

HOW NGOS CAN STAY SAFE: BEST PRACTICES FOR DUE DILIGENCE AND RISK MANAGEMENT

Running an NGO is all about making a positive impact, but let us be real, keeping things openly and safe from fraud or shady dealings is just as important. Whether you are a seasoned nonprofit leader or just getting started, having a solid handle on best practices for due diligence and risk management is crucial. Here is a casual but info-packed guide to help you keep your organization safe, effective, and trustworthy.

Why Due Diligence Matters

Due diligence is not just a fancy term; it is your NGO's safety net. It means really understanding your organization's purpose, goals, and structure, and making sure every dollar is spent the way it should be. Here is what you need to keep an eye on:



Every new project deserves a fresh risk assessment.

- Know your beneficiaries: Who are you helping, how are they chosen, and are funds reaching them as planned?
- Track the money: Analyze financials, check if there's training on fraud prevention, and make sure employees and directors know the signs of trouble.
- Understand your donors: Where are they from, what is their motivation, and are they involved in cash-heavy businesses? Update your donor info at least once a year.
- Vet your partners: Make sure partner organizations are financially stable, legally registered, and have a good reputation. Always check their audited financials and AML (Anti-Money Laundering) policies.

Spotting Red Flags

Red flags can pop up anywhere—donations, beneficiaries, projects, partners, or even employees. Here is what to watch for:

- Donations: Be wary of large, one-time, or anonymous donations, especially if you cannot trace the source. Also, if donations come with odd conditions or require strange payment methods, take a closer look.
- Partners: Watch out if a partner wants secrecy, insists on specific auditors, or asks for payments in odd jurisdictions.
- Projects: Missing or tampered documents, weird payment requests, or directors making excuses about "system crashes" can all signal trouble.
- Employees: Employees living beyond their means, not taking vacations, or having inconsistent work histories could be a sign of something is up.

- **Beneficiaries:** Multiple beneficiaries sharing the same address or board members, or those with suspicious documents, should be checked out.

Risk Assessment: Do not Skip It!

Every new project deserves a fresh risk assessment. Identify risks, figure out how they could impact your NGO, and put measures in place to reduce them. Once you have made changes, reassess to make sure your fixes are working. And do not forget—your Board of Directors should approve these assessments.

Training: Keep Everyone in the Loop

Regular training for employees and directors is necessary. Cover topics like cultural differences, identity verification, red flags, cybersecurity, and the latest regulatory updates. The more your team knows, the safer your NGO will be.

Internal Controls and Independent Testing

Set up internal audits, monitor transactions, and involve directors in any changes to your AML program. Have clear policies for reporting suspicious activity and preventing conflicts of interest. And do not just trust your own systems, get independent evaluations to spot weaknesses, and make improvements. Document everything and have a plan to address any issues that come up.

Final Thoughts

Keeping your NGO safe is not just about following rules, it is about protecting your mission and the people you serve. By staying alert to red flags, regularly assessing risks, and making sure your team is trained, and your controls are solid, you will build trust and make a bigger impact.

Stay smart, stay safe, and keep making a difference!

Want to dive deeper into this topic? Check out my YouTube channel—I have posted a video that walks you through all these best practices and red flags for NGOs in a simple, visual way. Do not miss it!



<https://www.youtube.com/@PerspectivesEYE>