

Questionable telemarketer goes after repeat donors

By Kendall Taggart, Center for Investigative Reporting

Judith Johnson of Stacyville, Iowa, doesn't get out much anymore.

Legally blind and living on a small Social Security pension, the 72-year-old used to go to church once a week. She stopped out of fear that her new walker would snag on the railroad tracks she had to cross to get there.

But Johnson, whose tiny apartment is decorated with crucifixes, still believes it's her duty to help those less fortunate.

So when telemarketers call on behalf of cancer patients, homeless veterans or disabled firefighters, the retired secretary finds it hard to say no.

That penchant for giving made Johnson the target of America's billion-dollar charity fundraising industry.

In one recent year, callers persuaded her to write 25 checks to 11 different charities.



Telemarketers are being accused of making misleading

statements.

Photo/Scott Keeler/Tampa Bay
Times

The repeated calls were no fluke.

Each one can be traced back to a single source – Associated Community Services, a Michigan-based company that is one of the nation’s largest charity telemarketing firms.

After Johnson gave to one charity, the firm put her on a list that got her bombarded with calls for nearly a dozen more company clients. Telemarketers sometimes called several times a day.

Johnson told one phone solicitor she couldn’t afford to give to a charity called Children with Hair Loss.

“She said, ‘You’re going to let this poor little child be bald-headed when they’re only 4 years old?’” Johnson recalled. “I really felt bad for the children, so I think I gave her around \$10.”

Unbeknownst to Johnson, about \$1.75 of that donation made it to the charity. The telemarketing firm pocketed the rest.

Johnson’s story is just like that of millions of Americans who give once over the phone only to find themselves flooded with calls for more causes.

To track how this happens, the *Tampa Bay Times* and the Center for Investigative Reporting scrutinized how a single company, Associated Community Services, operated in one state that has amassed a treasure trove of data.

Reporters interviewed 10 current and former employees and examined internal company documents subpoenaed by the Iowa attorney general. Iowa regulators used the records, which provide a rare glimpse into the inner workings of the charity

industry, to build a case against the firm. Earlier this year, a judge in Iowa ordered Associated Community Services to stop soliciting in that state until it fully complied with a subpoena. The telemarketer is appealing the ruling.

In interviews, phone solicitors described the tactics they used to persuade donors to give. Along with the records, which include details about every Iowa donor who gave 10 times or more, their descriptions reveal a deliberate strategy of targeting trusting donors and exploiting their generosity to fuel profits in the name of charity.

From March 2010 through June 2011, nearly 400 Iowans made 10 or more donations to the firm's charity clients. Total number of donations from the frequent-donor group: more than 5,500, worth a combined \$102,000.

Associated Community Services would hit up its most reliable givers dozens of times in a year, with no regard for their age or financial situation.

Calls came so often that nearly half of the repeat donors gave to two different charity clients in a single day.

In an email, company officials said they call people on their hot list randomly and do not purposefully call multiple times a day.

"If the stars aligned properly, it is possible that a potential donor phone number could be called for several charities in one day," President Richard Cole wrote. "But this would be an unusual incident."

Cole also said the company does not target the elderly and has no way of knowing the age or financial situation of the people they call.

But the Iowa attorney general found that most of the company's prolific donors – those who gave 20 times or more – were 69 or

older.

The top donor was a man in his 80s in Dubuque. In just over a year, he made 38 donations totaling \$1,375 to 13 of the telemarketer's charities.

Six times, he gave to two of the firm's clients on the same day.

The Iowa data details one company's operations in a state with roughly 3 million residents. But industry experts and the firm's employees who worked the phones say it is representative of how Associated Community Services and many other telemarketers do business across the nation.

Industry experts said such practices are used primarily by telemarketing companies that do cold-calling and take a percentage of the donations raised, rather than a flat fee, for their service.

The vast majority of the nation's 1.6 million nonprofits do not use telemarketing firms. Charities that hire these phone solicitors wind up with a fraction of what gets raised. Financial filings by clients represented by Associated Community Services show the firm and its related companies keep as much as 85 cents of every dollar donated. Once charities pay their own administrative costs – including rent and salaries – it often means pennies on the dollar make it to those in need.

Earlier this year, the *Times* and CIR examined thousands of charities that hire professional solicitors and identified the 50 worst based on how much they had paid these outside fundraisers over a decade. Nine of the 50 worst charities hired Associated Community Services to raise donations in Iowa and elsewhere nationwide.

The company collects donations in small amounts, meaning even repeat donors typically spend a few hundred dollars a year.

But the money adds up. IRS records filed by charities show that Associated Community Services raised nearly \$40 million for its clients in 2011.

Cole said the company, which employed 1,000 telemarketers in 2010, instructs employees not to collect money from people who seem confused or can't hear well.

But former employees said any such guidelines were widely ignored in the rush to generate profits.

Ex-workers said they felt pressured to keep pitching even if people were crying about their own losses or if they were elderly and confused.

Some people seemed starved for conversation, workers said. One former employee said he got a \$50 pledge from a woman who kept him on the line for two hours. By the end, she had invited him to come visit and offered to include him in her will.

Another caller, Dwight David "Spyder" Turner, worked at the company for two years. He said he was fired in January for failing to push hard enough to make the "sale."

"You'd get people on the phone who sounded like they were dying or not all there," said Turner, a 66-year-old resident of Detroit. "With that job, you had to leave your conscience and compassion at the door."

Inside the phone room

John Abraham never met the people on the other end of the line.

But for four years, he made his living off their generosity, handling 300 to 400 calls a day as an employee of Associated Community Services.

Though Abraham, 43, left the company last year, he can still launch into a persuasive charity pitch at will.

“I won’t lie,” he said recently. “I was pretty good at it.”

Abraham learned to sell in the Detroit area, where Associated Community Services has two locations packed full of \$10-an-hour telemarketers.

New hires rarely stay long in these high-pressure jobs. But for those who excel, the rewards can be great. In good years, the company raffled off TVs and cars at the office Christmas party, Abraham said.

In his job as a cold caller, Abraham was among those making the first pitch to prospective donors. If he persuaded someone to give, that person was marked as a “reload” – a designation that meant they would be hit up again for the same charity.

Reloads would also immediately go into the company’s dialing system so they could be solicited for other charity clients.

Sometimes, Abraham said, another pitch would come the very same day.

“They’d call you for breast cancer in the morning and veterans at night,” he said.

Although legal, the practice is frowned upon by many in the nonprofit world.

Instead of helping charity clients cultivate loyal benefactors, it drains generous donors by tapping them frequently for an array of causes, said Roger Craver, a 50-year veteran of the fundraising business.

“They’re ripping the charity and the donor off because they’re not permitting a relationship to grow between the two,” Craver said.

Because so many contributions are \$10 to \$20, it puts even more pressure on telemarketers to dial relentlessly to drive profits in a high-volume business.

To hit their quotas, the employees who spoke to the *Times* and CIR said they were trained to push hard under almost any circumstance.

Abraham said he once reached a man on his cellphone at a funeral.

“You get in trouble if you didn’t pitch them anyway,” he said. “You’re supposed to say, ‘I’m sorry for your loss, but our veterans are struggling every day.’”

Company documents submitted to Oregon regulators in 2010 show that telemarketers were trained to keep pushing even when they got a wrong number.

“I’m terribly sorry,” the instructions say. “We’re calling as many residents as possible in (their state) to let you know what we’re doing, so I’ll be brief (immediately go to opening).”

Turner, the former Associated Community Services telemarketer, said the firm was constantly pressing workers to get people to give by credit card, rather than check, so the sale could be processed immediately.

“If I had an old lady on the phone who was sick in bed, I wasn’t about to tell her I’ll hold on while she goes and gets her credit card,” Turner said. “But that’s what you were supposed to do.”

High pressure pays off

One Iowa donor, Sonja Molitor, is proof that the persistence of telemarketers pays off.

Molitor, 76, is a retired nurse. Until a few years ago, her husband ran the couple’s 400-acre farm in northeast Iowa, growing corn, hay and oats.

Now all the animals – except for a black Lab named Molly and

20 barn cats – are gone. And Molitor, a petite brunette with a pixie cut, spends her days caring for her husband, who has dementia, and hauling buckets full of cat food to the red barn.

“I’m a huge lover of animals,” she said as cats swarmed around her feet at feeding time. “But not in the house.”

Though the couple, who had no children, live a comfortable retirement, Molitor tries to be mindful of where her money goes. But when a telemarketer calls while she’s cooking or while she’s helping her husband, Molitor often donates just to end the call.

“Sometimes it’s easier to give them \$10 and be able to get them off the line than listen to all the reasons you should give,” she said.

That response put Molitor on the hot list at Associated Community Services.

Iowa records show that over 10 months, the firm’s employees persuaded her to give 15 times.

Molitor said they called even more, but she sometimes hung up.

They called her twice on the same day in March 2011 and persuaded her to give to two different charities with similar-sounding names – Cancer Fund of America and The Breast Cancer Charities of America.

“The names are so confusing,” Molitor said. “And then they say, ‘If you donate this one time, we won’t bother you again for another year.’”

Four former phone solicitors told the *Times* and CIR they found ways to imply that the charity’s fundraising drive was an annual event.

Juantai Phillips, who worked at Associated Community Services

for about three years, said he told people he would call “only once a campaign.”

What he did not say was that the campaign took place four times a year, Phillips said.

Fundraising experts say the distinction is important because donors are more likely to give if there is a sense of urgency or timeliness to a fundraising drive.

A script submitted by Associated Community Services to Oregon regulators in 2010 shows that the firm used this tactic to nudge prospective donors who said they needed to consult a spouse before giving.

“Well since it’s a nonprofit,” the caller was instructed to respond, “we only get one chance to call.”

Calling practices described by the firm’s employees are backed up in government records across the nation.

Since 2002, at least nine states have brought actions against Associated Community Services, accusing the company of a variety of infractions including misleading donors.

In 2010, the Iowa attorney general recorded company callers on an undercover phone line. Based on those calls, the state accused the company of fooling donors into thinking they were giving to a one-time charity campaign. On the same recorded calls, telemarketers and managers implied that 100 percent of donations would go to the charity – rather than the roughly 15 percent figure cited in documents.

Company officials signed a \$35,000 settlement but admitted no guilt.

Cole, Associated Community Services’ president, said employees are trained to give “accurate and appropriate answers” to donors’ questions. “Individuals who fail to follow ACS policies are subject to discipline,” he said.

Little for the needy

Earline Williams wouldn't be so upset if more of her money had gone to help those in need.

The 74-year-old Waterloo resident is a church-going Presbyterian with a sharp mind and a strong sense of giving.

Though her husband is a retired medical technologist with a comfortable income, Williams proudly says she draws from her own retirement funds when it comes to charitable contributions.

She tries to set aside 10 percent of her Social Security checks, earned from her time as a day care worker.

One year recently she was surprised when she realized her donations had ballooned to \$1,800, in part because of her generosity to telemarketers like those at Associated Community Services.

The *Times* and CIR found that in one year she made 21 donations to nine different charities represented by the firm. The checks totaled \$340.

"Coming from kind of a small income, that was a lot of money," said Williams, who tallies her donations at tax time using her check registers. "I suppose it's just thinking there's a need, and I need to try to help."

Williams, who has four children, tries to keep track of all the charities she supports. But she's given to so many, she can't even remember their names.

"There were so many different cancer groups, and I know I've done a couple of 'wish charities,'" she said. "The names are so identical that sometimes I find I've given to a different charity than the one I thought I was giving to." The *Times* and CIR found that Williams gave three times each to Cancer Fund of America and Children's Cancer Fund of America, charities

run by a man and his ex-wife in Tennessee.

Both of the groups ranked among America's worst charities based on the amount they have paid professional solicitors.

The calls to Williams came so frequently that she could recognize the voices of certain telemarketers, even when they were calling for different charities. She said she felt guilty if she turned them down.

"They have such a terrible job," she said.

Williams said she realized some of her donation would go toward paying those workers, but she did not think it would be 85 percent.

Of the \$25 she gave to Foundation for American Veterans in January 2011, for instance, \$3.75 made it to the charity, according to the charity's IRS filing.

After years of giving, Judith Johnson, the legally blind woman, only recently realized how little of her money went to charity.

In one year, she donated almost \$400 to Associated Community Services clients. Less than \$80 remained after the telemarketer took its cut.

A few hundred dollars may not mean much to some people. But Johnson said in some months she was giving away a quarter of her income to the various charity telemarketing companies calling her.

About a year ago, Johnson had the phone company put a message on her answering machine. It warns callers that her line no longer accepts telemarketing calls and tells them to put her name on their "Do not call" list.

Since then she hasn't been bothered as much, and her finances have improved, allowing her to buy some winter clothes and

treat herself to a Bible study guide.

But she's still stung when she thinks of how often she fell for telemarketers' pitches.

"I'm shocked at how double-tongued these people can be," Johnson said. "Sooner or later these fraudulent people are going to have to face their maker."

Tampa Bay Times computer-assisted reporter Connie Humburg and researcher Caryn Baird contributed to this report.