

AN INTRODUCTION TO VOLUNTEER FUNDRAISING FRAUD

Most people who fundraise for charity do so because they believe in the causes they collect for. However, a small number of fundraisers are not so well intentioned, or they start out with good intentions but find the allure of cash hard to resist.

HELPSHEET

Introduction

Fundraising frauds strike at the heart of the charity sector - diverting funds from the purpose for which they were donated, damaging the reputation and morale of the organisation and other fundraisers in the sector, and eroding public trust.

What are fundraising frauds?

Simply stated, 'fundraising fraud' is when a person raises money for a cause but does not pass all of the money raised to the charity.

Not all fraudulent fundraisers set out with bad intentions. Sometimes there are genuine reasons why funds have not been passed on, so a tactful but robust approach is vital.

Common risks

Volunteer fundraising frauds can be categorised into:

- premeditated frauds - where a supporter sets out with the intention of retaining some or all of the collected funds; and
- spontaneous frauds - where a supporter, having collected money on behalf of the charity, decides not to donate all of it. Spontaneous frauds can often be prevented through good fundraiser management processes.

Specific risks can also be posed by third-party fundraisers or local fundraising committees, but these are not considered in this helpsheet.

Basic controls

Effective compliance and anti-fraud processes can help to prevent spontaneous fraud and detect premeditated fraud.

Before fundraising activity takes place:

- make fundraisers aware of their responsibilities;
- ensure fundraisers consider the logistics of getting the cash and other donations to your charity; and
- explain to fundraisers that all of the money raised is held on trust for the charity and that no deductions can be made for things like expenses.

Your fundraising team will also need to know when to contact supporters both before and after the event and the methods of contact to use. Follow up donations post event so that discrepancies can be accounted for or referred for further investigation.

Warning signs

Certain kinds of behaviour can be red flags.

- The fundraiser becomes difficult to contact or non-responsive.
- Less money than expected is received.
- Fundraising complaints or concerns are raised.
- The fundraiser applies for branded materials but no funds are received.
- The fundraiser's attitude to the charity changes.

None of these are clear-cut evidence of fraud, but they might point to the need for further investigation.

Taking action

If you suspect fundraising fraud act promptly.

- Have a process for escalating concerns and ensure staff are made aware of it. This should cover who to pass concerns to. Ensure staff involved in the process are aware of their role.
- Report your concerns to the relevant national law enforcement agency. In the UK this is Action Fraud (England, Wales and Northern Ireland) or Police Scotland (Scotland).
- Report matters promptly your charity regulator. For reports to the Charity Commission for England and Wales treat it as a serious incident. Use the **online form** to make your report, stating what happened and how you're dealing with it.

WHY IS IT IMPORTANT?

Every charity should make it easy for fundraisers to do the right thing.

IN MORE DETAIL ...

Premeditated frauds

Bogus fundraiser (unknown to the charity)

A person not known to the charity pretends to collect on its behalf. The fraudster steals or purchases a collection tin and uses a logo from the internet in order to give the impression of being a genuine collector. Using these false credentials, the bogus fundraiser undertakes cash collections in public or private areas such as in the street, or in pubs and stores.

Supporter fraud (known to the charity)

A supporter contacts the charity to obtain materials (eg, T-shirts, wristbands, pins) or other credentials in order to pose as a fundraiser with the *intention* of keeping the money or passing on only a small amount. In this instance the fraudster exploits the charity's keenness to engage with volunteer fundraisers and relies on the fact that there will be little or no follow up on the monies collected.

Implied association

A company might use a charity's branding in order to imply association without the knowledge or consent of the charity concerned. For example, a burger bar states on their menu that '10% of the value of orders placed in December will be donated to [a named charity]', but no money is received by the charity. This is even worse if the charity concerned doesn't want their branding associated with the company.

Organised fundraising fraud

A company contacts a charity and offers to undertake fundraising activities at a number of locations using several volunteers. Collections are then made but only a small proportion of the money raised is received.

Spontaneous frauds

Supporter theft

A person raises money for the charity with the intention of donating it, but they succumb to temptation and keep the cash they have raised.

Fluctuating fundraiser

Sometimes a supporter may raise money for Charity A but donate it to Charity B or directly to a beneficiary or another individual. Consideration of *dishonesty* and *intent* are important in these instances as this is the difference between fraud and error.

CHECKLIST

BUILDING YOUR CHARITY'S DEFENCES

ASK YOURSELF:

- Do we support our fundraisers?
- Are our fundraisers aware of what is required from them, and have we made it easy for them to do the right thing?
- Do those managing fundraisers know how to escalate concerns relating to financial irregularity and fraud?
- Do we have a process for handling bogus fundraisers that escalates cases of concern to staff responsible for investigation and recovery?
- Have we considered undertaking data analysis? For example, comparing materials supplied to a supporter and funds received, or comparing donations listed on giving pages with monies received.
- Do we request the return of our materials post event or in the event of us becoming aware that they have been misused?

OTHER RESOURCES

Charity Fraud Awareness Week 2019. '**Getting to know your volunteers'** (helpsheet).

Charity Fraud Awareness Week 2019. '**5 top tips to avoid fundraising fraud'** (helpsheet).

Charity Fraud Awareness Week 2018. '**An introduction to fundraising event fraud'** (helpsheet).

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