Preventing acts of dishonesty by employees and volunteers

- Always check the credit card itemized bill before payment.

- Be aware of how many cards have been issued and who has them. Verify this information with your bank on an annual basis.

- Be sure to require that your auditors, at a minimum, spot-check all credit card bills.

- The executive director and at least one board member should meet with the auditor without staff present, to discuss the quality of the financial staff and financial systems. Solicit, from the auditor, specific ways to identify fraud and steps to take to prevent it.

- Carefully screen and select employees and volunteers. Review background and work experience. Check references. Ask former employers, "Would you rehire this person to handle money?" Listen for any unspoken reservations. Check personal and credit references.

- Obtain a fidelity bond (dishonesty coverage) on all employees and volunteers involved in cash or accounts receivable.

- Require all employees to take periodic vacations.

- Be sure no employee or volunteer is indispensable. Arrange for cross-training. Make sure at least two people know how to do each job.

- If someone does embezzle, prosecute.

- Segregate accounts-receivable duties. Ideally, one person opens the mail, another prepares deposit slips, another posts payments, etc.
Incoming mail should be opened and all checks immediately endorsed "For Deposit Only" by a person who is not responsible for posting payments into your recordkeeping system.

List all checks received.

Make deposits daily.

Issue pre-numbered receipts for all cash received.

Make one person responsible for petty cash. Require him or her to obtain receipts for disbursements. The amount of the receipts plus cash on hand is the total amount of the fund.

Control who is able to sign checks. When preparing checks for signature, attach invoices and other documentation. Do not allow signature stamps. Consider requiring two signatures for checks above a certain amount. (Then, on a random basis, review any checks issued for amounts just under that threshold. An authorized check-signer who is embezzling will know the threshold for two signatures.)

Know the vendors. The person authorized to sign checks should be able to identify payees that might not be legitimate.

Reconcile statements immediately. The executive director, chairman, or other person authorized by the board should receive the bank statement each month unopened, open it, and quickly review canceled checks for signature, payee, and endorsement. Notify the bank at once of any possible improprieties.

Review your deposit agreement with your bank. The Uniform Commercial Code allows banks to share liability with customers for losses due to forgery. Customers must exercise "ordinary care" to prevent these losses. How does your deposit agreement interpret "ordinary care"? Your auditors can provide help in this area.