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PREVENTING FRAUD: From Fiduciary Duty to Practical Strategies

Attorney Michael DeLucia[1]

"It couldn't happen at our place, everyone who works here is just like family."

– "Loss Prevention Bulletin," Zurich North America[2]

INTRODUCTION

The purpose of this article is to help both nonprofit and for-profit organizations identify the possibilities for fraud and embezzlement in their organizations and understand the steps they need to take to prevent these behaviors. The article emphasizes the need for boards of directors to take the lead in engaging their officers and employees in crafting policies and procedures to minimize the possibility for fraud and embezzlement. Although the focus of this article is primarily on the nonprofit sector, the lessons to be learned are applicable equally to all sectors, including religious organizations. No organization is immune to fraud, including state and federal governmental agencies.[3]

I. NONPROFIT BOARD OF DIRECTORS/ FIDUCIARY DUTY

Fiduciary Duty. Because boards of directors have a fiduciary duty to protect charitable assets, fraud and embezzlement are issues that must be addressed at the board level. Governing boards should implement internal controls, work with their auditors to identify vulnerabilities in their organizations, and, most importantly, create an anonymous reporting system for employees that ensures confidentiality. Other initiatives for boards to consider include educational sessions for officers and employees and insurance to cover employee theft. Each of these items is discussed more fully below; and there is a summary "Ten Tips" sidebar in this article.

Scope of the Problem. In a recent scholarly publication, the authors estimated that the cost of fraud in the charitable sector is approximately $40 billion dollars annually.[4] That sum is a staggering percentage of the charitable giving that donors contribute annually to nonprofit organizations. The authors examined recent data and pointed to a set of conclusions: that fraud may be easier to perpetrate in nonprofit organizations because of factors such as (i) an atmosphere of trust, (ii) weaker internal controls, (iii) lack of financial expertise, and (iv) reliance upon voluntary boards.[5] If these conclusions are correct, then nonprofit governing boards need to focus quickly and efficiently upon ways to deal with these vulnerabilities.

One basic problem in the nonprofit sector is the limited number of volunteers at the board level with skills in scrutinizing financial statements or in providing the tough oversight function that is needed. For those boards that lack members with financial skills, the ability to detect and deter fraud is significantly hampered. "[T]hese factors can result in a board that is unwilling or unable to ask the tough questions necessary to detect financial mismanagement or fraud."[6] To put it bluntly: "Active involvement of [financially knowledgeable individuals] [is important in] deterring fraudulent activity."[7] Consequently, nonprofit boards should make it a priority to identify and include board members with financial and related skills.

Fraud appears regularly in both for-profit and nonprofit organizations, whatever their size.[8] Recent cases in New Hampshire have included a religious organization in Portsmouth, where its long-serving treasurer embezzled $1,600,000, leaving his church with $100.[9] The New Hampshire cases also include a serial embezzler, who embezzled $15,000 from her first employer, was indicted and convicted, and later plead guilty to embezzling $340,000 from a later employer.[10] One recent national commentator, pointing to New Hampshire, summarized the situation as follows: "*The spreading disease of embezzlement* from charitable organizations seems to reach everywhere."[11] Indeed, recent cases include embezzlement at law firms, medical facilities, and youth sport leagues.[12]

Proliferation of Charitable Entities. The po-

tential for fraud in the charitable sector is likely to increase, given the rapid proliferation of charities in the United States. The Internal Revenue Service reports that in 1996 there were 654,186 registered 501(c)(3) organizations.[13] By 2007, the number of registered 501(c)(3) organizations had increased to 1,128,367. In 2007 alone, the IRS approved 68,278 new 501(c)(3) organizations, which calculates into 32 new 501(c)(3) organizations per work-hour or *one new 501(c)(3) organization every two minutes* of the workday. This proliferation of charitable entities has been occurring in New Hampshire as well, with approximately 500 additional charities being registered annually in this state. Given this proliferation, the need for informed board members skilled in financial and management issues and alert to identifying "red flags" is more urgent than ever.

TEN TIPS

The following ten tips are designed to help a board devise a strategy suitable for its own organization. The two major building blocks are (i) creating a positive culture in the organization and (ii) strengthening internal accounting controls.

1. train volunteers and staff regarding fraud
2. obtain employee theft insurance
3. have someone other than the treasurer review the monthly financial statements
4. create a positive, ethical environment "at the top"
5. require independent directors
6. specifically direct the audit committee to detect fraud
7. require background checks on all employees that handle cash
8. create a whistleblower protection system
9. educate employees on the consequences of fraud
10. brain-storm with staff on the problem

For a comprehensive discussion of anti-fraud initiatives, see Edward McMillan's book, *Preventing Fraud in Nonprofit Organizations* (John Wiley and Sons, Hoboken, New Jersey, 2006).

II. CERTIFIED FRAUD EXAMINERS

In July 2008, the Association of Certified Fraud Examiners (ACFE) released its 2008 "Report to the Nation" on occupational fraud in the United States. The Report is analytical, comprehensive, and an excellent source of data on fraud. It is accessible on the ACFE's website.[14] The Report estimates that U.S. organizations lost approximately 7% of their annual revenues to fraud, with the lack of adequate internal controls being a major factor in allowing the fraud to occur. Of special interest is the fact that only 7% of the perpetrators of fraud had prior criminal convictions; consequently, relying on the traditional employee background records check may be of limited effectiveness. According to the 2008 Report, the single most effective tool in combating occupational fraud is the creation of an anonymous reporting system (a "hotline") that ensures confidentiality.

The 2008 Report contains information on the different anti-fraud controls organizations have adopted – and which controls appear to be most effective. Although codes of conduct and external audits are the most frequently implemented controls, the most effective anti-fraud devices were (i) surprise audits, (ii) job rotation, (iii) mandatory vacations, (iv) an anonymous hotline for reporting fraud, and (v) anti-fraud training for employees.[15]

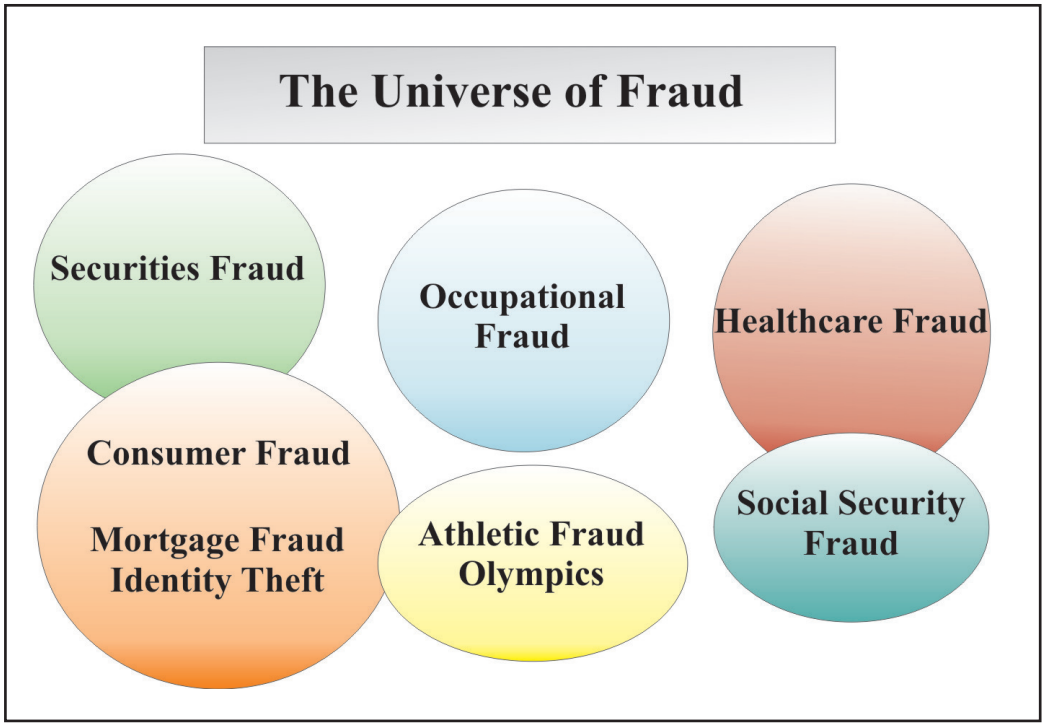
Acorn: Hiding Fraud from the Directors

In July 2008, the "New York Times" put the spotlight on the surprising behavior of senior executive officers of a widely-respected national nonprofit organization, Acorn.[16] Upon learning about a $1,000,000 embezzlement, the executive officers decided to hide the theft from the board of directors and from law enforcement. The perpetrator of the fraud was the brother of the charity's founder; and the disclosure came to light because of a whistleblower. The perpetrator embezzled the $1,000,000 in 1999 and 2000; but he remained on the payroll until June 2008. The publicity the scandal generated has now made Acorn the poster-child for poor judgment. The executive officers had the perpetrator and his family execute an agreement to repay the embezzled amount in exchange for confidentiality.

Compare this response by Acorn's senior management to the response of the leadership team at Crotched Mountain Rehabilitation Center in New Hampshire, where the board was immediately notified and the authorities immediately contacted after an embezzlement was discovered. The audit committee and the CEO of Crotched Mountain took immediate steps to address the issues in a public manner. The behavior of the senior leadership at Acorn has undermined public confidence in that entity; the steps taken by the senior leadership at Crotched Mountain Rehabilitation Center affirmed public confidence in that entity. These two case studies are like book ends in fiduciary behavior, framing the choices for others caught in similar situations.

III. SEVEN CORE QUESTIONS

Governing boards should be aware of seven core questions involving fraud, including characteristics of potential wrongdoers, the components of an effective anti-fraud strategy, the cost of fraud, and the role of the governing board.



1. What is Fraud?

- Fraud is an intentional act to deceive another person that results in a loss to that person or a gain to the wrongdoer. Examples of fraud include, but are not limited to, fraudulent financial reporting, misappropriation of assets and improper expenditures.[17]
- One recent statistic from the FBI underscores the scope of fraudulent behavior in the nonprofit sector. The FBI reported that most of the roughly 2,300 Internet sites soliciting relief for Hurricane Katrina victims were fraudulent.[18]

2. What is the cost of fraud?

When fraud occurs, there is a very high cost to the charity, not only in the dollars lost, but more importantly, in the adverse publicity that results and the damage done to the charity's reputation and credibility. Further, the negative publicity that results may damage the fund-raising ability of the charity. If criminal charges are filed, the charity may find itself in the public spotlight for many months following the discovery of the fraud.

Although seldom mentioned, there is significant disruption to the board and the staff when fraud is discovered. For every dollar lost to fraud or embezzlement, there is one dollar less for the charitable mission – and additional dollars that must be spent to correct, litigate, and remedy the problem. In a recent case involving fraud at a Lutheran Church in Pennsylvania, church leaders disclosed the cost of the first thirty days of the investigation to be $100,000.[19] For this church, its failure to create a system of internal controls was very costly indeed.

3. Who are The Usual Suspects?

Although creating a profile of a typical embezzler is difficult, employees who embezzle may have several of the following characteristics.[20] They

- may be "altruistic" (trying to help relatives in need or those with severe health problems rather than trying to benefit themselves)
- may be disgruntled;
- may live above and beyond their means;
- may work long days and rarely take vacations;
- may control the internal systems;
- may have gambling, drinking, or drug problems;
- may have financial difficulties or may be undergoing divorce, bankruptcy, or sudden illness

Data gathered recently indicates that the typical fraud case involves a loss of $50,000 or less and was committed by an individual with no criminal record. The ages of the wrongdoers range from 20 years to 62 years; and the largest frauds are committed by individuals with considerable tenure at an organization.[21] Frauds in excess of $100,000 are generally committed by males. Most wrongdoers were not charged or convicted of a crime prior to committing the fraud.

One insurance company has posted its "10-10-80" rule on its website:[22]

10% of employees will never steal;
10% of employees will always steal;
80% of employees will steal, if given the right opportunity, motivation or justification

This appears to be a harsh analysis of human behavior;[23] but

the critical challenge for board members is to create internal systems that anticipate such worse-case scenarios.

- Specific types of fraud vary considerably and include (i) false invoices, (ii) payroll fraud, (iii) expense reimbursement fraud, (iv) check tampering, and (v) false cash register disbursements. Individuals who hold positions of trust are vulnerable to temptation, even in religious organizations. The treasurer of a Lutheran Church in Pennsylvania recently embezzled over $1 million of church funds.[24] He hid his actions by creating a bogus account - the "Cardinal Investment Fund" – and then transfered money from that account into his own bank personal account. He used the money primarily to purchase expensive collectible automobiles. There were no internal controls in place to monitor or provide checks-and-balances on his authority.

4. What are the Opportunities?

The opportunities for fraud and embezzlement exist where there are few, or no, internal controls, little or no supervision of employees, an absence of checks-and-balances, and no awareness of the vulnerabilities of an organization. The specific wrong-doing may involve (i) personnel-related expenses such as travel, wages, and fringe benefits, (ii) "ghost employees" on the payroll with false wages, (ii) false printing and mailing expenses, as well as other vendor-related expenses, and (iii) collaboration with vendors on over-billing schemes.[25]

As indicated above, the rationalizations that employees use vary enormously. They may be disgruntled employees who view their fraud as retribution for wrongs they believe the organization has inflicted upon them. They may be staff members who believe they deserve higher compensation. Or they may be attempting to help others in financial distress or in need. Human motivation being so complex, the rationalizations are numerous.

As indicated earlier, the universe of fraudulent behavior is without limit.[26] High profile perpetrators include senior executive officers from publicly traded corporations (Tyco, Enron, Adelphia Communications, WorldCom), investment bankers, government officials, as well as the athletic competitors.[27] In August 2008, the chief financial officer of a charitable entity in California was arrested for allegedly embezzling approximately $4,000,000 from the charity that he served. He allegedly took the funds to invest in the stock market. The stock market, being unpredictable, took tremendous losses due to subprime lending, the unanticipated oil crisis, and other events; and the chief financial officer was unable to make the charity whole.

Among the largest frauds in the nonprofit world was the Baptist Foundation of Arizona, whose auditor (Arthur Andersen LLP) was also the auditor of Enron. The Baptist Foundation of America was the largest Chapter 11 bankruptcy filing by a charity in U.S. history – and cost investors $600,000,000. In this case, Arthur Andersen LLP agreed to settle all litigation with a payment of $217,000,000, making it the largest malpractice-litigation settlement in that firm's history.[28] The Enron implosion followed quickly, as did the disappearance of Arthur Andersen LLP and the enactment of Sarbanes-Oxley. The largest and most persistent fraud is the Nigerian fraud, where the initial victim may himself become a perpetrator of other frauds. The Nigerian scheme takes fraud to a global level by using the Internet, which crosses national borders with ease.

5. Good governance: What is the Board's Responsibility?

It is the board's responsibility to protect the charitable assets under its control by ensuring good governance. It is the board's responsibility to make reasonable efforts to prevent fraud. Boards should empower their audit committees to establish (i) training for staff members, (ii) preparing protocols to ensure adequate checks-and-balances, and (iii) engaging employees in an ongoing educational process.

In theory, when dealing with fraud, the board sets the tone and establishes policies, management implements the practices, and employees respond to both. However, the board's responsibilities are *much greater*, since it is the board's responsibility to make certain that the auditor's recommendations are in fact implemented and that adequate systems are in place. Where an organization has retained an auditor, it is a prudent practice for the audit committee or the board to meet with the auditor privately, without the presence of senior management.

6. What steps Should Be taken?

Be Proactive. Board members and officers should identify the weakness within their organization and should use external auditors as a resource. Audit committees should be given a major role in devising a strategy and making certain that the strategy is implemented.

As a starting point, the board needs to update the organization's "policies and procedures handbook" to address fraud prevention issues. For example, does the organization do a background check on new employees? Does the organization have the basic requirement that two signatures are required on each check that is issued? Has the Board considered obtaining a rider to its insurance policy specifically covering employee theft? Is there a conflict of interest policy for staff members and volunteers, as well as for the governing board?

Finally, the audit committee should have a detailed discussion with the auditor, asking specifically what steps should be taken to detect fraud. If necessary, the engagement letter with the auditor might include provisions about detecting fraud during the audit.

Training and education. Educating employees on ethics, conflicts of interest, and fraud prevention is a long-term task, including the establishment of a whistleblower

protection policy. A "whistleblower" protection policy is important because it establishes a confidential process under which employees report someone whom they suspect is committing fraud.[29] Boards might start with a memorandum to employees, defining fraud, giving examples of fraudulent activities, and soliciting employee comments. By engaging employees in the process, the board sets the tone and conveys the fact that the organization takes fraud seriously - and so should the employees.

7. Role of Auditors in Detecting Fraud

The role of an auditor in detecting fraud and the potential liability of an auditor for undetected fraud are core questions. Although this article does not address the issue of auditor responsibility and liability, there is extensive discussion available elsewhere.[30] In particular, readers should look to the Statement on Auditing Standards (SAS) for specific guidance. There have been significant changes to these standards, issued by the American Institute of Certified Public Accountants (AICPA). [31] The AICPA, the ACFE and the Institute of Internal Auditors (IIA) in July 2008 jointly issued new guidelines for combating fraud; and the results of that collaboration ("Managing the Business Risk of Fraud: A Practical Guide") is available on the websites of those entities.[32]

Two statements appear to be the cornerstone in defining the auditor's role. First: "Auditors have some responsibility for the detection of both errors and frauds that are material, but this responsibility is not absolute. Auditors give 'reasonable' assurance that material misstatements have been uncovered, but not total assurance."[33] Second: "Although the auditing CPA is still not held *responsible* or accountable for failing to detect fraud, the new standard [Statement on Auditing Standard No. 99] does impose several new responsibilities on auditing CPAs. . ."[34]

In late 2003, "SAS number 99, 'Consideration of Fraud in a Financial Statement Audit,' became effective. This statement directs auditors to use professional skepticism and to consider that a fraud could have occurred and could materially affect the financial statements. The auditors must consider and identify the risk of fraud and must continuously evaluate evidence throughout the audit to determine whether or not there are any fraud indicators."[35]

The effect of SAS number 99 is that auditors now have a duty to consider fraud throughout their audit and they must conduct brainstorming sessions to assess the threat of client fraud. However, auditors do not have an absolute responsibility for the detection of fraud.[36] Since SAS number 99, auditors are required to approach the audit with a skeptical attitude and must not over-rely on client representations.[37]

Two final thoughts are in order on the different roles of management and the auditor in detecting fraud. First, in a national survey conducted by Grant Thornton LLP, 62% of the 221 Chief Financial Officers surveyed believe that it would be possible to intentionally misstate their financial statement to their auditor.[38] Second, that same Grant Thornton survey drew the following conclusion: "At the end of the day, the responsibility for fraud prevention and detection is on the company's management. Executives and managers must clearly understand the inherent limitations of audits and reviews, and recognize that they cannot and will not detect all frauds."[39]

CONCLUSION

At the precise moment when charitable organizations are rapidly proliferating and the need for accountability and scrutiny is increasing, fraud and embezzlement persist as major problems in all sectors of the economy. The impact upon charitable organizations is of special concern, given the fact that charities operate on such tight budgets and cannot always meet the needs they are organized to address. With more vigilant governing boards and more effective internal controls, these are problems that organizations ought to be able to control. Preventing fraud is preferable to confronting the consequences of fraud.

TIPS TO PREVENT EMBEZZLEMENT

The following practical suggestions are taken from the Zurich North America website:[40]

- Division of labor – divide tasks among multiple employees to prevent illegal activity. If done correctly, this is probably the most reliable way to prevent embezzlement.
- Bank statement sent to the owner's home – this allows the business owner the opportunity to be the first person to open the bank statement, thereby preempting any manipulation of enclosed documents (checks) and allowing the review of checks for forgeries. Some banks are phasing out the return of the actual checks, although with new technologies, it is possible to review checks through the bank's Internet site.
- Employee background and credit check – looking for credit, debt or criminal problems can give you a window into a bookkeeper's future behavior.
- Purchase fidelity insurance – this coverage may help cover embezzlement losses.
- Establish a positive corporate culture and code of conduct – this refers to teaching employees to do the right thing. Business owners should operate in an ethical and above-the-board manner and promote this behavior among their employees. If employees see that the business owner cheats or otherwise cuts corners, they will think that this behavior is acceptable.
- Develop and test internal controls – consult with an accountant or CPA to develop proper internal accounting controls and test these controls on a regular basis.
- Watch employee's lifestyle – if the employee appears to be spending more money than you would anticipate based on their salary, this may be an indication that they are up to no good.
- Bookkeeper does not take vacations – if a bookkeeper does not take vacations, it may be because they have to open all mail to cover the tracks of their embezzlement.
- Taxes – many times embezzlement is related to the stealing of funds set aside to pay various taxes. Often the agencies that regulate the payment of taxes take a long time to address non-payment of taxes. This gives the embezzler the opportunity to steal a significant amount of money before the owner knows that it is gone. Watch tax payments carefully.
- Positive pay procedures offered by bank – this is a new feature offered by banks in which they call each day and review all checks that cleared the previous day. By taking advantage of this service, the owner may be able to catch fraud immediately.
- Listen to your CPA carefully – typically your CPA can set up a system to prevent embezzlement in your business. Many times business owners fail to follow the recommendations set forth by their CPA and open themselves up to embezzlement.

There are many ways to embezzle money from employers. As soon as you think you have a foolproof system, embezzlers will create another way to steal from you. It is best to work with your CPA to create a system to prevent embezzlement. Other resources to help address this issue include trade associations, Internet resources, business and accounting publications, etc. Another good resource is www.embezzlement.com. This website provides consultation services that will help review the policies and procedures you have in place to address fraud and embezzlement.

ENDNOTES

1. This article represents the opinions and conclusions of its author and not necessarily those of the Attorney General. The material presented herein may not be understood to be an Opinion of the Attorney General, which are formal documents rendered pursuant to statutory authority, nor to express the views of the Attorney General.

2. "Fraud and Embezzlement Loss Prevention Bulletin," September 2007, Zurich North America at www.zurichna.com/zdu

3. Although fraud has many faces, including securities fraud, this article will focus upon occupational fraud. See, however, Simon Romero, "S.E.C. Accuses WorldCom of Fraud," New York Times, June 27, 2002. See, also, "More Waste, Fraud and Abuse," New York Times, editorial, June 29, 2008 (dealing with fraud charges involving a $300,000,000 contract to supply ammunition to U.S. forces in Afghanistan). See, also, "What About the Stock Options," New York Times, July 13, 2008, dealing with the backdating of stock options. For information on healthcare fraud, see www.namfcu.net for information on the National Association of Medicaid Fraud Control Units. For healthcare fraud in New Hampshire, see the Attorney General's webpage (http://doj.nh.gov/medicaid/whatismf.html).

4. Greenlee, Janet, Mary Fischer, Teresa P. Gordon and Elizabeth Keating, "An Investigation of Fraud in Nonprofit Organizations: Occurrences and Deterrents," available at http://www.hks.harvard.edu/hauser/people/researchers_staff/eheating_fraud.pdf. See, also, Stephanie Strom, "Report Sketches Crime Costing Billions: Theft from Charities," New York Times, March 29, 2008.

5. *Id.*

6. McNeal, Andrea and Jeffrey Michelman, *"CPA's Role in Fighting Fraud in Nonprofit Organizations," CPA Journal* (2006), available at http://www.nysscpa.org/cpajournal/2006/106/essentials/p60.htm

7. *Id.*

8. See cases involving Enron, WorldCom, Arthur Anderson, Tyco, Adelphi Communications, among others. For healthcare fraud, see Linda Baumann, *Health Care Fraud and Abuse* (Bureau of National Affairs/American Bar Association, Washington, D.C. 2002).

9. Nancy Meersman, "Ex-church treasurer admits to stealing $1.6 Million," Union Leader, April 15, 2003. "He took everything," said a church spokesperson.

10. AnnMarie Timmins, "Woman Accused of Embezzling More Than $300,000," Concord Monitor, May 24, 2007. Also, Timmins, "Nonprofit bilker gets 6 to 15 years," Concord Monitor, August 19, 2008.

11. Copilevitz & Cantor, LLC, "August 2007 Fundraising and Non-Profit Report" available at http://www.copilevitz-cantor.com

12. Trevor Maxwell, "Firm Says Attorney Stole From His Clients," Portland Press Herald, December 12, 2007. Also, Clynton Namuo, "Widow blasted as

thief and liar," Union Leader, June 13, 2008.

13. Grant Williams, "Tax-Exempt Organizations Registered with the IRS," Chronicle of Philanthropy, June 26, 2008, p. 39

14. www.ACFE.com

15. Association of Certified Fraud Examiners, "2008 Report to the Nation on Occupational Fraud and Abuse," pages 44-45.

16. Strom, Stephanie, "Funds Misappropriated at 2 Nonprofits Groups," New York Times, July 9, 2008.

17. In securities law, the very broad Rule 10b-5 governs insider trading, stock manipulations, and the publication of false financial statements. Broadly defined, fraud has touched even the Olympic games. See Duff Wilson and Michael S. Schmidt, "Olympic Champion Acknowledges Use of Steroids," New York Times, October 5, 2007. New Hampshire RSA 638 (Fraud) deals specifically with identity fraud, insurance fraud, computer crimes, and other fraudulent practices.

18. Diana Aviv, Testimony to the US Senate Finance Committee, hearing on Hurricane Katrina, available at www.senate.gov/~finance/hearings/testimony/2005test/092805datest.pdf.

19. For complete analysis of the theft, see the website for the Lower Susquehanna Synod, Evangelical Lutheran Church at www.lss-elca.org. For similar issues at a Catholic Church, see Christopher Maag, "Cleveland Diocese Accused of Impropriety as Embezzlement Trial Nears," New York Times, August 20, 2007.

20. For more detail on the wrongdoers, see Edward J. McMillan, CPA, Preventing Fraud in Nonprofit Organizations (2006 Wiley & Sons, New Jersey), pages 4-7. McMillan provides insight into the "windows of opportunity" for wrongdoers. See, also, the ACFE's 2008 "Report to the Nation."

21. See Greenlee, Janet, "An Investigation of Fraud in Nonprofit Organizations," page 12; *supra*, note 3.

22. See "Loss Prevention Bulletin," September 2007, Zurich North America at www.zurichna.com/zdu

23. For a harsh examination of human behavior and complex fraud, see "Enron: The Smartest Guys in the Room," a documentary film.

24. Lower Susquehanna Synod, Evangelical Lutheran Church, supra, note 19.

25. See, Edward McMillan, "Preventing Fraud in Nonprofit Organizations," pages 18-21; *supra*, note 10.

26. For an "Audit Report" by the Office of the Inspector General/Social Security Administration, detailing fraud committed by beneficiaries of federal Social Security programs, see http://www.ssa.gov/oig/ADOBEPDF/A-01-06-26022.pdf

27. See, Lex Hemphill, "Olympics; Government Case Shifts Its Focus to Fraud," New York Times, November 28, 2003.

28. Weil, Jonathan, "Andersen Plans to Settle Baptist Foundation Suits," Wall Street Journal, March 3, 2002. See also, Mohrweis, Lawrence, "Lessons from the Baptist Foundation Fraud," The CPA Journal, July 2003.

29. The Center for New Hampshire Nonprofits has created and posted a model "Whistleblower's Policy" on its website that may be downloaded and tailored to the needs of individual nonprofits in New Hampshire. In addition, the Center has posted model governance policy statements on finance committees, audit committees and the duties of board members. Those policies may also be downloaded and tailored. See the Center's website at www.nhnonprofits.org

30. See, "Major Changes Made to Auditing Standards/What You Must Know to Survive Your Next Audit," Governmental Advisor, Fall2007/Winter 2008. http://www.plantemoran.com/Industries/PublicSector/Government/Resources/Governmental+Advisor/Fall+2007+Winter+2008/Major+Changes+Made+to+Auditing+Standards.htm

31. *Id.*

32. http://www.acfe.org, http://aicpa.org, http://www.theiia.org

33. Tracy L. Cohen, "Why Didn't Our Auditors Find the Fraud," Wisconsin Law Journal, January 2006 at www.sequence-inc.com/index.php?option=com_content&view=article&id=119; See also, "CPA's Role in Fighting Fraud in Nonprofit Organizations," The CPA Journal at www.nysscpa.org/printversions/cpaj/2006/106/p60.htm; and Michael Ramos, "Auditor's Responsibility for Fraud Detection," Journal of Accountancy, January 2003 at www.aicpa.org/pubs/jofa/jan2003/ramos.htm

34. McMillan, Ed, "Consideration of Fraud in a Financial Statement Audit" Chamber Executive, Fall 2006 (emphasis in original).

35. Tracy L. Cohen *supra*, note 33.

36. *Id.*

37. *Id.*

38. LaCroix, Kevin, "Fraud Detection and the Expectations Gap," (posted 11/19/2007), available at: http://gandodinty.blogspot.com/2007/fraud-detection-and-expectations-gap.html.

39. *Id.*

40. "Loss Prevention," Zurich North America at www.zurichna.com/zdu (select "online resources," then select "loss prevention library," then select "fraud and embezzlement.")

Author

Attorney Michael DeLucia is a Senior Assistant Attorney General and the Director of Charitable Trusts at the New Hampshire Department of Justice, 33 Capitol Street, Concord, NH.