

Insider theft a big problem for small charities

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Fraud at nonprofit organizations is on the rise, charity watchdogs say. While people worry about fraud or wasteful spending at big charities, abuse often occurs much closer to home — at the trusted local PTA or soccer club. Often, such thefts aren't spotted until a charity changes leaders or an unpaid bill comes due.

Small organizations often lack the financial controls to prevent theft, experts say. That's because people in smaller groups often don't want the hassle of going over bills and bank statements and don't want to offend the person who volunteers to handle the checkbook, who might be a longtime neighbor or the mother of a child's best friend.

And they aren't scrutinized as rigorously as their larger counterparts. Charities that don't bring in \$25,000 aren't even required to file an annual return with the IRS.

Fraud cost charities an estimated \$40 billion in 2006, according to a report last year by nonprofit accounting experts. The figure is likely even higher, since many charities don't want to look bad for potential donors and don't report thefts, said Janet S. Greenlee, an associate accounting professor at the University of Dayton and one of the report's four authors.

The problem is especially acute at small nonprofit groups run by volunteers, she said, "where there is very little oversight and everyone is friends."