Loss Control

The purpose of controlling fidelity loss is to ensure that an organization's assets are not lost to embezzlement, fraud, or outright theft. Nonprofit organizations often process substantial sums of money, yet may have poor controls over the handling of these funds. Several steps may be taken to reduce the possibility of fidelity losses:

- Thoroughly screen cash handlers, making sure to check the previous employer references. Be certain cash handlers are competent and trustworthy.
- Establish strict money-handling procedures and see that they are followed. Limit access to cash, change safe combinations regularly, make timely deposits, and document procedures.
- Separate the financial duties of employees. Separation greatly reduces opportunities to commit and conceal fraud. Those handling money should not be responsible for keeping records of the money. See that employees reconciling bank statements are not those writing checks and making deposits.
- Make sure the financial duties are separated, particularly in the use of computers. More than one person should know your computer system. It is also advisable to change a person's duties periodically.
- Set up procedures that call for a check-off by two or more employees. In this way, it would take more than one dishonest employee to perpetrate a theft. Example: One person sells tickets, another person takes them.
- Make sure to provide security measures at fund-raising activities.
- Elect treasurers annually.
- Take inventories of equipment and supplies at regular intervals. This helps prevent large losses over time. A person, other than the employee who handles procurement, should make the inventories.

Bookkeeping:
- All expenditures and payroll should be paid by check so that a permanent record is always available.
- All checks issued by the organization should bear more than one signature.
- Checks should be pre-numbered and all numbered checks should be accounted for.
- Immediately endorse checks "*Pay to the order of* __________________ *FOR DEPOSIT ONLY*."
- Keep duplicates of records. For example, deposit slips should be provided to the employee reconciling the bank statements. In this way, the employee will know what went out of the office and what was deposited at the bank. This will prevent messengers or others from altering deposit slips.
- Check cash register receipts against cash and sales slips.
- Avoid petty cash. If it is necessary to do so, make sure a voucher accounts for all petty cash expenditures.
- Make frequent deposits of cash and checks to ensure that money is not lost or misplaced.

Audits:
- Provide for annual outside audits of financial statements.
- Outside or internal audits can be scheduled regularly or randomly.

⇒The key to controlling fidelity loss is to <u>maintain alertness and efficient internal controls</u>.⇐

⇒Spell out all procedures and see that compliance is enforced.⇐

Co-sponsorship efforts are not supported when adequate internal controls are not present. Auditors, internal affairs investigators, and others are very concerned when DPR staff (paid or volunteer) handle association or DPR money and assets when internal controls are lax or non-existent.

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