



# American Greed: NFP Stories and How to Avoid Occupational Fraud

Northern California Planned Giving Council

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Steve Daughters is a Managing Director at BPM, specializing in forensic accounting. With over 30 years of financial accounting experience, Steve is well versed in the litigation and dispute advisory fields, serving as both a forensic accountant and an experienced expert witness / testifier across many industries. His primary areas of concentration include complex commercial damages, licensing/royalty disputes, lost earnings, business interruption claims, and fraud investigations.

Prior to working at BPM, Steve assisted three firms in developing their Bay Area litigation and forensic accounting practices. Steve has extensive Big Four experience, and brings industry experience across the financial services, healthcare, technology, real estate, and energy verticals. Notable past work includes assisting boards with corporate investigations related to retroactive pricing of stock options, earnings management, revenue recognition, and tax issues.

Stephen Daughters holds an active CPA license in California.

# Fast facts

Founded in

**1986**

38 Years in business

**16**

Offices

+ Virtual Region which includes colleagues in 41 states

**80+**

Partners

**1300+**

Colleagues

**34<sup>th</sup>**

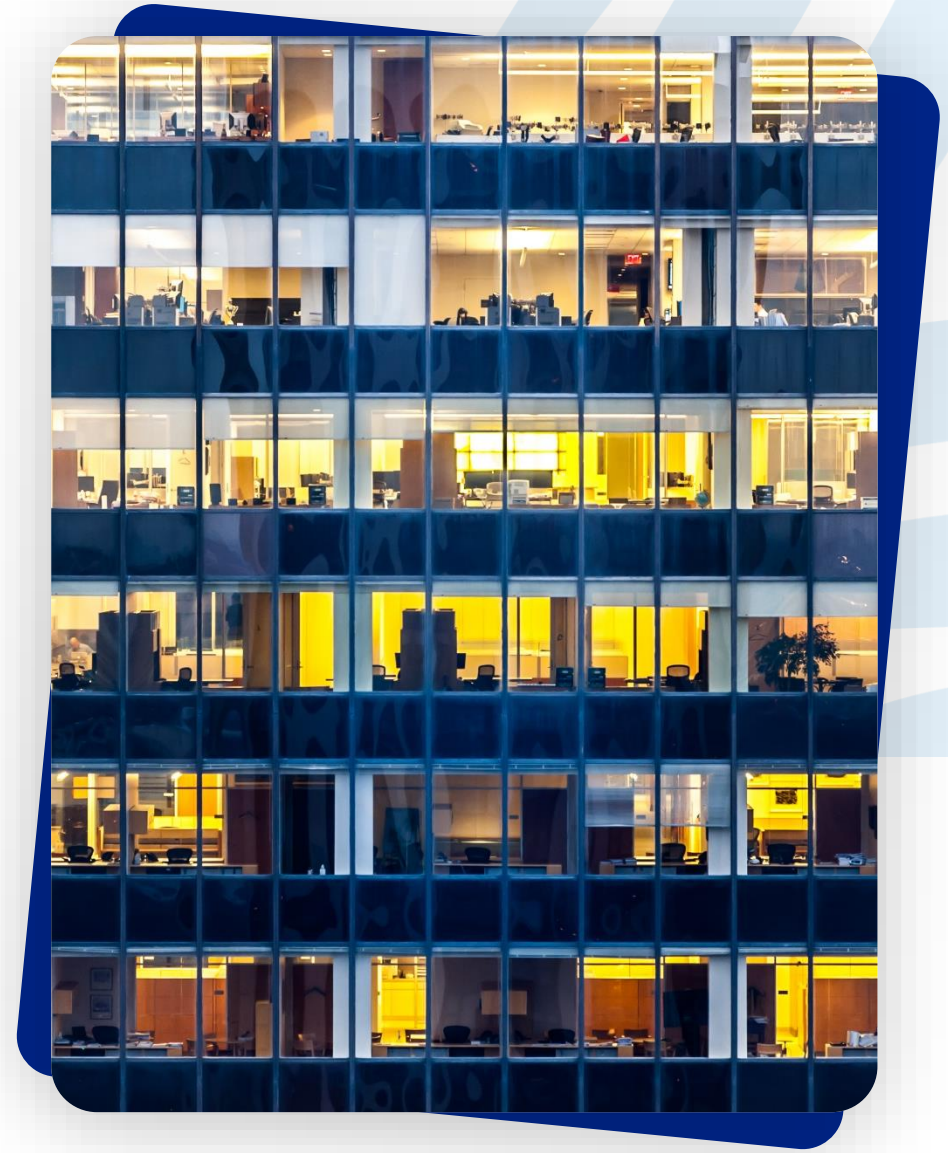
largest accounting and consulting firm in the country according to Accounting Today

**\$240M**

Total revenue

**Full-Service Firm**

Assurance, Advisory, Tax and Wealth Management



As of 4/24

# How much fraud is there?

**LOTS!**

- **5% of TOTAL REVENUE** is lost to fraud
- The median loss is \$145,000
- Average fraud last 12 months before detection.



# Who finds the fraud?



Auditors only catch  
3% of frauds.



Internal audit only  
catches 14% of  
frauds.



Most frauds are  
caught by  
whistleblowers 43%.

# Houston ... We have a problem!

- How do the organization react?
  - The “Ostrich Approach”



- The “Sky is Falling”



# Dynamic between the forensic, auditor, management and the board

- Delicate political environment
- Different agendas – Management and Board
- Concentrate on the facts



# Risks of Public Disclosure

- Public embarrassment
- Potentials call for management change
- Loss of funding
- Calls for shut-down of the organization





# How much evidence do you need?

**IT DEPENDS!** 😊

- Recovery of assets
- Termination of the offender
- Criminal referral



# Electronic Evidence

## It's the Best

- Best evidence
  - Emails
  - Text messages
- People operated under the idea that communication is private
- Perils of non-discovery of electronic information



# How Do You Avoid Fraud?



**Have a fraud reporting mechanism.**



**Emphasize the tone from the top**



**Internal controls**



**Strong hiring policies and procedures**



**Employee Support Programs**

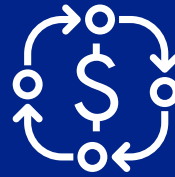
# A Step Further....



**Anti fraud  
training for all  
employees**



**Prepare fraud  
risk  
assessments**



**Anti-fraud  
controls**



**Make  
employees  
aware of  
possibility of  
detection**



**Anonymous  
employee  
surveys**

# Conclusions and takeaways



Educate your employees about fraud. It will be caught and how to report it.



Do not rely on the honesty of your employees. “Trust, but verify.”



Prepare a fraud prevention checklist for your organization and follow it.



BECAUSE PEOPLE MATTER