



### ***Are You Ripe for the Picking? Strong Internal Controls Can Help***

When it comes to fraud perpetrated against an organization, many nonprofits are ripe for the picking. Fraud seems to occur most frequently at midsize or small charities, where adequate financial controls are often non-existent. Job duties such as opening the mail, logging donations and balancing the checkbook are concentrated among only a few people. And funds are tight, discouraging employers from performing background checks on prospective job candidates.

#### **Procedures To Improve Internal Controls**

Fortunately, solid internal accounting controls can help detect or prevent fraud at any size organization. Consider these basic steps:

**Perform background checks.** Screening new hires is critical and should be done by a senior-level person. The screening process should include reference checks as well as questioning the applicant's motives, background and past work history.

**Put collections under the control of two people.** Additionally, checks should be restrictively endorsed at the time received and deposited daily. As an alternative, consider using a bank lockbox to directly receive mail with checks.

**Make disbursements by check and keep support for the disbursement on file.** In addition, dual signatures should be required on all checks over a predetermined amount, and authorized check signers should not have access to accounting records.

**Permit only someone other than the person in charge of record keeping to receive unopened bank statements.** If the size of your organization prevents a separate person from preparing the bank reconciliation, the contents of the bank statement should be reviewed by a key executive — or in particularly small organizations, a board member — before the account is reconciled.

**Have an executive personally approve all adjustments and write-offs.** This prevents a bookkeeper from misappropriating accounts receivable or other assets and then covering up the theft by writing it off.

*Establishing good internal controls is a vital defense against fraud. And it typically requires more of an investment of attention than money. Contact our office today for help.*