

TRUST BUT VERIFY

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 AcctTwo

Faith-Based Finance Collaborative

CPE CREDIT FOR THIS COURSE

There are three things needed in order for you to receive CPE credit for the course you are attending:

1. Sign the sign-in sheet for each course.
2. At the end of each course, you will receive a reminder to complete your course survey, and it will have a link to all surveys. Please only fill out the one for the course you just attended. You can also do this after the event if you don't have time in between sessions. And PLEASE don't forget to include your name, so we will know who to give credit to.
3. There will also be printable certificates available for you to download at the end of the conference. Please be sure to attend our last session to find out more!

Without these items we are not properly able to credit you for this course.

SESSION OBJECTIVES

At the end of this session you will be able to:

- Understand the anatomy of fraud and its financial impact to an organization
- Identify the traits of a fraudster
- Determine ways to decrease the risk of fraud at your respective organization

NEARLY 40% OF FINANCIAL MANAGEMENT TEAMS LACK ANNUAL FRAUD PREVENTION PROCEDURES, CHECKLISTS AND SIMILAR REVIEWS, ACCORDING TO RESULTS OF THE NEW NONPROFIT FINANCIAL MANAGEMENT SURVEY FROM THE EVANGELICAL COUNCIL FOR FINANCIAL ACCOUNTABILITY (ECFA) — AND FOR CHURCHES, THAT PERCENTAGE IS LIKELY EVEN HIGHER.

ANATOMY OF NONPROFIT FRAUD

- Cost?
- Schemes?
- Who? Why?
- How can you protect your organization?
- Conclusions and recommendations

THEOLOGY OF FRAUD

Fraud is a symptom of the fallen human heart; therefore, everyone has an inherent capacity to commit it. Recognizing this capacity is a necessary component of biblical stewardship; therefore, church leaders have a responsibility to make reasonable efforts to prevent and detect it.

WHAT DOES THE BIBLE SAY ABOUT FRAUD?

Luke 16:10-13 (NIV)

¹⁰ “Whoever can be trusted with very little can also be trusted with much, and whoever is dishonest with very little will also be dishonest with much. ¹¹ So if you have not been trustworthy in handling worldly wealth, who will trust you with true riches? ¹² And if you have not been trustworthy with someone else’s property, who will give you property of your own?”

WHAT DOES THE BIBLE SAY ABOUT FRAUD?

1 Timothy 6:9 (NIV)

⁹ Those who want to get rich fall into temptation and a trap and into many foolish and harmful desires that plunge people into ruin and destruction.



THE COST OF FRAUD

ORGANIZATION TYPE – FREQUENCY

- Not-For-Profit (NFP) makes up 9% of all fraud reported
- 28% within organizations of 100 or fewer employees
- 2% – 3% of fraud cases come from Religious, Charitable or Social Services (RCSS)

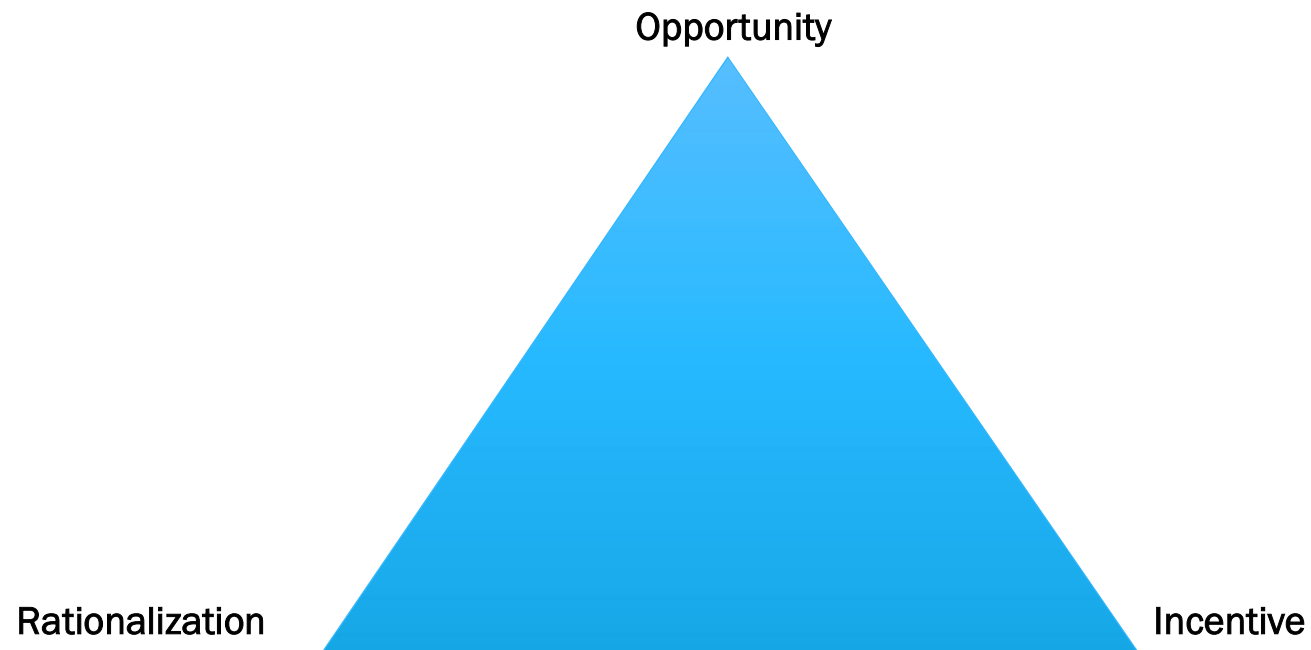
MEDIAN LOSS DUE TO FRAUD

- \$90,000 in Religious NFP
- \$118,000 in Government
- \$164,000 in Private Companies
- \$117,000 in Public Companies
- As a percentage of total cash reserves, NFP losses are much higher and more damaging than that of Public Companies



HOW FRAUD IS COMMITTED

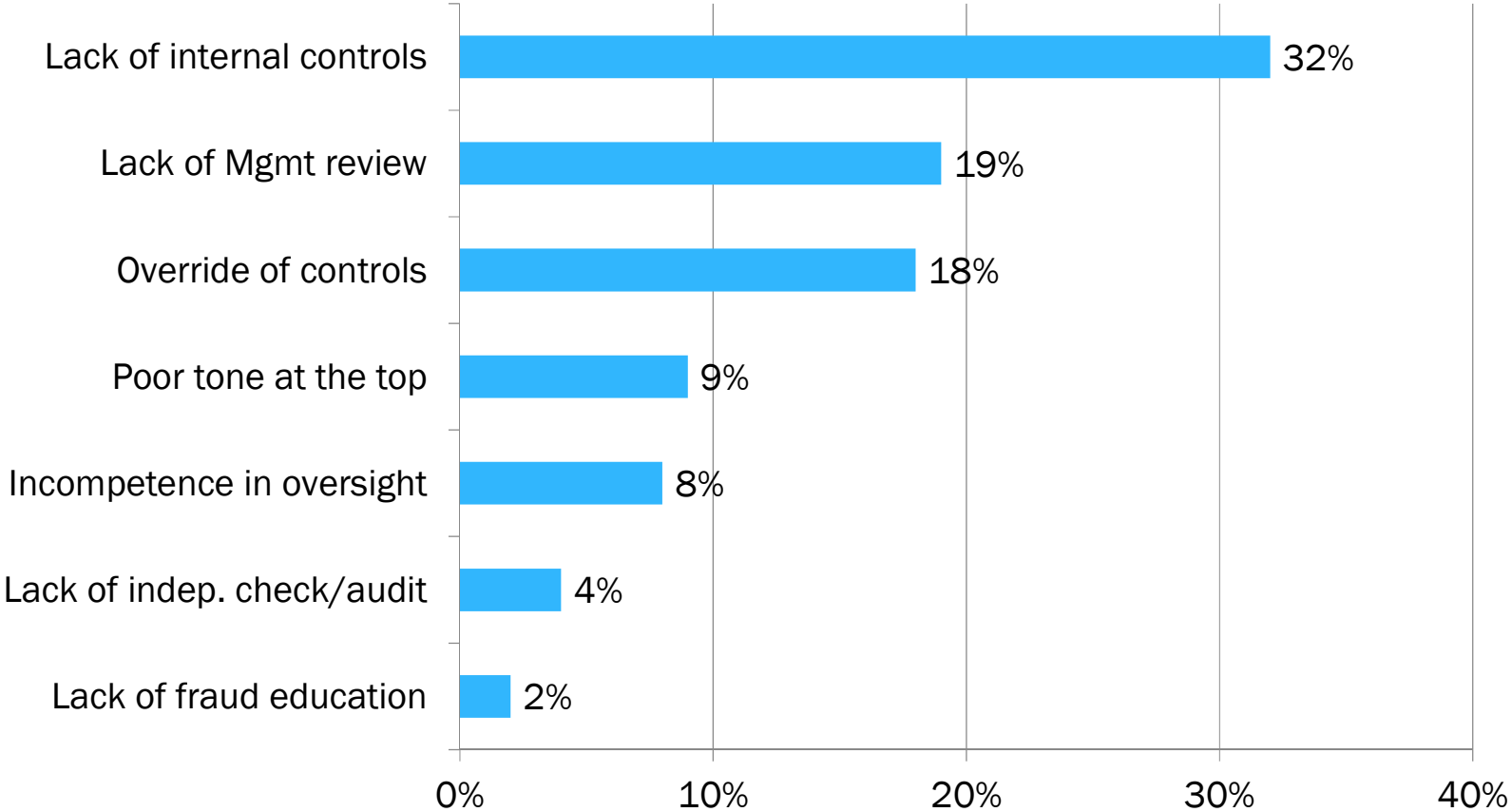
FRAUD TRIANGLE



TYPES OF FRAUD COMMITTED

Religious, Charitable or Social Services 58 Cases	
Scheme	Percent of Cases
Check Tampering	19%
Billing	40%
Expense Reimbursements	29%
Corruption	34%
Payroll	22%
Skimming	17%
Cash Larceny & Petty Cash	31%

PRIMARY INTERNAL CONTROL WEAKNESSES



■ 2018

EXPERIENCE: WHAT WE HAVE OBSERVED IN REAL LIFE:

- Cash disbursements
 - Checks, transfers, petty cash, false vendors
- Payroll
 - Ghost employees, terminated employees
- Credit cards
- Expense reimbursements/mileage
- Unauthorized use or sale of ministry assets



PROFILE OF A FRAUDSTER

PERPETRATOR PROFILES

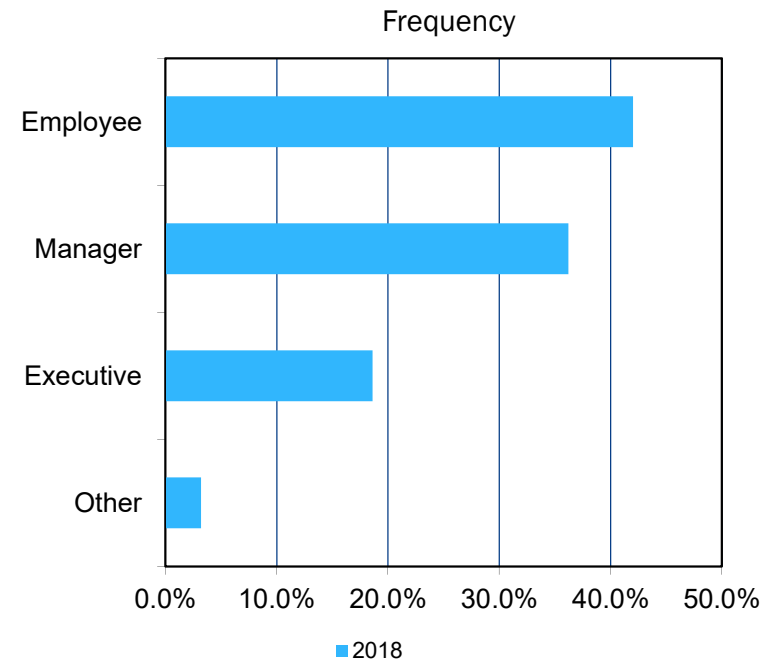
Most Common

- 69% of fraudsters were male
- 67% 31 – 50 years old
- No criminal record
- With organization for at least 3 years
- Longer the number of years, the higher the fraud amount

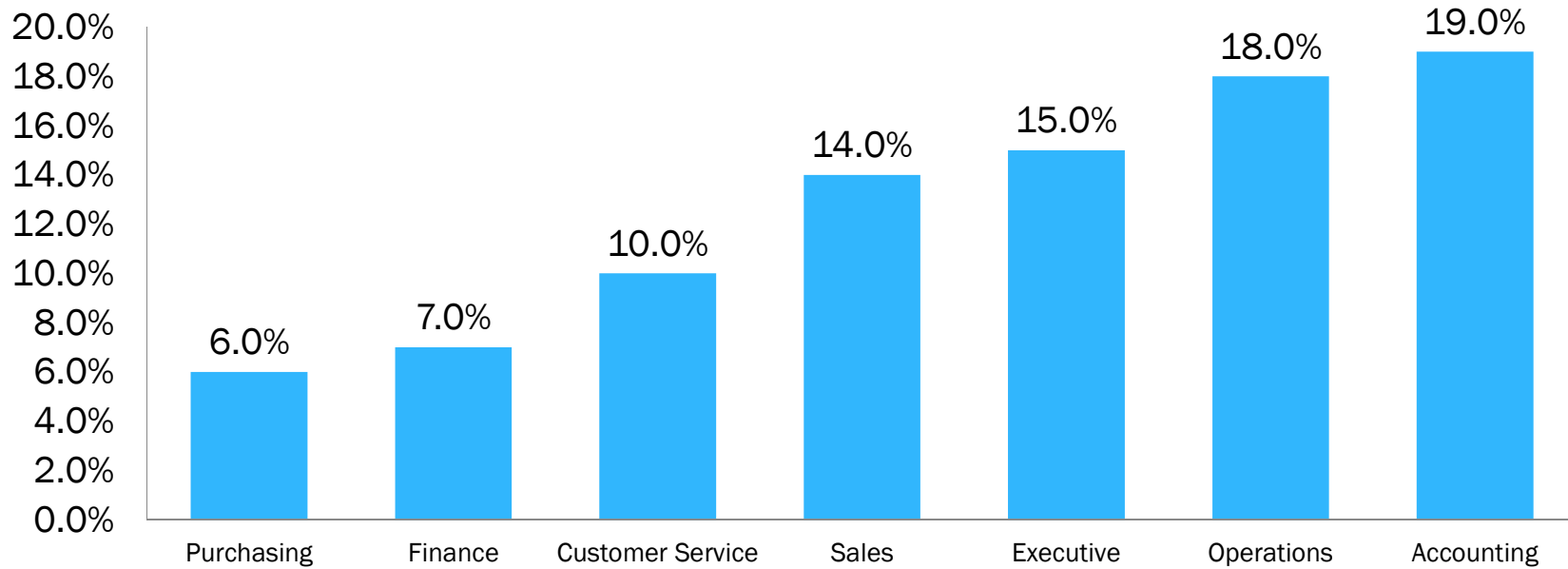
Most Costly

- Male, age 60+
- Executives/Manager
- Earns between \$100,000 to \$165,000
- Median losses created were \$480,000

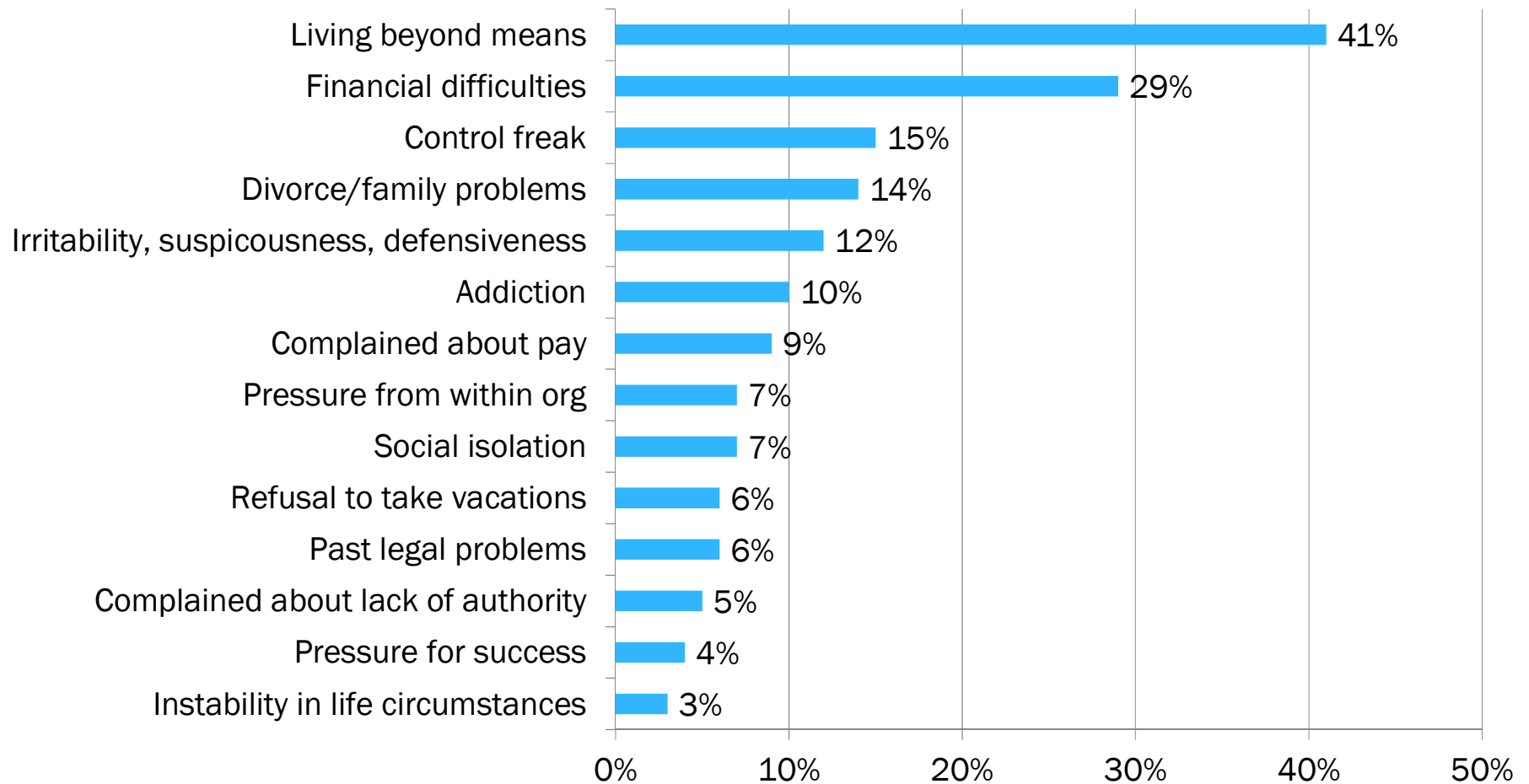
EMPLOYMENT LEVEL OF PERPETRATOR



MOST COMMON POSITIONS FOR FRAUD



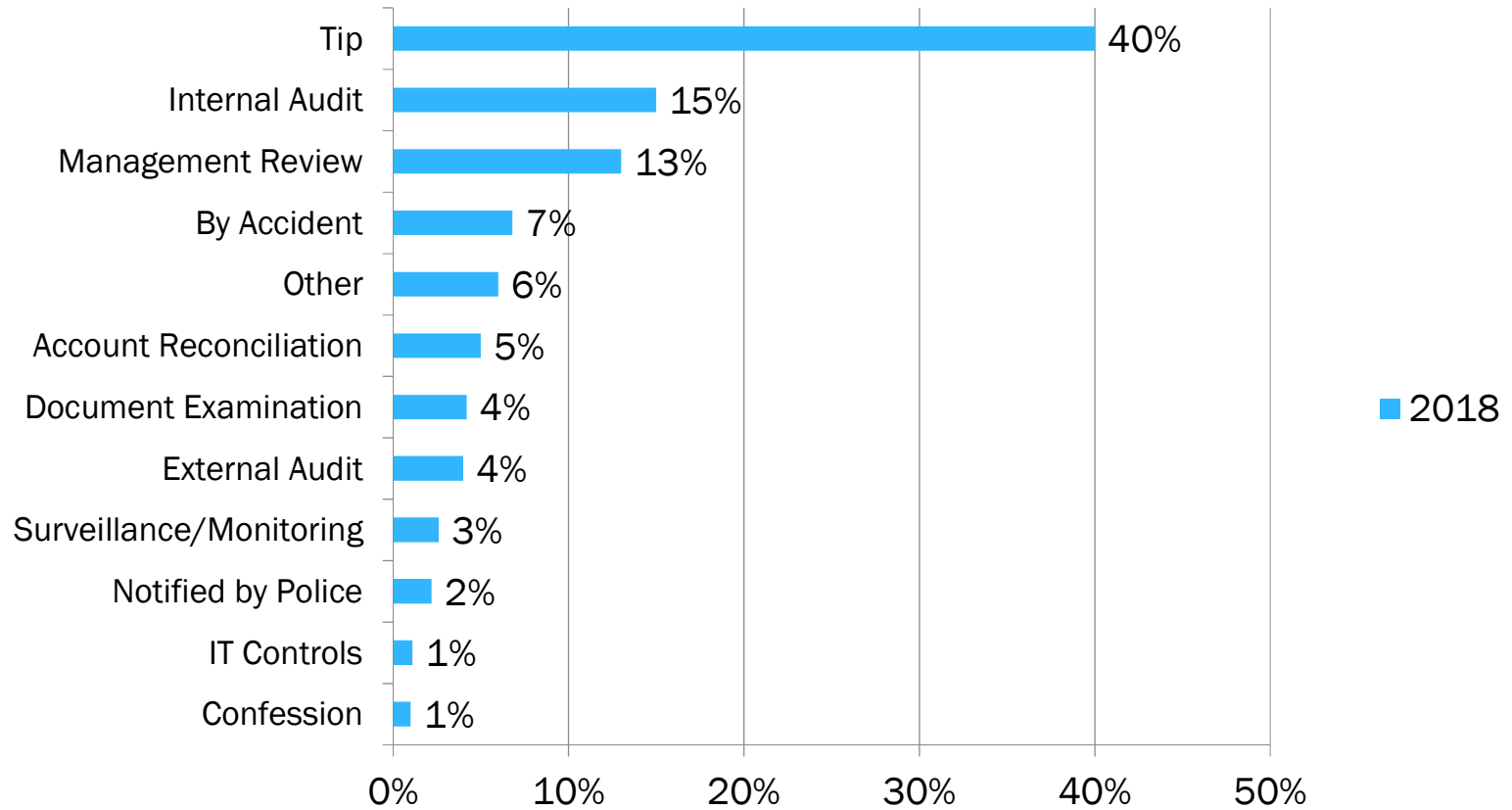
BEHAVIORAL RED FLAGS DISPLAYED BY PERPETRATORS



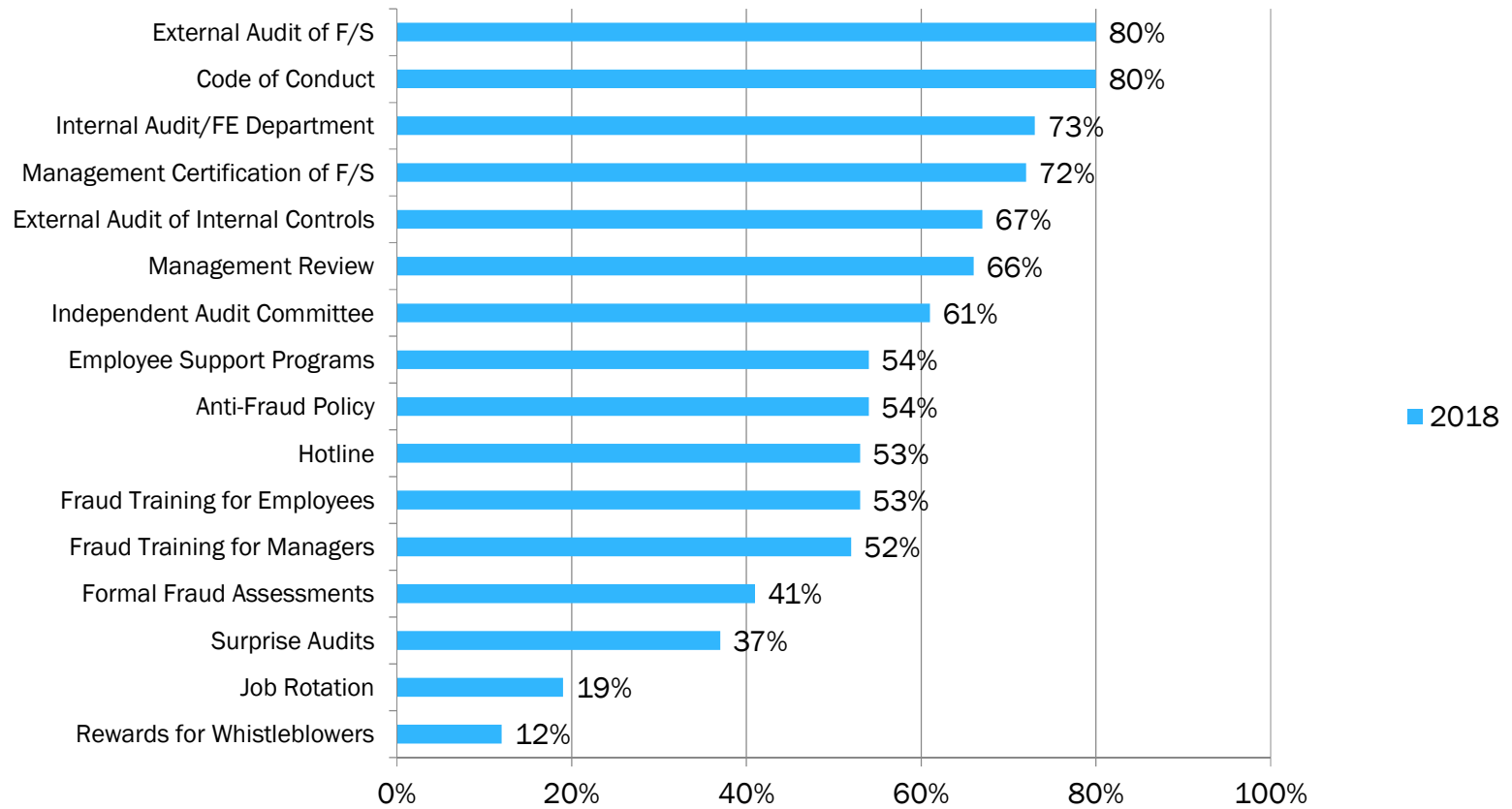


FRAUD PREVENTION

PERCENT OF CASES DETECTED BY METHOD



FRAUD DETECTION METHODS UTILIZED



FRAUD HAPPENED. NOW WHAT?

Link below to article on key steps to take and key questions to ask if your church is victimized by fraud...

capincrouse.com/fraud-happened-now

FRAUD RISK AND PREVENTION QUESTIONNAIRE

Designed to provide a simple yet powerful test of your organization's fraud health. It is adapted from the ACFE Fraud Prevention Check-up from the Association of Certified Fraud Examiners (ACFE).

capincrouse.com/fraud-questionnaire

CONCLUSIONS AND RECOMMENDATIONS

- DO implement an anonymous tip line and whistleblower policy
- DO review credit card statements, cancelled checks, and bank reconciliations
- DO implement fraud training
- DO increase the perception of detection
- DON'T rely upon your external audit
- DON'T use trust as an internal control
- DO assess your organization's vulnerability to fraud
capincrouse.com/fraud-questionnaire
- DO understand your fiduciary responsibility
perلمانandperلمان.com/embezzlement-board-liability

REFERENCE

“Report to the Nations on Occupational Fraud and Abuse,” ACFE, 2018.

STAYING CURRENT: RESOURCES

- Subscribe to our e-news at capincrouse.com
 - Email Alerts on breaking news
 - Nonprofit Issues newsletters
 - Upcoming events
- Visit the Nonprofit Resources section of the website for articles, blog posts, and other resources
- ECFA CHURCHEXCEL at www.ecfa.church/ChurchExcel.aspx
- *Essential Guide to Church Finances* by Richard J. Vargo and Vonna Laue

STAYING CURRENT: UPCOMING CAPINCROUSE EVENTS

Learn about upcoming webcasts and seminars at
capincrouse.com/events



THANK YOU!

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