



Adding Security & Value to Your Abila MIP Software Investment

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Welcome to

“Fraud Assessment for CFO’s”

Feb. 18, 2014

Sponsored by TeamNFP & Your MIP Business Partner





Housekeeping Items

- Please mute yourself
- Use the “Chat” window if you have a question or technical issue
- CPE’s & Certificates — please provide your info
- Recording & Slides will be available — send request
- Short demos after the session
- Feedback survey emailed after the session



Why worry about your nonprofit

Headlines Show Nonprofits Vulnerable

- ⚙ [Raleigh non-profit to stay open despite fraud charges](#)
- ⚙ [Nonprofit leader charged with fraud](#)
- ⚙ [Nonprofit organizations seeing more problems with fraud](#)
- ⚙ [Small and Informal and Vulnerable to Fraud: A Warning](#)

From our blog <http://www.teamnfp.com/fraud-hits-nonprofits-hard-are-you-safe/>



TeamNFP Software Presents

Fraud Assessment for CFO's

**Speaker: Bryant Truitt, CFE, CCS, MBA
Brytan & Associates, Inc.**

February 18, 2014



Disclaimer

For general information and educational purposes only—the presenter and sponsors are not engaged in rendering accounting and/or legal advice.



About the Presenter Bryant Truitt, MBA, CFE, CCS

- **Founder & CEO Brytan & Associates**
- **Found over \$8 Million in losses due to fraud & embezzlement**
- **Brought criminals to justice working with local, state, and federal government agencies.**



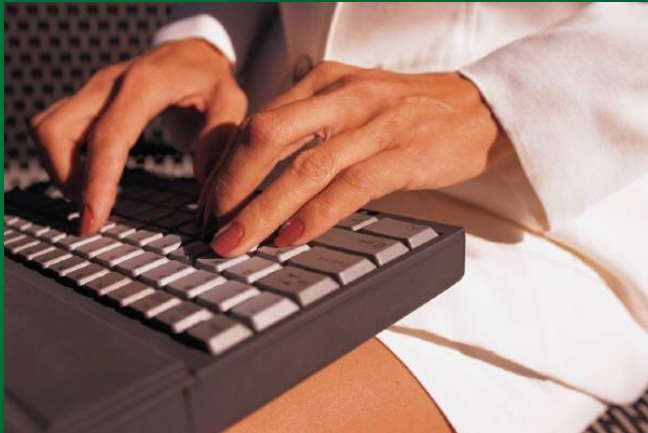
Median Losses Due to Financial Crimes in Nonprofits

- Financial Statement Fraud: \$1,000,000
- Asset Misappropriation: \$120,000

Source: ACFE Report to the Nation 2012



Where Fraud & Embezzlement Happen Most



WRITE-OFFS!

ADJUSTMENTS!

DISCOUNTS!

REFUNDS!



Major Areas of Asset Misappropriation in Nonprofits

- **Billing**
- **Check Tampering**
- **Expense Accounts**
- **Skimming (before recorded)**
- **Cash Theft (after recorded)**
- **Payroll**

Source: ACFE Report to the Nation 2012

Agenda

- **Definitions**
- **The Embezzler's Viewpoint**
- **Profile of an Embezzler**
- **Assessing Your Risk & Recommendations**
 - **Culture**
 - **Hiring**
 - **Employee Duties & Tasks**
 - **Handling Money (Vendors, Checks, Payroll)**



2 Financial Crimes

Fraud: Intentional perversion of truth for the purpose of inducing another in reliance to obtain a valuable thing belonging to him/her; a false representation of a matter of fact whether by words or by conduct.

Embezzlement: The appropriation of property or money by a person to whom it has been entrusted, or to whose hands it has lawfully come. Employee, Bookkeeper, Teller, etc.



Is it fraud, embezzlement, waste, or abuse?

Embezzler's View of *Your* Nonprofit





What Do These Criminals Look Like?



Your Team!



Profile of an Embezzler



- **Model Team Member**
- **Believable, Convincing, Intelligent**
- **Impeccable Past**
- **Any Age, Gender or Nationality**
- **Tireless Team Member**

Profile of an Embezzler



- Takes authority & responsibility
- Vast knowledge of computers
- Knows compliance, laws, etc.
- Secretive – wants private office
- Dislikes change they can't control
- Wants to do the CFO's private & personal business
- Seasoned – most are repeaters
- Has **No Remorse!**

Warning Signs . . .



- Takes No Vacations
- Lifestyle Changes
- Family Crises
- Empire Builder & Indispensable
- Against Change
- Requires they have full authority & responsibility
- Secretive
- Wants computer control
- Considers nonprofit *their property?*
- Willing to work overtime
- Wants to do the hiring
- Does everything



What is the **#1** reason for embezzlement?

A hidden and pressing financial need!





Culture

- **RISK ASSESSMENT**
 - Can impact ability to get donors, funding, and volunteers
 - Affects employee morale & productivity
 - Lose public trust; hurts brand and image
- **RECOMMENDATIONS**
 - “Trust But Verify” Techniques
 - Zero Tolerance = Compliance & Security
 - Different password & security level for every server — change every 90 days
 - Train all staff
 - Put policies in Employee Manual — get sign off



HIRING —Team and Executives

- **RISKS**
 - Hiring a repeater
 - Hiring a fraud or embezzlement ring
 - Can't get or lose ability to be bonded
- **RECOMMENDATIONS**
 - Background checks on ALL — Even C Level \$25-\$2500 (get employee to sign off first)
 - Get bonded — Low cost \$25 - \$250 est.
 - Consistently monitor remote access
 - Cover fraud & misappropriation of assets in employee manual

Employee & Board Duties & Tasks

- **RISKS**
 - Fraud/embezzlement or assets disappear
 - Security clearance breach
 - Risk to donors, funding sources, etc. if data stolen
- **RECOMMENDATIONS**
 - Segregation of duties
 - Change Passwords & Security Levels
 - ASAP if Employee Leaves
 - Use Job Title ONLY — NEVER NAME



\$ Handling Money \$

- **Vendors**
 - **RISKS**
Ghost Vendors, Refunds
 - **RECOMMENDATIONS**
Clean list
- **Payroll**
 - **RISKS**
Ghosts (Pay, Benefits, OT, Increases, Advances)
 - **RECOMMENDATIONS**
 - Delegate duties
 - Keep payroll copy list off site



\$ Handling Money \$

▪ Checks/Credit Cards (CC)

▪ RISKS

- Fraud/Embezzlement
- Expense Accounts — major area of loss in nonprofit
- Misuse of CCs
- International fraud

▪ RECOMMENDATIONS

- Positive Pay system
- Check Clearing System/ shredding system
- Review paperwork of checks > 60 days
- International Wire transfer system
- Shorten time checks are negotiable
- Control ordering, purchase & printing of checks & ordering of CCs



What to Do Next?

1. Review **Your** Risks
2. Put in place the Recommendations
3. Set up a daily audit system



Q & A

**To discuss your situation in private,
call (210) 241-6329
or email at brytan42@yahoo.com.**



Certificates/CPEs

- 1. All attendees will get a certificate from TeamNFP, but we must have your email in order to send it.**
- 2. To get, CPE Credit, provide your email so we can send you the test. Take and return. Then we will submit your name to get the CPE credit for one hour.**



**TeamNFP Software and
Brytan & Associates**

Thank You!

**It has been a honor and pleasure
to be with you.**



Thanks & Next TeamNFP/Partner Webinar

- Special thanks to Bryant Truitt, CEO, Brytan & Associates, Inc., for his presentation
- Thanks to our TeamNFP Business Partners who helped get the word out. They sell and work hard to help you make the most of Abila's MIP and TeamNFP software.
- 2nd Quarter Webinar Topic: Generating Funds through better Strategic Alliances



- ⚙ Check Clearing TM8
- ⚙ International Wire Transfer TM8
- ⚙ Positive Pay TM8

For more on fraud & security issues, read our blog at teamnfp.com and contact Mr. Truitt.

Please ask us or your Business Partner for a more complete demo for you & your staff.



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Thank you for joining us!