

Private Foundations Bulletin

Charity Scams in the Aftermath of Disasters

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Private foundations often play a critical role in response and relief efforts following natural and/or man-made disasters. Knowing this, scammers target private foundations using such disasters as the backdrop of social engineering schemes, preying on the emotions of managers and personnel to try to circumvent disbursement controls. In this month's bulletin, considering the ongoing Greater Los Angeles wildfires, we cover tactics scammers use and ways to protect your foundation in the aftermath of disasters.

IRS Issues Alert

The Internal Revenue Service (IRS) issued a [News Release \(IR-2024-269\)](#) in October 2024 alerting taxpayers to fraudulent charitable organizations posing as legitimate charities to solicit donations from unsuspecting contributors. While this is nothing new, it is important to keep it at the forefront of everyone's mind. In the aftermath of natural disasters such as Hurricanes Milton and Helene and the more recent Greater Los Angeles Wildfires unfolding as we publish this article, there is often an increase in the number of fraudulent charities that offer aid to affected individuals and businesses. While the IRS Release highlights how individuals are often targeted by fraudulent charities after natural disasters, foundations are equally vulnerable to these scams; fake organizations attempt to deceive them into making donations or disclosing sensitive financial information.

Being Aware of Scammers' Tactics is Only Half the Battle

Given the prevalence of fraud, foundations must be aware of the tactics scammers use to gather sensitive financial and personal data, as well as how to prevent falling victim to such schemes. Scammers often use names that closely resemble those of the foundation's existing grantees or reputable charities and/or impersonate staff of reputable institutions. As public charities and private foundations are subject to the public inspection requirement, this information is all too easy to obtain online. They may send fraudulent emails, create fake websites or manipulate caller IDs to appear legitimate. Beyond the immediate financial contribution, these scammers may also aim to obtain confidential information from the foundation such as bank account numbers, tax identification numbers and financial records.

Ways to Stay Vigilant

Foundations should always perform their due diligence to verify the legitimacy of the charitable organizations they contribute to. The IRS website offers a searchable database called the "Tax Exempt Organization Search (TEOS) tool" to confirm a charity's name, address and tax-exempt status; legitimate charities should be registered as 501(c)(3) organizations. The TEOS tool also includes prior years' tax filings. In addition to using this tool, before committing to any financial support, foundations should research a charity's history through trusted sources like Candid (formerly known as GuideStar). As a rule, foundations should be wary of unsolicited contribution requests and undue pressure or urgency to donate.

Prioritizing vigilance and due diligence procedures on all grant requests will help to safeguard against fraudulent charities. By verifying the legitimacy of organizations and the individuals you are in contact with, scrutinizing donation requests and safeguarding sensitive information, a foundation can reduce the risk of exploitation. Staying informed and cautious is key to ensuring that contributions truly support legitimate causes.

Additional Resources for Preventing and Detecting Fraud

For additional information regarding protecting your foundation and preventing and detecting fraud, please refer to our previous bulletins:

- [*Strategies to Prevent and Detect Fraud at Your Foundation*](#)
- [*Protecting Your Foundation from Disbursement Fraud*](#)

Contact Us

We welcome the opportunity to answer any questions you may have related to this topic or any other accounting, audit, tax or advisory matters relative to private foundations. Please call 212.286.2600 or email any of the Private Foundation Services team members below:

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