

The Non Profit Protector



BASIC OPERATIONAL MISTAKES AND FRAUD DOES OCCUR AT U.S. NONPROFITS

THERE IS AN EASY SOLUTION TO REDUCING THESE LOSSES

There are 1.5 million U.S. nonprofits. Together they are estimated to lose more than \$40 Billion annually, to basic operational mistakes and fraud.

When significant losses do occur, mission dollars are lost, executives are embarrassed and donors, the public and funding agencies can lose confidence.

The IRS and most auditing professionals will suggest that a major contributor to nonprofit losses is lack of sound internal controls and oversight.

THE NONPROFIT PROTECTOR/ MAJOR RISK INVENTORY (MRI)

This program identifies specific risk potentials in the categories of Governance, Accounting and Purchasing, Insurance Coverage, Human Resources and Safety and Emergencies. A total of 75 risks that are likely to occur at nonprofits of any size.

LOSS PROTECTOR/MRI 'AFFIRMATIONS'

The format for the collection of potential loss information is a questionnaire called "The Major Risk Inventory". This questionnaire is to be completed semi-annually by the nonprofits Administrative Officer and Senior Financial Officer.

Basically, the Loss Protector Program should be thought of as an important business control requiring minimal effort to semi-annually self-audit areas of demonstrated business risk.

The MRI program uses 75 'Affirmation Statements' that presume a currently safe status of each risk. Separately, a Risk Explanations Guide is provided to address the reasons for requiring each affirmation.

When completed, a "perfect" Affirmations MRI would have zero exceptions to the statements within the total affirmations presented. That seldom happens! Typically, there will be 4 or 5 affirmations that are not entirely accurate when the MRI is completed.

As example, a funding agency may be late in their contracted payments, or some form of litigation may have been threatened. In those cases, a corrected status is entered on the line immediately below subject affirmation, in red type. See page opposite.

SEMI-ANNUAL REVIEW OF POTENTIAL RISKS

Affirmations as addressed cover each risks status since the last MRI (6 months). Completion of The Major Risk Inventory should take approximately two hours, twice a year. Completed MRI reports are subsequently maintained by the nonprofit's administration.

'PROACTIVE' DUE DILIGENCE

Thereafter, completed MRI questionnaires are distributed to the full board or a committee thereof.

It is important, though, that the board be informed of the program at its outset. That can be accomplished by presenting to them copies of this brochure addressing the MRI program, the model completed MRI questionnaire provided, and a copy of the Risk Explanations Guide. All forms are downloadable with the program.

This initial presentation will inform the board of the breadth of this program's protection and the frequency of its employment. And it will support the concept of a high level of 'proactive due diligence' which few other nonprofits can otherwise evidence.

The described program will better enable nonprofit boards to perform the type of due diligence their positions anticipate. Essentially, boards will be better equipped to assist their agencies as a first line defense against any potentially serious operations or fraud losses through serious financial oversight.

PROFESSIONALISM AND SUSTAINABILITY

The Nonprofit Loss Protector/ MRI Program is a solid form of protection from costly operational mistakes and fraud. It will improve user nonprofits professionalism and sustainability.

THE BOTTOM LINE

Semiannual completion of the Major Risk Inventory will provide a higher level of protection from both fraud and potential operational risks.

PROGRAM DEVELOPMENT

The Nonprofit Loss Protector/ Major Risk Inventory Program was developed by Dennis Clark, former CEO of Goodwill Industries of Broward County, Florida for 13 years and former president of two South Florida banks for 15 years. Mr. Clark also served as board president or chairman of 8 Broward County, Florida nonprofits during his career.

A LOSS PREVENTION & RISK MANAGEMENT SYSTEM DESIGNED FOR NON-PROFITS

- Provides high level of protection from operational losses and fraud
- Trains administrators to recognize major exposures
- Alerts users to emerging problems
- Provides evidence of proactive due diligence
- Impresses donors, funding agencies and auditors

THE NONPROFIT PROTECTOR (MRI) PROGRAM

THE MAJOR RISK INVENTORY PROGRAM CONSISTS OF:

- A program brochure
- A blank MRI Questionnaire
- A completed model MRI Questionnaire
- An MRI Explanation Guide detailing why each affirmation is important.

MAJOR RISK INVENTORY (MRI) QUESTIONNAIRE

EXAMPLE PAGE BELOW:

ACCOUNTING AND PURCHASING AFFIRMATIONS:

GENERAL LEDGER ACCESS REMAINS STRICTLY CONTROLLED

COMPUTER USE RESTRICTIONS HAVE BEEN REPUBLISHED, DISTRIBUTED

PAYROLL ACCESS REMAINS RESTRICTED TO SPECIFIC, NECESSARY STAFF

CHECKS RECEIVED ARE DEPOSIT STAMPED IMMEDIATELY UPON RECEIPT

CASH CONTROLS LISTED IN POLICIES ARE BEING FOLLOWED AS LISTED

NO ACCOUNTS PAYABLE OBLIGATIONS EXCEED 60 DAYS

THREE (3) PAYABLES TOTALING \$18,000 ARE PAST DUE MORE THAN 60 DAYS

NO ACCOUNTS RECEIVABLE ARE PAST DUE MORE THAN 60 DAYS

ACCOUNT RECEIVABLE: STATE OF FLORIDA OVERDUE \$40,000 FOR 54 DAYS

NO CHARGE-OFF OF RECEIVABLES OCCURRED DURING THE PERIOD

BANK AND CREDIT CARD RECONCILEMENTS ARE CURRENT

NO EMPLOYEE LOANS OR SALARY OR EXPENSE ADVANCES WERE MADE

PAYROLL TAXES / HEALTH INSURANCE PREMIUM PAYMENTS PAID TIMELY

CHECK SIGNING AUTHORITIES REMAIN UNCHANGED FROM PRIOR PERIOD

NO COMMERCIAL CHECKING ACCOUNT OVERDRAFTS OCCURRED

NO LOANS WERE TAKEN OUT, MATURED OR WERE RENEWED

LINE OF CREDIT INCREASED \$ 20,000 BOARD RESOLUTION DATED 3/11/20

INVESTMENT POLICY FOR EXCESS FUNDS REMAINED UNCHANGED

PURCHASING QUOTE AND BID PROCEDURES WERE STRICTLY ENFORCED

AGGREGATE PURCHASES/SAME VENDOR WERE REVIEWED

INVENTORIES HAVE BEEN PERFORMED ACCORDING TO SCHEDULE

NO CONTRACT WORK WAS DONE BY DIRECTORS, STAFF OR RELATIVES

NO PURCHASES HAVE BEEN MADE FROM STAFFMEMBERS OR CLOSELY ASSOCIATED ENTITIES

NO EMPLOYEE IS ALSO EMPLOYED BY A VENDOR

CREATING THE PROGRAM BROCHURE:

On 8 1/2 x 11 paper

This is an important piece as it explains the program thoroughly – and details how to use it!

- At www.thenonprofitprotector.com click on “Brochure PDF”
- Leave printer on color setting
- Now that the brochure is open in your Acrobat Reader, please print the brochure.
- Connect resultant pages into brochure format using clear tape

STEPS TO PRINT MAJOR RISK INVENTORY PROGRAM:

On 8 1/2 x 11 paper

- Go to www.thenonprofitprotector.com
- Click “Add to Cart” button (at the bottom of the page)
- Click “Buy Now” button
- Enter your “Customer Details”, then click “Continue”
- Enter credit card, and click “Place Order & Pay”
- A PDF file, titled “The Non Profit Protector Major Risk Inventory Program”, will appear for download. This same PDF will automatically be emailed to you as well
- Leave printer on color setting
- Open and print this PDF in your PDF viewer
- Print the document. The document will include:
 1. A blank MRI Questionnaire pages 1A – 4A
 2. A completed model MRI questionnaire pages 1B – 4B
 3. An MRI Explanation Guide detailing why each affirmation is important pages 1C – 5C

Note: This program is designed for nonprofits with a single headquarters and no locations in other counties. Otherwise, the completion team will have to prepare the standard MRI Questionnaire to address potential risks for the enterprise – and then develop a collapsed version of the MRI. This would not include sections addressing Governance, Accounting and Purchasing. Users would then create a Satellite Model MRI by carrying over from the remaining affirmations those affirmations that may relate to satellite activities.