The Preventive Effects of Whistleblowers on Fraud in Nonprofits

Elizabeth Evankovich

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Elizabeth Evankovich

John Carroll University

Senior Honors Project

2018

Professor Don Dailey

John Carroll University

School of Accountancy and Information Science

Project Advisor

Dr. Mariah Webinger

John Carroll University

School of Accountancy and Information Science

Secondary Project Advisor

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Executive Summary

Due to the nature of nonprofit organizations, they are more vulnerable to fraud than for-profit companies. With the heavy reliance on volunteers and the trust and loyalty of employees, nonprofits often fall into the fallacy of turning a blind eye to the possibility of fraudulent activity within the organizations. These attitudes and rationalizations are especially dangerous as the median casualty loss in nonprofit fraud cases is $100,000 (Marks). Further pressure to ignore fraudulent activity arises from the reliance on donations and the need for positive donor relationships. Reports of instability and fraud result in a dramatic decrease in external funding. In addition to the culture of nonprofits, the level of resources continues to increase the organization's vulnerability. Limited staff and financial resources hinder a small nonprofit's ability to segregate duties and implement strong internal controls.

Preventive measures can be taken to limit the risk within nonprofits. By implementing a whistleblower hotline where employees may report any bias or issues, organizations can respond to financial risk more effectively. Whistleblowing is responsible for 43% of fraud detection (Proven Effectiveness). Utilizing third-party hotlines presents an affordable way for small nonprofits to provide this service to their employees. Through surveying small nonprofit organizations in Cleveland, cultural, internal controls, and financial risks were evaluated. The survey results supported that organizations with whistleblower hotlines are at the lowest level of risk. In addition, interviews with the Director of the Non Profit Administration at John Carroll University and a Certified Fraud Examiner confirmed the research. By forming whistleblower policies, adjusting attitudes toward risk, and strengthening internal controls, nonprofit organizations may mitigate financial risk.

Introduction

With “losses from fraud total[ing] 5% of annual revenues for a typical company,” fraud presents a concern for both for-profit and not for-profit organizations (Samuels). However, the nature of nonprofit organizations makes them more vulnerable to financial risk. Due to its reliance on loyalty and volunteers, nonprofits are particularly vulnerable to the feared five letter f word - fraud. Fraud consists of “deception, deflection, and persuasion” and hinders organizations both financially and socially (Marks). Incorporating surveys of employees working at small nonprofits in Cleveland as well as secondary research, this paper provides insight on the vulnerable nature of nonprofits, and offers solutions and guidelines on ways in which nonprofits can better protect themselves against fraud through forming whistleblower policies, adjusting attitudes toward risk, and strengthening internal controls.

Research

In order to analyze the risks of fraud, the conditions that give rise to fraud must first be understood. The fraud triangle captures three conditions “arising from fraudulent financial reporting and misappropriation of assets”: incentives/pressures, opportunities, and attitudes/rationalization (Arens). Incentives within nonprofits would most likely consist of personal financial incentives. These incentives could include disadvantaged personal circumstances such as medical expenses, pressures of unpaid bills, or a desire for luxury and wealth. The incentive point of the triangle captures the fraudster’s internal motivation for participating in fraudulent activity.

The second point of the triangle consists of opportunities that must exist in order for fraud to occur. As the *Center for Audit Quality State*s, “fraud cannot occur unless an opportunity is present. Opportunity has two aspects: the inherent susceptibility of the [organization's] accounting to manipulation, and the conditions within the [organization] that may allow fraud to occur" (Marks). One condition that may arise to fraud consists of weak internal controls. Internal controls "are the financial processes and procedures that enable an organization to safeguard its assets" (Abila). The controls include a system of checks and balances that reduces financial risk. Unfortunately, internal controls are often neglected in organizations due to a lack of resources, training, and, or staff. Within nonprofits, employees lack experience with the organization as high staff turnover is common. The pay is often lower than industry averages, but responsibilities are high frequently resulting with nonprofit jobs being treated as a stepping stone in one's career. According to 2015 Nonprofit Employment Practices Survey, nonprofits experienced a 19% turnover rate in 2014 (Abila). This is almost double the average turnover rate in for-profit firms. In addition, 87% of the respondents stated that turnover is problem within their organizations (Abila). With high turnover, training staff and adequately segregating duties becomes increasingly difficult (Marks). Inconsistency, inadequate training, and weak controls create opportunity for misstatement and fraudulent activity.

Through the nature and the mission of nonprofits, there are additional opportunities that result in the organizations increased vulnerability to fraud. The nature of being not-for profit results in an organizational culture very different from for-profit firms. The organizations "center on a mission about which employees are passionate...attract[ing] staff personally motivated to help the organization succeed" (Eye). As a result, this negatively affects internal controls as the passionate staff often lack knowledge in compliance and financial standards. Furthermore, executives who are passionate about their organizations' causes are quick to trust others who share their interest (Marks). This increases financial risk as the executives are susceptible to manipulation by someone who shares their passions.

In addition to issues with organizational culture, financial controls present another area of concern. Within small nonprofits, there is a limited number of staff to oversee financial matters. With minimal resources, it can be hard to maintain adequate controls and oversight. This also restrains the ability to segregate duties. Another contributing factor to weak controls is the absence of training. In many nonprofits, there is not budgeted time or money to adequately train employees (Abila). According to the 2015 Nonprofit Employment Practices Survey, 9 out of 10 managers recognized that they would be able to more efficiently execute their role with training; however, only half of those respondents received the desired training (Abila). The lack of adequate managerial training results in additional risk for the organization.

Further opportunities arise from the nature of nonprofits. It is very common within nonprofit organizations to "wear many hats" (Abila). A single employee may have multiple responsibilities in different departments and jurisdictions. This further complicates the ability to segregate duties. Juggling these various duties, employees are often overworked; therefore, any additional task of training or strengthening internal controls becomes a huge burden. The internal control procedures become last priority and result in the weakening of overall controls. An additional opportunity arises from the practice of many nonprofits issuing grants or scholarships. By awarding financial gifts and aid to outside sources, an opportunity for potential abuse exists (Marks). Another area of vulnerability is the donations received. With often large amounts of cash and checks being received from numerous sources, the donations are vulnerable to theft. As demonstrated through these examples, there are many internal factors that generate increased fraud opportunities and put nonprofits at risk.

In addition to internal factors, there are many external factors that influence an organization's risk. Most nonprofits have high reliance on volunteers which makes it hard to maintain internal controls (Marks). The volunteers often have access to confidential information (Abila). In addition, the volunteer board rarely has the necessary financial expertise needed to assist the organization. Although the board of directors "may be well-connected in your community....very passionate about your cause, and...even good fundraisers...the financial infrastructure might be far too complex for most board members to fully understand it" (Abila). Although they may be lacking financial expertise, volunteers and donors are still needed for a nonprofit to succeed; therefore, organizations need to work in order to mitigate these risks.

Continuing to put nonprofits at risk, attitudes and rationalizations consist of the third point on the triangle. The attitudes that top management communicates toward fraud sets the tone of acceptable behavior throughout the organization. Nonprofits "in the business of doing good…[often] turn a blind eye to the possibility" of fraud (Abila). Employees often fear reporting fraud due to the negative consequences that could follow (Harshbarger). Nonprofits rely on public opinion for donations. After an executive at *United Way* was accused of charging personal expenses to the organization, donations dropped from $90 million in 2001 to $19 million in 2004 (Eaton). Reports of fraud and instability may result in dramatic decreases in donations such as with *United Way.* This may hinder the organization's ability to achieve its goals which persuades some organizations to ignore the possibility of fraud and trust their employees and passions. This culture of blind trust is particularly relevant among smaller organizations in which employees and the surrounding community have formed long relationships (Adamek) . On the other hand, ignoring the possibility and even occurrences of fraud can be very damaging to organizations. In a 2016 Global Fraud Study, 10.1% of victim organizations to fraud were nonprofits with a median loss of $100,000 (Marks). In order to protect against fraud risk, it is important that management maintains attitudes condemning fraud and unethical reporting.

Building on the understanding of the fraud triangle, the main forms of fraud can be better understood. One of the main forms of fraud occurring in nonprofits includes financial statement fraud (Zack, Gerry). Financial statement fraud within nonprofits is found most commonly as expenses misclassified as a program expense when they should be classified as a management expense. Another common financial statement fraud found is the inflating of the fair value of donated goods. It is also found that some organizations have grossed-up certain fundraising activities that Generally Accepted Accounting Principles (GAAP) would require to be reported at net (Zack, Gerry). These are three ways in which financial statement fraud is commonly detected within nonprofits.

Another form of fraud occurring in nonprofits is skimming. Skimming is the "intercepting of incoming funds intended for an organization" consisting of targeting cash, checks, and even credit card payments (Zack, Gerry). In this case, money is stolen prior to ever being recorded on the books. This form of fraud is particularly hard to detect if no receivable has been recorded on the books and if there is no tangible exchange of goods or services. In 2013, a Girl Scout Troop leader, Teresa Gatto was charged with stealing almost $5,000 from a local girl scout troop in Pittsburgh, Pennsylvania (Woman Accused). The woman cashed checks meant for the troop for her own personal benefit. Additionally, she skimmed cash as it was collected for admission fees and community events. Unfortunately, this leader is just one example of many fraudsters that act on the opportunity created by small organizations lacking internal controls and oversight.

The most common target for fraud consists of the purchasing function. According to the ACFE 2012 report, billing schemes were the most common fraud method in that year (Marks). Fraud in this area includes abusing organization credit for personal purchases, expense reimbursement schemes, writing organization checks to pay personal bills, and "shell company schemes" which are entities formed solely for fraudulent purposes (Zach, Gerry). The purpose of this type of fraud is to obtain payments which the employee is not entitled. Within the Girl Scout case discussed above, Gatto also committed fraud in the purchasing function by creating a shell company. Gatto claimed the account was for the girls' summer camp trips, but the account statements showed checks payable to cash or Gatto (Woman Accused). In addition, she wrote organizational checks to pay for her own personal expenses. The case of the Girl Scout troop's theft demonstrates that fraud "isn't just an operational or financial risk, [rather] it's inherently a *human* risk, meaning it often crosscuts numerous functions and departments within a nonprofit organization" (Zach, Gerry). Gatto was in a trusted position and had sole control of the money. Without a system of checks and balances, she had access to numerous departments within the organization.

In order to better protect against risk, it is important to be aware of the warning signs. Warning signals could include invoices for vague services, unfamiliar vendors, P.O. box addresses, company names consisting of only initials, dramatic increase in activity from a particular vendor, repeated billing issues during one month, and multiple charges below the organization's threshold for approval (Marks). In order to analyze for risk, warning signs may be evident within data, documents, and employee behavior (Marks). Warning signals within data departments could consist of transactions completed at abnormal times of the day or week, transactions with related parties, or transactions occurring more often than expected (Marks). These unusual transactions are warning signs that managers should consider investigating for further explanation. When analyzing documents, managers should search for missing or altered documents and missing signatures. The absence of proper documentation may pertain to fraudulent reporting. The behavior and circumstances of employees may present warning signs of motives of fraud. Common warning behaviors consist of divorce or other family problems, refusal to take vacations, complaints about pay, complaints about oversight, and past-employment issues (Marks). In order to protect against risk, it is important for management to be aware of the warning signs within reporting and employee behavior.

In order to protect against the risks we have identified, there are numerous precautions that can be taken. To limit opportunities for risk, it is important to divide duties within the organizations. Nonprofits should ensure that one individual does not have complete financial control and oversight. If a fraudster gains management's trust and fulfills a position of financial control, he or she is now in the prime position to take advantage of the organization. It is important for management to remember that "you have to trust the person before they can steal from you" (Adamek). This statement demonstrates how fraudsters incorporate themselves into the organization and gain the trust of their coworkers before committing fraudulent activity. The *Journal of Accountancy* recommends "trusting the system, not the people" (Adamek). By separating financial duties so that the check writer cannot also perform reconciliations or prepare financial reports, a secure system of checks and balances is implemented. The main goal of the system should be transparency and accountability. In addition, it is very important to act with professional skepticism and to not just assume numbers to be true.

One very effective way for companies to protect against fraud is the use of whistleblowers. Whistleblowing consists of a hotline where employees can anonymously report fraud. A PWC study concluded that "whistleblowers play a 'decisive role' in uncovering fraud" (Proven Effectiveness). The study found that over 43% of fraud detection has been discovered through whistleblowing (Proven Effectiveness). Additionally, a study conducted by the *Association of Certified Fraud Examiners* discovered 46.2% of fraud to be uncovered by tipsters (Proven Effectiveness). The value of whistleblowers jutted into the public's eye in 2002. *Time Magazine* declared it the year of the whistleblowers and highlighted three high profile cases (Heisler). Sherron Watkins, Coleen Rowley, and Cynthia Cooper were responsible for alerting leadership to areas for investigation. Watkins called out Enron's vice president for improper accounting, Cooper informed the board that WorldCom had covered up $3.8 billion in losses, and Rowley alerted the FBI director that Zacarias Moussaoui, a September 11 co-conspirator, needed to be investigated (Heisler). All three of these cases demonstrate the power of whistleblowing in uncovering bias, fraudulent activity, and other issues. These "anonymous reporting mechanisms are the antifraud measure with the greatest impact on reducing losses" (Eaton). Combatting vulnerability, whistleblowing is especially valuable for small nonprofits as it acts as an effective mitigation of controls. Value can also be gained through the boosting of public confidence in the organization. By having a whistleblower system, the public may be reassured that the organization is properly utilizing resources and protecting against risk (Eaton). Unfortunately, despite the vast benefits of whistleblower systems, only 29% of nonprofits have a whistleblower policy (Eaton). In order to better protect against fraud, it is important for organizations to implement and utilize a whistleblower system.

After the whistleblower policy is enacted, it is important to create a formal response plan for when complaints or tips are expressed by employees. The policy should protect employees and ensure that they will not be retaliated against. In addition, it must ensure that the complaints are taken seriously and that proper investigation follows. The whistleblower policy should include a clear description of who will be protected by the policy, confidentiality, anonymity, and non retaliation provisions (Eaton). By forming clear outlines, the whistleblower policy identifies the proper action that will follow a received complaint to ensure that all complaints are responded through a fair and similar process.

As nonprofits could benefit the most from a whistleblower policy, it is important to ensure that implementing a hotline is achievable. Third-party hotlines are normally the most attractive option as they are cheaper and more efficient (Samuels). Many companies that offer whistleblowing services offer a tiered pricing option based on organization size. Nonprofit organizations receive a discount and, therefore, are charged an even smaller fee. For example, Avoxi offers small organizations services at an annual fee of $500, and nonprofits are offered at an even lower cost (Wise). In comparison, Fraud Hotline offers 24-hour anonymous and confidential reporting services to nonprofits for a $250 annual fee (Whistleblower Reporting). With the median loss of fraud cases in nonprofits costing $100,000, the annual $250 fee is minimal in comparison (Marks). By companies offering discounted rates to nonprofits, the implementation of a whistleblower policy is very achievable. By utilizing third-parties, nonprofits would not have to burden their already busy employees with another task. Implementing the use of a hotline allows organizations to better protect against financial risk by alerting them to issues quickly and effectively before a large detrimental effect to the organization can occur.

Although whistleblower hotlines present large benefits, the organization must do its part to incorporate the policy into its culture through management attitudes and reinforcement. After its creation, the policy should be communicated to employees, so they are aware of the resources available and the promised protection if they choose to report an issue. Relating back to the risk of attitudes and rationalizations, organizations that have a precedent that welcomes reporting of unethical behavior and ensures “no retaliation” results in a more transparent office with employees who are more likely to report if an issue arises (Whistleblower). Employees must believe that management will protect them as “trust is the bedrock of any whistleblowing platform” (Yusuf-Adebola). In addition, it is important for organizations to emphasize the confidentiality and internal aspect of the hotline. Regardless if the hotline is run in-house or by a third-party, the organization should “ensure that the hotline is perceived as part of the company” as employees normally are hesitant to report fraud to “outsiders” (Samuels). By encouraging employees to utilize the hotline if a situation arises, organizations experience the best benefit from the system.

Interview Summaries

To gain another perspective on the presence and concern for fraud in nonprofits, Dani Robbins, who is the Director of the Non Profit Administration Program at John Carroll

University, was interviewed. Previous research suggests that nonprofits were unaware of their increased financial risk due to the nature of being a not-for profit entity. However, Robbins described how in her experience the issue of fraud is frequently being discussed with nonprofit leaders; however, she explained that the differences in organization size leads to vast differences in the vulnerability to risk. She stated how many larger nonprofits appoint a staff member to evaluate risk within the organization. In addition, they often have larger and more flexible financial resources, staff members, and time budgets; therefore, there is normally better internal controls, more training for employees, an effective whistleblower policy, and better segregation of duties. In contrast, Robbins finds smaller organizations to be at a greater risk as they don't have the luxury of time, money, and staff to focus on risk concerns. She argued that employees are often unfamiliar with financial processes and would be unable to recognize an abnormal and possibly fraudulent occurrence within reporting. Through the interview with Robbins, she reaffirmed research findings in respect to smaller nonprofits. She agreed that smaller organizations are at higher risk to fraud.

In addition to interviewing Robbins, Sue Peters who is a Certified Fraud Examiner was interviewed. Peters has focused her career on detecting fraud within nonprofits. Through her previous role, she was hired by insurance companies to detect fraud and verify the financials for nonprofit organizations. Of the organizations she evaluated, 80% of them were churches. The fraud cases in these churches consisted mainly of embezzlement cases. Peters identified the areas and causes of increased vulnerability within nonprofit. She described how nonprofits, particularly smaller nonprofits, typically don't pay their employees very well. Due to the low salaries, the organizations do not normally find highly qualified or experienced employees to bookkeep. Another issue she found was the complete trust the the organizations have in their employees and staff. She described how the attitude within the organization consists that there is no possibility of fraud occurring. On the contrary, Peters found that nonprofits are ripe for theft. In her experience, she found embezzlement committed from even the priests of churches.

Unfortunately, Peters explained that most nonprofits will not make a change to prevent against fraud risk until a fraud issue presents itself within their own organization. Despite being informed of steps to implement, organizations remained blissfully ignorant to the risk. Differing in opinion with the *ACFE*, Peters described how she dealt with numerous cases of repeat fraudsters within nonprofits. Whereas ACFE claims that most fraudsters in nonprofits are first time offenders, Peters has found that fraudsters actually seek positions within these organizations motivated by the opportunity to commit embezzlement. She found that within churches and other organizations, individuals step up to volunteer with the knowledge that the financial system would be vulnerable. With the trust of their community, no one doubted the individual's sincerity and motives. Therefore, although nonprofits frequently deny their vulnerability to fraud, the public has awareness of the financial vulnerability and opportunities to commit fraud.

Peters offered a number of insights and recommendations on how nonprofits should protect against financial risk. Her first suggestion is to ensure that the person who receives the mail is not the person who opens the mail. She described how organizations need to segregate duties in order to prevent bank statements from being altered. Additionally, she recommends that organizations take the time to actually review and study the bank statements. By analyzing the original bank statements, organizations can spot if they are missing money. With the tendency of nonprofits to turn a blind eye to fraud, Peters recounted how she presents her suggestions around this delicate subject to the organizations. Peters declared that the best way to protect nonprofits is to target the insurance companies. Most nonprofits are insured, and Peters demonstrated how it is well worth the cost for insurance companies to spend money to alert the nonprofit about fraud risk. By paying for an expert to go into the organization and inform of fraud risks and prevention, the insurance company can avoid the subsequent expensive claims that could result in the case of fraud. Furthermore, Peters described how whistleblowing resources consist of the number one identification of fraudulent activity. Despite its proven effectiveness, none of the small nonprofits she evaluated utilized a hotline system. In her experience, only larger nonprofits incorporate the use of a whistleblower policy. Peters declared that due to the cleverness of fraudsters, all organizations are vulnerable to risk regardless of the size. By segregating duties, educating nonprofits on the risks, and implementing whistleblower hotlines, organizations may put barriers in place for fraudsters and lower their risk of fraud.

Survey Responses

In order to analyze the current presence of fraud risk and awareness within nonprofits, the study focused on small organizations. Collaborating with Director JP Graulty in the Center for Social Service and Action at John Carroll University, a list of nonprofits was selected. With the knowledge that many of the employees would be busy with work and multiple responsibilities, the survey aimed to be concise and manageable. Organized into four categories, the survey assessed each organization’s risk. The risk evaluations were organized into sections on culture, internal controls, and financial risk. In addition, the survey also included a section on demographics in order to better understand the employee’s prior experience and education as well as experience with the organization. After the completion of the survey, the results were organized into an individualized risk evaluation for each nonprofit. The risk evaluation displays scores in each of the categories of culture, internal controls, and financial risk. The categories were scored by Elizabeth Evankovich and her two advisors Professor Don Dailey and Dr. Mariah Webinger. The average of the scores was taken. Seven employees from five organizations in Cleveland responded to the study. The survey questions can be found in the Appendix below at page 20.

Risk Evaluation Results

Below summarizes the scores given to each organization in each category of the risk evaluations. The detailed risk evaluations constructed for each organization can be found below in the Appendix at page 22.

Each category was scored based on the following scale:

1 - High Risk, risks are not mitigated and the organization has little or no protections in place

2 - Moderate Risk

3 - Low Risk, risks have been mitigated and the organization has many protections in place

	Organization A				Organization B			
	Professor Dailey	Dr. Webinger	Elizabeth Evankovich	Average	Professor Dailey	Dr. Webinger	Elizabeth Evankovich	Average
Culture	1	1	1	1	3	3	3	3
Internal Controls	2	2	2	2	2	2	3	2.33
Financial Risk	1	1	1	1	1	1	1	1

	Organization C				Organization D			
	Professor Dailey	Dr. Webinger	Elizabeth Evankovich	Average	Professor Dailey	Dr. Webinger	Elizabeth Evankovich	Average
Culture	2	2	2	2	3	3	3	3
Internal Controls	2	2	2	2	2	2	2	2
Financial Risk	2	2	2	2	3	3	3	3

	Organization E			
	Professor Dailey	Dr. Webinger	Elizabeth Evankovich	Average
Culture	2	2	2	2
Internal Controls	2	2	3	2.33
Financial Risk	2	2	2	2

Analysis

After analyzing the responses, many similarities were drawn between the survey results and the secondary research conducted. All of the organizations responded that their organization enforces a strong core mission and values. Supported in research, it was found that nonprofit organizations focus on passion around causes and a strong value. The responses demonstrated that organizations maintain a strong culture focused on their core mission and values; however, there was a lack of attention paid to the compliance to key processes. Furthermore, the surveys confirmed the issue of turnover as most of the respondents had only worked at the organization for one to five years, some even less than one year. The organizations also expressed concern of a low-talent pool due to low job demand from the small salaries.

In addition to culture, the survey demonstrated results of internal controls in line with preconceptions. Half of the organizations only had two people responsible for collecting and managing funds and/or paying bills. When asked if there were any factors that may present risk to the organization, the respondents shared that limited resources and the overworking of employees hinders the ability to strengthen controls.

Lastly, only one of the organizations offered a whistleblowing hotline where employees can report any bias or other issues. As discussed in the research above, whistleblowers are responsible for over 43% of fraud detection (Proven Effectiveness). Contributing to further financial risk, the organizations described their reliance on external funding and volunteer hours. In addition, one of the nonprofits reported knowledge of theft within its organization. Through analyzing the results of the survey, the responses of the organizations generally aligned with the conducted research.

Survey Limitations

It is important to acknowledge the potential variables that could have influenced the survey results. One variable includes the humanity and knowledge level of the person(s) taking the survey. The employee may have not wanted the organizations to appear in a negative light, so they might have answered more positively than actuality. In addition, depending on the responsibilities of the employee, the individual may not have been aware of the controls and procedures of the organization. Another variable influencing the results is the number of staff members who completed the survey. The higher the number of employees who answered the survey then the more accurate the risk evaluation will be. By surveying different members of the organizations, the responses provide a better holistic view of the organization as it covers more departments and responsibilities. Furthermore, the survey results could be strengthened by increasing the sample size. In addition, the nature of a nonprofit may have influenced the participants of the study as well. As many nonprofits rely on trust and loyalty in order to operate, employees may lack professional skepticism within their own organizations.

Conclusion

Based on the conducted research, it is able to be concluded that whistleblowing services have a direct impact on preventing fraud within nonprofits. The not for-profit nature of these organizations increases the financial risk due to the reliance on loyalty and trust of employees. Furthermore, the small number of staff and accompanying busy workloads complicates the process of segregating duties and forming strong internal controls. When a hotline is established for these organizations, the culture shifts to imply a no tolerance policy of fraudulent activity. In addition, employees that have access to an anonymous report center have the ability to report potentially awkward and uncomfortable findings. Through surveying small nonprofits in the Cleveland area, organizations' risks aligned with the secondary research. The organization with a hotline where employees can report any bias or other issues received the highest score displaying that they were at the lowest risk. By being aware of the presence of fraud and providing a whistleblower hotline, nonprofits can better protect themselves against financial risk.

Appendix

Survey Questions

1. Name of the Organization:
2. Gender

   a. Male
   b. Female
   c. Other
3. How long have you worked for this nonprofit?
   a. Over 15 years
   b. 10-15 years
   c. 5-10 years
   d. 1-5 years
   e. Less than 1 year
4. Education Background: (high school diploma, college/major/etc.)
5. What is your role in the organization?
6. What is the number of full-time and part-time employees and/or regular volunteers in your organization?
7. Has your organization ever experienced a loss due to theft or misuse of funds?
   a. Yes
   b. No
8. If yes, please describe the situation.
9. To what extent does your organization encourage a strong core mission and values?
   a. Not at all
   b. Somewhat
   c. Indifferent
   d. Often
   e. Always
10. How does your organization communicate and encourage the compliance of its core values?
11. Does your organization have a hotline where you can report any bias or other issues?
   a. Yes
   b. No
   c. Unknown

12. How many people (volunteers or paid positions) are responsible for collecting and managing funds and/or paying bills?
    a. One
    b. Two
    c. Three or Four
    d. Five or Six
    e. Seven or more
13. Please describe the process for collecting, managing funds and/or paying bills.
14. What are your organization's primary objectives or strategies?
15. What do you think are key risks that may prevent you from achieving those key objectives?
16. What does your organization do to mitigate or protect against the risks you identified?
17. Are there any internal and/or other external factors that you feel may present risk to full achievement of any of your key objectives?
18. Please use this space to share any issues or concerns you might have.

Risk Evaluations

Risk Evaluation Matrix - A

	Strengths	Weakness	Score
Culture	-Organization usually encourages a strong core mission and values.	- Organization lacks focus on compliance with processes. -External bias that exists within the community hinders the organization's goal. -Employee turnover.	1
Internal Controls	-Three or four people are responsible for collecting and managing funds and/or paying bills.	-Lack of resources. -Reliance on trust and loyalty of employees.	2

Financial Risk		-Organization does not have a hotline where employees can report any bias or other issues. -Employees are overworked -Reliance on funding and external donations.	1

Risk Evaluation Matrix - B

	Strengths	Weakness	Score
Culture	-The organization always encourages a strong core mission and values. -Compliance to the values are introduced and reinforced at orientation, annual employee appraisal process, and during staff meetings and trainings.	-Employee turnover.	3
Internal Controls	-Three or four people are responsible for collecting and managing funds and/or paying bills.	-Budgetary limitations. -Reliance on trust and loyalty of employees.	2.33
Financial Risk		-Organization does not have a hotline where employees can report any bias or other issues. -Previous report of theft of cash. -Limited resources. -Reliance on funding and external donations.	1

Risk Evaluation Matrix - C

	Strengths	Weakness	Score
Culture	-Organization usually encourages a strong core mission and values. -Compliance and values are reinforced through monthly staff meetings and evaluations.	-Low talent pool due to low salary offers. -Employee turnover.	2
Internal Controls	-Two people are responsible	-Limited resources.	2

	for collecting and managing funds and/or paying bills.	-Reliance on trust and loyalty of employees.	
Financial Risk	-Segregation of duties for verifying bills, paying bills, managing funds, and collecting donations.	-Organization does not have a hotline where employees can report any bias or other issues. -Reliance on funding and external donations.	2

Risk Evaluation Matrix - D

	Strengths	Weakness	Score
Culture	-Organization always encourages a strong core mission and values. -The organization reinforces the mission through the services and core programs it provides.	-Employee turnover	3
Internal Controls	-Two people are responsible for collecting and managing funds and/or paying bills.	-Reliance on trust and loyalty of employees.	2
Financial Risk	-Organization has a hotline where employees can report any bias or other issues. -Organization is audited annually. -Only the paid staff of the Executive Assistant and the Business Manager handle all finances.		3

Risk Evaluation Matrix - E

	Strengths	Weakness	Score
Culture	-Organization usually encourages a strong core mission and values. -The organization reinforces the mission through orientations, written sources,	-Employee turnover	2

	employee handbooks, and staff meetings.		
Internal Controls	-Three or four people are responsible for collecting and managing funds and/or paying bills.	-Limited resources. -Reliance on trust and loyalty of employees.	2.33
Financial Risk	-Organization has a detailed disbursement voucher system requiring supervisor sign offs. A second signature is required on checks over a certain amount. -The person who completes the deposit slip and deposit checks is not the same person who does the bank reconciliation. -Organization has a detailed accounting policy that is reviewed and updated annually.	-Organization does not have a hotline where employees can report any bias or other issues.	2

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