

Fraud Busters

Keeping Your Name Out Of The Evening News



Who you gonna call?

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Fraud in our nonprofit group?

Fraud in our nonprofit group?

Is this really something our board needs to worry about?
The answer is a resounding **YES!**

Five minutes on the Internet reveals these stories and many more:

- A Scottsdale woman is accused of embezzling about \$200,000 from an elementary school parent-teacher organization.
- A former president and treasurer of Vista American Little League was arrested on suspicion of embezzling more than \$21,000 from the league.
- Ex-PTO mom pleads guilty to embezzling more than \$10,000.
- The former treasurer of the Castro Valley Youth Soccer League was formally charged with embezzling nearly \$170,000 from the organization during a 30-month period.
- Woman Is charged In PTA embezzling - \$180,000 Taken From Fairfax Group.
- The Genesee County little league baseball coach accused of embezzling as much as \$30,000 from the organization, could soon have the charges against him dismissed or reduced. Bob is accused of taking the money and spending it on child pornography, adult online dating services and a Walt Disney World vacation for his family.



*"As fundraising dollars grow,
so does the potential for fraud."*

Fraud in our nonprofit group?

Times have changed. The bake sales that once funded little league uniforms or elementary school assemblies have morphed into big business. In fact, according to NonprofitSource, "School groups raise more than \$1.5 billion every year selling various products." They also mention, "Total charitable giving grew 4.1% in 2016 and 5% in 2017."

And as fundraising dollars grow, so does the potential for fraud.

The problem is that the implementation of sound financial controls has not kept pace with the huge increases in revenues. For many groups, being upfront about anti-fraud prevention is unfamiliar and uncomfortable territory. People are dealing with friends and neighbors, some of whom they have known for years. It can be awkward to ask the woman who went through Lamaze classes with you, whose children have sleepovers with yours, to start using cash count sheets, having a second signature on checks, and turning over the books for an annual audit. But if you are on the board of a volunteer nonprofit, you know that the entire board has financial responsibility for your organization – it's not just the treasurer who is on the line to make sure that things run right. And if a fraud hits the front page, it's the board that the membership will turn to for answers.



"Proper accounting controls also provide reliable and accurate financial records."

Fraud in our nonprofit group?

Now do you recognize a need for stronger controls in your organization? The key to implementing these changes is to make things consistent, no matter who is asking. Nothing personal. That is, the rules are broadly recognized as best practices. They apply to everyone.

If you are lucky enough to belong to a national association that provides financial guidelines, recommend that your group implement them.

If you are on the board of a stand-alone organization, share your concerns with other board members and build consensus for change.

And if all this just seems like too much trouble, then re-read the news stories on page 3. Imagine how hard it is to be a board member of one of those unfortunate groups. Imagine having to say to your membership that their hard-earned money was lost because:

- We thought everything was fine.
- It was too hard.
- We didn't want to hurt someone's feelings.

Ready to move forward now?

Start by adopting and using effective internal controls such as those discussed in the next section.



"The board should adopt and monitor a budget."

General Management Controls

General Management Controls

General management controls consist of the board's responsibilities for establishing the proper oversight of financial operations.

The board should:

- Require clear and informative financial reports and statements on a regular basis (usually monthly).
- Adopt and monitor a budget.
- Ensure that a financial review (see page 27 for help) is conducted, at least once a year.
- Establish investment and loan policies (we looked really hard and couldn't find anyone willing to serve on a volunteer board that borrowed money.)
- Ensure that proper financial and accounting procedures are in place.
- Ensure that the organization has appropriate insurance coverage.
- Set the organization's priorities and goals, keeping the nonprofit focused on achieving its mission.

"Require clear and informative financial reports & statements on a regular basis."

Accounting Controls

Accounting Controls

Accounting controls are the procedures used to safeguard your nonprofit's assets. Proper accounting controls also provide reliable and accurate financial records. Both of these goals enable the board to monitor the organization's financial operations.

The creation of adequate accounting controls should focus on four areas:

1. Authority and approval: who has the authority to perform and approve certain transactions, such as approving invoices, expense accounts, signing checks, and dispensing supplies.
2. Proper documentation (part of the approval and authority process): every financial transaction should leave a "paper trail".
3. Limiting access: accounting records, personnel files, merchandise, supplies, and other equipment.
4. Red Flags: Organizations often ignore early signs of wrongdoing. If the proper controls are in place, the systems should alert someone



"Accounting controls are the procedures used to safeguard your nonprofit's assets."

Accounting Controls

to possible fraud. Unfortunately, people tend to ignore the early warning signs and let the deceit continue. Everyone must follow the established procedures for the controls to work as any deviation from the system will enable someone to defraud the organization successfully. Good risk management may prevent a financial loss or catch the culprit early in the process, thereby minimizing the loss.

Following are controls that we suggest you consider making part of your organization's procedures.

Handling Cash: Remove the Temptation

Last October, after a successful fundraising event in town, Lisa decided not to swing by the bank after counting cash. It was late, she was tired after having worked the event all day, and the bank's night deposit was not in an area of town that she felt safe going to at that hour by herself.

So Lisa put the money in an envelope and tucked it under a blanket in the trunk of her car to deposit the next morning.

That night her car was broken into and the money vanished.

Or so she said.



"Unfortunately, people tend to ignore early warning signs."

Accounting Controls

Insurance did not cover the loss as it did not occur at the event, nor on the way to the bank. The group was out thousands of hard earned dollars.

Was the money really stolen? Did Lisa embezzle it? If she didn't, how can she prove it? How can Lisa regain the confidence and trust of the members of her organization?

Cash handling procedures are important for three main reasons:

1. To protect the organization from theft, fraud or embezzlement.
2. To protect staff or volunteers from accusations of dishonesty or the temptation to commit fraud.
3. To assure donors that their donations and gifts are used for the purpose for which they were given.

Cases of fraud and embezzlement in volunteer-run nonprofit organizations are becoming more and more common. Many of these incidents could be prevented by the implementation of basic internal controls related to handling cash receipts.

Cash Count Worksheet

Date _____
 Committee _____
 Event _____

COUNTER 1 Name: _____ COUNTER 2 Name: _____

<p>COINS</p> <p>Pennies _____ @ 0.01 = _____</p> <p>Nickels _____ @ 0.05 = _____</p> <p>Dimes _____ @ 0.10 = _____</p> <p>Quarters _____ @ 0.25 = _____</p> <p>.50 Piece _____ @ 0.50 = _____</p> <p>1.00 Piece _____ @ 1.00 = _____</p> <p>TOTAL COINS \$ _____</p> <p>CURRENCY</p> <p>Ones _____ @ 1.00 = _____</p> <p>Twos _____ @ 2.00 = _____</p> <p>Fives _____ @ 5.00 = _____</p> <p>Tens _____ @ 10.00 = _____</p> <p>Twenties _____ @ 20.00 = _____</p> <p>Fifties _____ @ 50.00 = _____</p> <p>Hundreds _____ @ 100.00 = _____</p> <p>TOTAL CURRENCY \$ _____</p>	<p>COINS</p> <p>Pennies _____ @ 0.01 = _____</p> <p>Nickels _____ @ 0.05 = _____</p> <p>Dimes _____ @ 0.10 = _____</p> <p>Quarters _____ @ 0.25 = _____</p> <p>.50 Piece _____ @ 0.50 = _____</p> <p>1.00 Piece _____ @ 1.00 = _____</p> <p>TOTAL COINS \$ _____</p> <p>CURRENCY</p> <p>Ones _____ @ 1.00 = _____</p> <p>Twos _____ @ 2.00 = _____</p> <p>Fives _____ @ 5.00 = _____</p> <p>Tens _____ @ 10.00 = _____</p> <p>Twenties _____ @ 20.00 = _____</p> <p>Fifties _____ @ 50.00 = _____</p> <p>Hundreds _____ @ 100.00 = _____</p> <p>TOTAL CURRENCY \$ _____</p>
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<p>Total Coins <small>(sum above)</small> \$ _____</p> <p>Total Currency <small>(sum above)</small> \$ _____</p> <p>Total Checks <small>(sum above)</small> \$ _____</p> <p>Total to be Deposited \$ _____</p> <p>Signature _____</p>	<p>Total Coins <small>(sum above)</small> \$ _____</p> <p>Total Currency <small>(sum above)</small> \$ _____</p> <p>Total Checks <small>(sum above)</small> \$ _____</p> <p>Total to be Deposited \$ _____</p> <p>Signature _____</p>
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"Cases of fraud and embezzlement in volunteer-run nonprofits are becoming more and more common."

Accounting Controls

Embezzling cash is one of the easiest ways for a volunteer to abscond with money. To reduce your exposure to liability, we recommend these procedures for handling cash:

Cash Procedures

1. Always have at least two people present when counting cash. Each person should fill out a Cash Count Worksheet and all of the sheets should arrive at the same total. These sheets should each be signed by individuals counting the cash.
2. Always count money immediately after an event and deposit it in the bank or night deposit drop immediately. If security is an issue, have two people go to the bank together.
3. If cash cannot be counted immediately, make arrangements with the treasurer in advance. Do NOT take money home. Any money needed to be stored for counting the following day should be safeguarded in a safe or lock box.
4. Separate the components of cash handling – collecting, depositing, and reconciling – so that one individual does not have responsibility for more than one component. In nonprofits separate the handling of the actual cash from the reconciliation of the bank statement.



"Embezzling cash is one of the easiest ways for a volunteer to abscond with money."

Accounting Controls

5. Run a separate adding machine tape on the checks only and keep it with the checks for deposit. Endorse all checks with an endorsement stamp.
6. Run another adding machine tape listing the cash, currency and checks. Attach this tape to the deposit form.
7. Enter the deposit in your bookkeeping system.

See page 32 for a sample Cash Count Worksheet

Raffles

George bought a donkey from an old farmer for \$100.00. The farmer agreed to deliver the donkey the next day. The next day the farmer drove up and said, "Sorry, but I got some bad news. The donkey died."

"Well then, just give me my money back."

"Can't do that. I went and spent it already."

"OK then, just unload the donkey."

"What are you going to do with him?"

"I'm going to raffle him off."

"You can't raffle off a dead donkey!"

"Sure I can. Watch me. I just won't tell anyone he's dead."



"Check with your state about regulations on raffles."

Accounting Controls

A month later the farmer met up with George and asked, "What happened with the donkey?"

"I raffled him off. I sold 500 tickets at \$2.00 apiece and made a profit of \$898.00."

"Didn't anyone complain?"

"Just the guy who won. So I gave him back his \$2.00."

Before you conduct your next raffle, please Google "raffle rules" for your state. Some of the rules you may find:

- Under what situations you need to get a license to run a raffle.
- Description of the prizes to be awarded (chances are your state would have required George to specify that the donkey was dead).
- Whether there is a minimum age for people selling the tickets.
- Whether tickets must be sold by a member of your organization.
- Whether there is a maximum price per raffle ticket.
- Whether all raffle tickets must be sold for the same price.
- Whether there is an annual limit on how much your organization can earn in raffle sales.



"Check this out:

<https://www.fundraiserhelp.com/state-raffle-laws.htm>

Accounting Controls

Once you are sure that you are playing by the rules, raffles can be a great fundraiser. You can get the items donated and all you have to do is display the goods and collect the money.

But do take some simple precautions to ensure that:

1. The money that people are paying actually ends up in your account.
2. The person who wins actually bought one of your tickets.

The raffle tickets you buy have very long numbers on them. They come in many different colors. Use these features to ensure that you are meeting your two goals above.

SELLING

1. When you are ready to start selling tickets, select a roll or rolls of raffle tickets and record both the starting and ending number of each roll. It is easiest if they are all exactly the same color. That way, if you are selling blue tickets and you look in the bucket and see a green one, you will know that it didn't come from one of your rolls and that means that someone didn't pay for it and that means it isn't a valid entry!
2. When you give someone raffle tickets to sell, count how many they get. Maybe even write down the start and end numbers. Say you give them 100 and they turn back 30. That means they need to have \$70 to hand in.



"When you give someone raffle tickets to sell, count how many they get."

Accounting Controls

3. Let people know ahead of time that you will be doing a count when they hand their tickets and money in. The ones who are inclined to keep a few unpaid ones for themselves are less likely to, and the honest ones will be even more careful.
4. Many states now require that all raffle tickets be sold for the same amount. That means that you cannot sell \$1 a ticket, 6 for \$5. This is good because it gives each person the same chance of winning for the money they spend. This is also good for the Treasurer, because otherwise it is impossible to know how much money you should have for the tickets.
5. As always, have two people count both the tickets and the money.
6. Treat the unsold tickets as if they were money. Lock them up!
7. See Inventory Control on page 14 for more suggestions.



DRAWING

1. Before the draw, have a list ready of the valid raffle ticket numbers.

"Many states now require that all raffle tickets be sold for the same amount."

Accounting Controls

2. As soon as the ticket is drawn, hand it to the person with the list of valid numbers to make sure that it falls in the range.
3. Only at that point should the prize be awarded.
4. This prevents people from dropping their own tickets in the bucket (astronomically unlikely that they will have a ticket from your number range).

Inventory Control

You would think that Inventory Control was something that only corporations or big businesses had to worry about, but in fact it is a crucial activity for many nonprofit organizations.

What kinds of inventory do you have to control? Yearbooks, t-shirts, directories, raffle tickets, scrip — anything that your group purchases and re-sells.

1. Treat all these inventory items like money! You wouldn't leave a stack of \$20 bills on a shelf in an open storeroom. Don't leave inventory (things you are going to sell) out in the open either.



"Prevent people from dropping their own tickets in the bucket."

Accounting Controls

2. Make sure that the people that will be handling inventory know that you are going to control it by way of counts before and after. They will be more careful. Or they may decide not to do it at all.
3. Use control measures when issuing items to someone to sell. Count together. "Here are 20 directories. They sell for \$3. Here is \$10 in change to start you out. That comes to \$70 all together."
4. Have a master count list in the box of directories. You start with 100. You issue 20 to Wendy to sell. Wendy returns 5 unsold. You should have 85.
5. Use control measures when the items come back. Count together. "You are returning 5 directories. That means you sold 15 x \$3 which equals \$45. Plus \$10 start up cash for a total of \$55."
6. Treat everyone the same. If you count with Wendy, make sure that you count with your best friend Sue.



Controls such as these are easy to implement. The most important part is consistency.

Use the Cash Count Worksheet on page 32 to get started.

"Treat your inventory items like it's money."

Accounting Controls

Just what did you get yourself into?

So you're the co-signer on your non-profit's bank account.
Is this an honor? Or a curse?

First, congratulate yourself for joining a group that understands the benefits of having two signers on checks. This will slow down fraud attempts but it is not a cure-all.

Of course, you will never sign a blank check, no matter how good the reason. There is always another way to accomplish what you need. If something needs to be purchased from a place or for an amount that is yet to be determined, have the purchaser write a check of their own or use a personal credit card or cash and be sure to reimburse them promptly. That way you maintain both a paper trail and your integrity.



Here are other things to keep in mind before you whip out your pen:

1. Any check that you sign will need to have the date and the payee and the amount already filled in.
2. There needs to be an original bill or a receipt that shows the name of the person or business who provided this product or service and the

*"You will never sign a blank check,
no matter how good the reason."*

Accounting Controls

amount which should of course match the amount of the check.

3. You need to know that this is an approved purchase. It does you no good to carefully examine the check and the bill before you sign only to find out later that the board never approved the purchase of a new flat screen TV and in fact wants to know where exactly it is.

That being said, an original receipt does not eliminate your need for caution. To avoid buying a new TV for the Treasurer's personal use, your board needs to have a procedure in place that ensures that proper documentation is provided with each payment request. So in addition to the check awaiting your signature and an original receipt, the use of a Check Request Form is highly recommended. See [page 24](#) for a sample form. This form may require approval from a board member or committee chair. Or it may require a copy of the minutes of the meeting where this purchase was approved.

Some treasurers are not signers on the bank account! These organizations still require two signatures. The Treasurer handles all the paperwork, prepares the checks, and then presents them for signature.

As a co-signer you may feel awkward questioning the treasurer about a purchase. This is much easier when there are two of you asking the questions.



"Expenses need to be approved."

Bank Account Fundamentals

Bank Account Fundamentals

Following the Money

Remember the news story at the beginning of this booklet:
"Non Profit Treasurer embezzles \$200,000."

Do you wonder what the rest of the board was doing while this was going on? How could they possibly not know that there was \$200,000 less in their bank account than they thought there was? Wasn't anyone paying attention??

Chances are they were doing the best they knew how. The Treasurer was submitting reports, everything looked good on paper. They had no reason to doubt that the reports that were being submitted were anything other than factual.

However, chances are they were looking at the Treasurer's Report and not the actual bank statements. Many insurance carriers now require that a non-signer on the account sign off on the bank statements every month. It's the only way to know how much money is really in the bank. Otherwise you may not be covered for embezzlement if it should occur.



"Many insurance companies require a non-signer sign off on the bank statements."

Bank Account Fundamentals

Prudent bank account practices:

1. If your bank will send statements to more than one person, then request to have one set sent to the President's home, or to some designated person other than the Treasurer. If you can get only one set of bank statements mailed, then have them sent to the President or as above. The President can then make copies for the Treasurer.

Why? With today's computer hardware and software, it is relatively easy for a person to scan a document and alter it (maybe change the \$4,233.00 in the bank to \$14,233.00). Do not accept photocopies of any kind unless you are willing to contact the bank and confirm the numbers on them. You just cannot be sure that they are true.

2. Make sure that you get reports on ALL bank accounts and CD's every month. People who steal money are devious. They may set up a CD so that you get a better interest rate on your group's money. You see the money being transferred out of the Checking account into the CD. If you don't have something from the bank that shows the CD balance at the end of each month, then you really don't know where that money is.



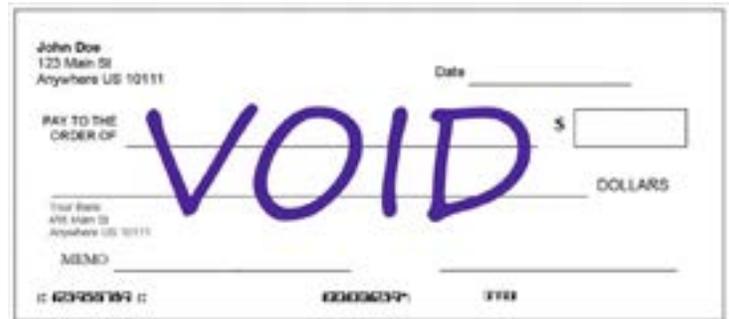
"Do not accept photocopies of any kind."

Bank Account Fundamentals

3. Make sure that you use a bank that returns your checks, or even better sends you check images. As technology advances, checks are becoming a thing of the past, but in the meantime we still need to ensure that checks written are a valid expenditure of the organization.

Examine all cancelled checks to ensure:

- You recognize the name the check was written to (be especially cautious of reimbursements).
- This expenditure is related to your group's activities (should we be writing checks for airfare or cable TV or Macy's?).
- Signatures are those of authorized signers and there are the required numbers of signatures on the check.
- There are no unexplained gaps in check sequence.
- Require that voided checks are kept with the records.



4. Initial and date the bank statements or reconciliation report to document that a review and reconciliation was performed and file both.

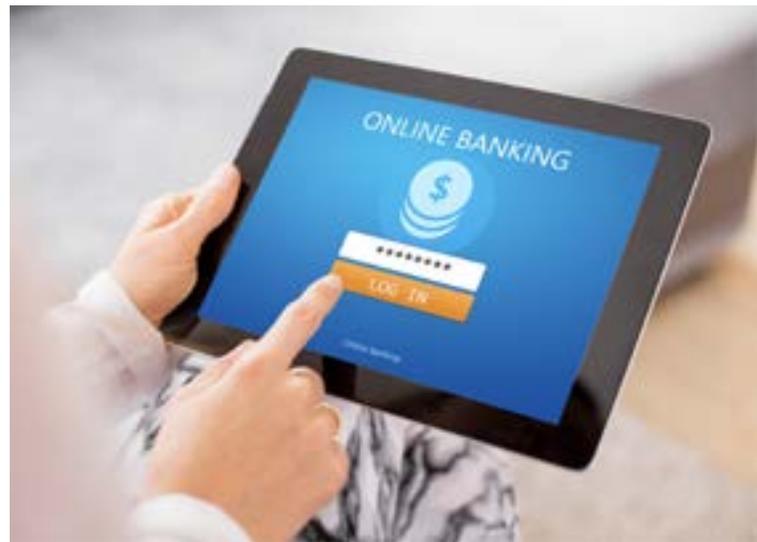
"Keep all voided checks."

Bank Account Fundamentals

Finally, recognize that the ease of online banking can offer easy opportunities for fraud as well. Online banking is beneficial because it offers transparency for an organization. However, be aware that those who can view bank account details online may be able to transfer money out of it as well.

Check with your bank. Some banks allow read only access – which is ideal. Read-only access to online banking can allow multiple viewers (such as treasurer, president and vice president) to see the bank balance.

Finally, remember that going online to your banking institution where the real money is kept is not the same as using online accounting software to keep track of your money. Online accounting software is a very useful tool that enables multiple users to see how the Treasurer is explaining the money that is moving in and out of the bank account. It doesn't touch the money itself. It doesn't mean the money is really there.



Before you can even begin to determine whether your Treasurer's Report is fact or fiction, you actually need to have a report! No report? Consider this a danger signal.

"Some banks allow read only access
– which is ideal."

Bank Account Fundamentals

Your Treasurer needs to provide the board with a report on a regular basis, normally monthly, that shows the income and expenses for the period, compares it against the budget, if any, and clearly states the cash balances in your bank accounts. This report needs to be accompanied by bank statements that someone else has checked to ensure that the numbers on the report match the money in the bank.

While a treasurer's report presented at each meeting is a good start, you'll need to put a few more practices in place for better protection.

It's possible to generate reports out of Excel that have no resemblance to what's actually happening in your accounts. And with editing software, it's also easy to doctor reports with the click of a mouse.

You don't really think that someone stealing money from your organization is actually going to tell the truth on the reports they produce, do you?

So, what more can you do to make sure the Treasurer's report resembles reality?

Two things:

1. Perform a monthly mini-audit as described on our 10-Minute Financial Review form. Why? This is a procedure that is quick to do and easy to follow and if the totals do not agree, then you know that

Category	Income	Expenses	Year to Date	Net Budget	More/Less
1 Fundraising / Other Income					
Donations	\$2,385.00		\$2,385.00	\$1,000.00	\$1,235.00
Fall Fundraiser		\$150.00	\$150.00		-\$150.00
Log-a-thon	\$6,633.00	\$4,816.50	\$4,816.50	\$4,000.00	\$816.50
Read-a-thon	\$17,620.00	\$1,339.61	\$16,280.39	\$16,000.00	\$280.39
Dues	\$1,850.00	\$149.77	\$1,700.23	\$1,840.00	-\$139.77
Membership	\$100.00		\$100.00		\$100.00
1 Fundraising / Other Income Totals	\$31,588.00	-\$6,455.88	\$25,132.12	\$22,840.00	\$2,292.12
2 Curriculum Enrichment					
Assemblies					
Box Tops		\$3,135.39	\$3,135.39	-\$3,000.00	-\$135.39
Teacher Grants	\$690.50	\$45.93	\$644.57		\$644.57
Field Trips		\$1,402.23	\$1,402.23	\$1,500.00	-\$97.77
2 Curriculum Enrichment Totals	\$690.50	-\$1,268.55	-\$10,578.05	-\$8,800.00	-\$778.05
3 School Projects					
Carnival					
Yearbook	\$693.25	\$1,642.42	\$963.17	-\$750.00	-\$219.17
Movie Nights	\$400.00	\$1,210.93	\$810.93	-\$400.00	-\$410.93
3 School Projects Totals		-\$841.95	-\$841.95	-\$1,000.00	-\$158.05
4 Administration	\$1,093.25	-\$3,715.30	-\$2,622.05	-\$2,150.00	-\$472.05
Bank Fees					
Insurance		\$25.00	\$25.00		-\$25.00
Office Supplies		\$395.00	\$395.00	-\$300.00	-\$95.00
MoneyMinder Software		\$194.13	\$194.13	\$150.00	-\$44.13
4 Administration Totals		-\$774.13	-\$774.13	-\$660.00	-\$114.13
5 Major Projects					
Technology Lab					
Smartboards (x2)		\$10,000.00	\$10,000.00	-\$10,000.00	
5 Major Projects Totals		-\$3,091.44	-\$3,091.44	-\$3,000.00	-\$91.44
Grand Totals	\$33,371.75	-\$35,305.30	-\$1,933.55	-\$2,770.00	\$836.45

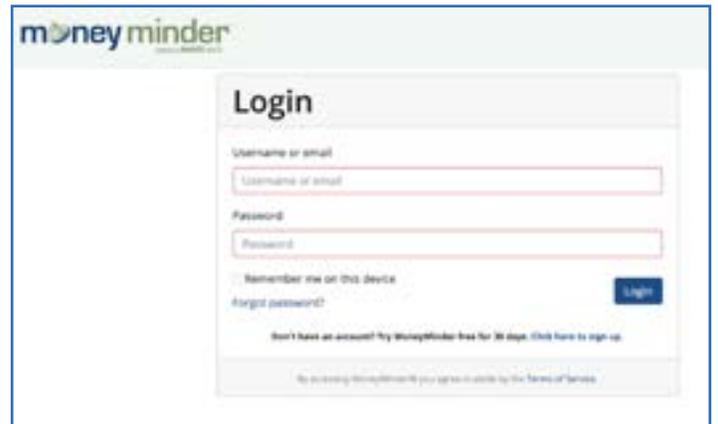
"Your Treasurer needs to provide the board with a report on a regular basis."

Bank Account Fundamentals

you need to investigate further. See page 34 for sample 10-Minute Financial Review form.

2. Use an online financial system for managing your books. This provides transparency so others can see what is going on. If the books are managed on someone's home computer, then you have no idea if they are up-to-date and accurate (or if someone is paying for their new wardrobe out of your group's bank account).

There are about a dozen more good reasons to use an online financial system. Call us if you'd like to hear more!



"Use an online financial system for managing your books."

The Budget

The Budget

The Board's Best Friend

We strongly recommend that your Board develop a budget that is approved by your membership and is used to monitor the actual financial activities in your organization.

Say your board decides at budget time that, based on experience, \$200 should be more than enough for postage. It's half way through the year and the Treasurer's report shows that you have spent \$425. This would be a good time to ask a question! Maybe an expenditure was incorrectly coded. Or maybe you did an extra mailing that was unforeseen. Or maybe the Treasurer is mailing presents to friends overseas on your nickel. The \$425 on its own may not catch your attention, but comparing it to the budget will.

Say your board decided on a fundraiser that you believe will bring in \$5,000 and cost you \$2,500. You see on the Treasurer's report that the fundraiser has only brought in \$3,750, and the costs are \$2,500. This would be a good time to ask a question! Maybe a deposit was incorrectly coded. Or maybe all the payments have not come in yet. Or maybe the Fundraising Chair is pocketing some of the

Sunset Lane Organization FY 2018 Budget Report			
MoneyMinder total bank balance at beginning of financial year (07/01/2018)			
	Budgeted Income	Budgeted Expenses	Budget Net
1 Fundraising / Other Income			\$13,046.65
Donations			
Full Fundraiser	\$1,000.00	-	\$1,000.00
Jog-a-thon	\$8,000.00	-\$4,000.00	\$4,000.00
Read-a-thon	\$17,000.00	-\$1,000.00	\$16,000.00
Quilt	\$2,000.00	-\$160.00	\$1,840.00
Membership	-	-	-
1 Fundraising / Other Income Totals			
	\$28,000.00	-\$5,160.00	\$22,840.00
2 Curriculum Enrichment			
Assemblies			
Box Tops		-\$3,000.00	-\$3,000.00
Teacher Grants	\$750.00	-\$50.00	\$700.00
Field Trips	-	-\$1,500.00	-\$1,500.00
2 Curriculum Enrichment Totals		-\$4,550.00	-\$4,550.00
3 School Projects			
Carroll			
Materials	\$750.00	-\$1,500.00	-\$750.00
Music Supplies	\$600.00	-\$1,000.00	-\$400.00
3 School Projects Totals		-\$1,000.00	-\$1,000.00
4 Administration			
Bank Fees			
Insurance		-\$50.00	-\$50.00
Office Supplies		-\$300.00	-\$300.00
MoneyMinder Software		-\$150.00	-\$150.00
4 Administration Totals		-\$600.00	-\$600.00
5 Major Projects			
Technology Lab			
Smartboards (x2)		-\$10,000.00	-\$10,000.00
5 Major Projects Totals		-\$10,000.00	-\$10,000.00
Grand Totals		-\$13,000.00	-\$13,000.00
Projected bank balance if on Budget	\$30,100.00	-\$12,870.00	\$10,275.65

"We strongly recommend a budget."

The Budget

cash that came in with the orders. The \$3,750 on its own may not catch your attention, but compared to budget it will.

Be suspicious of catch-all categories such as "Prior Year Expenses". This can be an easy place to hide unauthorized expenditures.

Budgets are excellent tools. They provide your board with a frame of reference that helps you to do your job of financial oversight.

"Budgets provide your board
with a frame of reference."

The Financial Review

The Financial Review (aka Audit):

The Board's Other Best Friend

We strongly recommend that every organization conduct a financial review at least once per year. Some insurance companies require this as a condition of coverage.

"Can our group handle this internally or should we hire someone?"

That depends on your expectations of the audit. Contrary to commonly held beliefs, a financial review is not designed to detect fraud. The purpose of a financial review is to affirm the organization's financial records and position.

A principal means of establishing the validity of a treasurer's report is to trace the figures to the accounting records and back through the records to the original deposit slips or receipts. However, in any financial review that you are likely to be able to afford, the auditors' use of the accounting records plays only a small part if any part at all. That is why it is common for auditors to state in their report that they have made an audit of the financial statements rather than to say that they have made an audit of the accounting records.

So if you think that you are going to turn over all of your boxes of receipts and bank deposit slips and budgets and bank statements and treasurer reports to an outside auditor and get back an iron clad



"The purpose of a financial review is to affirm the organization's financial records and position."

The Financial Review

assurance that all of the money raised ended up in the bank account and that all the money spent was for authorized activities, you are likely to be disappointed.

If you don't put the controls in place to prevent these actions, even the best auditing accountant can't possibly know that:

- Jane, who was selling raffle tickets, pocketed \$50 she didn't pay for, hoping to impress her new boyfriend with the trip to Maui she hoped she'd win.
- Sam, in charge of spirit sales, kept a wad of cash for all his trouble, then turned in all checks and a couple \$20's to reduce suspicion.
- Maria, the carnival chair, stuffed her Cadillac with cases of pop, paper plates, napkins, prizes, and the giant penguin, so she could have a pool party before she moved out of state.



Sadly, it's no joke. We are addressing volunteer run nonprofits without paid staff in this document. Unless your organization is very large or very complex, you will probably be able to do an effective financial review yourselves and may find things that an outside auditor wouldn't see.

See our Sample Financial Review Checklist (page 33) and 10-Minute Financial Review Form (page 34) for more information on how to do a financial review in-house.

"You must put controls in place to prevent fraud."

You Need Insurance. Period.

You Need Insurance. Period.

These days, no one should agree to sit on a nonprofit board that doesn't have adequate insurance coverage.

Not much more to say here.

If you are on a board that has insurance coverage, make sure payments are up-to-date and that it provides adequate coverage as discussed below:



Choosing Insurance Coverage

We believe that insurance is a top priority for nonprofit organizations and should never be an afterthought in the planning process.

Here are the 5 most common types of insurance coverages you'll want to consider:

General Liability Insurance policies address claims alleging bodily injury or property damage. Slips, trips and falls are the most common claims covered by these policies.

Bonding Insurance (also known as Fidelity Insurance) protects against the financial risks of fraud and embezzlement by an insider.

"No one should agree to sit on a nonprofit board that doesn't have adequate insurance coverage."

You Need Insurance. Period.

Accident Medical Insurance helps to avoid lawsuits and provides insurance coverage for out-of-pocket medical expenses resulting from an accident at a sponsored activity or covered event.

Directors and Officers (D&O) policies are purchased in order to protect both the organization and its directors and officers. They address claims alleging wrongful management decisions by the volunteer and staff leaders of a nonprofit.

Property Insurance protects the physical assets your nonprofit owns – such as computer and office equipment, computers, popcorn machines, etc. Note: If you require Property Insurance at your volunteer-run nonprofit, consider donating your property to the overarching entity you might be serving. For instance, if you're a PTA and own a popcorn machine, consider gifting it to the school district with the caveat that it's to stay at the location of your choice. Put it in writing so you are not responsible for future claims that may occur. Putting it in writing as directed above will also ensure that the popcorn machine stays on your campus.

If your board does not currently have insurance coverage, make it your first priority!

If your board declines to get insurance coverage (common excuses: don't need, too expensive, too much trouble), resign. Right now. Before something happens that you may find yourself financially responsible for.

"If your board declines to get insurance coverage, resign."

Establish Rules & Routines

Establish Rules & Routines Before Engaging

Just like playing a board game with another person, or raising children, or training animals, it helps to have clear, well-defined rules determined before playing the game. By establishing rules & routines before getting underway, you make it easier for people to follow them from the start, without too many questions.

As we mentioned at the start of "Fraudbusters," one key to controlling financial management risks is the development and use of effective internal controls. Every nonprofit needs policies and procedures to control the access and use of its financial resources. Develop and implement these now for your sanity and for the safety of your group.

Be consistent in their application.

Some groups go so far as to require a background check for incoming treasurers. If you decide to take this step, make sure that it applies to the incoming treasurer every year. You can't just skip this requirement for your best friend, Sue.



"It helps to have clear, well-defined rules determined before playing the game."

Cash Count Worksheet

Date _____

Committee _____

Event _____

COUNTER 1 Name:

COUNTER 2 Name:

COINS

Pennies _____ @ 0.01 = _____

Nickels _____ @ 0.05 = _____

Dimes _____ @ 0.10 = _____

Quarters _____ @ 0.25 = _____

.50 Piece _____ @ 0.50 = _____

1.00 Piece _____ @ 1.00 = _____

TOTAL COINS \$ _____

COINS

Pennies _____ @ 0.01 = _____

Nickels _____ @ 0.05 = _____

Dimes _____ @ 0.10 = _____

Quarters _____ @ 0.25 = _____

.50 Piece _____ @ 0.50 = _____

1.00 Piece _____ @ 1.00 = _____

TOTAL COINS \$ _____

CURRENCY

Ones _____ @ 1.00 = _____

Twos _____ @ 2.00 = _____

Fives _____ @ 5.00 = _____

Tens _____ @ 10.00 = _____

Twenties _____ @ 20.00 = _____

Fifties _____ @ 50.00 = _____

Hundreds _____ @ 100.00 = _____

TOTAL CURRENCY \$ _____

CURRENCY

Ones _____ @ 1.00 = _____

Twos _____ @ 2.00 = _____

Fives _____ @ 5.00 = _____

Tens _____ @ 10.00 = _____

Twenties _____ @ 20.00 = _____

Fifties _____ @ 50.00 = _____

Hundreds _____ @ 100.00 = _____

TOTAL CURRENCY \$ _____

Total Coins (from above) \$ _____

Total Currency (from above) \$ _____

Total Checks (attach addition tape) \$ _____

Total to be Deposited \$ _____

Total Coins (from above) \$ _____

Total Currency (from above) \$ _____

Total Checks (attach addition tape) \$ _____

Total to be Deposited \$ _____

Signature _____

Signature _____

Sample Financial Review Checklist

Name of Organization _____

Name of Treasurer _____

Period Financial Review Covers _____

Administration Is insurance in place? Yes No

Budget Is there an approved motion in the minutes for the budget? Yes No

Banking Were all transactions properly categorized according to budget? Yes No

Is there an invoice/bill/receipt for each expenditure? Yes No

Were all expenditures part of the budget? Yes No

Are all checks sequentially numbered & accounted for (including voided checks)? Yes No

Were all bank reconciliations completed? Yes No

Were there 2 signatures on all checks? Yes No

Are Treasurer's Reports on file (for each month)? Yes No

Balance on hand at year end \$ _____

IRS Was the 990/N/EZ filed for the previous financial year? Yes No

Gross income \$ _____

Who's responsible for filing the 990/N/EZ this year? _____

All IRS 990 forms are due 4-1/2 months after the close of your financial year)

Explain any responses checked "NO": _____

Financial Review Date _____ By _____

By _____

By _____

10-Minute Financial Review Form

Beginning Bank Balance at Start of Audit Period (from the Treasurer's Report)

Checking		\$	
<hr/>			
Savings		+ \$	
<hr/>			
Total ¹		= \$	
<hr/>			

Activity as reported on the Treasurer's Report

All income for period being audited		\$	
<hr/>			
All expenses for period being audited		- \$	
<hr/>			
Net ²		= \$	
<hr/>			

Expected Bank Balance (Total ¹ - Net ²)		\$	
<hr/>			

Opening Bank Statement Balance (from the Bank Statement for the Audit Period)

Checking		\$	
<hr/>			
Savings		+ \$	
<hr/>			
Total ³		= \$	
<hr/>			

Uncleared Deposits		\$	
<hr/>			
Uncleared Checks		- \$	
<hr/>			
Net ⁴		= \$	
<hr/>			

True Bank Balance (Total ³ - Net ⁴)		\$	
<hr/>			

These need to match!



Sample Check Request Form

1 To whom is the check to be written

Name _____

Address _____

2 Purpose (what is/was the money spent for?) _____

3 Date the check is needed _____ Amount of check \$ _____

Date this form was submitted _____

4 Contact details of the person submitting this form

Name _____

Phone _____

Signature _____

5 Approved by _____

(If the form is submitted by the Committee Chairperson, it must be approved by an Executive Officer)

6 Attach receipts to the back of this form

7 Please indicate the budget which is to be charged

For Treasurer's Use Only

Check # _____

Date _____

Amount \$ _____

FUNDRAISING

- Fall Fundraiser
- Spring Fundraiser
- Other _____
- Other _____

ADMINISTRATION

- Postage
- Photocopies
- Office Supplies

SERVICES

- _____
- _____
- _____
- _____

OTHER

- _____
- _____
- _____



How is MoneyMinder Different?

For a small non-profit, QuickBooks can be overkill. But spreadsheets can contain hidden formula errors too easy to overlook. One is too big, one is too risky. Then there's MoneyMinder, accurate but not cumbersome, it's just right.

Put your organization on the right path

Check out our suite of products:

www.MoneyMinder.com

(866) 346-4300



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