

AN INTRODUCTION TO FUNDRAISING EVENT FRAUD

Reducing opportunities for any kind of fundraising fraud should be a high priority. If a charity benefits from events it needs to protect the proceeds (large and small), identify financial irregularities (internal or external) and recover any money that's overdue.

Introduction

Imagine: a local pub regular has a sponsored head shave for a cancer charity. He raises a few hundred pounds, gets a mention in the local paper, but the money never reaches the charity itself. The fraud comes to light when a neighbour becomes suspicious and decides to check what happened to the cash.

Fundraising fraudsters come in many shapes and sizes. They can be high-value serial offenders, holding one-off events with no intention of donating the proceeds, or opportunists who started out with good intentions.

What is fundraising event fraud?

'This is when someone organises an event to raise money for a genuine charity but afterwards fails to pass on any or all of the proceeds. Typically these events will be concerts, auctions, dinners, raffles or sponsored activities like bike rides, sky dives and 'singathons'.

It can take time for a fraud like this to be suspected. The proceeds might be held up for any number of reasons. Often the charity will not even realise that the money is missing.

Common risks

Before the event

Organisers will often be in frequent contact, asking for information, advice and merchandise. Quite often trusting relationships develop between them and the local fundraising manager. On the day of the event someone from the charity might even attend.

Right from the first contact charity staff should try to establish whether this person is genuine. Gather robust contact information; not just a phone number and an email address, but a (confirmed) physical address as well.

After the event

The event takes place; it is well attended; money is raised. Initially the organiser may take to social media to publicise their success. Often they will contact the fundraising manager to report how much was raised. But sometimes there is no follow-up contact at all. The organiser, along with the money, simply disappears.

Many fundraising managers simply do not monitor event income receipts closely enough. Even when members of the public report their concerns about missing donations, few of these reports are followed up. All charities should identify, track and monitor events as they take place and then respond promptly when donations appear to be at risk.

Warning signs

Certain kinds of behaviour can be red flags for fraud in fundraising events. For example:

- fundraising staff are told by the event organiser that donations are still being collected and the full amount will be sent later;

EVERY CHARITY has a duty to safeguard public donations and to make sure they are being used for the declared purpose.

HELPSHEET

- the organiser goes quiet, failing to answer their phone and ignoring text messages and emails; or
- a concerned member of the public gets in touch wondering what happened to their donation.

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

Fraud investigation process

Whenever concerns are expressed by members of the public or your own staff a simple, formal procedure should kick-in. Basic information should be recorded and then escalated to a staff member dedicated to managing these reports and investigating the concerns. A professionally-qualified investigator is desirable in this role, but not essential.

Capture the following:

- organiser's name, address and contact details;
- location and outcome of the fundraising event;
- amount raised;
- details of the allegation;
- source of the concern; and
- any evidence available from social media (such as reports and photographs).

Taking action

Once any potential charity fraudsters have been identified one of a number of approaches can be adopted depending on the situation.

- Decide whether the evidence substantiates the allegation.
- Write to the event organiser seeking an explanation for the unpaid donation or payment – this can frequently result in the missing money being repaid quickly.
- Outsource an investigation to a third-party specialist.
- Report the incident to your relevant national law enforcement agency. In the UK this is Action Fraud (England, Wales and Northern Ireland) or Police Scotland (Scotland).
- Report matters promptly to 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.
- Consider taking civil legal action to recover the missing money.

Civil action in low value cases

When there is strong evidence of wrongdoing (witnesses, documents, photographs, social media posts) action in the civil courts can be worth considering.

Money Claim Online (provided by HM Courts & Tribunal Service) enables claimants to start a civil action online. It is an easy, inexpensive and effective alternative to involving the police in the recovery of small amounts. It also sends a positive and confidence-boosting message to donors, staff and other stakeholders that your charity is not a soft touch.

CHECKLIST

BUILDING YOUR CHARITY'S DEFENCES

ASK YOURSELF:

- Do we always know what fundraisers are doing on our behalf?
- Have we explained what kind of behaviour we expect of them and do they know that we always follow up allegations of fraud?
- Are we keeping good records so that we can analyse event data for unusual patterns and anomalies?
- Is there a well-documented process for post-event follow-up, especially relating to money raised and when it will be received?
- Do we have a formal, centralised log of all reports of potential fraud and suspicious behaviour?
- Is there an established process to follow-up allegations of fundraising fraud?
- Should our fraud response plan include a civil recovery process for chasing and recovering missing donations?

OTHER RESOURCES

The Charity Commission for England and Wales has produced a range of resources covering this area as part of its compliance toolkit. See chapter four, '**Holding, moving and receiving funds safely in the UK and internationally**'.

Preventing Charity Fraud contains resources to help charities prevent, detect and respond to fraud.

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DISCLAIMER

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