



NONPROFIT FRAUD – IT COULD HAPPEN TO YOUR ORGANIZATION!!!

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QUESTIONS NOT ANSWERED DURING THE WEBINAR

QUESTION #	QUESTION DETAIL	ANSWER
1	I assume donors hesitate to give when they see a fraud but any actual studies showing the correlation between fraud and donation reaction?	No formal studies that I am aware of, only evidence from specific cases.
2	Could you comment on the need for daily deposit of cash and checks received? I learned this control 20 years ago as a young auditor, but have heard resistance during the last decade, that it is not necessary, even a waste of time until sufficient amounts have been received to warrant a deposit.	Depositing funds in a timely manner minimizes the risk of theft/loss of cash and checks, so it is always preferred. However, there could be a threshold beneath which it is considered inefficient to make a daily deposit.
3	Could you address risks/best practice for firm's segregation of duties for medium and small NFO organizations (custody, authority, record keeping.)?	Always start with determining what duties would be necessary to CONCEAL the fraud (remember we made a distinction between perpetration and concealment) and determine whether that function can be segregated. In very small organizations, it is sometimes essential that the treasurer or other board member perform a review of account reconciliations, get online access to view bank activity, etc.
4	Figure 71 says that 43% are "living beyond their means." What line of questioning would an auditor and/or employer take to identify an issue like this?	This is very difficult to ask someone about. Rather, it is important to be observant of a person, including all aspects of their behavior, so that you might notice signs of this. And as noted earlier, more organizations are beginning to perform periodic credit/background checks after someone is employed, so that this could be detected in that manner.
5	Is it good practice to do a background check on employees handling cash every so many years as opposed to just at the time that they're hired?	More organizations are beginning to do this and it is emerging as a best practice. It is quite common in certain public sector positions.
6	Is there a way to find out if someone has opened an unofficial bank account in your organization's name?	There isn't any single source of information for this, since this is not public information. However, some financial institutions will respond to requests asking whether they have any accounts in your organization's name.

7	How would you handle a situation where, when you are analyzing an account for a service provider but you discover that the service provider was introduced by the new CFO when he joined the organization and the service provider bills an unusual management fees which is not part of the usual payments for the services they provide to the organization.	Start by determining whether there is a contract, how long this has been going on, what deliverables appear to be provided. You can also look online at the service provider to see whether they appear to be a legitimate vendor. Also, there's nothing wrong with simply asking the CFO what types of services are provided (depending on what your role is). Determine whether the organization's policies for competitive bidding were followed.
8	Do you have any suggestions for what to call the fraud line?	Depending on how broadly the line is intended to be used (i.e. only fraud, or also other matters), organizations use terms like "Ethics Hotline" "Compliance Hotline" "Reporting Portal" (for online reporting) and many others.

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