Graduate students help nonprofits avoid fraud

By: Bryan Gibel

Posted: 1/24/08

Fraud is difficult for any business, but it can devastate a nonprofit, an associate professor of accounting said.

"Unfortunately, nonprofit organizations are more susceptible to fraud than for-profit organizations due to the makeup of their workforce - which are typically volunteers or part-time people," Rich Brody said. "They don't have the money to go out and hire someone to come in and develop a fraud-protection system for them."

Brody is assigning graduate students from one of his classes to set up fraud-protection measures at six nonprofits in the Albuquerque area.

The semester-long project will account for a major part of their grade for the class, Brody said.

He said fraud-protection is important to nonprofits because they can't stay in business if they're not trusted.

"The reality of it is that people are donating to these organizations, and they want to make sure that it's going to the cause," he said. "You don't want to be on the front page of the newspaper saying you were a victim of fraud, because people won't feel comfortable giving you money."

Brody's students will work in teams to provide the organizations with detailed accounting systems and increased financial oversight, he said.

Brody said that will help make sure their financial records are accountable and difficult to exploit.

Student Sandy Woods is the team leader for a group of students who will volunteer at Watermelon Ranch, a no-kill animal shelter in Rio Rancho.

Her team will meet with the directors of the shelter over the next couple weeks to figure out how it can be most helpful, Woods said.

She said although Watermelon Ranch hasn't had any public problems with fraud, it needs help developing accounting policies to protect its future.

"One thing might be developing a policy-and-procedures manual that deals with what they do with the donations that they receive," Woods said. "The same person who is writing checks and making deposits shouldn't be reconciling the bank statements."

The students might also help an organization draw up its budgets and financial audits so it can get more grant money, she said.

Sophia DiClemente, director of Watermelon Ranch, said Brody's students will provide a service to the organization it couldn't otherwise afford.
"We are dependent. We don't take any government funding whatsoever, so we spend the weekends writing grants," she said. "We depend on the public for their generosity, and the only way we raise money is through events and fundraisers in the community."

DiClemente said her organization hosts programs to help at-risk teens in the community as well as children who are mentally and physically disabled.

"There is never enough money," she said. "We have a full-service veterinary clinic, but who is paying the bills? We have to keep doing fundraising and fundraising projects to pay for all of this."

Woods said she has never worked with an organization on its accounting systems before, and she's looking forward to gaining some hands-on experience.

"It's a lot different than your normal accounting class," she said. "It will help me to grow professionally."

He said the experience is invaluable but that his ultimate goal is getting students to value giving back to the community.

"For many of these people, it's the first time they've gone out and actually done something related to their degree," Brody said. "If at the end of the day, when the students are done and they get their grade, if any of them become volunteers, then I feel like it's a success."

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