



INSIDE THREAT

"President of a major non-profit group sentenced to seven years for defrauding the charity of \$600,000."

"Ex-treasurer of Parent Teachers club charged with theft in connection with nearly \$6,000 in missing funds."

No group is safe from the inside threat.

Don't let your group's name be in the next headline.

Learn how non-profit organizations can protect themselves.

The Board of Directors

The directors of a non-profit group are the "owners".

- All directors share responsibility for the organization's financial affairs.
- Insist on an accurate accounting of the group's financial position is presented at each meeting.
- Compare the financial position to budget expectations and experience.
- A board of directors that maintains a system of checks and balances serves the organization's best interests.

Records and Financial Controls

Have a control system. Maintain strict separation of three key functions

1. Authorizing transactions
2. Collecting or paying money

3. Maintaining records

Minutes of meetings. Minutes are the written history of authorized transactions.

Receiving money. Assign two people to receive money and issue pre-numbered receipts

Spending money. Get supporting documentation for each purchase. Use pre-numbered cheques (in sequence) that need two authorizing signatures. Never sign a cheque with any portion left blank.

Reconcile bank statements and count petty cash. Regardless of whom in your group is responsible for these duties, make it part of the regular routine that someone else checks the accounts.

Accurate books and records. Financial records must be available for anyone in the group to inspect.

Audits. The organization should have regular independent audits to examine and ensure the accounts are accurate.

"He is a wonderful person, dedicated and energetic in helping our group. He always pitches in and can be counted on to take care of things, or so we thought.

We were wrong. It seems he has been using his position to steal from us"

Leaving financial responsibilities in one person's hands, no matter how willing or capable that person may be makes the organization an easy target for embezzlement.

For Further information on managing your non-profit or charitable organization, fund raising, board development or volunteer management contact:

The Resource Centre for Voluntary Organizations
Grant MacEwan Community College

Name

Address

Section 5.3 Quiz

1. Your service club is safe from internal threats?

2. Give other examples of the 4Ds that could prevent this fraud

3. How is your behaviour going to change now that you have this new information?
