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### Control of Cash

What are the functions that are most susceptible to fraud in a community association? You all know, they are the functions where cash is accepted.

As long as everyone is committed to working on the common goal of the community association, there may be no problem. This often will loosen the controls attached to this area. Discussing internal controls with community treasurers, I sometimes shudder to hear, that there is almost no control for the acceptance of cash. True, we are not talking about thousands of dollars, but over the years this can add up.

Take the functions of collecting membership fees. Some board members may go house to house to collect cash. They may receive cash from people, who will never make use of their membership cards. They drop this cash into their own pocket. As I said, we are talking about small amounts, but often if someone gets away with small amounts, they may try for larger amounts at another function.

This brings us to the collection of hall rental revenue. You may have the policy of providing hall rental contract forms. Some groups do not even have a hall rental form and provide an invoice only. A dishonest hall rental person may tear up the hall rental form or invoice, if cash is paid and pocket the cash.

Another area of fraudulent activity can be your lounge. You may have a cash register, which the person in charge should use to record the sale, but some people may disregard the cash register and pocket the money collected.

Look at other areas of operations in your organization and think of how cash could be misappropriated.

To prevent misappropriation or fraud from happening in the first place, set up internal controls. These controls should be in place before anyone takes advantage of opportunities. Then it is a matter of checking that controls are followed. I often hear, that “we are so small, we would know if someone stole

money”, but you are growing, and it is prudent to have controls in place and adjust them as you are getting larger.

How would we control the collection of the membership fees? Only authorized members should be collecting membership fees. They should have identification to verify, that they are a representative of the community association. They should have pre-numbered membership cards, which are in duplicate. When the collected funds are handed over to the treasurer, he/she should verify the total cash and cheques with the membership cards and provide the collector with an “internal receipt” for the correct handover of memberships collected.

As we are talking about memberships, if you are having a house to house campaign, make sure the canvassers are able to tell the prospective members what the community association can do for them to entice them to become a member.

As for the hall rentals, provide pre-numbered hall rental contract forms. A hall rental tally should list hall rentals completed, damage deposits collected and damage deposits returned. This tally should be checked by the treasurer periodically with the hall rental revenue recorded. Hall rental contract forms should be filed in numerical order and handed in for the audit. Voided or spoiled forms should be included. Make sure your hall rental contract covers you in case of a dispute with the renter.

For the lounge, set the policy that all sales are recorded in the cash register. If complementary drinks are handed out, they should be recorded. If bottles are broken, keep track of them and have the supervisor or a second board member in attendance verify the loss by signature. A lounge is not only a social gathering place, but also a fundraiser for the community. If you are noticing that the bartender is not recording sales in the cash register, or pouring drinks without taking money, mention it to another board member and investigate further the bartender’s behaviour.

Inventory control is another way of keeping control of your bar supplies. A person not in charge of the bar should take a periodic inventory count and compare it with the book inventory. As you know how many drinks you can pour from a bottle, you can estimate the cash you should have collected and compare it with the cash deposited.

If you make good internal controls for the cash part of your procedures, you will discourage or prevent fraud from happening.