Steps to Prevent
Nonprofit
FRAUD

Despite their altruistic missions, nonprofit organizations are not immune to the threat of financial fraud. As a result, a keen understanding of common risks and proven preventative solutions remain essential to effective and secure nonprofit administration.

A Prevalent PROBLEM

Between 2008 and 2012 alone, more than 1,000 U.S. nonprofits reported losses of at least $250,000* *resulting from theft, fraud or embezzlement.*

*or 5% of the organization's total value

Common CLUES

Fraudsters often exhibit one, or more, of the following warning signs:

Living beyond their means

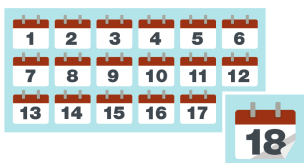Facing financial difficulties

Displaying unusually close relationships with vendors or donors

Refusing to cede/share control of certain job functions

Proactive PREVENTION

The average fraudster will carry out their scheme for *18 months prior to detection,* underscoring a concerning lack of oversight.

1	2	3	4	5	6
7	8	9	10	11	12
13	14	15	16	17	18

Organizational solutions include:

- Stronger separation of duties among employees
- Consistant performance of both internal and external audits
- Safe reporting channels that protect potential whistleblowers

Technical solutions include:

- Role-based permission settings that limit data access
- Automated alerts regarding reprinted checks, altered pay rates and modified vendor info
- Advanced security steps including data masking and encryption

1. acfe.com/rttn/docs/2014-report-to-nations.pdf
2. nonprofitquarterly.org/management/23330-keeping-your-nonprofit-safe-from-fraud.html
3. washingtonpost.com/investigations/inside-the-hidden-world-of-thefts-scams-and-phantom-purchases-at-the-nations-nonprofits/2013/10/26/825a8-ca-0c26-11e3-9941-6711ed662e71_story.html

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