



Monitoring Nonprofits for Fraud

This book is vital reading for anyone who oversees a nonprofit organization.

By Terrence Fernsler

Fraud and Abuse in Nonprofit Organizations: A Guide to Detection and Prevention

By Gerard M. Zack. 360 pages. Hardcover. Hoboken, NJ: John Wiley & Sons, www.wiley.com.

Most people who perpetrate fraud against nonprofits do so for a long time before they're caught, and most are employees. Higher-level employees average greater amounts of fraud, since they tend to have fewer levels of oversight.

Most fraud, however, can be prevented. The main prevention methods are separation of duties, diligence by those reviewing reports, and proper oversight. In this invaluable book, Gerard Zack details these methods and looks at three areas to prevent or detect fraud — financial controls, nonfinancial systems, and management behavior.

There are many types of frauds. Purchasing and disbursement schemes have caused some of the largest losses for nonprofits, and

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once they occur, they may be difficult to detect. Organizations can commit fraud against other nonprofits, but monitoring vendors and subcontractors can prevent most of these abuses.

Zack explains how to minimize fraudulent reporting, deceptive statements of program accomplishments, abuse of special privileges, noncompliance with laws, and unethical fundraising. He describes how to establish a culture in which abuse will not be tolerated.

The board's role in preventing fraud is to make sure programs are run efficiently. Board members must understand that they are the first line of defense against fraud by senior management.

Nonprofits can prevent nearly all abuse by implementing policies

and oversight procedures. These include security over stakeholder information, information technology systems, hotlines, and communication systems, all of which Zack discusses in detail.

Zack shows how financial reports can be used to detect specific types of fraud. Some nonfinancial systems also play a key role in deterring fraud and abuse. Human resource policies can be a real asset here. Many policies explained in the book can reduce motives and rationalizations for abuse; others identify people who pose a risk of committing fraud. Even when fraud doesn't harm an organization financially, it can do severe damage to its image. That makes this book important for all nonprofits to review. ■

Terrence Fernsler is a consultant and trainer to rural nonprofit organizations in the Pacific Northwest. He lives in Elma, Washington.



Nonprofit *briefs*

Are You a Great Communicator?

A good leader is a great communicator. Here are some ways to improve communication in your organization:

- **Meet face to face** as often as possible. E-mails, phone calls, and memos don't count. The benefits you'll reap from actual contact will be more than worth the extra time it takes.
- **Communicate more.** Chances are good that you're not communicating enough. One way to test whether you need to communicate more: Ask employees to write their job descriptions and the direction your organization is headed. If everyone isn't in sync, you'll know by the answers that you need to communicate more.
 - **Ask your employees** for their insights before you make a decision.
 - **Eliminate cliches**, fuzzy words, and jargon from your communication. You'll be working smarter, and your employees will appreciate the clarity.
 - **Listen to others**, learn from what they say, and use that knowledge to guide your actions.
 - **Welcome new ideas.** Make it okay for others to share their thoughts, even if their opinions differ from yours. □

— adapted from the ABC News Web site, abcnews.com