

# Imagine

*what we can do together*

## Accounting Newsletter for Non-Profit Organizations

### Fraud Red Flags: Don't Miss the Warning Signs

*by Jill A. Shaw, CPA, Partner*

According to a recent study by the Association of Certified Fraud Examiners, over 40% of all fraud is detected by a tip, such as a whistleblower. When fraud occurs, the first thing asked is, "How did we miss that?" Conducting an analysis after a fraud occurs often shows red flags that were present. Non-profit organizations that train staff to identify warning signs or red flags can make a huge difference in fraud prevention and detection. A red flag is a set of circumstances that are unusual in nature or vary from normal activity. It is a signal that something is out of the ordinary and may need to be investigated further.

Often times, we get so entrenched in our day-to-day tasks that small warning signs go unnoticed until the fraud has grown significantly. Not all red flags carry equal weight; therefore each red flag should be investigated as the organization deems necessary.

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### Be a Part of the Standard Setting Process

*by Brittney Williams Spross, CPA, CGFM, Audit Manager*

Have you ever wondered how the reporting standards are developed for your organization? Did you know that you can be a part of the process and provide feedback to enhance the usefulness of the accounting and reporting standards for your entity?

The Financial Accounting Standards Board (FASB), the standard setting body for Not-For-Profit entities, welcomes feedback from non-profit agencies regarding the type of information wanted and needed in today's financial accounting and reporting environment. Stakeholders of your entity, including donors, lenders, lessors and other creditors are encouraged to provide feedback as well.

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### Protecting a Valuable Asset: Your Donors' Trust

*by Aaron Vix, CPA, Staff Associate*

One common trend among most non-profit organizations is they rely on donations to help further their mission in improving society in one form or another. Donors want a sense of security and reassurance that their donations are put to good use. Depending on the size of your organization, the ways to instill this sense of reassurance to your donors could take many forms.



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### GreatNonprofits.org - A (Free!) Promotional Tool for Your NPO

*by Jennifer L. Shields, CPA, CGFM, Partner*

If you are anything like me, you probably receive so many emails on a daily basis that newsletters often get overlooked, are put into a folder or are otherwise marked for follow up when you have time, or the worst of all <gasp> are deleted without being opened.

I cannot say why I opened this particular Guidestar newsletter, perhaps I had nothing to do, I could have been waiting for a software program to launch, or maybe a keyword jumped out and caught my eye. Whatever the reason, I learned about a website that I hadn't heard of before, despite being an active participant in a nonprofit organization. This website, GreatNonProfits ([www.GreatNonprofits.org](http://www.GreatNonprofits.org)), is a resource for the

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## Protecting Your Donors' Trust

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If you are a very large organization, your donors and/or grantors might require you to have an audit where a company comes in, reviews your records, processes, and procedures, and issues an opinion on your organization. If you are a smaller organization, an audit might be harder to justify as the donations don't support that additional expense yet. However, there is some "low hanging fruit" when it comes to providing this peace of mind to your donors and sets you up for success should you decide one day that you would like an audit.

As a donor, you would hate to think that you are giving away your hard-earned money for a good cause, only to find out it wasn't ending up where you intended. Providing each donor with a cash receipt communicates to the donor that your organization appreciates their donation as well as has a process in place to ensure it is all properly accounted for. Recommended best practices for cash receipts include:

- Use a carbon copy, pre-numbered receipt book, or a POS system
- Inform donors that it is policy for all donors to receive a receipt
- Ensure that all receipts are accounted for
- Reconcile the total cash received to the receipts to ensure everything is accounted for
- Maintain those receipts for record keeping

As an external auditor, these are basic practices that we look for in our clients. We recommend that even very small organizations don't wait to start using similar controls, as it is always harder to implement any new policies or procedures the more that your organization grows. ■

## Fraud Red Flags

*(Continued from P.1)*

Consider these red flags that are common in fraudulent activity:

- Employees that refuse to take vacation or sick leave
- Employees who are easily annoyed at reasonable questioning
- Employees that rewrite records under the guise of neatness in presentation
- Employees with financial troubles such as personal debt or credit problems
- Employees with few or no payroll deductions
- Employees with unusual work schedules
- Employees that turn down promotions or transfers



Does your organization watch out for these types of red flags? In today's environment, it is essential that non-profits have policies and procedures in place for reporting irregularities and/or suspected fraud. If possible, organizations should provide some type of anonymous reporting mechanism, such as a fraud hotline. It is a myth that all frauds are big schemes that should have been uncovered sooner or have been easier to detect. The reality is that most frauds start small and increase in size until something becomes noticeably different or unusual. Employees that are trained to notice and report red flags are the best line of defense to prevent a little bitty fraud from becoming a large fraud left to grow.

If you have found potential fraudulent activities at your organization, our team can help. Contact Karin Smith at (602) 277-9449, ext 327 or [karins@heinfeldmeech.com](mailto:karins@heinfeldmeech.com), or CW Payne at (928) 774-4201, ext 204 or [cwp@heinfeldmeech.com](mailto:cwp@heinfeldmeech.com). ■

GreatNonprofits.org

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public to research non-profits by posting reviews, comments and stories from people familiar with these organizations.

Being curious, I went to GreatNonProfits.org and found it the website very user-friendly. I was able to type in the name of the nonprofit that I work with most and read comments that others had left about multiple topics, including interactions with the staff, events that had been attended, and most importantly the benefit of services received. Like you, I am proud of the work that I do with my nonprofit organization, and it was a joy to read the positive effect that our organization has on so many people.

As nonprofit executives and board members, we are always striving to find ways to increase awareness and raise much needed funds to support our missions. The concept of GreatNonprofits is that your current supporters can write reviews about interactions with your organization. A review from someone who has first-hand knowledge can inspire others to donate and volunteer.

At the beginning of a new year, let's take a moment and remember why we are inspired to do the work we do and share that inspiration with others. ■

About HM

Heinfeld, Meech & Co., P.C., CPAs and Business Consultants, has offices in Tucson, Phoenix and Flagstaff, Arizona. We are dedicated to serving the non-profit industry and we offer this free newsletter as part of our commitment to providing resources and training to non-profit business personnel.

For more about our firm, please visit our web site at [www.heinfeldmeech.com](http://www.heinfeldmeech.com).

Standard Setting Process

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Some of the projects that the FASB are currently working on include:



1. *Financial Statements of Not-for-Profit Entities*

- Improving net asset classification requirements
- Information provided in the financial statements and notes about liquidity, financial performance, and cash flows.

2. *Simplification Initiative*

- This project's initiative is intended to improve or maintain the usefulness of the information reported to investors while reducing the cost and complexity of financial reporting. Any stakeholders of not-for-profit organizations and employee benefit plans can email their suggestions to [fasbcomments@fasb.org](mailto:fasbcomments@fasb.org).

3. *Definition of a Nonpublic Entity*

If your organization or any of its stakeholders have an interest in being part of the standard setting process, the current issues and further contact information can be found here:

<http://bit.ly/FASBinput>. FASB's not-for-profit project manager, Richard Cole, can also be contacted at [racole@fasb.org](mailto:racole@fasb.org) or 203-956-5266. ■

2015 Non-Profit Training

**Location:** Mesa, AZ (Mesa Convention Center)

**Date:** Tuesday, April 21st

Agenda details and registration should be available by late February. For assistance, contact Susan at 520-742-2611, x107 or [hmu@heinfeldmeech.com](mailto:hmu@heinfeldmeech.com).



Information on our other upcoming trainings is available at [www.heinfeldmeech.com/hmu](http://www.heinfeldmeech.com/hmu).