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Public Agenda

The Honorable

John W. Gardner (1912-2002)

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January 17, 2008

The Honorable Henry A. Waxman
Chairman

House Oversight and Government Reform Committee
2157 Rayburn House Office Building
Washington, DC 20515

The Honorable Tom Davis
Ranking Member

House Oversight and Government Reform Committee
B-350A Rayburn House Office Building
Washington, DC 20515

RE: Committee Hearing: Assessing Veterans' Charities - Part II

Dear Chairman Waxman and Ranking Member Davis:

I am writing on behalf of Independent Sector to commend you for your efforts to publicize reported fundraising abuses involving charities created to serve veterans and to take this opportunity to highlight the continuing work of people across the charitable community to establish the highest standards of ethical conduct, accountability, and transparency.

Independent Sector is a national, nonpartisan charitable organization with approximately 600 members, including public charities, private foundations, and corporate giving programs, collectively representing tens of thousands of charitable groups in every state across the nation. Our coalition leads, strengthens, and mobilizes the charitable community to fulfill our vision of a just and inclusive society and a healthy democracy of active citizens, effective institutions, and vibrant communities. IS members represent a broad cross-section of our nation's nonprofit community, which exists to meet society's needs, frequently in partnership with government, in diverse areas such as the arts, education, human services, community development, and health care.

Your committee has already heard from witnesses concerned about charitable groups that, in raising money to serve our nation's veterans, were conducting high volume mail and telemarketing campaigns that enrich the fundraisers but failed to provide meaningful assistance to veterans. Officials of two Independent Sector members, the American Institute of Philanthropy and the

BBB Wise Giving Alliance, offered guidance to the Committee at that hearing on ensuring that charitable resources go to charitable purposes.

We were gratified that Committee members made the distinction between the majority of charities that comply with the law and exercise ethical practices and the few organizations charged with wrongdoing. The commitment of nonprofits to comply with the law and conduct their work ethically is clear in testimony before the House Ways and Means Committee on July 24, 2007, from Steve Miller, Commissioner of the Tax Exempt and Government Entities Division of the IRS. He observed that, “on the whole, the charitable sector is very compliant with the Tax Code” and added, “While we have found some tax compliance problems in the charitable sector, we remain quite optimistic that through our efforts and the efforts of others, these problems have not reached and will not reach the core of the charitable sector.”

Building a charitable organization committed to the highest ethical standards demands more than just following the law: it also requires fostering practices that create a culture of transparency, accountability and integrity. We at Independent Sector are proud to have worked for many years with people from across the nonprofit community to strengthen ethical conduct, accountability, and transparency in America’s 1.4 million charitable organizations.

The most important recent advance in this effort is the Panel on the Nonprofit Sector, which Independent Sector convened in October 2004. The Panel has brought together thousands of people involved with charities and foundations to develop and refine recommendations--to Congress, the Internal Revenue Service, and our own community--that would strengthen governance, transparency, and ethical standards. The Panel issued its first report to Congress and the nonprofit sector in June 2005, and a supplement in April 2006. Together, those reports offered more than 150 recommendations for actions by Congress and the Internal Revenue Service that would reduce the ability of unscrupulous individuals to abuse charitable resources for personal gain and to punish those who do. Many of those recommendations have been enacted into law through the Pension Protection Act of 2006, and we continue to work with Congress and the IRS to improve the regulatory framework under which charitable organizations operate.

We feel strongly that government action cannot – and should not – replace strong, effective governance of individual organizations. The two reports also detailed actions that we in the charitable community should take to improve our own practices. Because of the importance of each organization meeting high standards, the Panel in October published the enclosed ***Principles for Good Governance and Ethical Practice: A Guide for Charities and Foundations***. In its preamble, the Panel summarized the approach taken to establish the thirty-three principles it lays out:

... the best bulwark against misconduct will always be a well-informed vigilance by members of the nonprofit community themselves, including a set of principles they could adopt,

promote sector-wide, and improve over time. These principles should be clear enough to be practical and readily implemented in a wide variety of organizations, but flexible enough to allow each organization's governing board and management to adapt them to the dictates of that organization's scope and mission.

The commitment of charities and foundations to high standards is clear from the response to the Principles: in less than four months, members of the nonprofit community have requested nearly 60,000 copies of the Guide, and more than 250 organizations have endorsed it.

Illegal conduct involving donations to charities hurts all donors, the charities themselves, and the people they serve, since it undermines the public trust that our community needs to continue its work. Preservation of that trust depends upon a combination of active self-regulation by charitable organizations, vigorous enforcement of the law, and effective oversight. We look forward to working with this Committee, other members of Congress, oversight officials, and our own community to ensure that charitable organizations live up to the highest standards of ethical and accountable practice.

Sincerely,

A handwritten signature in black ink that reads "Diana Aviv". The signature is written in a cursive, slightly slanted style.

Diana Aviv
President and CEO
Independent Sector

Enclosure