

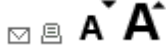
It's your money on the line
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RECORD COLUMNIST



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An Edison company is being sued by the Federal Trade Commission on charges of misleading the public.

A Milwaukee-based firm paid \$200,000 in May to settle lawsuits by 33 state regulators alleging it used lies and exaggerations to get people to donate money.

An Arizona outfit recently paid \$30,000 to settle a lawsuit by the Iowa attorney general accusing it of deceptive fund-raising practices.

What do they all have in common?

If you get a call asking for a donation to a police organization in New Jersey, the odds are good that someone from one of these firms is on the other end of the line.

And while the callers may leave you with the impression that they're from the police, there's a good chance they're ex-cons and not cops.

Oh, and that donation you sent in? The non-profit probably got less than 15 cents on the dollar — the rest stayed with the telemarketers. And after various expenses were taken out by the police group, even less went to support the stated purpose of the original pitch, such as buying bulletproof vests or helping the families of cops killed in the line of duty.

"If you're using telemarketers, you know you're involved in a scam, shaking people down for donations when the money is not going for what they say it is," said John Hulse, second vice president of the New Jersey State Policemen's Benevolent Association. The PBA, the state's largest police union, stopped using telemarketers about 15 years ago, concerned that public disdain for phone fund raising was hurting its image. "These programs are high pressure and they prey on the elderly. It's far from anything a group associated with the police should be involved with."

But many are.

By far the largest is the New Jersey State Lodge of the Fraternal Order of Police in Trenton. The group is the state's second-largest union representing police officers and also functions as a fraternal organization for cops in many departments where the PBA handles collective bargaining.

According to its 2007 tax return (the most recent the group has filed), the FOP raised \$4.15 million from the public — of which \$3.64 million went to its Edison telemarketing firm, the Civic Development Group.

That means that for every dollar someone contributed, 88 cents stayed with the telemarketer.

In a written statement responding to questions e-mailed to the FOP by The Record, spokesman Ernest Landante Jr. said that the money it raises has been used to support families of officers killed or injured in the line of duty and to support charitable efforts, including an ad campaign against drunken driving, a scholarship program and several New Jersey charities.

Landante said 30 percent of the money that's left after the telemarketer takes its cut goes for such charitable activities. The remainder, he added, is spent on operational expenses and services for FOP members, "including training local lodge leaders and protecting the interest of New Jersey police officers in Trenton."

The organization has to hire a professional fund-raiser, Landante added, because it can't afford to buy high-tech telephone

equipment and hire people to make the calls.

Even so, the New Jersey lodge, following a trend started by its affiliate in Illinois, has announced plans to wean itself from reliance on telemarketers by the end of next year. "The NJFOP recognizes that to become a more financially stable organization, it should also become more financially self-reliant," Landante said. To accomplish that, its leaders are pushing a plan to raise dues.

Ted Street, president of the Illinois FOP, has spent the past seven years working to get his organization to drop telemarketers. He finally succeeded this year.

"I felt it was an insult to call John Q. Public and ask for money from people who in many instances are making less than police officers make," Street said. "It's preying on people on fixed incomes and Social Security. In Illinois the wages and benefits for police officers are very competitive. You have an organization representing people making six-figure salaries calling people who make \$40,000 and asking them to help us out. And in our state at least, police pensions are 75 to 80 percent of your salary. I don't want any part of it."

The compensation paid to police in New Jersey is similar; experienced officers, especially those in the Bergen and Passaic counties, routinely more than \$100,000 in base salary, according to employment contracts on file with the state.

Much of the fund raising by police groups asks for donations to help the families of deceased officers. While no one would deny the devastating impact of the loss of a family breadwinner, the state's retirement system already provides generous benefits for a surviving spouse: a one-time payment equal to 3 1/2 times the officer's final compensation plus an annual pension equal to 70 percent of that salary.

FTC files suit

Street said the bad image of the telemarketing industry was another reason to stop using its services — an image reinforced by a litany of lawsuits filed against telemarketers by government regulators.

Federal and state agencies have repeatedly accused Civic Development of using deceptive solicitation practices. The Federal Trade Commission filed suit in federal court in Newark in 2007, alleging that CDG and its principals, Scott Pasch and David Keezer, misled consumers while conducting fund raising efforts on behalf of various police groups and other non-profits. The company's callers allegedly told potential donors they worked directly for the non-profits — not for a professional fund-raising company — and that 100 percent of donations went to the charities.

These actions, the FTC charges, violate a 1998 consent order between the company and the federal government, as well as the FTC's telemarketer regulations. In the 1998 settlement, CDG denied having engaged in deceptive practices, but agreed not to make use of them in the future.

The FTC is accusing CDG of trying to get around the order's requirements by calling itself a consulting firm and claiming that its telemarketers thus became contract employees of the non-profits. When they had potential donors on the phone, the commission alleges, CDG workers would say they worked for the charity. The government also alleges that while the company's callers would insist that 100 percent of any donation went directly to the charity, in fact the money went to an account controlled by a company headed by Keezer's mother.

The federal agency also alleges that in most cases 15 percent or less of the donations went to the non-profits. The lawsuit is in the pre-trial stage.

The California Attorney General's Office has a similar case pending against CDG and several other defendants.

Since 1995 at least four states have brought cases that resulted in CDG agreeing to pay fines and not engage in deceptive practices — including New Jersey, which received \$125,000 to settle a lawsuit in 1999.

Yet the company continues to thrive, collecting millions annually by running fund-raising campaigns mainly for police, firefighter and veterans organizations.

Keezer and his wife purchased a 12,000-square-foot house in Boca Raton, Fla., on the Intracoastal Waterway just before Christmas 2006 for \$7.4 million. In addition to its eight bathrooms, the property also came with a tennis court, pool and yacht dock.

That same year, Pasch and his wife bought a home on a half-acre beachfront property in Mantoloking at the Jersey Shore

for \$3.8 million. They also own a country home on nearly 3 acres in Warren, currently assessed for \$2.8 million.

The company also employs Rick Whelan, who was president of the New Jersey FOP from 1994 (two years after CDG was founded) to 2002. FOP officials declined to say whether Whelan was employed by CDG while he served as president, referring questions to him.

When contacted, Whelan responded, "I'm really not interested in any kind of story."

None of the CDG representatives chose to comment for this article, despite messages left at company headquarters and with Matthew Oliver, a Roseland attorney representing CDG in the federal lawsuit.

Landante insisted the FOP closely monitors Civic Development Group's fund-raising activities, and takes "disciplinary action" against any CDG employee who "misrepresents himself."

Who's on the phone?

Far from being police officers, some of the people making telemarketing calls are ex-convicts.

Phoenix-based Midwest Publishing acknowledged to Iowa regulators that more than half its workers are on parole or probation, including felons, drug offenders and persons charged with theft, according to Steve St. Clair, an assistant Iowa attorney general. The firm does fund raising for the New Jersey Narcotic Enforcement Officers Association in Nutley.

An ex-convict from New Jersey said that CDG also uses parolees as part of its workforce.

Ronald Jones, a Neptune resident, said he worked as a caller for CDG for two months after finding the company among the job listings at the state parole office in Red Bank this year.

"They knew I was on parole. A lot of people who work there have records," Jones said. He added that managers would tell callers to try to sound like they were cops. "They would tell us to speak loudly and in a deep voice."

A spokesman for the state Parole Board said it participates in a federal program that fosters employment among parolees by offering \$2,400 tax breaks for each ex-felon hired. But he declined to say whether any telemarketing firms take part.

As in the past, CDG representatives again failed to respond to numerous messages Friday seeking comment about Jones' story.

Speaking for the FOP, Landante said: "We are not aware of any individuals with criminal backgrounds soliciting in our name and would not tolerate anyone with a criminal past doing so."

Companies settle

Midwest paid \$30,000 in November to settle a lawsuit brought by the Iowa Attorney General's Office. The suit alleged the company engaged in deceptive practices, including not properly disclosing that telemarketing calls were from professional fund-raisers and implying that donations were tax deductible when they aren't. Under the settlement, Midwest agreed not to engage in such activities — though it denied ever having done so in the first place.

Midwest officials didn't return numerous phone calls seeking comment.

Martin Lynch, board president of the Narcotic Enforcement Officers Association, said he was surprised to hear of Midwest's problems elsewhere. "We haven't had any complaints about MPI," said Lynch, a detective in the Union County Prosecutor's Office.

Another telemarketer used by New Jersey police groups recently settled dozens of lawsuits by state officials making similar claims. Milwaukee-based Community Support raises funds for the New Jersey Law Enforcement Commanding Officers Association, which represents captains in the state prison system.

Scott Derby, a captain at Bayside State Prison in Leesburg who is president of the association, said the telemarketer doesn't make calls to people's homes on the organization's behalf. "We primarily solicit from businesses," he said.

Community Support does make calls to the general public on behalf of the Italian American Police Society of New Jersey in Lyndhurst.

William Schievella, chief of investigations for the Morris County Prosecutor's Office and president of the organization, acknowledged, "The concept of using telemarketers is distasteful on its surface. It's not a perfect way of raising money." But he said the society, which is staffed entirely by volunteers, has no other way to raise funds, most of which it donates to other charities or uses for college scholarships to children of law enforcement officers.

While both groups said they've had few complaints about Community Support, the company, which has numerous offices in New Jersey, paid \$200,000 in May to settle lawsuits brought by charities regulators in 33 states who accused it of misleading donors (the New Jersey Attorney General's Office was not among those filing cases). Errol Copilevitz, a Kansas City lawyer who represented the company, emphasized that Community Support did not admit any wrongdoing in settling the cases.

Why did it agree to the consent orders then?

"It would have cost them several times that much to defend cases in 33 states," Copilevitz said. "Plus, some of the things they agreed to do were actions the company was willing to do. In my opinion, Community Support was used to help set new standards for the industry because this company is responsible and willing to do it."

Copilevitz, one of the leading lawyers for the telemarketing industry, also defended the high proportion of donations the companies keep.

"It's an open market for competition, and to an extent the market dictates the return," he said. "Remember, the telemarketers have got to pay wages, pay for telephone equipment, computers, licensing fees with the states, the cost of printing materials to send donors, postage, liability insurance and probably a dozen other things I'm leaving out. If the charities could afford to do it for themselves and make a bigger profit, they would."

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Where your money goes

When you give money to a police group through a telemarketer, often 15 percent or less of your donation actually ends up going to the non-profit organization. Most of your money stays with the fund-raising company.

Organization	Total donations	Paid to fund-raiser
Fraternal Order of Police New Jersey State Lodge (Trenton)	\$4,152,499	\$3,642,717
Italian American Police Society of New Jersey (Lyndhurst)	\$762,576	\$683,144
National Police Defense Foundation (Morganville)	\$635,667	\$475,916
New Jersey Narcotic Enforcement Officers Association (Nutley)	\$449,436	\$382,021
NJ Transit Police Superior Officers Lodge 37 FOP (Brick)	\$221,170	\$191,099
New Jersey Law Enforcement Commanding Officers Association (Fairton)	\$195,798	\$170,131
Superior Officers Association, Newark Police Department	\$186,157	\$139,645
Fraternal Order of Police, West Berlin Lodge	\$176,026	\$112,854
Middlesex County Sheriff's Department FOP Lodge 59 (Milltown)	\$175,205	\$135,344
Garden State Law Enforcement Officers Association (Tennent)	\$101,078	\$75,928
Monmouth County Fraternal Order of Police (Freehold)	\$80,577	\$63,443
Fraternal Order of Police Passaic Valley Lodge 181 (Wayne)	\$74,931	\$49,876

Source: Federal tax returns