

# Crime Loss Prevention Checklist

## **PREVENTION EDUCATION ADVISORY CRIME LOSS PREVENTION SAFEGUARDS**

Embezzlement of monies is a problem that has plagued many non-profit organizations. Many organizations rely on the good faith of their volunteers to work honestly on behalf of the organization. As a result, many do not implement simple and cost-effective best practices for financial management that greatly mitigate the organization's exposure to a fidelity loss.

In one case, a Chapter Treasurer had access to electronically obtain funds out of a chapter bank account. The Treasurer transferred to another University, but no one removed him as an authorized user on the account, and he continued to obtain funds from the bank. The Treasurer embezzled over \$100,000 before the loss was discovered.

In another case, a local House Corporation had the same Treasurer for over 25 years. The Corporation did not have Crime Coverage, and when it tried to apply to be a 501 (c) 3 corporation for tax purposes, it was discovered that the Treasurer had stolen \$175,000 over the course of his service as Treasurer. There was no insurance coverage for the house corporation.

A third case involved an alumna who was tasked with furnishing the new university-owned sorority house. By submitting invoices for furniture and equipment without ever actually providing the goods to the house, she defrauded the sorority for nearly \$400,000. She was arrested and charged with wire fraud, bank fraud and money laundering.

These cases share some similarities. A good system of checks and balances was missing. A single person was able to hide his/her activities. Audits of chapter and corporation finances did not happen regularly. Previously authorized users were not removed when their term of office ended. There was no approval process in place to double-check expenditures.

## **It is our recommendation that your chapter/house corporation utilize financial management best practices listed below:**

- Require dual signatures on checks.
- Separate monthly account reconciliation duties from the officer with check writing authority and appoint another officer to be responsible for this function. Liquid asset accounts should be reconciled on a monthly basis.
- Review bank statements regularly as a board.
- Require receipts for all expense reimbursement.
- Justify/document how the money is used through an expense report that requires submission of receipts.
- Have an account that prohibits debit card and ATM withdrawals. A separate account, with a balance no greater than \$1,000, can provide cash through ATM withdrawals.
- Make sure authorized users are removed at the end of their term.
- Have an approval process in place to approve expenses prior to writing checks and consider having a 3rd party review/approve invoices.
- Make sure that checks are made out directly to vendors. Review all vendor invoices to check for accuracy in payment and order fulfillment.
- Manage online accounts and change passwords with position rotation.
- Ensure each officer has separate login username and password.
- If financial constraints prevent an independent audit by an outside firm, have an independent third party conduct an annual audit of the chapters'/corporations' financials when a new officer is elected. An alumnus/alumna may do this at no charge.
- Alternately, your organization might elect to appoint an internal "audit committee" of 3-5 persons who would review the deposits and disbursements annually.
- We recommend using third party vendors like OmegaFi or BillHighway to manage finances and ensure that coverage is in place should an employee embezzle client funds.
- Clearly communicate that anyone who commits this type of crime will be prosecuted to the fullest extent of the law. Such activity is contrary to the values of our organization.



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