

# Fraud

## Warning Signs

Here are some of the fraud-related red flags nonprofits can watch for:

- **Absence of background checks.** Background checks should be conducted on anyone handling money. This is especially true for volunteers, who ministries frequently don't scrutinize as closely as employees.
- **Budget cutbacks.** When ministries reduce their budgets, financial controls usually suffer. Remaining employees or unpaid volunteers must pick up the slack. This can lower morale and increase the likelihood of fraud.
- **High turnover.** When there is a high turnover of employees in the financial management area of a nonprofit, it could be a sign people are distressed by witnessing fraudulent activity.
- **Minimal monitoring of remote events.** Fraud often proliferates wherever supervision and control are at a minimum—such as at events or programs conducted remotely from a national, international, or regional headquarters.
- **Anonymous tips.** Fraud warnings can come in the form of telephone messages or anonymous letters from employees or volunteers. While they sometimes may be frivolous and without merit, ministries can't afford to ignore them.

## Facts

- The real cost to your organization from a reported instance of fraud or financial abuse cannot be measured in terms of the dollars lost.
- People and circumstances change over time and those changes can increase the risk of internal fraud and abuse.
- While internal controls play a part in deterring fraud and abuse, they represent but one facet of fraud prevention and detection.
- Reliance on the external audit as the primary method of detecting fraud is not enough.
- Everyone in the organization has a role in the prevention and detection of fraud and abuse. 🌐