows of Hope, have much lower distribution rates that reflect the longer-term missions of their charities. Figure 1 shows the amount of aid raised and distributed by charities. See appendix II for the amount of funds raised, distributed, and distribution rates for each of the 35 charities.

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<sup>9</sup>For more information see U.S. General Accounting Office, *Tax-Exempt Organizations: Improvements Possible in Public, IRS, and State Oversight of Charities*, [GAO-02-526](#) (Washington, D.C.: Apr. 30, 2002).

**Figure 1: Amount of Aid Raised and Distributed by Selected Charities**



Source: Data provided by the charities. Most data are as of October 31, 2002, unless otherwise noted in appendix II and do not reflect distributions planned for the future.

### Charities Provided Cash and a Broad Range of Services to People Directly and Indirectly Affected

Charities provided a wide range of assistance to the different categories of individuals affected, including the families of those killed, those indirectly affected through the loss of a job or displacement from their home, and services provided to the rescue workers and volunteers, as shown in table 2. A full accounting of the range of services provided is difficult to ascertain, as many large funders have provided grants to multiple service providers. For example, The September 11th Fund has provided grants to over 100 organizations, including direct service providers like Safe Horizon, which provide assistance to families and communities and to rescue and recovery efforts.

**Table 2: Examples of the Range of Services Provided by the Two Largest September 11 Charities**

Charity	Directly affected	Indirectly affected	Immediate disaster relief	Other
American Red Cross – Liberty Fund	3,396 survivor families received 12 months' living expenses, averaging \$58,900 per family (\$200 million total), and each estate will receive \$45,000.	55,000 families who lost jobs or income or had damaged homes received 3 months' living expenses (\$276 million).	14 million meals for disaster workers and survivors.	236,000 mental health counseling visits and 131,000 health service visits.
The September 11th Fund	3,500 survivors received \$20,000 each.	35,000 displaced workers and 3,000 displaced residents received \$4,000 - \$10,000 each.	343,000 meals served to rescue workers.  4.3 million pounds of food were delivered to ground zero.	20,000 people received mental health counseling and referrals, and 10,000 people received legal advice.  15,000 people who lost jobs received training, career counseling, or placement services.  Nearly 1,000 small businesses and nonprofits received grants or loans to help rebuild the community.

Source: Data provided by charities as of October 31, 2002, does not include future or planned distributions.

Families of those killed on September 11 have received cash gifts from various charities to help them through the first year of the recovery process. McKinsey's survey of nonuniformed World Trade Center families showed that 98 percent of families reported receiving cash assistance averaging \$90,000 per family.<sup>10</sup> Because of the charities specifically established to assist the survivors of the firefighters and police killed in the attacks, their survivors will receive more cash assistance than survivors of the nonuniformed people killed. A Ford Foundation study reports that uniformed rescue workers funds have provided families of the

<sup>10</sup>See *A Study of the Ongoing Needs of People Affected by the World Trade Center Disaster* prepared by McKinsey & Co. for 9/11 United Services Group (New York, NY: June 2002). The 9/11 United Services group is a consortium of 13 organizations formed in December 2001 to foster a more coordinated approach to aid delivery. This survey conducted for them is based on data collected in April and May 2002. The figure cited does not include any additional cash assistance families may receive from the September 11<sup>th</sup> Victim Compensation Fund.



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Port Authority Police and NYC Police and Firefighters with cash benefits of \$715,000, \$905,000, and \$938,000, respectively.<sup>11</sup>

It was a change in IRS rules and subsequent legislation that enhanced the abilities of charities to distribute aid on a per capita basis—as did some of the charities focused on those firefighters and police killed—rather than on the basis of more in-depth needs assessment. IRS rules governing the uses of charitable aid were changed for September 11 survivors. Recognizing the unique circumstances caused by this tragedy and in anticipation of congressional legislation that was subsequently passed, IRS relaxed the burden on charities—in the case of this disaster only—to show that the assistance provided was based on need.<sup>12</sup> In November 2001, IRS issued guidance that authorized charities to make payments to September 11 victims and their families without a specific needs test, if made in good faith and using objective standards. Some charities and oversight agencies we spoke with said that this placed some charities under pressure to more quickly distribute their funds. It allowed others, such as the International Association of Fire Fighters, to distribute funds on a per capita basis, regardless of need, to the surviving families of those who perished, a practice that had not been permitted prior to the September 11 disasters.

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### Charities' Responses Complicated by Questions about Use of Funds and Difficulties Reaching Those in Need

Questions about how aid should be distributed as well as problems identifying and serving thousands of people directly and indirectly affected complicated charities' tasks as they moved to aid those affected by the attacks.

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<sup>11</sup>Seessel, Tom, *The Philanthropic Response to 9/11*. Prepared by The John S. Watson Institute for Public Policy, Thomas Edison State College for the Ford Foundation (Trenton, N.J.: Aug. 2002).

<sup>12</sup>The Victims of Terrorism Tax Relief Act of 2001, P.L. 107-134, was enacted January 23, 2002. Among other provisions, the act states that tax-exempt charities making payments “by reason of the death, injury, wounding, or illness of an individual incurred as the result of the terrorist attacks against the United States on September 11, 2001, or an attack involving anthrax occurring on or after September 11, 2001 and before January 1, 2002,” are not required to make specific assessment of need before giving out aid. The act also forgives for certain tax years the tax liability of those killed in the April 19, 1995, Oklahoma City bombing, those killed in the September 11, 2001, terrorist attacks, and those killed in the terrorist attacks involving anthrax occurring after September 10, 2001, and before January 1, 2002.

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## Different Perspectives on Appropriate Use of Funds Complicates Distribution

Charities faced considerable debate on how their funds should be distributed—to whom, for what, and when? Some victims' groups and charities believe the money should be in the form of cash grants, distributed as quickly as possible, and typically focused on families of those killed, believing that the survivors are in the best position to understand and deal with their individual needs. Other charities and oversight organizations believe that needs are best met when the charitable funds take into account a broad range of needs, including those in the long term, and focus on services rather than cash grants.<sup>13</sup> For example, Oklahoma City charities emphasized needed services rather than cash grants.

While most of the September 11 funds have been distributed in the first year, some charities are planning to provide services over the longer term. The American Red Cross announced that it is setting aside \$133 million to be spent over the next 3 to 5 years primarily in the areas of mental health and uncovered health care costs. The September 11th Fund announced that it will use its remaining \$170 million over the next 5 years to also fund services such as mental health counseling, employment assistance, health care, and legal and financial advice. In addition, the Survivors' Fund, the largest fund set up exclusively to support the needs of survivors of the Pentagon attack, is focusing its services on the long-term needs of the survivors.

Since the attacks, decisions made by the American Red Cross—by far the largest holder of funds for September 11 purposes—were the focus of much media and congressional scrutiny, raising concerns about its plans for funds raised. By the middle of November 2001, contributions to the American Red Cross's Liberty Fund reached nearly \$543 million. The American Red Cross had established the Liberty Fund to help people affected by the September 11 attacks, its aftermath, and other terrorist events that could occur in the near future. While American Red Cross officials said that from early on it used its traditional language in its fund appeals saying that funds raised would be used for "this and other disasters," it was widely perceived as a violation of the donors' intent in this case. In response to concerns about the organization's use of funds, on

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<sup>13</sup>A recent study conducted by McKinsey & Co. for the 9/11 United Services Group estimates that the cost of meeting the needs of all those affected by September 11 in NYC will be \$373 million in 2003 and \$44 million in 2004. See *A Study of the Ongoing Needs of People Affected by the World Trade Center Disaster* prepared by McKinsey & Co. for 9/11 United Services Group (New York, NY: June 2002).

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November 14, 2001, the American Red Cross pledged that the entire Liberty Fund would be spent to care for those directly and indirectly affected by the September 11 attacks, their families, and the rescue workers. Fulfillment of donor intent is an important issue, and many charities we spoke with said that they were keeping their spending within the framework of what they believed donors wanted: to quickly meet the needs of those for whom aid is intended.

Representatives from philanthropic oversight organizations said charities in general could have minimized some of the problems they faced by paying more attention to the public relations aspects of their work.<sup>14</sup> This might have reduced adverse publicity when people expected one thing and charities did another. Problems these representatives cited include the following:

- Some charities made vague appeals for money, and the public didn't understand what programs these funds might support.
- Victims and the needs of the survivors were too narrowly defined. Some charities communicated a simplistic definition of those needing help as only the survivors of those people who were killed or those who were injured in the terrorist attacks. However, in the September 11 disasters, thousands of others were displaced from their homes, lost their jobs, and needed counseling to cope with post-traumatic stress disorder.
- Some charities implied that all of the funds collected would go to direct assistance without any management and administrative cost. This created a misperception that services could be delivered without trained professionals, administrative back offices, support staff, or personnel to help ensure accountability in the use of the donated funds.

### Identifying and Reaching Those in Need Posed Significant Difficulties

Charities told us that they had to make extensive efforts to identify the people who were killed and locate their survivors, as there were no uniform lists, and privacy issues affected the sharing of information. For example, when the Robin Hood Foundation wanted to provide \$10,000 cash gifts to the surviving families, it found it had to develop its own list of

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<sup>14</sup>These organizations include the Better Business Bureau's Wise Giving Alliance, the American Institute of Philanthropy, the Urban Institute's Center on Nonprofits and Philanthropy, the National Committee for Responsive Philanthropy, the Brookings Institution, and the Ford Foundation.

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the people who were killed and contact information for their survivors. The foundation recruited volunteers to contact World Trade Center employers and reported having to sign 55 different confidentiality agreements with companies, airlines, and individuals, to ensure that Robin Hood Foundation would not share its list with other agencies. In the case of those killed and injured at the Pentagon, confidentiality was a concern as well. The Pentagon provided the Foundation with a list of beneficiary names for the checks but sent a representative to New York to put the checks in the envelopes and apply the address labels.

Charities made many efforts to reach out to hard-to-serve clients, non-English speakers, and immigrants. For example, the New York Immigration Coalition received \$800,000 from The September 11th Fund and money in other grants to provide legal assistance, establish immigrant help desks at each disaster center, and train charity workers on how to better reach immigrants. The NYC Department of Health reported that 20 percent of those killed in NYC were foreign-born, coming from 167 different countries. Charity officials said the Immigration and Naturalization Service facilitated their efforts to reach immigrants by announcing it would not pursue information on the immigration status of individuals. Also, some charities such as Windows of Hope were created to specifically serve low-income restaurant workers with language barriers.

In spite of outreach efforts, representatives from the victims groups we spoke with said that survivors were not aware of all charitable services and assistance available. A recent study of dislocated hospitality-industry workers in the Washington, D.C., region also reported that despite the efforts to meet the needs of these workers, many still struggled to connect with services.<sup>15</sup> Workers interviewed for the study said a single source of information and referrals for emergency assistance, job placement assistance, or job training would have been helpful.

In addition, some people we spoke with in NYC expressed concern that many indirectly affected survivors did not qualify for assistance because they lived outside the geographic area below Canal Street in Manhattan, which was initially targeted for aid by FEMA and many charities. After much public concern about the limited geographic range of FEMA's

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<sup>15</sup>Martha Ross, Brookings Greater Washington Research Program and Sandra Padilla, Diane Levy, and Elizabeth Cove, The Urban Institute, *Calling 211: Enhancing the Washington Region's Safety Net After 9/11* (Washington, D.C.: Sept. 2002).

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eligibility regulations, in August 2002, the Congress mandated FEMA to expand its mortgage and rental assistance to employees working anywhere in Manhattan and to those who could track job loss or loss of income to September 11.<sup>16</sup> FEMA also provides this assistance to those workers whose employers are not located in Manhattan, but who are economically dependent on a Manhattan firm, and anyone living in Manhattan, who commuted in and out of the island and who suffered financially because of post-September 11 disruptions.

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## Charities and Oversight Agencies Have Several Accountability Measures in Place; Relatively Few Cases of Fraud Identified So Far

Charities and government oversight agencies have taken a number of steps to prevent fraud, and relatively few cases have been uncovered so far. For example, to minimize fraud by individuals, some charities required applicants to provide documentation certifying their needs and the relationship of their need to the disaster. Also, some charities conducted independent reviews of their applications and eligibility processes. State attorneys general and local district attorneys told us that although they had limited resources to dedicate to such efforts, they are actively responding to public concerns about charities. Officials from these government oversight agencies pursued investigation of fraud by individuals and charities; most of the few cases of fraud being prosecuted or investigated in New York relate to individuals who are charged with or have been convicted of falsely obtaining assistance.

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## A Range of Accountability Measures Are in Place to Address Different Types of Fraud

Different types of fraud can occur in the solicitation and delivery of charitable funds: fraud by individuals, charities, and businesses, as shown in table 3. Charity and oversight agency officials told us that they employed a number of methods to prevent this fraud, as also shown in table 3. Most charities we spoke with required applicants to provide documentation certifying identity, injury, death of a family member, or loss of job or home, and may have asked for proof of financial need, for example, paycheck stubs. To verify that they were adequately screening for fraud, some charities conducted independent reviews of their eligibility processes. State charity officials and local district attorneys typically relied heavily on complaints from the public and on the charities themselves to identify ineligible individuals or fraudulent charitable

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<sup>16</sup>2002 Supplemental Appropriations Act for Further Recovery From and Response to Terrorist Attacks on the United States, P.L. 107-206, enacted August 2, 2002.

groups or solicitations.<sup>17</sup> These officials also reached out to a number of professional groups, including presentations to fund-raising associations and charity boards about state guidelines on charitable solicitation. Finally, they also issued educational press releases, suggesting that people should examine charities before they write checks. See appendix III for contact information for each state’s charity oversight agency.

**Table 3: Types of Fraud and Related Accountability Measures**

Different types of fraud possible	Accountability measures in place to prevent or detect fraud
<p><b>By individual</b> - Fraudulent claims of eligibility for a charity’s funds or services can include</p> <ul style="list-style-type: none"> <li>claiming survivor benefits using a false death certificate, a forged identity, or by falsely overstating connections to a victim or</li> <li>falsely representing need for job-related or housing benefits.</li> </ul>	<ul style="list-style-type: none"> <li>Charities’ eligibility screening, including document checking.</li> <li>Charities’ internal audits of the screening process.</li> <li>Police or district attorney investigations (either initiated by charities or by law enforcement).</li> </ul>
<p><b>By group or organization (“charity”)</b> -</p> <ul style="list-style-type: none"> <li>Solicitation of funds by those pretending to represent a charitable cause or</li> <li>using September 11 to solicit funds but using the funds raised for an unrelated purpose.</li> </ul>	<ul style="list-style-type: none"> <li>Complaints by the general public or charity watchdogs.</li> <li>Attorneys general investigations.</li> <li>External audits by accounting firms.</li> <li>IRS review.</li> <li>Police or district attorney investigations.</li> </ul>
<p><b>By business</b> - Cause-related marketing, or any arrangement that results in a charity receiving a percentage of sales, can result in a charity receiving few or no benefits.</p>	<ul style="list-style-type: none"> <li>Charities monitor media and attend to questions from the public.</li> <li>State attorneys general may require submission of a contract between the charity and the business.</li> <li>Police or district attorney investigations.</li> </ul>

Source: Public and private philanthropic oversight officials and charities.

## Charities and Oversight Agencies Reported Relatively Few Cases of Fraud

Charities, state attorneys generals, and local district attorneys we spoke with said that they have found relatively few cases of fraud by charities or individuals. Charities like Safe Horizon told us that they were developing relationships with local law enforcement and had referred a number of suspicious cases to the police department. Furthermore, charities’ internal audits identified additional potential cases of fraud. For example, the American Red Cross’s review identified 350 suspected cases of fraudulent claims on its Liberty Fund, representing less than 1 percent of distributed funds. State and local oversight officials told us that although they did not have additional resources available to address September 11-related fraud, they are actively pursuing any fraud identified. They reported that since September 11, they had found relatively few cases of fraud, either by

<sup>17</sup>We spoke with state charity officials, from state attorneys general offices or secretary of state offices, in seven states: California, Maryland, Massachusetts, New Jersey, New York, Pennsylvania, and Virginia.

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charities or individuals.<sup>18</sup> These attorneys general and state charity officials from the seven states that suffered high numbers of casualties from September 11 told us they are investigating a combined total of 17 suspected cases of fraudulent solicitation of funds. Local officials indicate that they have more reports of individual fraud than charity fraud. For example, the New York County District Attorney's Office reported that as of October 15, 2002, it had arrested 84 people for individual fraud and 2 people for fraudulent solicitation of funds. Representatives of this district attorney estimated that about \$1 million in aid has been fraudulently obtained. The following are examples of suspected individual fraud uncovered to date by the New York County District Attorney's Office.<sup>19</sup>

- One man staged his own death in the Trade Center, then, posing as his next of kin (a recently deceased brother), applied for and received over \$272,000 from two charities.
- Another NYC man reported that his 13th child had accompanied him to a job interview at the World Trade Center and had perished in the attack. The investigation revealed that the child never existed, a fact confirmed by other family members. The man received \$190,867 from two charities.
- A group of cafeteria employees in a building near the Trade Center were paid for 4 days of work when their building was closed post-disaster. One employee applied for disaster-related income replacement for those 4 days (even though he had been paid) and received funds. This employee told his co-workers about his success in obtaining charitable aid under pretense, and 23 of his colleagues attempted to do the same.
- A man hired 13 homeless people to help him defraud charities. He supplied the homeless people with fraudulent documentation of job loss and financial need, then drove them around to relief sites around the city, where they applied for and received a total of \$108,905 from charities.

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<sup>18</sup>As of October 31, 2002.

<sup>19</sup>Although the cases mentioned here all involve the successful receipt of money from charities, not everyone who was charged with fraud received aid.

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In addition, the New York State Attorney General's Office reported investigating approximately 20 additional cases of individual fraud, many of which are related to individuals who allegedly attempted to obtain false death certificates.

While information is available on identified fraud cases, the total extent of fraud is not known and will be difficult for oversight agencies and charities to assess. First, detection of fraud by individuals could be challenging, despite checks being in place, as charities said they were overwhelmed by the volume of applications for assistance and had to hire new staff or volunteers to help them manage their relief efforts. The potential for fraud by individuals may have increased, as the new personnel may have been unfamiliar with the charities' eligibility regulations and may have inappropriately distributed or denied funds. Second, fraud detection may be particularly problematic in areas such as cause-related marketing by businesses. For example, the executive director of the Twin Towers Fund told us he was unaware of a record company's marketing campaign on the fund's behalf, until he read about it in the newspaper. The charity had to contact the record company, then set up a contract to formalize the terms of the fundraising. Third, it may also be difficult to track fund-raising by groups using September 11 to solicit for other purposes. In one state, oversight officials told us that an organization conducted a telemarketing drive promising that funds would be given to "firefighters, like those who died September 11," but no funds went to the survivors of firefighters who died in the attacks. Oversight agencies said that these types of organizations tended to move very quickly in and out of geographic areas, making it difficult to find and prosecute them.

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## Little Coordination of Charitable Aid Occurred Early on, although a More Integrated Approach Emerged Months Later

Despite some early cooperation attempts, survivors had difficulty accessing charitable aid. The unprecedented scope and complexity of the September 11 disasters presented a number of challenges to charities in their attempts to provide seamless social services for those in need of assistance. Some months after the disaster, however, oversight agencies and large funders worked to establish a more coordinated approach at the September 11 attack sites. This included the formation of coordinating entities, the implementation of case management systems, and attempts to implement key coordination tools, such as client databases.



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Despite Early Charity  
Response Efforts,  
Survivors Experienced  
Difficulty Accessing Aid

Following the disasters, charitable organizations and FEMA took some immediate steps to help survivors get assistance, including checking in with other agencies. Charities moved quickly to collect funds, give grants to service providers, and establish 800 numbers and Web sites with aid information. FEMA headquarters contacted charities likely to be active in disaster relief to discuss how FEMA contacts would be of assistance. Some efforts at formal coordination include Family Assistance Centers and Disaster Assistance Service Centers, where some of the larger charities and government agencies set up booths to provide assistance to survivors and those economically affected by the disaster.<sup>20</sup> The United Way of the National Capital Area held information-sharing meetings for Washington and Virginia service providers and the New York Community Trust did so as well.

Despite these efforts, September 11 survivors generally believed that they had to navigate a maze of service providers in the early months, and both charities and those individuals who were more indirectly affected by the disaster (e.g., by job loss) were confused about what aid might be available. Survivors and charities told us that aid distribution was hindered by a number of factors. First, those seeking aid had to fill out a separate application and provide a unique set of documentation for each charity to which they applied. Second, in the early stages post-disaster, all survivors had to apply in person for charitable assistance, even if they had previously obtained aid from the organization. This became troublesome for the many survivors who did not live in metropolitan New York or Washington. Charities like Pennsylvania September 11th Assistance ended up paying for survivors' travel to the Liberty Park Family Assistance Center in New Jersey. Third, over the course of the first few weeks after the disaster, many dimensions of coordination were limited by little information sharing between organizations helping survivors. For example, some charities said that they were not familiar with other organization's rules, especially FEMA's. Furthermore, because of privacy laws, charities and FEMA did not share information about clients with

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<sup>20</sup>Family Assistance Centers were primarily designed to meet the needs of the families of those killed. These centers were set up by key government entities at each attack site, specifically, the city of New York and the Department of Defense Office of Family Policy. Pennsylvania did not have a Family Assistance Center, but Pennsylvania September 11th Assistance coordinated services for families of victims of the Pennsylvania crash. Disaster Assistance Service Centers were set up by FEMA in New York to serve the needs of those recently displaced from their jobs as a result of the September 11 attacks.

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each other; as a result, in early stages of service delivery, charities might have duplicated services to clients.

Although ways to address some of these issues have been used in the past, the scope and complexity of the September 11 disasters presented a number of challenges to charities in their attempts to provide seamless social services for survivors of the disaster. In the aftermath of the Oklahoma City bombing, charities and service providers worked together to create a database of aid recipients, provide each recipient a case manager, and to participate in a long-term recovery committee to better coordinate aid, fostering a more integrated service delivery approach. The September 11 events differed in key ways that hindered a similar approach:

- A much larger and more diverse number of actual and potential aid recipients. The 168 Oklahoma City victims who were killed were a more homogeneous population of federal government workers, while the World Trade Center disaster alone had 2,795 victims from a number of businesses and 167 countries. In addition, thousands more than in Oklahoma City were indirectly affected through loss of their jobs and homes.
- Numerous governmental jurisdictions. The September 11 attacks occurred in three states, which involved multiple government entities at each site.
- Larger numbers and multiple layers of funders and grantees. In addition to existing charities that were already involved in disaster relief services, the hundreds of new charities that emerged to provide aid to families of those killed were involved.

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## A More Integrated Approach Emerged Later

Some months after the disaster, oversight agencies and large funders worked to establish a more coordinated approach at the September 11 attack sites. This approach included the formation of coordinating entities, the implementation of case management systems, and attempts to implement key coordination tools.

Several coordination efforts emerged at the disaster sites. In NYC, the State Attorney General had encouraged charities to work together to ease access to aid, including use of a common application form and database. The 9/11 United Services Group (USG), a consortium of human service organizations and their affiliated service coordinators, was formed in December 2001 to foster a more coordinated approach to aid delivery.

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(See appendix V for a list of USG organizations participating in USG service coordination.) Furthermore, in the spring of 2002, FEMA successfully established long-term recovery committees in New York and New Jersey for charities that had smaller September 11 funds than those of USG. In Virginia, the Survivors' Fund set up a board to assess the unmet needs of survivors and persons who were economically displaced by the disasters. Members of this board include key area agencies, such as the United Way and FEMA, which have historically facilitated coordination in areas affected by disasters.

As coordination efforts progressed, some charities continued to follow Oklahoma's model by establishing case managers for individuals who lost family members in the attacks. Although all the charities were familiar with a case management model, cross-agency case management presented challenges, as agencies' mission statements or regulations specified different qualifications and specializations of their social workers (e.g., Master's degree required). Despite these challenges, USG's service coordinator program involves the efforts of a number of charities across the city. If families need help, they can call the Safe Horizon hotline, and an operator there assesses whether the clients have short- or long-term needs, his or her geographic area, and the clients denominational or ethnic preferences for service providers, and then connects them with a 9/11 USG service coordinator. Coordinators are current staff of local charities and have been trained by USG to help survivors identify and access a broad range of services.<sup>21</sup> They have access to a number of technology tools, including an automated centralized directory of benefits and services available to families and a community website that allows service coordinators to communicate with the entire service coordinator community. Service coordinators, key charity managers, and the New York FEMA Voluntary Agency Liaison also meet weekly to discuss service provision issues. The Survivors' Fund in Virginia also set up case managers but contracted with another agency to hire new social workers to provide case management services to the injured and families of those killed in the Pentagon attacks.

Agencies began to develop client databases and a common application form for disaster relief aid. One key advantage of client databases is that the services clients had already received could be tracked by the charities,

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<sup>21</sup>By July 2002, USG reported training 300 coordinators, 90 percent of which are from USG charities.

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and as such, would prevent duplication of services. Although many charities expressed concern that their clients would lose their anonymity by signing a confidentiality waiver, the 9/11 USG has established a database of September 11 services for its service coordinators, and a number of their member organizations are creating and using a confidential client information database. The Survivors' Fund and United Way of the National Capital Area have also created a client database, which is primarily being used by these two agencies. A common application form would improve the aid delivery process by reducing the amount of documentation and forms clients have to provide to each agency. The common application form is in progress in New York. The form has not been established yet, as charities that have trained volunteers nationwide indicated that at this time, they are not interested in retraining all their volunteers to a new application.

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## Lessons Learned after September 11 Could Improve Future Responses but Pose Implementation Challenges

Charities, government agencies, watchdog groups, and survivors' organizations shared with us lessons that could improve the charitable aid process in disasters in the future. These lessons include easing access to aid, enhancing coordination among charities and between charities and FEMA, increasing attention to public education, and planning for future events. Some efforts are under way to address these issues. However, the independence of charitable organizations, while one of their key strengths, will make implementation of these lessons learned dependent on close collaboration and agreement among these independent organizations.

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## Lessons Learned Could Prove Valuable in the Future

Charities, government agencies, watchdog groups, and survivors' organizations shared with us the lessons they learned from the September 11 charitable aid process that could be incorporated into the nation's strategies for responding to large-scale disasters in the future.

**Easing access to aid for those eligible**—Helping individuals in need find out what assistance is available, and easing their access to that assistance could be facilitated if a central, accessible source of public and private assistance is made available to survivors. Access to assistance could be further facilitated if charities adopted a simplified, one-stop application process and a standard waiver of confidentiality that would allow survivors to get access to multiple charities and allow charities to share information on individuals served and avoid duplicative services. While the focus of such an effort would be to facilitate services to those in need, a one-step application process could include a set of basic interview questions or steps designed to prevent fraud. Another way to facilitate eligible survivors receiving assistance is by offering each survivor a case

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manager, as was done in NYC and in Washington. Case managers can help to identify gaps in service and provide assistance over the long term.

**Enhancing coordination among charities and between charities and FEMA**—Private and public agencies could better assist those in need of aid by coordinating, collaborating, sharing information with each other, and understanding each other’s roles and responsibilities. This requires effective working relationships with frequent contacts. Collaborative working relationships are essential building blocks of strategies that ease access to aid, such as a streamlined application process or the establishment of a database of families of those killed and injured to help charities identify service gaps and further collaboration.

**Increasing attention to public education**—Charities’ increased attention to public education could better inform the donor public on how their money will be spent and the role of charities in disasters. Controversies over donor intent could be minimized if charities took steps when collecting funds to more clearly specify the purposes of the funds raised, the different categories of people they plan to assist, the services they plan to provide, and how long that assistance will be provided, as that information becomes known.

Charities can further ensure accountability by more fully informing the public about how their contributions are being used and providing comprehensive information on facets of their operation to the public. The September 11th Fund’s and the Robin Hood Foundation’s Web sites, for example, list updated information on grants, recipients, amounts, and purposes. Moreover, efforts such as those of the Metro New York Better Business Bureau to compile information across multiple organizations can help provide accountability for how funds are used. For future events, the Ford Foundation report on the philanthropic response to September 11 suggested that “the major philanthropies should consider designating a well-respected public figure who would provide daily media briefings on their responses.”

**Planning for future events**—Planning for the role of charities in future disasters could aid the recovery process for individuals and communities. While disasters, victims, and survivors can vary widely, it could be useful for charities to develop an assistance plan to inform the public and guide the charities’ fundraising efforts. In addition, state and local efforts related to emergency preparedness could explicitly address the role of charities and charitable aid in future events. Future plans could also address accountability issues, including training for charitable aid workers and law

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enforcement officials about identifying potential fraud and handling referrals for investigations.

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### Some Charitable Organizations and FEMA Are Taking Steps to Incorporate Lessons Learned but Face Significant Challenges

While some of the lessons learned can be implemented at the individual charity level, most require a more collaborative response among charities, and some steps are under way to build collaborative responses. Key efforts include the following:

- The National Voluntary Organizations Active in Disaster—This organization has 34 national member organizations, such as the American Red Cross, The Salvation Army, and Catholic Charities USA, 52 state and territorial organizations, and some local organizations. Established in 1970, its goal is to promote collaboration, while encouraging agencies to respond independently but cooperatively in disasters. Since September 11, 2001, this organization has initiated information sharing meetings in NYC and Washington, D.C., and has discussed lessons learned at its annual meeting in March 2002. See appendix IV for a list of its members.
- As part of its mission, the 9/11 United Services Group is planning to develop a blueprint for the coordinated delivery of social services and financial aid in future emergencies.
- Later this year, FEMA is facilitating a meeting between a committee of the National Voluntary Organizations Active in Disaster and the 9/11 United Services Group.

While some charitable organizations are taking steps to incorporate lessons learned, they face significant challenges. By its inherent nature, the charitable sector is comprised of independent entities responsive to clients and donors; it is not under the direction of a unifying authority. While in situations such as September 11 FEMA is required to coordinate activities of certain charitable organizations, as well as others that agree to such an arrangement, FEMA officials said that in exercising this authority for September 11 and other events, they work closely with charities as a facilitator, not as a leader or director. FEMA officials noted it is important to build and maintain trust with the charitable organizations and to be careful to give local leadership the opportunity to lead in disasters. An externally imposed effort to direct or manage charities, whether by FEMA or another entity, could have deleterious effects; a key strength of charities is their ability to react flexibly and independently in the event of disasters.

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## Conclusions

Overall, charitable aid made a major contribution in the nation's response to the September 11 attacks. Given the massive scale and unprecedented nature of the attacks, the charities responded under very difficult circumstances. Through the work of these charities, millions of people have been able to contribute to the recovery effort and provide assistance to those directly and indirectly affected by the attacks. While much has been accomplished by charities in this disaster, lessons or strategies have also been identified related to improving access to aid, enhancing coordination among charities and between charities and FEMA, increasing attention to public education, and planning for future events that could improve future responses in disasters.

There are no easy answers as to how to incorporate strategies that may result in a more accessible and transparent service delivery system into any future disasters. Coordination and collaboration among charitable organizations are clearly essential elements of these strategies, and some organizations have taken steps in this direction. At this point in time, an appropriate role for the federal government is to facilitate these efforts through FEMA, the federal agency that already has relationships with many of the key organizations involved in disaster response. This will help to ensure that lessons learned from the September 11 attacks and their aftermath can be incorporated into the nation's strategies for dealing with large-scale disasters like this in the future. At the same time, it will help to ensure that charities may remain independent and vital in their programs and priorities.

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## Recommendation for Executive Action

We are recommending that the director of FEMA convene a working group of involved parties to take steps to implement strategies for future disasters, building upon the lessons identified in this report and by others to help create sustained efforts to address these issues. The working group should address these and other issues as deemed relevant: (1) the development and adoption of a common application form and confidentiality agreement; (2) the establishment of databases for those receiving aid in particular disasters; and (3) strategies for enhancing public education regarding charitable giving in general and for large-scale disasters in particular, including ways to enhance reporting on funds collected and expended. This working group could include FEMA, representatives of key charitable and voluntary organizations and foundations; public and private philanthropic oversight groups and agencies; and federal, state, and local emergency preparedness officials.

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## Agency Comments

In commenting on a draft of this report, FEMA said that the recommendation is a practical one that is likely to foster enhanced communication and coordination among charitable organizations, foundation leaders, and government emergency managers. While FEMA acknowledged the challenges of working with a number of independent entities, it added that a working group of involved parties, along with skillful leadership and active participation among members, is likely to lead to important improvements in coordination and ultimately better service to those affected by disasters. In addition, FEMA noted that a component of the existing National Voluntary Organizations Active in Disaster may serve as the basis upon which to build. FEMA's full comments are presented in appendix VI.

We also shared a draft of the report with the American Red Cross, the Salvation Army, The September 11th Fund, the 9/11 United Services Group, an official of the National Voluntary Organizations Active in Disaster, and officials in the New York State Attorney General's Office in New York City and obtained their oral comments. They said the report was fair and balanced and provided technical comments which we included where appropriate. Regarding the recommendation, the American Red Cross expressed some concern over whether FEMA was the right party to convene the working group, stating that the group's goals would be outside of FEMA's mission and that it would, therefore, be inappropriate to ask that FEMA be responsible for ensuring the success of the work group. The American Red Cross also said that the goals of the work group would more properly fall under the purview of the nonprofit sector and that work has already started on some of these areas.

In responding to this concern, we emphasize that our recommendation charges FEMA with convening a working group of involved parties but does not specify that FEMA play the leadership role or be charged with management or oversight of the group's progress. We agree that the key to the success of a working group in this area will depend on the actions of the charitable and voluntary organizations involved. We also acknowledge that some efforts are under way, including among the American Red Cross, Salvation Army, and the United Way, to address some of these issues. However, we continue to think that it is appropriate for FEMA to play a role in initiating meetings that will bring together involved parties. This will help to ensure that sustained attention is paid to these important issues and potentially result in improving the nation's response to those in need in any future disasters.



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As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after its issue date. At that time, we will send copies of the report to other interested parties. We will also make copies available upon request. In addition, the report will be available at no charge on GAO's Web site at <http://www.gao.gov>.

If you or your staff has any questions about this report, please contact me at (202) 512-7215 or Gale C. Harris, Assistant Director, at (202) 512-7235. Kevin Kumanga and Emily Leventhal also made key contributions to this report.

Sincerely yours,



Cynthia M. Fagnoni, Managing Director  
Education, Workforce, and  
Income Security Issues

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# Appendix I: September 11th Victim Compensation Fund of 2001

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**Who is eligible:** Any individual who was physically injured or the families and beneficiaries of any individual who was killed as a result of the terrorist-related aircraft crashes of September 11, 2001.

**Payments:** The average award under the September 11th Victim Compensation Fund of 2001—before the statutorily required collateral offsets—is projected to be more than \$1.8 million per claimant. Although it is difficult to determine the amount of collateral sources (e.g., life insurance) each claimant will have, the Special Master who oversees the fund believes the average payout after collateral sources will be approximately \$1.5 million per claimant. Charitable aid received by families is not taken into account in determining award amounts.

**Total estimated expenditures:** Over \$5 billion.

**Applications:** Filing deadline is December 2003.

# Appendix II: September 11 Fund Data for 35 Large Charities

Relief charities	Amount raised	Amount distributed	Percent distributed
American Lung Association <sup>a</sup>	\$139,000	\$63,000	45
American Red Cross Liberty Fund	1,011,000,000	696,000,000	69
Americares Foundation	9,261,073	9,261,073	100
Army Emergency Relief <sup>b</sup>	5,792,588	477,100	8
American Society for the Prevention of Cruelty to Animals	1,744,000	1,179,000	68
Catholic Charities of NY <sup>c</sup>	25,400,000	17,300,000	68
Catholic Charities USA	31,847,514	30,590,054	96
Citizens' Scholarship Foundation	113,167,336	1,054,174	1
Farmers' Market Federation of NY <sup>d</sup>	162,000	162,000	100
Federal Employee Education & Assistance Fund	5,500,000	650,000	12
International Association of Fire Fighters	161,000,000	159,898,000	99
Jewish Federation of Greater Washington <sup>c</sup>	450,000	400,000	89
Kiwanis International Foundation	1,591,916	1,558,373	98
Lions Clubs International Foundation	3,023,000	1,200,000	40
National Italian American Foundation	334,000	71,500	21
Navy-Marine Corps Relief Society	6,800,000	67,300	1
New York Police and Fire Widows' and Children's Benefit Fund	117,000,000	53,000,000	45
New York Times 9/11 Neediest Fund	61,147,017	60,583,789	99
NYC Police Foundation	11,000,000	6,400,000	58
New York State Fraternal Order of Police Foundation	12,028,314	7,200,972	60
New York State World Trade Center Relief Fund <sup>e</sup>	68,730,000	60,355,500	88
Port Authority Police Benevolent Association <sup>c</sup>	11,642,025	9,988,001	86
Robin Hood Foundation	60,300,000	38,500,000	64
Rotary International	1,800,000	1,450,000	81
Salvation Army <sup>c</sup>	87,722,612	64,629,024	74
The September 11th Fund	512,000,000	376,000,000	73
Survivors Fund <sup>b</sup>	20,000,000	4,300,000	22
Tides Foundation	597,207	594,934	99
Twin Towers Fund	205,000,000	156,000,000	76
Uniformed Firefighters Association <sup>c</sup>	71,000,000	60,000,000	85
Union Community Fund	3,092,105	2,938,000	95
United Jewish Communities	4,800,000	4,400,000	92
United Way National Capital	3,956,512	3,034,461	77
Windows of Hope	19,000,000	8,000,000	42
World Vision	12,428,378	11,908,215	96
<b>Total</b>	<b>\$2,660,456,597</b>	<b>\$1,849,194,470</b>	<b>70</b>

Source: Data provided by charities, as of October 31, 2002, does not include distributions planned for the future.

Notes: We asked the charities to exclude funds they had received from other September 11 funds to avoid overstatement of the funds involved. In addition, the amount of funds distributed includes funds used for administrative purposes in some cases. Because of differences in how charities defined and reported administrative funds, we did not break out administrative funds.

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**Appendix II: September 11 Fund Data for 35  
Large Charities**

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All information as of October 31, 2002, unless noted in one of the table notes.

<sup>a</sup>As of June 25, 2002.

<sup>b</sup>As of September 30, 2002.

<sup>c</sup>As of July 31, 2002.

<sup>d</sup>Fund closed September 11, 2002.

<sup>e</sup>This is not a charity; the New York State Department of Taxation and Finance established and administers this fund of donations.

# Appendix III: Contact Information for State Charity Officials

State	Charity office	Main telephone number	In-state toll free number
Alabama	Attorney General's Office		800-392-5658
Alaska	Attorney General's Office	907-465-2133	
Arizona	Attorney General's Office	602-542-5763	800-352-8431
Arkansas	Attorney General's Office	501-682-2341	800-482-8982
California	Attorney General's Office	916-322-3360	800-952-5225
Colorado	Attorney General's Office	303-866-5189	800-222-4444
Connecticut	Attorney General's Office	860-808-5318	
Delaware	Attorney General's Office	302-577-8600	
District of Columbia	Department of Consumer and Regulatory Affairs	202-442-4400	
Florida	Department of Agriculture and Consumer Services	850-488-2221	800-435-7352
Georgia	Secretary of State	404-656-2817	
Hawaii	Attorney General's Office	808-586-2727	
Idaho	Attorney General's Office	208-334-2424	800-432-3545
Illinois	Attorney General's Office	312-814-2595	
Indiana	Attorney General's Office	317-232-6330	800-382-5516
Iowa	Attorney General's Office	515-281-5926	
Kansas	Attorney General's Office	785-296-2215	800-432-2310
Kentucky	Attorney General's Office	502-696-5389	
Louisiana	Attorney General's Office	504-342-7013	
Maine	Attorney General's Office	207-626-8800	
Maryland	Secretary of State	410-974-5534	800-825-4510
Massachusetts	Attorney General's Office	617-727-2200	
Michigan	Attorney General's Office	517-373-1152	
Minnesota	Attorney General's Office	651-296-3353	800-657-3787
Mississippi	Secretary of State		888-236-6167
Missouri	Attorney General's Office	573-751-3321	
Montana	Attorney General's Office	406-444-2026	
Nebraska	Attorney General's Office	402-471-2682	
Nevada	Attorney General's Office	702-486-3777	800-992-0900
New Hampshire	Attorney General's Office	603-271-3591	
New Jersey	Department of Law	973-504-6215	
New Mexico	Attorney General's Office	505-827-6060	800-300-2020
New York	Attorney General's Office	212-416-8000	
North Carolina	Secretary of State	919-807-2214	
North Dakota	Attorney General's Office	701-328-3404	800-472-2600
Ohio	Attorney General's Office	614-466-4320	
Oklahoma	Secretary of State	405-521-3912	
Oregon	Attorney General's Office	503-229-5725	
Pennsylvania	Department of State	717-783-1720	800-732-0999
Rhode Island	Attorney General's Office	401-222-3048	
South Carolina	Secretary of State	803-734-1790	888-242-7484
South Dakota	Attorney General's Office	605-773-4400	800-300-1986

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**Appendix III: Contact Information for State  
Charity Officials**

<b>State</b>	<b>Charity office</b>	<b>Main telephone number</b>	<b>In-state toll free number</b>
Tennessee	Secretary of State	615-741-2555	
Texas	Attorney General's Office	512-463-2070	800-621-0508
Utah	Department of Commerce	801-530-6601	
Vermont	Attorney General's Office	802-828 3171	
Virginia	Department of Agriculture and Consumer Services	804-786-2042	800-552-9963
Washington	Secretary of State	360-753-0863	800-332-4483
West Virginia	Secretary of State	304-558-6000	
Wisconsin	Attorney General's Office	608-266-1221	
Wyoming	Attorney General's Office	307-777-7841	

Source: National Association of State Charity Officials Web page: <http://www.nasconet.org>.

Note: The offices listed in this table may be contacted if you have questions or information related to charitable aid.

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# Appendix IV: Members of National Voluntary Organizations Active in Disaster

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The National Voluntary Organizations Active in Disaster has 34 national member organizations as well as 52 state and territorial Voluntary Organizations Active in Disaster.

American Baptist Men's Ministries  
Adventist Community Services  
American Radio Relay League  
American Red Cross  
America's Second Harvest  
Ananda Marga Universal Relief Team  
Catholic Charities USA  
Christian Disaster Response  
Christian Reformed World Relief Committee  
Church of the Brethren  
Church World Service  
Episcopal Relief and Development  
Friends Disaster Service  
Humane Society of the United States  
International Relief Friendship Foundation  
International Aid  
Lutheran Disaster Response  
Mennonite Disaster Service  
National Emergency Response Team  
National Organization for Victim Assistance  
Nazarene Disaster Response  
Northwest Medical Teams International  
The Phoenix Society For Burn Survivors  
Points of Light Foundation  
Presbyterian Disaster Assistance  
REACT International  
The Salvation Army  
Society of St. Vincent de Paul  
Southern Baptist Disaster Relief  
United Jewish Communities  
United Methodist Committee On Relief  
United States Service Command  
Volunteers of America  
World Vision

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# Appendix V: Organizations Participating in 9/11 United Services Group Service Coordination

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American Red Cross in Greater New York  
Asian American Federation of New York  
    Chinese-American Planning Council  
    Chinatown YMCA  
    Filipino American Human Services  
    New York Asian Women's Center  
    Japanese American Social Services  
Asociacion Tepeyac  
Black Agency Executives  
    Community Service Society of New York  
Brooklyn Bureau of Community Service  
Catholic Charities of the Archdiocese of New York  
Catholic Charities of Brooklyn and Queens  
Center for Independence of the Disabled in New York  
Federation of Protestant Welfare Agencies  
    Lutheran Social Services of Metropolitan New York  
Hispanic Federation  
    Committee for Hispanic Children and Families  
    Puerto Rican Family Institute  
    Unitas Therapeutic Community  
    Urban Health Plan  
Human Services Council  
    Children's Aid Society  
Latin American Workers Project  
The Legal Aid Society of New York  
Mental Health Association of New York City  
Safe Horizon  
The Salvation Army  
United Jewish Appeal - Federation of Jewish Philanthropies of New York  
    F.E.G.S. NY  
    F.E.G.S. Long Island  
    Jewish Board of Family and Children's Services  
    Westchester Jewish Community Services  
    Shorefront Y  
United Neighborhood Houses of New York  
    Forest Hills Community House  
    Supportive Children's Advocacy Network New York  
WTC Permanency Project  
    Council on Adoptable Children  
    Jewish Child Care Association



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# Appendix VI: Comments from the Federal Emergency Management Agency

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Federal Emergency Management Agency

Washington, D.C. 20472

DEC -2 2002

Ms. Gale Harris  
Assistant Director, Education, Workforce,  
And Income Security Issues  
United States General Accounting Office  
Washington, DC 20548

Dear Ms. Harris:

The enclosure contains The Federal Emergency Management Agency's response to the GAO Draft Report entitled: "September 11 -- More Effective Collaboration Could Enhance Charitable Organizations' Contributions in Disaster."

If you have the need for any further information, please have a member of your staff contact Larry Zensinger, Director, Recovery Division at (202) 646-3642.

Sincerely,

A handwritten signature in black ink, appearing to read "G. Crowell".

Gary E. Crowell  
Chairman, Audit Coordinating Committee

Enclosure

cc: Inspector General

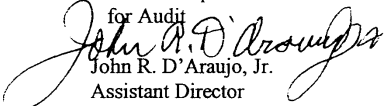


Federal Emergency Management Agency

Washington, D.C. 20472

NOV 21 2002

MEMORANDUM FOR: Nancy L. Hendricks  
Assistant Inspector General  
for Audit

FROM:   
John R. D'Araujo, Jr.  
Assistant Director  
Response and Recovery Directorate

SUBJECT: General Accounting Office (GAO) Draft Report

We have reviewed the GAO Draft Report entitled: "September 11 -- More Effective Collaboration Could Enhance Charitable Organizations' Contributions in Disaster" and would like to submit the following comment, as invited by GAO to do so:

*The recommendation as stated on page 27 is a practical one that is likely to foster important interagency communications and an enhanced level of coordination and collaboration among charitable organizations, foundation leaders, and government emergency managers. Though some discussion of lessons-learned has certainly begun already, such a broad based working group does not currently exist. As indicated in the GAO report there are very real challenges when working with a number of independent agencies, however, with skillful leadership and active participation among members, this working group is likely to lead to important improvements in coordination and ultimately better service to those affected by disasters. The already existing National VOAD Recovery Committee may serve as the basis upon which to build.*

Please contact Larry Zensinger, Director, Recovery Division at (202) 646-3642 if you have any questions on this matter.

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