

2017 Nonprofit Compliance Update



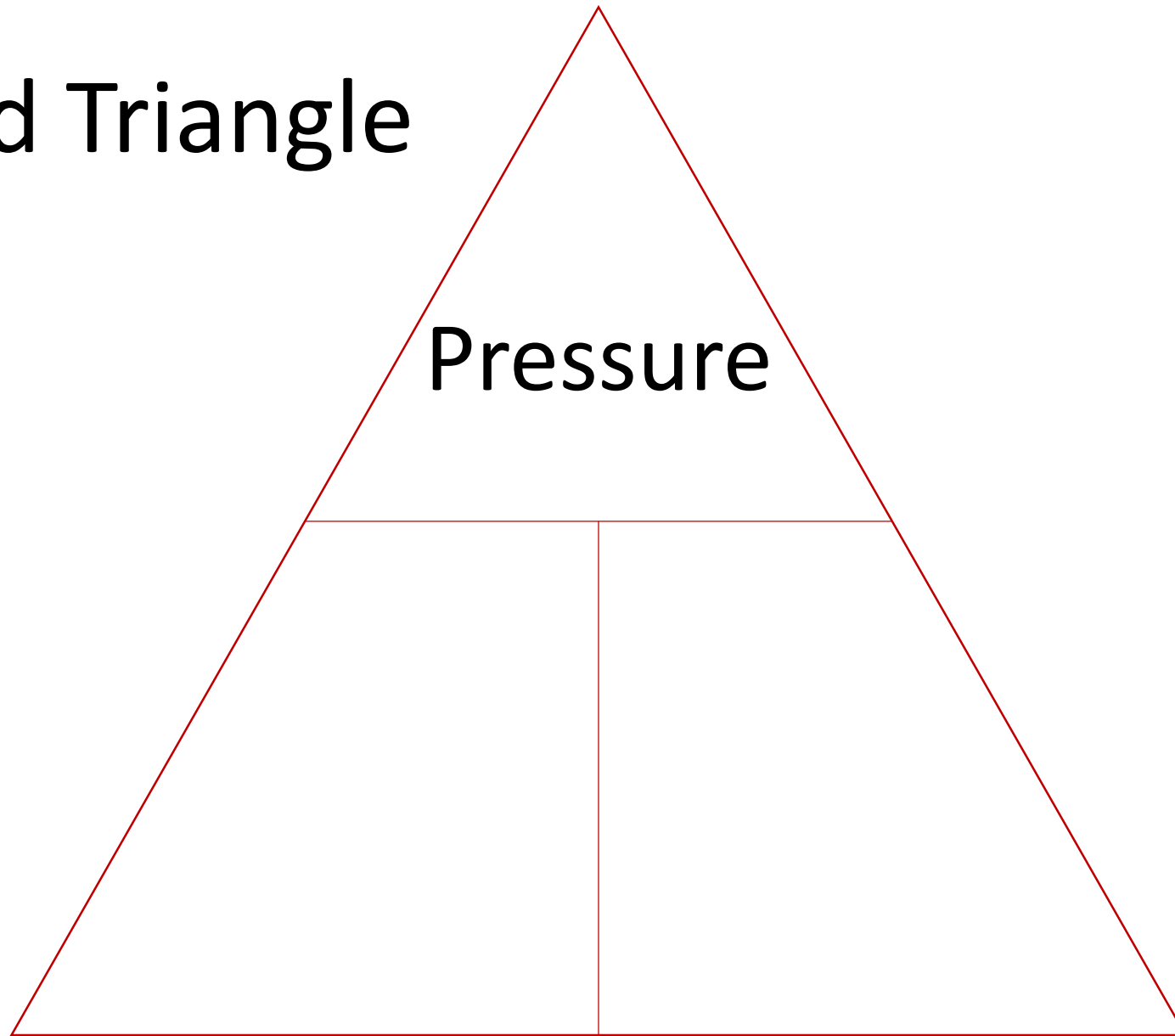
Leading a Nonprofit from Fraud to Fruition
Presented by Russ Seagle, Executive Director

April 25, 2017

strengthening the organizations that help our communities succeed



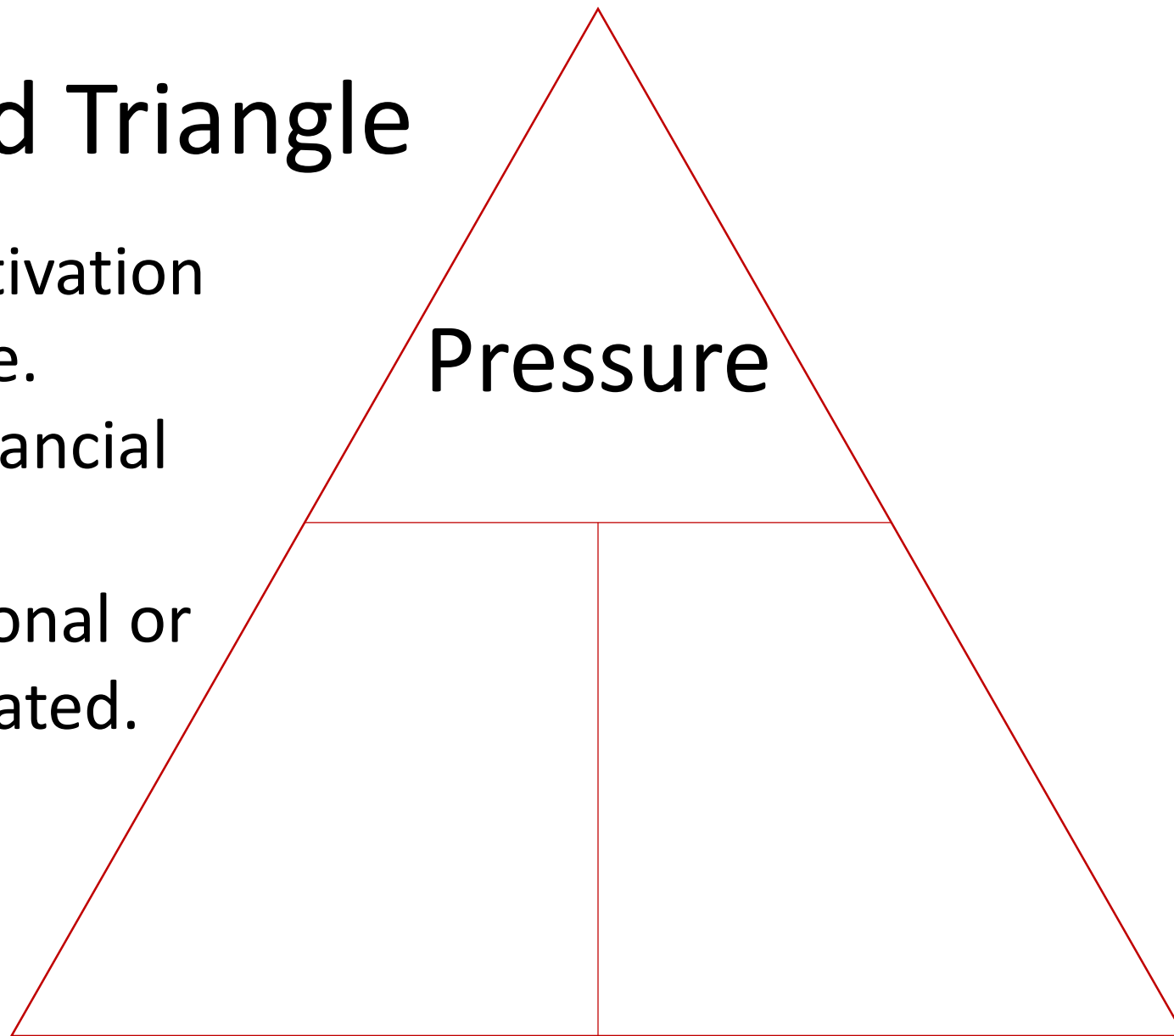
The Fraud Triangle



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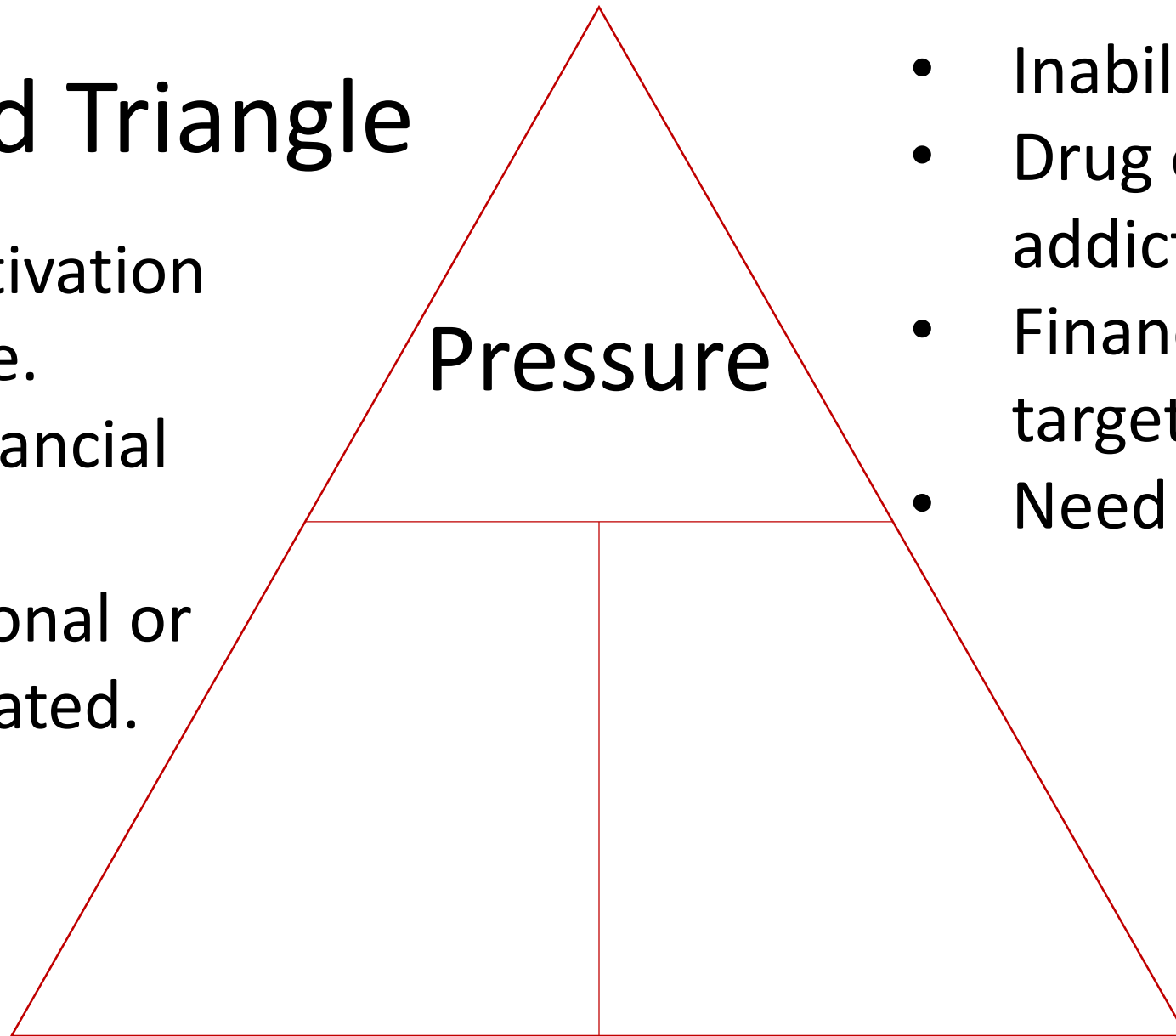
The Fraud Triangle

- Primary motivation for the crime.
- Usually a financial problem.
- Can be personal or business-related.



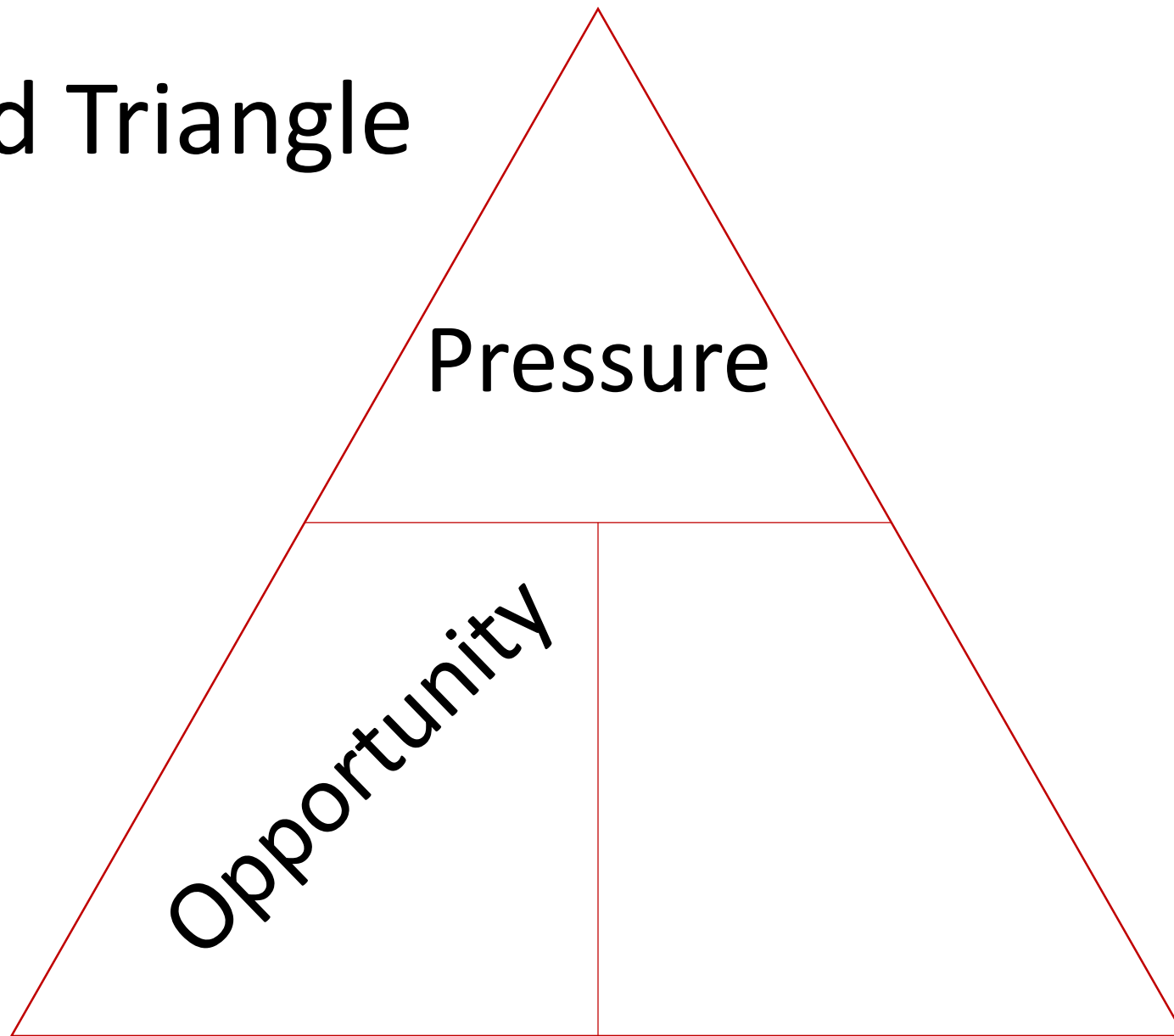
The Fraud Triangle

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- Inability to pay bills
- Drug or gambling addiction
- Financial productivity targets
- Need for status

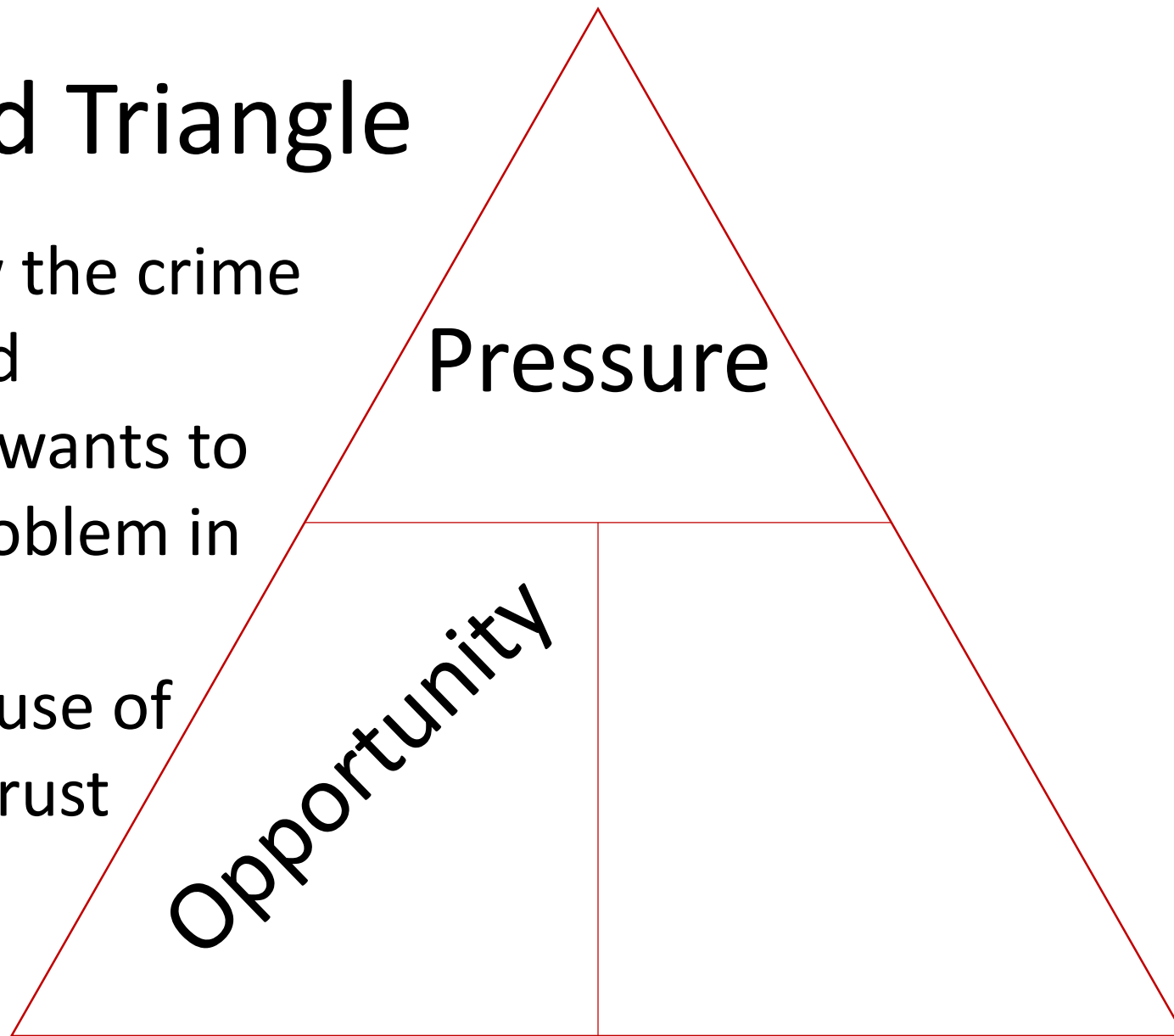
The Fraud Triangle



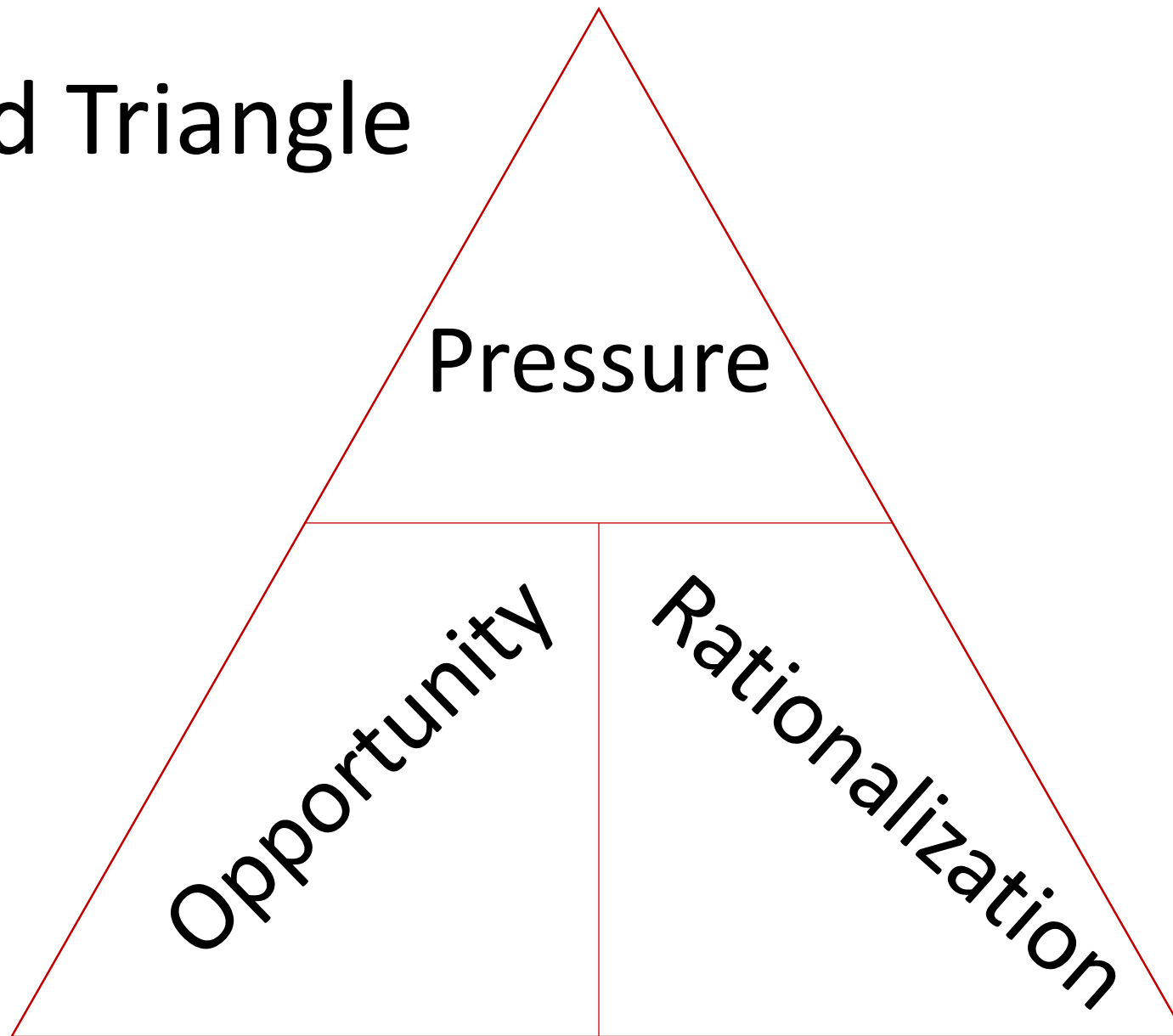
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The Fraud Triangle

- Defines how the crime is committed
- Perpetrator wants to solve the problem in secret
- Relies on abuse of position of trust



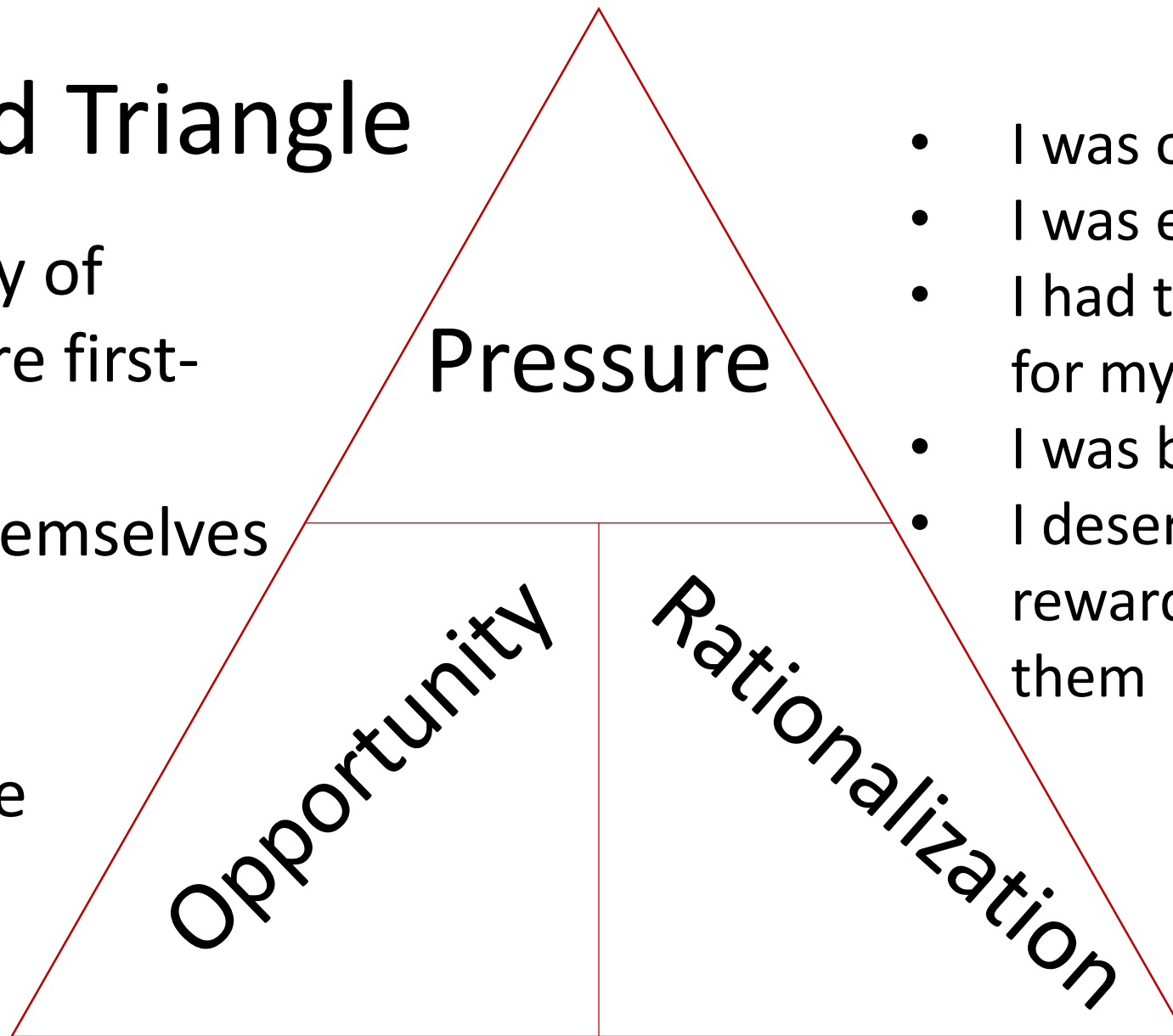
The Fraud Triangle



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The Fraud Triangle

- Vast majority of fraudsters are first-timers
- Don't see themselves as criminals
- Victims of circumstance



- I was only borrowing it
- I was entitled to it
- I had to steal to provide for my family
- I was being underpaid
- I deserve to be rewarded for all I do for them

Signs to look for

- **Intelligent, inquisitive** – always wants to know how everything works
- **Big spender** – Living beyond means or sudden large purchases
- **Egotistical risk taker** – Rule breaker, from speeding tickets to abusing sick leave
- **Hard worker** – Immune to stress. In early, out late, no vacations.
- **Disgruntled** – Unable to relax or experiences drastic behavioral changes

Fraud Stats

- 69% of embezzlement happens at organizations with fewer than 500 employees.
- 80% of victim organizations have fewer than 100 employees.
- HALF have less than 25 employees
- 40% of fraud is committed by someone in the finance/accounting function
- 1 out of 3 thefts involves organizations in the financial services or nonprofit industries
- People with the most access to money commit the most theft.

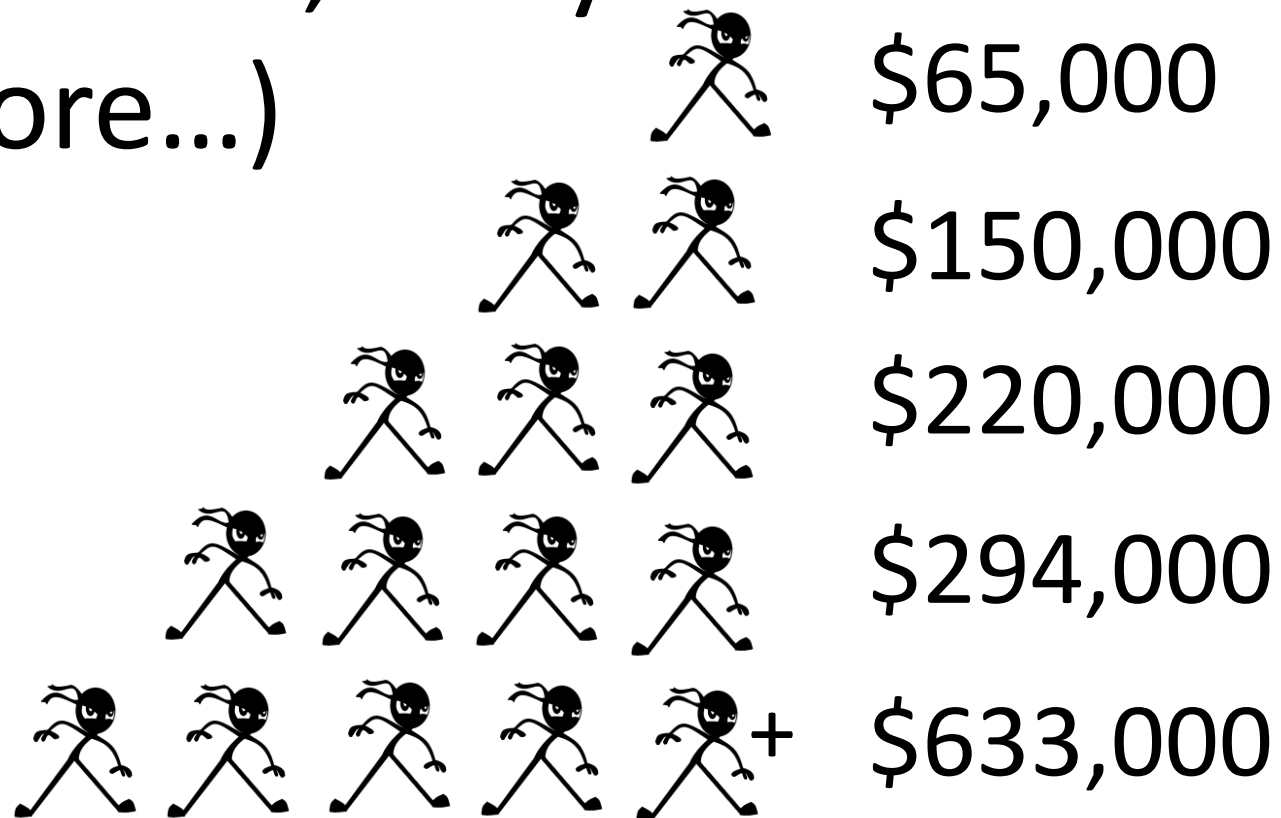
Fraud Stats

- The average loss is \$807, 443
- The median loss is \$294,354
- 36% of cases involve losses of over \$500,000
- The TYPE of fraud varies by industry, but MANAGERS are more likely to steal than employees.
- In 75% of fraud cases, managers took more (and more often) than employees.
- The median age of perpetrators is 49
- Women commit 56.3% of embezzlements

Fraud Stats

- Auditors only detect theft 7% of the time.
- Accidental discovery catches 37% of embezzlement.
- Financial statement fraud accounts for nearly 9 times the losses of corruption or asset misappropriation.
- When the Executive Director/CEO commits fraud, the loss is 10x greater than when anyone else is the perpetrator.

It takes two, baby!
(or more...)



Ways to Protect Your Organization from Fraud

- Policy, Policy, Policy
- Separation of duties
- Monthly reconciliations
- Credit card use restrictions
- Board of directors oversight
- Monitor agency assets (business use only)

Ways to Protect Your Organization from Fraud

- Limit access to and regularly reconcile petty cash
- Store checks securely with dual access only
- Avoid related party transactions
- Cross train and trade duties periodically
- Mandatory vacations – monitor vacation balances
- Avoid temptation to place too much trust in any one employee

Ways to Protect Your Organization from Fraud

- Set up a reporting system/anonymous tip hotline
- Ironclad Whistleblower Policy
- Implement per diem for travel expenses
- Train employees
- Create and LIVE an anti-fraud culture
- Take allegations seriously, and act swiftly

Ways to Protect Your Organization from Fraud

- Don't be afraid to fight
- Hire a professional

There's no shame in being a victim, but there is great shame in allowing a perpetrator to victimize another organization because of our fear.

Russ Seagle

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The book, [Saving Sequoyah: From fraud to fruition](#), is due to be released in 2018.