

Preventing Fraud & Driving Donations

An insightful guide of data quality
practices for non-profit organizations



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INTRODUCTION

Charities and non-profit organizations (NPOs) have a responsibility to the greater good because they obtain funding via donors to achieve their aims. With the growing problem of fraudulent activity constantly disrupting this sector, there's an ongoing need to maintain clean and accurate donor data. Two major factors for charities to consider to help them succeed in today's challenging environment are the need to maintain public trust, and efficiency.

This eBook will outline a number of potential threats NPOs are exposed to on a regular basis, and how they can implement flexible tools to safely avoid them. Additionally, it will provide valuable insight into the benefits of holding clean, accurate and enriched donor data. This way NPOs can cultivate better relationships with, drive more revenue from, and find more of their best supporters.

This eBook will help charities and NPOs:

- Greatly reduce fraudulent activity
- Drive more revenue and donations
- Reduce costs
- Increase efficiency
- Gain a deeper insight into donors
- Improve engagement and communication with donors
- Stay compliant



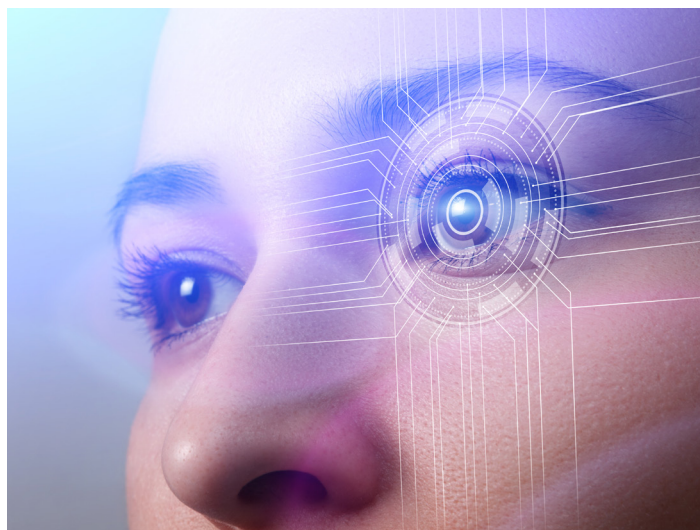
THE IMPACT OF FRAUD

The charity / NPO sector is one of the most targeted by fraudsters today, purely because of the amount of entry points open for fraudulent activity. Also, there is an over-reliance of goodwill and trust in the NPO sector, a key contributing factor to a higher risk of fraud.

It is estimated that each year, the average charity loses about 5% of its revenue to fraud. [1].

According to the ACFE, NPOs have the lowest implementation numbers for fraud awareness training, at just about 50%. This reiterates how easy it is to underestimate fraudsters finding new ways to exploit such organisations [2].

Taking the Know Your Donor or Know Your Customer approach will give NPOs more clarity on the conditions attached and risks involved when accepting a donation. Additionally, it will ensure that donations are not coming from illegal money laundering activities. The end result will see charities and NPOs satisfied that fraud prevention controls are in place and operating effectively, now and in the future.



THE IMPACT OF CLEAN DONOR DATA

"Organizations must be aware that a customer database will go stale at a rate of 2% each month - up to 24% a year. This is due to individuals moving address, changing emails, marrying, dying and divorcing, to name a few."

Donor data is one of the most valuable assets charities and NPOs have. Remember that successful fundraising begins with good data because donors want to be treated as individuals, with respect and understanding. They also want to be confident that their donations are being used efficiently in support of their chosen cause.

Clean contact data helps to avoid expensive mis-deliveries of marketing communications and products NPOs might sell online to support their fundraising efforts. Return to sender is not only costly in a financial respect, but in the outcome of a poor donor experience as well. Through targeted, personalized marketing communications and speedy delivery of fundraising packs or products, NPOs can maintain a positive relationship with donors, which is vital since acquiring a new donor or customer costs five times more than retaining one.

If managed correctly, clean and accurate contact data can help organizations prevent donor churn, reduce costs, drive revenue, and maintain better relationships with their supporters.

"When combining fraud prevention and data quality, charities can stay confident in a consistently changing landscape that they are efficient and have the tools to reach their potential."

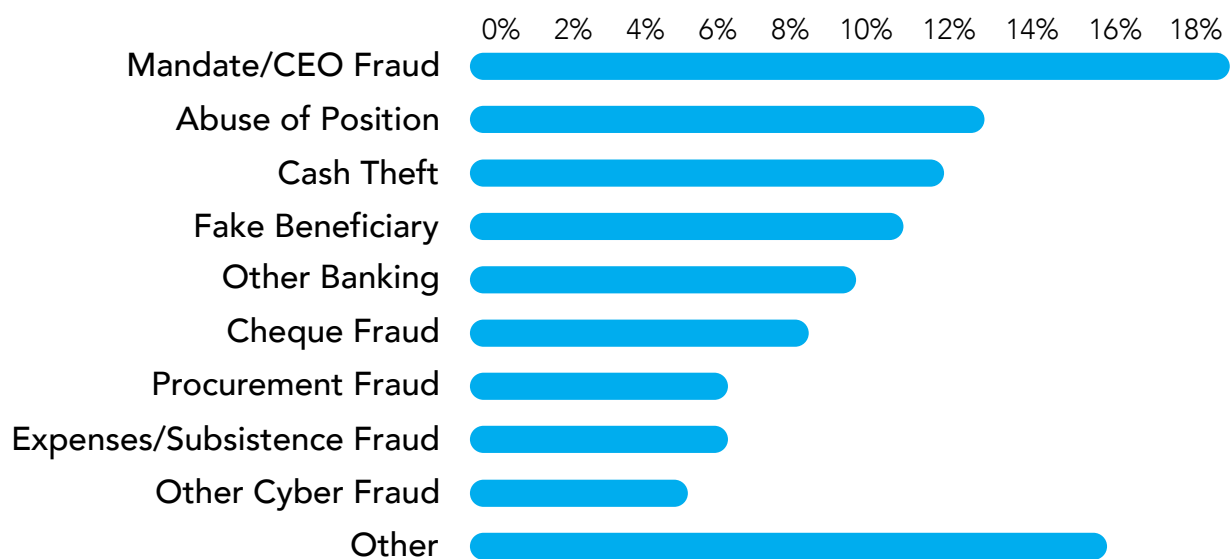
FRAUD PREVENTION STARTS WITH IDENTITY VERIFICATION

“Performing ID verification checks is becoming more commonplace in today’s tech savvy world, at a time when organizations are more at risk than ever before – something that will continue as we move into an increasingly digital world.”

Today, fraud can have a far greater detrimental impact on NPOs than they think, which is why they need to ensure best practice procedures are in place to prevent any potential threats.

The graph below reveals the types of fraud within the charity sector. [3]

Frequency of Common Charity Frauds



(The following analysis relates only to charities that have suffered from fraud in the last 2 years)

Implementing digital identity verification tools is the straightforward, simple answer to combatting a large portion of fraudulent activity. Doing so enables organizations to verify an individual’s identity via an automated process before onboarding. This should take place when accepting donations and when screening employees or volunteers before they gain access to the organization’s assets.

In the digital age, traditional methods such as physical ID checks just aren’t cutting it anymore. As donations and engagement typically take place online, using digital ID verification tools has become vital.

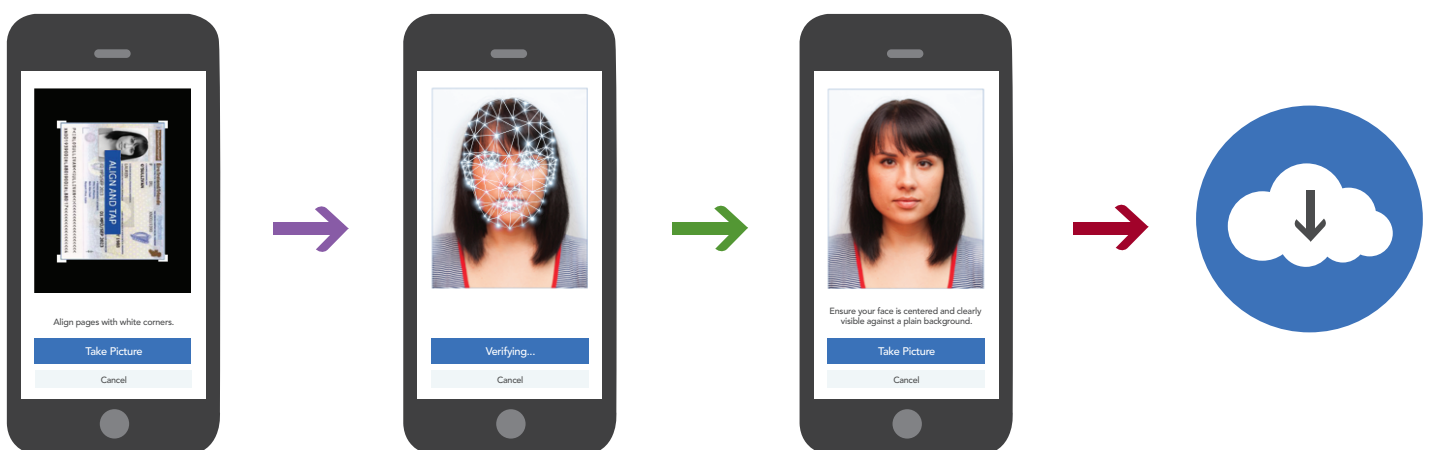
GETTING THE BASICS RIGHT

Having a digital identity verification process in place can be as simple as matching a name, address, date of birth or phone number against reputable data streams such as government agencies, credit agencies and utility records. This basic but effective check can help NPOs verify an applicant's residency and establish proof of address to determine their 'right' to access particular assets. In addition, the ability to verify date of birth ensures those of the appropriate age are taking part in fundraising activities or engaging in products or services they qualify for. Such a basic check will go a long way to helping charities achieve a significant level of protection via an automated process.

A LAYERED APPROACH IS KEY IN TODAY'S WORLD

These days, a layered approach to identity verification is necessary as fraudsters become increasingly savvy. The use of ID document verification can add several layers of protection and give an organization a 360-degree view of their donors and staff.

This works by simply asking an individual to upload a photo of their chosen ID document, like a passport or driver's license, which Machine Readable Zone (MRZ) technology will ensure is genuine. Secondly, this photo is matched against a selfie taken from their smartphone, where biometric technology will determine a match between the ID document and the selfie. The third layer is a liveness check, which scans the person's face for eye movement to ensure the person behind the ID is real and not a static image. This entire check is done in an easy 1-2-3 process, all from the user's smartphone in the comfort of their own home.



GOING A STEP FURTHER

An even deeper layer can be added by enabling real-time screening capabilities and checks against international watchlists, sanctions, adverse media and deceased registries. This ensures a person isn't associated with targeted groups, terrorist financing, anti-money laundering activities or using the details of a person who has passed away. A service like this is particularly important for NPOs accepting high value donations or sending volunteers out to more sensitive fields, like hospitals in crisis situations, to gain absolute certainty of who they are doing business with when reviewing and verifying such account applications.

NPOs must understand that building public trust and confidence relies upon them taking proportionate steps to protect themselves from fraud and financial abuse.

All in the sector, regardless of size and type, are encouraged to demonstrate this commitment by adopting these key principles:

- Fraud will always happen and being a charity is not protection from it
- Fraud threats change constantly
- Prevention is FAR better than cure
- Trust is exploited by fraudsters
- Anti-fraud responses should be proportionate to the charity's size, activities, and associated risks

With automated digital identity solutions, NPOs can showcase to their donors and staff that they have tech-forward solutions in place to protect themselves from increasing vulnerability and confirm that those persons they engage with are who they say they are.



THE POWER OF CLEAN & ACCURATE DATA

"The single most important item that impacts donor or customer retention is the data organizations work with."

Acquiring and maintaining clean donor data is an ongoing challenge and one that many charities need to make a greater priority. In fact, 91% of all organizations have data quality problems, with NPO data degrading at about 2% each month.

Fortunately, many of the most common data issues can be easily repaired, such as an incorrect or mistyped donor name, address, email or telephone number. Whether handled in batch form or in real-time as data is collected, a few simple, cost-effective changes to data quality routines can ensure data accuracy as well as a smooth onboarding experience for donors.

INVESTING IN ADDRESS QUALITY WILL AFFECT AN NPO'S BOTTOM LINE

Maintaining clean and accurate address data on donors goes a lot further than most charities think, because a person's address has a number of uses. Importantly, the first step in any identity verification process is ensuring that the person provides a correct address, domestic or international, and that they live at the provided address.

Having the right address is essential when NPOs send out direct mail or parcels, because costs can significantly accumulate in wasted materials, correction fees, redelivery charges and time if they do not. Unfortunately, 20% of addresses entered online contain errors. In combination with about 13% of the U.S. moving each year, it can be very easy for mail and deliveries to end up in the wrong hands. Additionally, as an increasing number of charities are looking to expand globally, each country has its own local address formats, which prove a tedious task to get right manually.

The use of address verification and lookup software solves these common challenges. Available in batch cleansing or as an API service, putting these solutions in place during a signup process when donors fill out web forms can quickly establish the basis for timely deliveries. It also provides a good flow for data entry by offering a drop-down list of verified postal addresses after the first few strokes. This increases conversion rates and enhances the user experience to ensure that only error-free, verified postal addresses are entered into an organization's systems, both locally and globally.



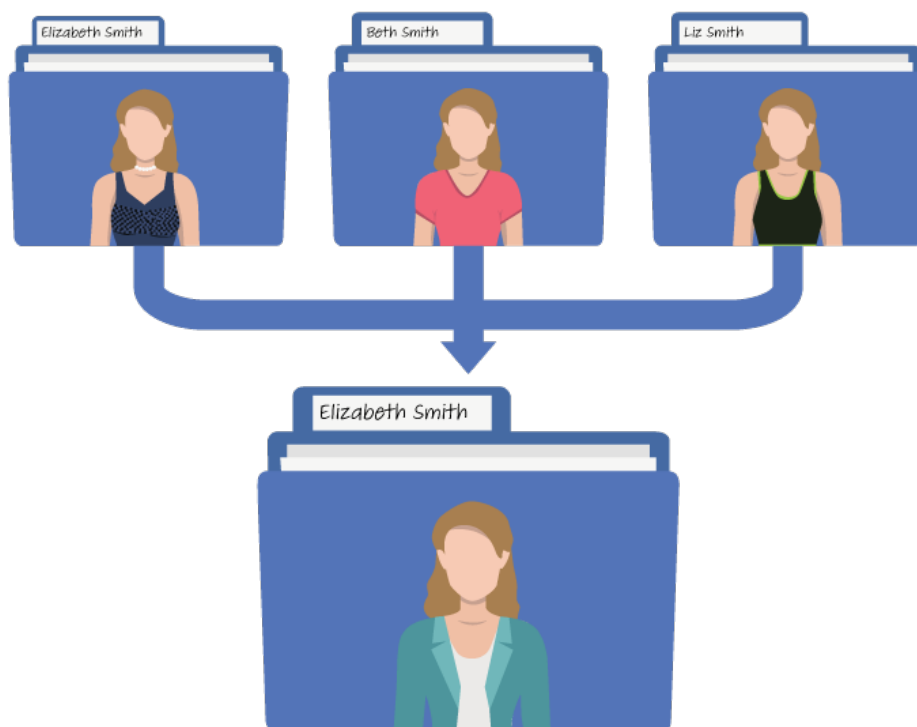
DATA DEDUPLICATION ELIMINATES WASTED RESOURCES

Duplicate data is a common result when donor contact data is collected incorrectly at different touchpoints. For example, a donor could be entered into a system two separate times with the same phone number but with a nickname or mistyped name on the second record. This is a growing problem for those in the third sector in the digital age. Deduplication is also of the utmost importance to larger organizations that may have accumulated many different databases over time—for example, if they have merged with other NPOs.

Most databases contain 8-10% duplicate records, each of which takes effort to identify and remove. Not only can duplicate data be costly in terms of time and money when communicating with supporters, it can also adversely affect reputation. If a donor receives two mailings in their name, with one spelled incorrectly, it can demonstrate a lack of understanding about them – who they are and the value they bring – damaging the image of that NPO's brand in their eyes.

To rectify this, charities can deploy an advanced fuzzy matching tool to merge and purge even the most difficult records seamlessly and effectively into one 'golden record'. Some deduplication services can also recognize and group matching criteria, such as several donors belonging to the same household, to better understand customer relationships, lifecycle, and needs. This insight can also be used to eliminate multiple mailings to the same household, cutting down unnecessary costs.

Deduplication is a vital approach for charities to take, as they often have huge volumes of donor data. It also helps them to deliver a highly accurate single customer or donor view for future marketing and communications activity.



SUPPRESSION CLEANSING TECHNIQUES ENSURE SMART DATA OPERATIONS

Data suppression strategies help NPOs highlight those who have moved or are otherwise no longer at the address on file. In addition to removing bad addresses, this service includes deceased flagging – an important feature that ensures mail is not sent to donors who have passed away, upsetting their friends and relatives and potentially tarnishing an NPO's brand image. This is critical when those in older age brackets are more likely to be regular and generous donors to third sector organizations.

Another factor of data suppression is maintaining compliance with opt-out services such as The National Do Not Call Registry and CAN-SPAM. This saves NPOs from trying to communicate with those that don't want to engage with them.



100k
House moves
a month



29m
Records held
on PAF



90m
Data held in
goneaway files



2.2m
Individuals
move home
each year



520k
People who
pass away
each year



6.2m
on MPS

5%

Of data needs to be
removed from a database
each year for age 65+

Mortality Rates Age
65+



23.7n
on TPS

THE MORE DATA A CHARITY HAS, THE MORE THEY CAN DO WITH IT

Enriching a charity's database with additional elements can provide extra demographic insight on current customers or donors, like particular interests, gender, average household income, presence of kids, etc. This data enables effective segmentation, tailored communication efforts and the ability to identify a look-alike audience of best donors.

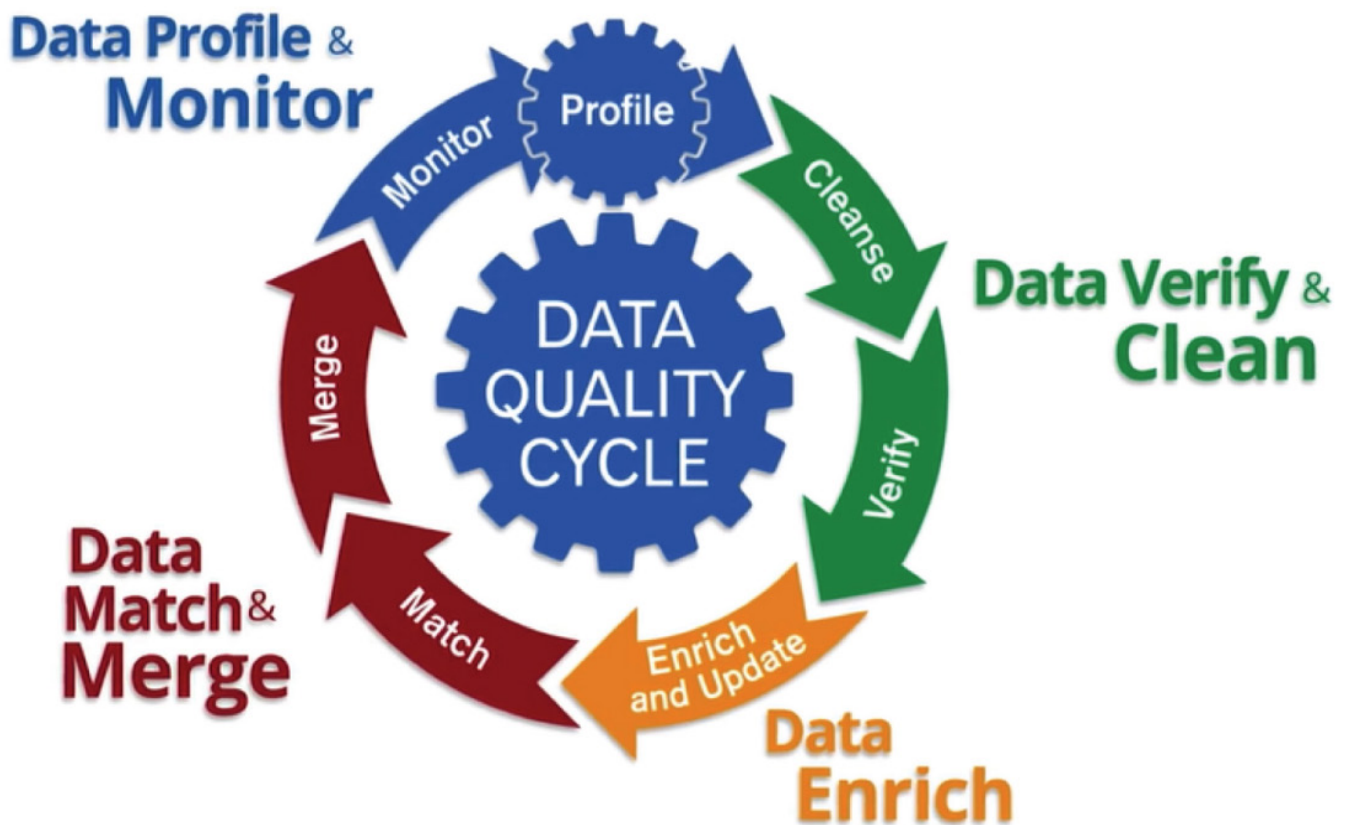
This can also work from a firmographic perspective regarding corporate donors, which involves obtaining information such as average business turnover, company size, what industry sector(s) they serve, etc. This added insight will help charities target potential donors and achieve better outcomes.



SIMPLE STEPS FOR DATA QUALITY AND FRAUD PREVENTION PRACTICES

NPOs must acknowledge that they need to adjust to changing landscapes, donor behaviour and new challenges in the digital age. By developing good data quality and fraud prevention practices, they can tackle these challenges head on and thrive today and in the future.

Below is an image of a data quality lifecycle – a simple approach all those in the third sector can follow to maintain consistently optimized data.



While the number of recommendations in this eBook may be overwhelming, small steps can be easily taken to protect NPOs from fraud. A good first step is to health check your donor database to view its current status and take a deeper look at the potential threats you may be exposed to.

Then, once there is a foundation of quality data in place, you can take the necessary actions for the long-term benefit of your organization to build and maintain public trust.



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About Melissa

Our 40 years of address expertise started with ZIP+4 and turned into so much more. Melissa is a single-source vendor of global address management, data quality and identity verification solutions that help organizations harness accurate data for a more compelling customer view. Our industry-leading solutions have processed over 1 trillion address, name, phone and email records, making it clear why thousands of businesses worldwide trust Melissa with their data quality needs. For more information, visit www.melissa.com or call 800 MELISSA.

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