

# Safeguarding our local charities' funds

by Susan Marmaduke

Our hearts sink when we read the headlines. "PTA coffers drained." "School band money missing." "Bookkeeper suspected." The news accounts usually report the sums of money stolen but leave unspoken the wider dimensions of the loss: trust broken, reputations ruined, generosity thwarted.

After that first wave of puzzlement and dismay, who among us hasn't wondered: "What about my organization? Am I watching closely enough? Do we have adequate safeguards?"

Volunteers working for small nonprofits often rely on mutual trust rather than on procedural safeguards. Money is short, time is dear, and the people working for the organization are partners in a common cause. Often, a single person handles all receipts, makes all deposits, writes and signs all checks, and prepares all financial reports. It may be awkward to ask volunteers in an essentially social setting (as many nonprofits' fund-raising efforts are) to follow strict protocols. But some basic safeguards can help reduce temptation and limit the risk. For example:

- **Use a corporate bank account**
  - Require pre-numbered checks.
  - Require two signatures on each check. Recognize, though, that most banks will not watch for two signatures before honoring checks.
  - Arrange to have canceled checks, or copies, returned with the bank statements.
  - Get a deposit book with a carbon copy for each deposit ticket.
- **Safeguard bank checks**
  - Control access to blank checks.
  - Examine supporting documentation,

such as invoices, before signing checks.

- Do not allow checks payable to "cash."

- Never sign blank checks, and do not permit others to sign them for you.
- Save void checks (to be sure they have not been paid).

- **Review and reconcile the checks, deposit slips and bank statement**

Divide bookkeeping responsibilities. The person writing and signing checks and receiving and depositing receipts should not be the only one reviewing receipts, deposits and bank statements and reconciling the account. All receipts should be seen by someone other than the depositor, to ensure that deposits correspond to receipts.

Examine the front and back of each canceled check, reviewing authorized signatures, endorsements and payees, and confirm that the checks agree with the checkbook and bookkeeping records.

Check the deposits shown on the bank statement against the deposit record in the checkbook and accounting records, and verify that no deposits were reduced by cash back to the depositor.

Remember that an independent review of all significant transactions may take some time, but it is the simplest and most effective form of protection.

Detailed guidance for nonprofit organizations is available from Technical Assistance for Community Services. TACS is a nonprofit organization that serves as a training and consulting resource for other nonprofit organizations. Its Oregon Nonprofit Corporation Handbook is available for purchase on the TACS website ([www.tacs.org](http://www.tacs.org)) and for borrowing at many area libraries.



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*Reprinted from the Oregon Business Law Journal, September 2005*