

Investigating Charities, Nonprofit Organizations and Foundations

AN ANONYMOUS CALL STARTED AN INVESTIGATION into one of the most shocking misuses of charity money in recent memory. A switchboard operator at the *New York Daily News* answered a call from a tenant who complained about poor conditions in an apartment building. The tip was passed along to reporter Heidi Evans, who became especially interested when she learned the building was owned by Hale House, a nationally known shelter for women and children in Harlem.¹ She learned that Hale House had been given two city apartment buildings and \$6 million in grants to rehabilitate them for the use of recovering drug-addicted mothers and their children. Instead, those apartments, owned by Hale House, had been rented to highly paid professionals.

Evans was joined by reporter David Saltonstall, and the two reporters pursued the investigation for six months. Starting April 1, 2001, they broke story after story. They wrote that out of \$8.4 million dollars raised only \$60,000 went to support 18 children in the care of Hale House.

New York state law prohibits officers or directors from accepting loans from organizations they oversee, but the president of Hale House borrowed money from the charity for other purposes and gave it to her husband's private musical production company to stage a Broadway play, the *Daily News* reported. The show, "Faith Journey," based on the life of Dr. Martin Luther King Jr., failed. Only two people attended the closing performance.

The *Daily News*, a tabloid-style newspaper given to headlines that occupy most of each day's front page, ran these headlines on four of their front pages:

Hale of a Mess!
Hale Storm!
Hale's \$1.3 in Piggy Bank
Curtains! [for the story about the Broadway flop]

The stories in the *Daily News* got immediate action. The New York attorney general indicted the director and her husband on 72 counts, charging them with the theft of more than \$1 million. In a deal, the couple pled guilty to one felony charge, and they are banned for life from charity work.

Not-for-profit organizations are privately owned, but they have an arrangement with the Internal Revenue Service. They do not have to pay taxes if they show they do not intend to make a profit and can report each year that they do not. They comply by filing with the IRS a form number 990, which is open to public inspection. (See Appendix 2).

Some of these not-for-profits are charities that also solicit money from the public. Those special businesses that raise money for charitable purposes not only disclose their financial status with the IRS, but they must also file reports with the states. An organization that has people shaking cans outside the supermarket entrance and specifies that it is raising money for seeing-eye dogs most likely would have to file reports. State laws vary, but they are similar in purpose. Some require that the financial filings be made electronically; these filings are readily available on the Internet.

Regulating Nonprofit Organizations

The laws are structured so that persons who are solicited for money to support charitable causes have some guarantee that their money is going to that cause. Very small special-purpose fundraising, like a few thousand dollars to help a family that is flooded or burned out of its home, would not require a report. If the wrong person got that money, it would be serious fraud; but there is usually a threshold of from \$5,000 to \$25,000 of annual revenue collected before a fundraiser has to file with the state. Religious organizations are exempt from the federal not-for-profit disclosure law.

Journalists have discovered misspending and outright fraud and theft by organizations posing as charities. Even the most respected and important fundraisers have suffered scandals over the handling of money

intended for charity. They sometimes pay themselves and their relatives inordinate salaries, enter into contracts between the charity and private companies from which they profit, or spend the money frivolously on ornate offices. Sometimes a local charity with inexperienced officers hires outside operators to raise funds or run games like bingo and then loses control of its money. A letter-writing or phone solicitation campaign by an outside solicitor could turn to false representation or exaggeration if not monitored.

The disclosure forms, administered in most states by the offices of attorneys general, provide the hardest information that a reporter can find in public records to reveal these problems. Although the forms are filled out by the charities and often are not reviewed by the staff of the state offices, they are the official statements of the responsible charities. It is at times to the advantage of a reporter to point out in a close-out interview: "But these are your figures. You reported how little went into the seeing-eye-dog program."

Boys Town, a home in Nebraska for otherwise homeless boys, was internationally known and praised because of the 1938 movie, "Boys Town." It became the number one tourist attraction in the Omaha area, and each year it sent out 33 million letters soliciting contributions. The *Sun* newspapers of Omaha revealed in 1972 that Boys Town did not need the money.² Not only did it have a net worth of \$209 million, it also had annual income from interest on that money that was four times as large as what was needed to run the home.

In the investigative report, which won a Pulitzer Prize, the *Sun* wrote that it confronted the chief financial officer of Boys Town with figures from the institution's 1970 IRS report. When the CFO told them that was confidential information, the reporters corrected him and said it was public information.

"Yes, I know, but it is still confidential," the confused official said.

The story resulted in the resignations of board members and the installation of a new director.

In Naperville, Illinois, in November 2005, the *Sun* newspapers found a new wrinkle to charities investigations when they examined the program of charities that asked people to donate their used cars rather than trade them in for a new car. The charities had to file financial reports, but the transactions were handled by intermediaries who were private operators and who did not have to show their financial reports.

The reporters for the *Sun* joined with TV reporters for CBS in Chicago to tell the story. They wrote that no one monitors how private towing companies and salvage yards handle car donation money, and "no one is ensuring the donation money is getting to the charities." They reported that

these middlemen between the car owners and the charities had short-changed 187 charities. A CBS reporter then testified about their findings at a state legislative hearing.

Case Study

Everybody Loves a Carnival*

The Wahoo Middle Managers Club was well respected in Buchanan, and for good reason. Members sold candy on street corners twice a year and held a big street carnival every summer—all for charity, they said. They proudly announced that the money they raised was for children's disease research and for scholarships for deserving students. There was a good feeling whenever the Wahoos were involved because they were friends and neighbors doing a good turn. But when Billy Richards fell off the Super Big Thrill ride at the carnival, people started asking questions.

Lori Benton, top investigative reporter for the *Buchanan Record-Journal* found herself trying to come up with the answers. She heard Billy's parents were considering litigation and were sure to file suit in the very litigious county. She called on them at their home and asked for permission to talk to Billy, a 12-year-old, but they referred her to their lawyer, Steve Baron. On her way out of the Richards' home, Benton saw Billy throwing a ball against the garage wall.

"You bet we're going to sue—you can print that. The boy is maimed for life. He was the victim of gross negligence of a criminal nature," Baron told her.

"But who will you sue?" Benton asked. "The carnival was in a city street, it was put on by the Wahoos, and the ride was owned by a traveling carnival company. Have you determined who is liable?"

"Hell, I don't have to do that, I'll just sue them all, and the ride manufacturer, too. Let them argue they're not responsible. I might add, I have a record of success in such litigation."

? **Should an attempt be made to talk to Billy and perhaps determine his medical condition or whether he was "maimed for life"?**

Yes: To be a proper reporter one should talk to as many people as possible, and age does not matter. Benton was asked not to talk to

*The cases are based on real investigative stories, but the names and places have been changed to protect reporters, their sources and the secrets they have. Some are actual stories told in a step-by-step reconstruction and others are composites.

the child but did not state her agreement with this. The public has a right to know, and an ethical question should not be an excuse for not doing a story.

No: The reporter is inviting criticism and a possible lawsuit for breaching the security of a child's home, asking questions and publishing the answers. It is common sense to conclude that if she questioned the child she would have gone beyond the bounds of conduct expected of a reporter. Also, she would not be able to make a medical judgment by talking with him.

Should the report contain, word-for-word, what the lawyer says?

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Yes: The lawyer is a competent person who knew he was talking to a reporter and could be quoted word for word. He saw Benton writing down what he said and even suggested she print it.

No: The lawyer is making allegations without fact. He has not filed the lawsuit, and if or when he does he might not make the same claims. His comment about winning such lawsuits is self-serving and has nothing to do with the story.

Benton found the president of the Wahoo club, Phil Scott, behind the counter of the local pharmacy he owned. She asked who was responsible for safety on the rides.

"Not us. Those rides belong to The Original Buffalo Buck Traveling Carny Show. They are the best people in the carnny business. We contract with them."

"Who rates carnivals and decides who's best?"

"I don't know. It's in all their brochures. I'm only a nonsalaried, part-time club president. Last year it was Joe, the barber. We don't run carnivals. We have our own problems," Scott said.

"I would like a copy of your 990."

"My what?"

"Your IRS 990. It's a form a not-for-profit organization has to submit to the IRS every year with all its financial information. It's public record."

"I don't know anything about those things. We have an accountant who handles those matters, and it's all private."

Anticipating Scott's lack of knowledge about IRS form 990, Benton pulled a copy of the federal law from her jacket. "I have a copy of the law here, and it specifically states it must be open for public inspection."

"Well, la-de-da! What's a little girl like you know about the federal law? Somebody put you up to this, and I'll bet it was that money-grubbing lawyer. There's possible litigation in this matter, and I will instruct our accountant to give out no information."

"If you call the IRS, they'll tell you it's public."

"No way am I calling anybody. You know the Wahoos are revered in this community. If you write something bad about us, you'll be besmirching every businessperson in town. I don't have to remind you we are the advertisers for the newspaper. The things you have been writing have made your publisher very nervous. I ought to know. I provide his pills."

Should a derogatory story about the Wahoos and their president be written?

Yes: He obviously is wrong about his responsibilities as an organization president and wrong about the disclosure law. He is rude, condescending and a sexist in calling Benton a "little girl." He threatened her with reprisal. He deserves to be taken down a notch or two.

No: Benton has a right to deplore the treatment she received, but she should not let her personal feelings interfere with good journalism. She should have the full story before she decides what to write.

What about backing off the story because it may anger local advertisers?

Yes: Benton has to remember who is paying her salary. The newspaper has hired her to produce a high standard of journalism for the reader. Readers learn to trust the paper, which leads them to purchase it, read the articles and respond to the advertisements placed and paid for by local merchants. She is a part of the system she would be attacking. Instead of critical stories, she should be writing about local people's good deeds—the beautification program run by the local garden club, for example.

No: Advertisers are not donating money to the newspaper as a charitable act. They are buying ads because they get results. Merchants who discontinue ads in retribution suffer. How does the pharmacist expect anyone to show up for his day-after-Easter, hollow-chocolate-bunny sale if he does not place an ad. People who say they are canceling their newspaper subscriptions because of a story that is unpleasant for them seldom get around to it; and, if they do, they are likely to be seen secretly buying copies at the newsstand.

Benton knew that not only did the Wahoos have to file financial information with the IRS, but even more detailed information was required from them by the state. Every organization holding itself out to be raising money for charitable purposes has to file as a charitable trust with the state attorney general. Those reports were on file in the statehouse and could be viewed there or sent by mail after receipt of a reasonable charge for copies as provided by state law. Benton

called the attorney general's office and learned that the reports were available; then she wrote a letter requesting them. Meanwhile, she had some time for surveillance.

She visited the carnival on its last day to observe how the operation worked. She saw that tickets were sold at several booths around the midway and were used for all purchases, including food and drink. The Original Buffalo Buck Traveling Carny Show could account for the money, control theft by workers, and ensure the Wahoos that they were getting their fair share.

The beer tent and the bingo game were side by side, and as the hours grew late, the crowd got loud and sloppy. Benton saw a group of young people laughing and drinking and wondered whether they were of legal age to drink. Police officers were out in force, and even Police Chief Roscoe was there in uniform.

"Hi, Lori, having fun?"

"I'm doing a story about the carnival. It seems to me there is underage drinking going on."

"Oh, I'm not so sure. We're not here to check IDs or spoil everyone's fun. We are security."

Just then there was a disturbance across the midway. A man was shouting, and a crowd had gathered. Chief Roscoe ran over and Benton followed. A man was yelling that the games were rigged, that one of the bowling pins that players had to knock down was weighted with lead and would not go down no matter how hard it was hit. He was challenging the carnival worker to show the crowd it could be done.

"Sir, you are causing a disturbance," Chief Roscoe said. "Move on."

The man protested, and Roscoe placed him under arrest.

"But, chief," Benton said, "what about the rigged game? This man may be right. I don't see how he's done anything wrong. What are you going to charge him with?"

"He created a disturbance. We'll think of something. Now, I know you are hell-bent on getting a story wherever you go, but this is just a friendly carnival game and it's all for charity. You'll find it's no different from what's done in any other town in America."

Benton decided to check on other towns. She looked at back issues of a carnival trade magazine for the traveling schedules of the larger carnival shows. Then she found the local newspapers from those towns on the Internet and learned who sponsored the carnivals. She called those places and asked them about their experiences with the carnival. All the sponsors' answers were similar: They were not entirely happy with the carnival, but they accepted that there would be problems. Finally, one church pastor in Wisconsin wanted to talk.

"We don't want them back next year. They were so demanding in their contract that there was hardly any profit for the church school. They controlled all the games and food and drink concessions and used our men's club liquor license to sell beer. They made us get volunteers for the ticket booths, to direct parking and to pay the police officers for security."

"You paid the police? The chief, too?"

"Of course. That's how they buy off the local police and get away with anything. We paid the city building and electrical inspectors. Put them on the payroll and called them technician advisers. We got so little out of it that we're going to do something different next year."

Benton suggested the carnival brought in about \$100,000 in three days, and then she asked how much of that estimated amount the church received.

"Six-hundred-and-fifty dollars. And more than \$200,000 was brought in."

"You got only \$650 after people paid \$200,000 for charity?"

"It was better than nothing."

Is a story developing that is of importance and worthy of an investigative story?

Yes: Someone is hiding the facts from the public, and the welfare of the public is at stake. It often happens that an investigative reporter starts out following up on a breaking story, and it turns out that a much bigger story is discovered. Benton is surprised and concerned at what she has learned and believes her readers will be also.

No: Benton has gone way off the track. She was supposed to be doing a story about why Billy Richards fell off the carnival ride, and now she is involving herself in everybody's business. No law was broken. Nobody in Buchanan is complaining. She is looking for trouble to make a name for herself.

When the financial statements came from the attorney general's office, Benton knew what to look for. They showed income of \$242,215 and expenditures of the identical amount. She had been told at the attorney general's office that "program services" meant the amount of money that was used to pay for the services that the charitable organization funded as its purpose to exist. She saw one of the items listed under program services was \$28,000 for "specific assistance to individuals." She deduced it must be Wahoo's scholarships for deserving kids. The *Record-Journal* every year wrote a story from a Wahoo news release stating that it had granted four scholarships of \$7,000 each, but it never listed names of the recipients. Also, under program services, Benton found listed a pool party for \$5,278; an officer's ring,

\$933; travel, \$12,100; and conferences, \$30,010. The only other item under program services was \$872 for "grants and allocations."

Even though she had been prepared for the outrageously low number, she still was stunned to realize that \$872 was all that was going for the children's hospital research that year.

She wished she could have gotten the statement of the church organization that was kicking out the carnival, but because it was a religious organization, it was exempt from filing both the attorney general's form and the IRS form 990.

Benton believed she needed a comparison but backed off the idea when it seemed there was nothing comparable.

She got the forms for the local Wahoos for the two preceding years and found the figures were much the same.

Should Benton go ahead with the story on the basis of the documentation she has?

Yes: She has the necessary document and can start writing. Documents do not lie and do not change their story. All she needs are a few examples from the state report because the story should not be too complicated.

No: Benton should not take at face value everything in a document without talking to the people who created the document or who are the subjects of the document.

Is it necessary to compare the reports of the Wahoo operations with the reports of other organizations in the state?

Yes: The reader needs to know whether the Wahoos are out of line in their operations, and Benton can show this by comparing the Wahoos with a properly run charity. If she does that, the investigative story will not imply that all charities are poorly run. Telling of a well-run charity will help the story because it will make the poorly run charity look all the worse.

No: There is really no comparison that the reporter can rely on. Circumstances are not similar in different clubs or in clubs in different cities. What if the "good" charity turns out to be as bad or worse as the Wahoos because it is falsifying its records? If Benton cannot spend as much time investigating the good charity as she has spent on the Wahoos, she should not make such a comparison.

Benton needed to know more about the Wahoos. She knew from her interview with Scott that Joe, the barber, was a member. She found him in the shop at closing time.

"Hi, I'm Lori Benton, a reporter for the *Record-Journal*. I'm doing a story about the Wahoos."

"Oh, that's nice," he said. "We do good work."

Figure 7.1 Wahoo Middle Manager Club annual financial report, page 1

Annual Financial Report of Charitable Organization	
This form is to be completed by an organization which does not file an annual federal information return with the Internal Revenue Service.	
Name of Organization WAHOO MIDDLE MANAGER CLUB	State registration number 309328975
Address 111 CHESTER STREET	Employer identification number (EIN) 62173387554
City, State, ZIP Code BUCHANAN EW 60624	E-mail address Exempt under IRC Section 501(c)
This report is for the year ended (Month/Day/Year): 6/30/06	
Fair market value of assets at year end: 6/30/06	
Part 1 Statement of Support, Revenue, Expenses, and Changes in Net Assets or Fund Balances	
Support and Revenue	
1 Contributions, gifts, grants, and similar amounts received	—
2 Government contributions and grants received	—
3 Program service revenue	—
4 Membership dues and assessments	—
5 Net gain or (loss) from the sale of assets other than inventory	—
6 Interest	213
7 Dividends	—
8 Other investment income	—
9 Other revenue	—
10 Total revenue (add lines 1 through 9)	242,002
Expenses	
11 Program services (from Part 2, line 28, column B)	76,381
12 Management and general (from Part 2, line 28, column C)	16,225
13 Fundraising (from Part 2, line 28, column D)	149,609
14 Total expenses (add lines 11 through 13)	242,215
Net Assets/Fund Balances	
15 Excess or (deficit) for the year (subtract line 14 from line 10)	—
16 Net assets or fund balances at beginning of year (from Part 3, line 29, column A)	—
17 Other changes in net assets or fund balances (attach explanation)	—
18 Net assets or fund balances at end of year (add lines 15 through 17)	—

"What do you do?"

"We raise money for charity—children's disease research. And we get scholarships for children."

Benton knew from experience that it would be best to not challenge the barber but to let him talk instead.

"How do you decide who gets the scholarship? Is it based on need or academic achievement?"

"It is based on the recommendation of members. Look, I'm about to close up. If you want more information, you'll have to get it from Phil."

Figure 7.2 Wahoo Middle Manager Club annual financial report, page 2

Part 2 Statement of Functional Expenses				
	(A)	(B)	(C)	(D)
Expenses	Total	Program services	Management and general	Fundraising
1 Grants and allocations	872	872		
2 Specific assistance to individuals	28,000	28,000		
3 Benefits paid to or for members				
4 Compensation of officers, directors, etc.	8,400		8,400	
5 Other salaries and wages				
6 Pension plan contributions				
7 Other employee benefits				
8 Payroll taxes				
9 Professional fundraising fees	149,609			149,609
10 Accounting fees	5,200		5,200	
11 Legal fees				
12 Supplies				
13 Telephone	2,500		2,500	
14 Postage and shipping	125		125	
15 Occupancy				
16 Equipment rental and maintenance				
17 Printing and publications				
18 Travel	12,100	12,100		
19 Conferences, conventions, meetings	30,010	30,010		
20 Interest				
21 Depreciation, depletion, etc.				
22 Other expenses (itemize):				
23 pool party	5,278	5,278		
24 officer ring	933	933		
25				
26				
27				
28 Total functional expenses (add lines 1 through 27) (carry columns (B)-(D) totals to Part 1, lines 11-13)	242,215	76,381	16,225	149,609

"But did you know that only \$872 went for children's disease research last year?"

"So? That's something!"

She noticed he was wearing a ring with a big "W" on it. "That's your officer's ring," she said, pointing it out. "Do all officers get rings?"

"I'm closing up. You'll have to ask your questions to Phil. He's the president now."

Was the ambush interview of Joe, the barber, fair?

Yes: She identified herself and was writing his comments in a notebook as they talked. She said truthfully that she was a reporter who was doing a story about the Wahoos. She need not say more about what kind of a story because she has not even gathered the information yet.

No: It was a typical ambush interview in which the interviewee had no time for familiarization with the facts. It is unfair for the reporter to imply that she is conducting a routine interview when she might make some serious accusations.

It was time for a close-out interview with Scott. Their first discussion had provided the official Wahoo version; now he would be given an opportunity to clarify any misunderstandings in connection with the state disclosure form and also comment about it. Benton now had a pretty good idea of what was going on. A large amount of the money for the carnival was going to the carnival operators, who paid off the police to have a free hand. The small group who controlled the Wahoos was spending the balance on travel and conventions and even had a pool party. They could be giving the scholarships to their own children. There was some documentation but not much detail. Scott's interview would be vital to the success of the story.

Her strategy was to let him know from the start of the interview that she had the documentation. Therefore, their time would not be wasted. She knew he might break off the interview when the questions got tough, so she had to nail down the important points.

"You told me you were not paid for your work. There is an item in the disclosure report of \$8,400 for director's compensation."

"I said I received no salary; that money is for attending the monthly meeting," he said, proud of having made the distinction.

"Then there is quite a large item of \$30,010 for conferences, conventions and meetings. What meetings are those?"

"We don't have a building or a place rented like some big charities, so we have luncheon meetings in the Holiday Inn. Members can bring their families, and it is an opportunity to discuss ideas for the club's charitable purpose."

The interview was going well, Scott believed. Benton was writing down what he said and was accepting his answers without argument.

"And the pool party?" she asked.

"Well, that's at my place, I'm sure you know. I know you have been asking around town and know about the pool party. The members work the carnival and sell candy. They deserve to have some fun."

Some fun, Benton thought, at the expense of medical research. But she only asked, "How does it cost \$5,278?"

"It's a top-of-line catered affair for all the families. And I have to maintain the pool all year around, so I can declare those expenses."

"More than \$12,000 for travel?"

"That's when we go to the big Wahoo Hoot, the national convention. Last year it was in Hawaii, and that's why travel costs were high."

"Couldn't they have it in Cleveland?"

"Ha, Ha! The Hoot would never be held in Cleveland!"

"Now these scholarships. They have been going to member's relatives."

Benton managed to speak the words in the same tone as her previous questions, but she was bluffing. She only guessed they were giving their own children the scholarships. She held her breath.

"There's nothing wrong with that," Scott countered. "We can give the scholarships to anyone we want, and just because we give them to our members' families doesn't mean they aren't deserving."

Benton got what she came for. From then on, it was merely writing down what Scott concluded and getting out the door.

"Obviously, you don't have a story here because nobody is complaining," Scott said in parting.

Benton must agonize over what she could write. She envisions a small group of local people enriching themselves with money paid by people who believe they are supporting a charity. She has the documents and now the confirmation she needs.

Is it time to write a story?

Yes: At some point in gathering information for a story, reporters or editors must decide whether they have the bulk of the story—not necessarily all, but enough to make a case. Then they must determine their time and effort to uncover more that might only be repetitious or "piling on." The time has come to go with the story.

No: Hold on now. No one else is going to get this story in the next day or two, so let's review it and make sure we have the facts straight. What about Billy Richards? Is he hurt or not? It may be that because building inspectors who inspect carnival rides have been put on the carnival payroll they passed over inspection of the rides, and it caused his injury.

Counterargument for Yes: Richards is not a part of the story. The idea that inspectors are to blame is hard to prove even if it is true. It would be a waste of time and would delay going ahead with an important story to go fishing around in this manner with a preconceived idea. The newspaper can report on the lawsuit if it goes to trial.

Benton decided to build her story on her most solid information, citing the large amount of income from the carnival and the small sum going for charity. The *Record-Journal* published a pie chart showing the gross income, slicing out the self-enriching payments and overhead and revealing the tiny sliver left for charity. The story started an investigation by the attorney general that turned up other questionable practices and resulted in the revocation of the local Wahoos charity license. The newspaper readership was appreciative. The Wahoos were not really the important business leaders of Buchanan after all; they were only a close-knit group of families that had taken over the local chapter of a respected organization. They controlled the board of directors and took turns serving as officers.

Judge Henry Wood threw out Billy Richards' damage suit. The boy had taken off his seat belt and was standing up and waving to the crowd when he fell, but when he did this, he was at the bottom of the wheel's cycle and his injuries were minimal.

Memorandum

- Solicitation for charitable purposes is regulated by the states, which make public the charities' financial information.
- Investigative reports have a symmetry that can usually be charted.
- An investigative reporter can often find a bigger story while following up on a breaking story.
- A close-out interview is an absolute necessity for fairness and accuracy, and it might also confirm or develop more information.
- Ambush interviews are avoided by investigative reporters unless they have no other way to inform the target of a story about allegations.
- Simple financial statements of receipts and expenditures can be explained in graphics in print and broadcast.
- Investigative reporters and editors must decide when to stop investigating and start writing.

Charting an Investigation Project

An investigative project by a reporter takes on a certain form that can be expressed in a flow chart. The project usually starts with an idea that could come from an editor, a tipster or a recent breaking story. This idea is placed at the top and center, and it has two branches. A column on the left shows

the progression of the official version, labeled "Truth." The column on the right shows the unofficial version, labeled "What Really Happened." This sounds like a joke. The truth and what really happened are supposed to be the same. Should it not be true and false?

Not necessarily so. The official version, Truth, is often brought to us by persons who believe it to be the truth, but we find out it is not what really happened. Then, in a series of steps, we approach the information on two paths simultaneously. On the official side, we contact the person in charge of the program or most important to the subject, and we conduct a friendly, information-seeking interview. Then we gather as many official proclamations and news releases as we can find.

On the other side of the chart, we interview people affected by the subjects, seek out any and all documents, and observe people, places and things. We may find that the information we gathered from the real side does not agree with the official version. So we go back to the source of "Truth," confront the source with our findings, get comments and write a story that is marked on the chart at the bottom center as the final output.

Almost every top-notch, successful investigation follows this pattern. As an example, we will diagram an investigation of how a recently enacted state bingo licensing act is working.

A few years back and throughout the state, small, friendly bingo games were played in church basements. The prizes were small, and church members and mostly elderly neighbors played once a week as a pleasant diversion. The problem was that it was illegal. But what prosecutor would be foolish enough to arrest nice elderly church members and hope to be reelected? So the state legislators made bingo games legal for charities that followed regulations.

The idea at the top of the flow chart is that now, two years after the bingo licensing act became law, reporters should learn how well it is working.

The reporters call the public relations spokesperson of the state agency that licenses the games and request an interview with the administrator. The administrator tells them that each charity that wants to have a bingo game must register with the state and file an annual financial report. Each charity can have only one game per week, and the game can last for only two hours. A card cannot cost more than \$1.00 and can be used for the entire game. The top prize can be no more than \$500.

The administrator explains that inspectors are ready to respond to any complaint, but thus far there have been none.

It sounds like no story.

The reporters are given a copy of the law (which is also posted on the Internet) and a list of bingo licensees. The reporters have now completed the obligatory "Truth" side of the chart.

To find what is really happening, they study the list of licensees. It takes no great deduction to note that many of the charities list identical locations as the sites of their bingo games. Several clusters of charities set up games at four locations in the city. The reporters immediately tour the addresses and find they are big bingo parlors with neon marquees. Inside, each has a casino atmosphere, and liquor is served. Players have as many as 60 bingo cards spread out on tables in front of them. The games continue all evening, and one hall offers midnight bingo. People come by chartered buses from surrounding states.

The law was being circumvented because every two hours the bingo caller would announce that the next two hours were being sponsored at the hall by a different charity.

The reporters immediately requested files of the financial reports from the attorney general's Charitable Trust Division. The reporters surmised that it was the halls, not the charities, that were making the big money; and they quickly learned their supposition was true. The charities showed hundreds of thousand of dollars coming in and only a few thousand applied to any charitable purpose. The rest of the money was overhead paid to the hall operators for exaggerated prices for parking, food and employees. It appeared that some charities had been created solely for playing bingo at the hall.

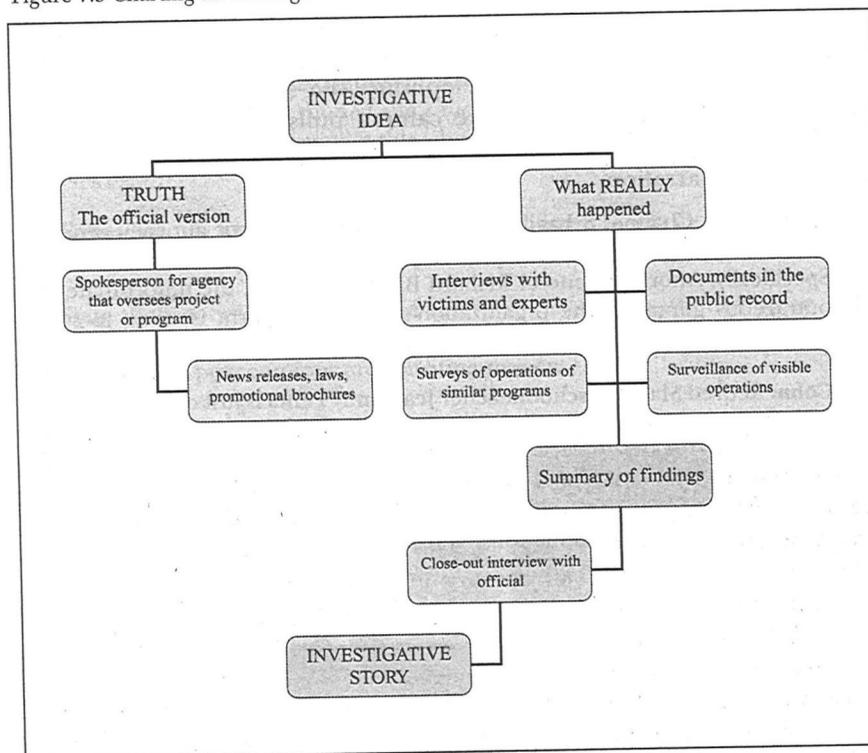
The next step was to learn who ran these halls. Land records in the county were of no help because the buildings were rented. But the liquor licenses showed their names, and the reporters were able to find that some had gambling arrests in the past.

Now on the flow chart the reporters move from documents to surveillance. They interview the people affected. The reporters talk to the ministers and priests whom the law is supposed to help, and they find that the churches had to close down their games because they could not compete with the big halls.

The story, now that the reality side of the equation was complete, was ready to be closed out. Next the reporters would tell the administrator what they had learned, and the administrator would comment. It would all be drawn together at the bottom of the chart with a story describing the failure of the bingo licensing act in the state.

Here is an abbreviated chart that could be applied not only to the bingo story but also to almost any investigative project that starts out with an idea:

Figure 7.3 Charting an investigative idea



Chasing Telemarketer Complaints—How TV Presents Investigative Findings

Alan Cohn, investigative reporter for News Channel 8 in New Haven, Connecticut, is one of those investigative reporters who deliver every day. His taskmasters are the demands of the public and the constraints of time. His viewers may see him responding to a complaint of a troublesome telemarketer and even challenging the U.S. Defense Department. His reports must move quickly, yet be understood.

Some of Cohn's investigative pieces are ground-zero budget items, involving no travel and no costly setups; yet they quickly tell of a problem, show how it was investigated and reach a conclusion. This 2006 report is an example.

One of his investigations was of a phone call, purportedly to collect money for the benefit of the Connecticut State Police. Cohn tracked down

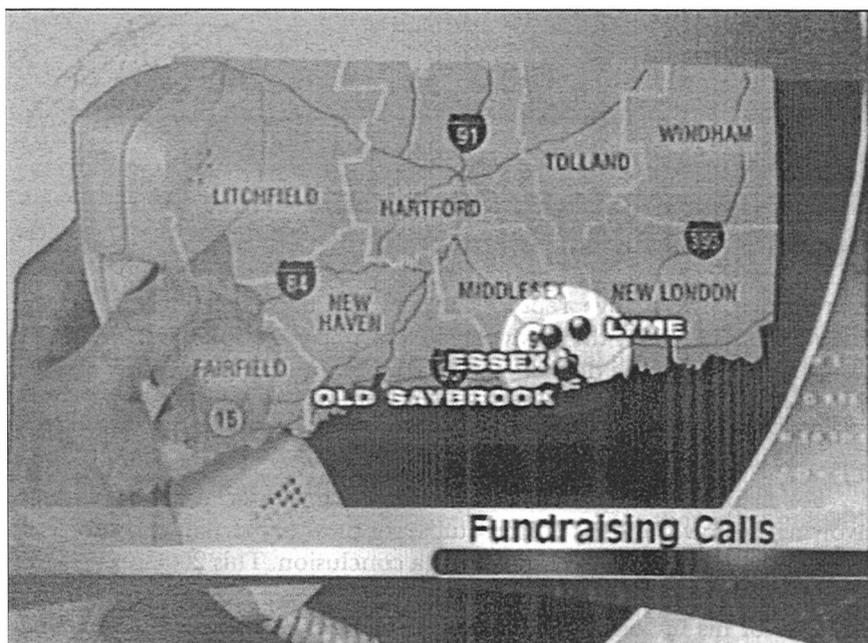
the call, talked to complainants and followed up with documentation. In a two-minute report, Cohn warned unsuspecting viewers that the money was not going to benefit the local police, as the caller had implied.

The TV story begins with a telephone, the sound of ringing and a hand reaching for the phone. The camera pulls back and a woman is shown answering the phone. We do not hear her; instead, we hear Cohn beginning his narration.

Cohn: News Channel 8 has learned that the Connecticut attorney general's office is investigating the statewide chapter of the Fraternal Order of Police. Specifically, Attorney General Richard Blumenthal says, the unfortunate and outrageous gimmicks the organization's fundraising arm is using to solicit money.

Cohn: Retired Madison schoolteacher Jeanemily Penta is just one of the countless shoreline residents who've gotten the calls.

Mrs. Penta: The young man on the other end of the phone said, "Hi, Mrs. Penta, how are you? And he said—I'm pretty sure he said—the Connecticut Police Foundations for donations, and right away I knew and said, "No, I'm sorry, I don't give on the phone."



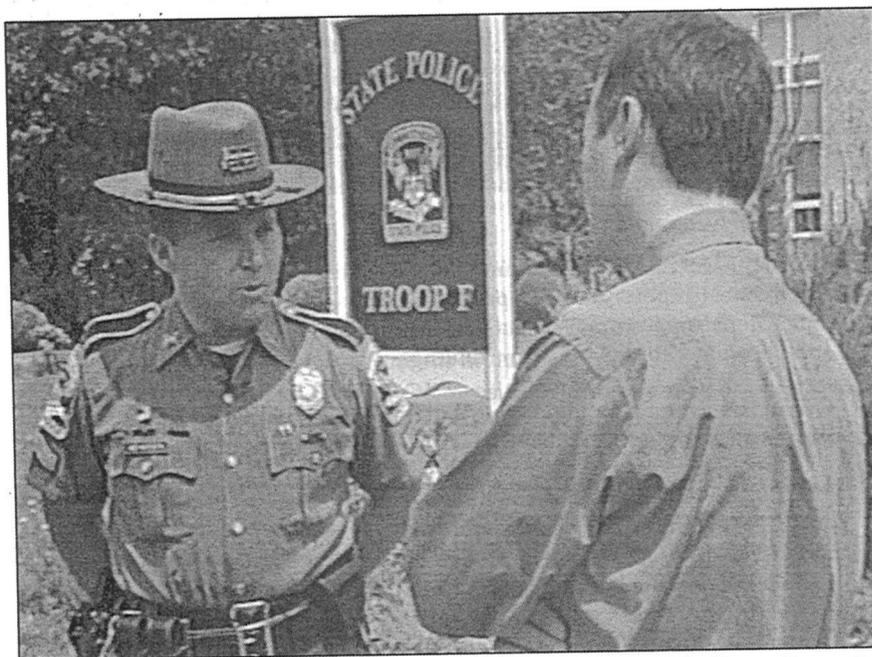
Source: News Channel 8, New Haven, Connecticut

Cohn: Other shoreline residents in Essex, Old Saybrook and Lyme have reported getting similar calls.

State Police Sgt. Thomas Heinszen: Some of the solicitations are quite aggressive. When victims questioned the caller, the caller responds by saying "How can you say, no, at a time like this when the police need your help." They're very pushy.

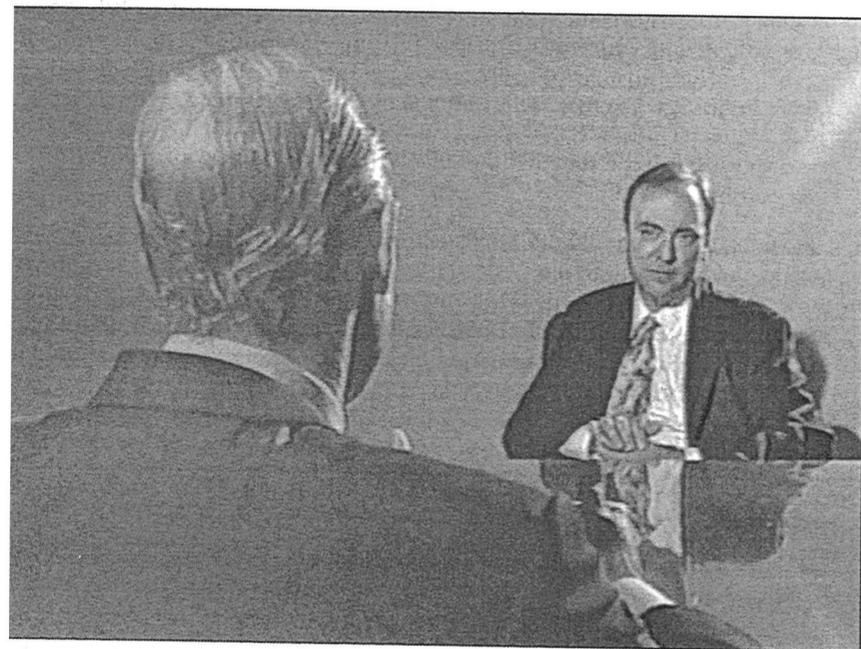
Cohn: Are any local police organizations legitimately soliciting money at this time?

State Police Sgt. Thomas Heinszen: I've checked with my union, the Connecticut State Police union and local unions along the shoreline, and at this time no police unions are soliciting money.



Source: News Channel 8, New Haven, Connecticut

Cohn: So what is the Connecticut Police Foundation? We've learned it's a fundraising arm of the statewide chapter of the Fraternal Order of Police. And we also learned that Attorney General Richard Blumenthal has opened an investigation into the organization's fundraising.



Source: News Channel 8, New Haven, Connecticut

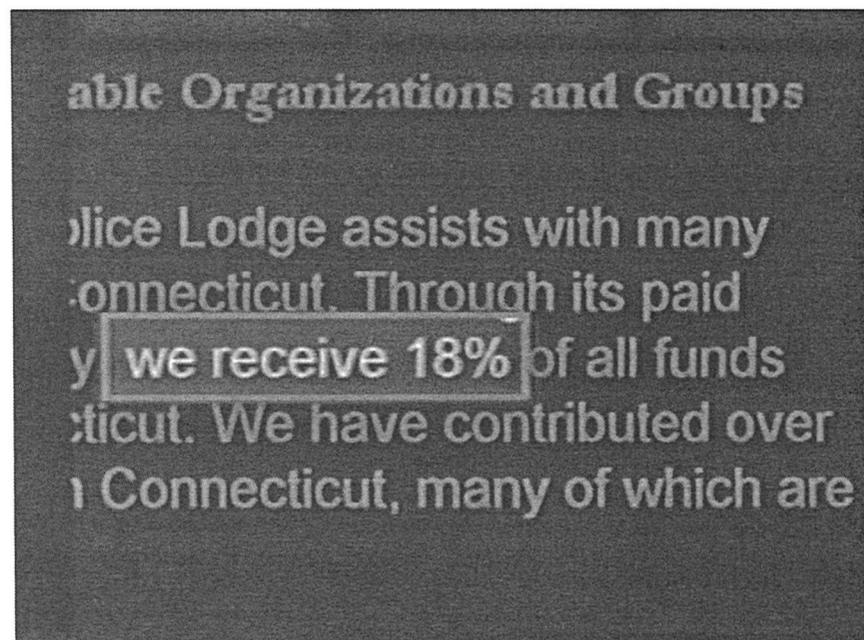
Attorney General Richard Blumenthal: The reason for this investigation are very reliable reports that the paid solicitor is deceptively pitching for local police departments when in fact, none of the money helps those departments and people are misled into contributing.

Cohn: And, when people do contribute, the Fraternal Order of Police's own Web site acknowledges it keeps 18 cents out of every dollar raised.

Attorney General Richard Blumenthal: The main point is 82 cents out of every dollar goes to the paid solicitor, All Pro Tele-marketing based in New Jersey, and none of it goes to help anyone remotely connected to the State of Connecticut let alone someone associated with a local police department.

Cohn: The organization's statewide president denies its paid solicitors are using aggressive tactics.

The story has been told in two minutes. The reporter has made no accusations, only that the attorney general has stated he is opening an investigation. Cohn is dealing with a private organization and is using the organization's own information to challenge it.



Source: News Channel 8, New Haven, Connecticut

To make a stronger story, however, more information could have been supplied about what the FOP president said. The person to whom the president made the denial is not identified. It could have been in an arranged in-person interview, on the phone, in an ambush interview outside the FOP office or in an e-mail. Was the FOP president questioned about where the 82 cents went, and did the president refuse to tell?

Also, the victim of the call was really not a very strong example. Cohn probably should have tried to find someone who had been browbeaten by the caller and as a result gave an exorbitant amount of money and is only now learning the truth about the organization. These improvements could have taken Cohn considerable time, however, and the reporter and news management must weigh the worth of it all. Questions for discussion:

Was the opening telephone call scene improper because it was posed?

Yes: It is obvious that the phone ringing and the woman answering was staged and was not a call from the telemarketer in question because the reporters could not have been in her home when the telemarketers called. Journalists should never fake a shot no matter what the story.

No: Nobody said it was the telemarketer calling. It was only a picture of a woman talking on the phone, and we do not hear what she is saying. Stories would not get done if the camera crew had to wait in a private home for a telemarketer to call. In fact, a real call would have added nothing for the viewers because a phone conversation in Connecticut cannot be recorded without both parties agreeing.

Could Cohn and News Channel 8 have done a better job on the charity telemarketing story?

Yes: The story is important and should have been given more time on the air. It tells of a shared experience: Everyone who has a phone has received calls from telemarketers. More financial information on the FOP was available from public records in the attorney general's office. More people should have been portrayed getting calls. Also, the FOP Web site was available and must have had something that was positive about the organization. This could have been used to give the story some balance.

No: Anybody can find something else to add to an investigative report, but the reporter must always consider the time allowed for the broadcast. Another story just as important might be sacrificed. This is reality. The viewer does not need to know all the financial aspects of a story. Leave that to the newspapers.

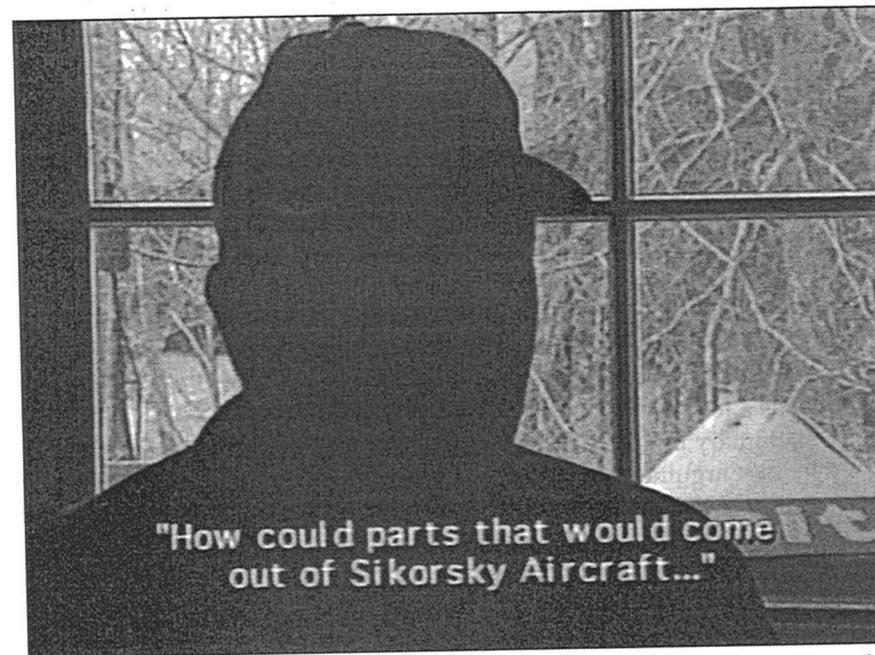
The same reporter, Alan Cohn, during the same year confronted the U.S. Defense Department and Sikorsky Aircraft Company with allegations of poor inspections of the Black Hawk helicopter. This time, Cohn had whistleblowers—employees of Sikorsky or their contractors—who did not agree to be identified, so their faces were darkened on the screen and their voices were distorted. The words they spoke were superimposed.

Cohn backed up the anonymous allegations with documents that were shown.

Do the Sikorsky whistleblowers lose their credibility by being hidden?

Yes: It is of little value to hear the account of someone who will not go on the record. Whistleblowers are protected under the law, and these people should be sure enough of what they say to state it publicly.

No: If we did not allow sources to remain anonymous, it would be a great loss to journalism and law enforcement. It is courage enough for them to have gone to a reporter with their concerns. Besides, we are not taking their word for it. The reporter has demonstrated their charges with the additional use of documents.



Source: News Channel 8, New Haven, Connecticut

Chapter Recap

Charities have an important role in society. Thus, when a person who operates a charity abuses the role of protector of the donations for charitable purposes, suspicion is cast on all charities. A more balanced account of charities can be achieved by comparing properly run charities with those that are not and by highlighting some of the good work charities have done. Highlighting good charities does not hurt the story about a bad charity; in fact, it makes the bad charity look even worse.

In the next chapters, we will look at fraudulent land sales, insurance companies that use questionable sales tactics, unhealthy food in schools, and auto mechanics on the take—all while keeping in mind that the reader or viewer needs to be reminded that these examples of bad behavior should not be considered as standard for the industries.

Class Assignments

1. Search the Internet for the Web site of your state attorney general. You will find information about who has to file forms with the