Founded in 2002, the U.S. Navy Veterans Association raised more than $100 million during the decade following IRS approval of its charitable status. Run by an all-volunteer staff, which reports to Jack Nimitz, a silver-haired retired captain, 41 state chapters of the USNVA provide financial support and medical care to Navy veterans in need.

So say the telemarketers. The truth, according to Ken Stern’s new book, "With Charity for All," is that USNVA business addresses are post office boxes and vacant lots. The organization’s only employee is Bobby Thompson, a shabby-looking man holed up in a run-down duplex in Ybor City, Fla. Sixty cents of every dollar raised went to Associated Community Services, the telemarketer. The rest, presumably, went to Thompson, who paid off some elected officials through a political action campaign, and then directed less than 1 percent to former servicemen and women.

It is a mistake, Stern says, to dismiss this as an isolated case. In fact, many charitable organizations are rife with theft, grand and petty, grotesquely high salaries, waste and incompetence.

In his book, Stern, the CEO of a digital media content company and the former CEO of National Public Radio, provides an eye-popping - and devastatingly detailed - critique of them. With annual revenues of $1.5 trillion a year and $3 trillion in assets, the charitable sector, Stern points out, is responsible for about 10 percent of economic activity in the United States. Subject to virtually no oversight, many charities do not deliver the results they promise.

Stern demonstrates that donor psychology is a big part of the problem. Responsive to stories by and about individuals, especially children, who are the victims of disease, malnutrition, hurricanes, floods or violence, donors take out their wallets without investigating the track record of the organization asking for their money. Satisfied with "feel-good benefits in the form of a 'warm glow,' " they do not follow up to inquire about results. And they obsess about how much money a charity spends on "overhead," unaware, apparently, of the importance of infrastructure, inventory, telecommunications, training, supply chain management and self-evaluation in bringing value to people in need.

Just as disturbing, Stern reveals, is the ease with which charitable status can be gained in the United States. By paying a modest filing fee, filling out some forms for the IRS, claiming a purpose beneficial to the community, and waiting a brief period of time, just about anyone can do it for just about any reason.

And, Stern notes, "by and large once a charity always a charity." Indicating that revenues flow through them to charitable organizations, end-of-season college football bowl games are not only tax exempt, they are recipients of government funds.

Moreover, although charitable hospitals devote a very small fraction of their resources to the care of indigent and uninsured patients, they get more than $20 billion in local, state and federal tax benefits and incentives. Might the public be better served, Stern asks, if governments redirected the subsidy to more efficient health care providers? And, more poignantly, "when a charity stops being charitable, does anyone notice?"

The answer, alas, is apparently not. Only 13 states, employing fewer than 100 agents, exercise any oversight of the 1.4 million charitable organizations currently registered in the United States. In a typical year, IRS officers examine only a tenth of a percent of all charitable returns, doing little more than review the documents they have been sent.

Stern doesn’t want his book to be a downer - or to discourage charitable donations. He gives a shout-out to Youth Villages and Nurse Family Partnership, two relatively small charitable organizations that have delivered a market-based discipline, culture of effectiveness, and results-oriented service. He calls attention to GiveWell, a 6-year-old organization that has used rigorous research to rate 500 charities on the Web and that posts its findings on the Internet. He applauds a 2012 White House mandate to government agencies, which distribute more than $100 billion to human service nonprofits alone, to prioritize funding for organizations that have achieved desirable outcomes. And he recommends that the IRS give charities an expiration date and require peer review as part of an application to renew.

America’s charitable system, Stern reminds us, is "the most open, most free-wheeling, and in many ways the most democratic in the world." There are lots of reasons for us to be proud of it. Nonetheless, as "With Charity for All" makes clear, it is in urgent need of reform.

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