

Recommended Practices to Avoid Embezzlement and Fraud

There is no organization on the planet that is not vulnerable to embezzlement. That's why it is important for every organization to have a system of internal controls in place. Internal controls are checks and balances that keep an organization's money and each individual safer (not exempt) from embezzlement. As a PTA unit treasurer religiously practice the following:

Writing Checks and Banking

Have a voucher system in place. Design a voucher that shows

- 1) The name of the person requesting the expense
- 2) The reason for the expense and to whom the check will be made payable. See "Request for Funding – Check Voucher" on your Unit Leadership Information CD for an example.
- 3) Review the budget to be sure funding is available for the request. Before issuing the check have the voucher signed by the president.
- 4) Never have a check payable to a check signer without the consenting signature of two other officers.

Never- ever- ever- ever write someone a blank check.

Someone besides the treasurer should be reconciling the bank on a monthly basis.

Dealing with Cash

Bills should always be paid with CHECK and never with cash.

If you have an event dealing with cash (i.e. school carnival) try to have two cashiers. When counting at the end of the event have two people count the cash together and sign for the ending amount. If possible deposit the funds immediately. If not, store the cash in a secure place other than your home. Consider requesting to store your funds in the school vault.

Disclosure of Information

Every month you should present the board with a listing of the month's income and expenses. It is best to show this as it relates to the adopted budget.

Insurance

As a member of the MT PTA you receive general liability insurance. See the "Insurance" section on the Montana PTA website. This covers you for such things as an injury that took place at a school carnival.

However, you **do not** have bonding insurance. Bonding insurance covers your unit for financial losses in the event of theft/embezzlement. There are conditions to this insurance being valid.

CONDITIONS – Your unit must be a unit in good standing with the Montana PTA. To extend your Bond policy to your PTA, you must agree to the following requirements:

1. Your PTA must conduct an annual financial review of the books by an audit committee or qualified accountant.
2. The monthly bank reconciliation must be reviewed by someone who does not have authorization to sign checks. Financial software does not qualify under this requirement.

Violations or non-compliance of these conditions negates Bond coverage.

This coverage is fairly inexpensive and is recommended. See Montana PTA Risk Management Guide under the "Insurance" tab on MT PTA Website for a very thorough explanation of all types of insurance available.

End of the Year Review

At the end of every year an independent review of the books should be done. Independent does not mean a CPA review, but someone unrelated to the treasurer and not on the board. This is not a difficult procedure and it is such a valuable tool. Most important is it should involve a proof of cash. See *The 10-Minute Audit* under the "Treasurer – Financial Section" of the MT PTA website. Other procedures should include sampling random expense requests, matching them with checks written and confirming that two signatures are included.