

RISK MANAGEMENT



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It can often start out subtle: The treasurer brings five or six blank checks to the president for a signature so the company bills can be paid. At the next board meeting in the treasurer's report it is stated that one of the checks had to be voided because of an error. No problem. Nobody even questions it because the treasurer is "one of us." And so it begins, slow at first and in small amounts ... one voided check every three or four months for \$50 here and \$100 there. But as the fear of being caught diminishes, the amounts and frequency increase. By the time someone figures out there is something amiss, the emergency services organization is out \$20,000.

This is only one of the many scenarios for a fidelity loss. Every year, many unknowing emergency services organizations have money siphoned off by someone they trust. According to research, when these kinds of losses occur, the amount that can be found is usually only a portion of what was taken. Remember that the person or persons doing the embezzling are often in charge of the finances so they can manipulate the books. Directors, managers, chief officers, treasurers, financial secretaries and special event managers all have the potential to become a financial drain on any organization if they do not perform their duties with fidelity.

There are proven steps that may help greatly reduce the risk of fidelity losses from occurring. The following suggestions are for persons who have financial responsibility in the organization:

- Require two signatures on checks - signed only after they have been written in full. Never sign blank checks or allow the use of signature stamps, even for convenience.
- Have your organization's bank require signature cards to be kept on file and keep them up-to-date.
- Consider having bank statements received and reconciled by someone who does not have check writing authority.
- Have an independent third party audit your books annually.
- When possible, do not permit persons with close personal ties (husband/wife; brother/sister; business partners) to have control over organizational check writing or reconciliation.
- Require purchase orders and invoices for all purchases of property or service. Have those documents compared to the written checks.
- Separate financial functions as much as practical.
- Conduct background checks on new officers and members.
- Have financial policies in writing.
- Review the organization's insurance policies so proper fidelity coverage's are in place.

For individuals who handle cash for your organizations at fund raisers and special events, keep these safeguards in mind:

- When possible, do not permit persons with close personal ties (husband/wife; brother/sister; business partners) to handle cash without a third party present.
- For large amounts of cash or for events occurring over a long period of time, consider frequent pick-up and accounting of cash. Deposit collected money to limit the amount of on-hand cash.
- Have at least two people responsible for reconciliation and deposit of cash.
- When possible, have a paper trail (ticket stubs, bill of sale, sign-in sheet) so that a close estimate of the anticipated cash can be obtained and confirmed.