

The Story of a Con in Action

As volunteers, a sense of duty and pride is taken in the establishment and enforcement of safeguards to ensure that our assets are protected. Written into the policies are guidelines such as more than one signature on cheques, various individuals with signing authorities on various accounts, a requirement for invoices/receipts to accompany every cheque issued so the transaction maybe validated by those in authority, the need for several bank accounts and a complete audit at year end.

Accounting professionals train for many years learning the art of dealing with efficiencies, effectiveness, economies, ethical behavior, etc. In spite of education and experience, the recognition of a con in action is not as easy as you may think. The whole process is generally progressive and subtle. Unfortunately the wily can out-wit our best efforts. Hopefully, this article and the lessons learned will provide assistance to those of us who have an incessant trust and faith in others.

We were elated. . .

A new resident in our community stepped forward to volunteer as our treasurer. This person presented terrific credentials (experience and a recognized accounting designation). As there were no other interested individuals, we had a new treasurer by acclamation.

Our concerns about filling this difficult position have been alleviated by this godsend.

We develop confidence. . .

Our new treasurer attended meetings regularly, provided monthly synoptics and other financial information for the board's review. Invoices were being paid in a timely manner. This new volunteer had become a most valuable member especially now that interests had evolved to include our members lounge.

Our trust and confidence had been earned.

We were content. . .

More than 2 years passed. We notice that some bills are not being paid on time but as this is a volunteer position, we excuse the situation on the basis of time constraints. Also, our expenses are up considerably, obviously due to inflation and as well some of our cash revenues, especially in the lounge have decreased in spite of similar usage from previous years. We determine that a review of our pricing structure is overdue and must be attended to promptly.

Our collective efforts are spent ensuring our revenues are reflected in accordance with our competition and efforts are made to ensure expenses are comparable to prior years, based on reports provided by this treasurer.

We are focused on due diligence.

We became suspicious . . .

Financial information was not being presented on a regular basis. Payments were often months behind and collection notices and phone calls are becoming frequent. Although our cash is down considerably, we still had plenty to keep all our accounts current. Our suspicions start to surface.

We realize our calamity . . .

At our Annual General Meeting an “Audited Financial” statement is provided. An arbitrary decision by the Treasurer is made to have one of the larger local firms perform this service as our regular (appointed in our by-laws) auditor could not promise that our books would be completed on time. These financial statements are on the firm’s letterhead but do not look professional or polished like one may expect. Errors appear throughout the document.

The treasurer is questioned but answers concerning the calculation errors, incorrect extensions and accounting omissions are not suitably answered. When these statements are brought to the attention of the auditing Firm, it is confirmed that the individual who signed the audit is not an employee and also the Firm’s advertising material had been manipulated to form the letterhead of our audit. At this Annual General Meeting a new volunteer treasurer, is nominated and elected. The full range of duties and responsibilities is immediately undertaken.

Our worst fears have been confirmed.

We incur expenses and have many troubles. . .

The new treasurer assumes the role and in accordance with policies detailed begins the regular accounting and financial cycles. In preparation for the annual audit, it appears that boxes of records have disappeared. Calls, visits and appointments with the past treasurer yield very few results in spite of the confirmation of possession of the records. Alternatively, documents must then be retrieved through the bank which is expensive and time consuming. The financial records of the association must be recreated through forensic audit.

Our time and money is spent on re-creating corrected statements for the past years.

We have received confirmation of the fraud.

- The City Police are contacted and a file is opened. This investigation awaits further information.
- The lawyer determines that there is no point in pursuing the culprit personally for any recompense as there is no indication of ownership of home (rented) or vehicles (leased.)
- The insurance company is alerted and after a spontaneous and expeditious review of the existing records a payout is forwarded.

- The annual Corporate Tax Returns must now be re-submitted with the corrected financial statements.

We have been seriously duped. . .

The numbers are in and our losses in cash and liquor are greater that we had anticipated. This past treasurer has now moved from the province and on with life.

We have no recourse.

Our lessons:

1. Ask questions about any situation or transaction you do not understand. Make sure you get the answers you can comfortably understand. If you have a horrible gut feeling, you are likely right.
2. Designate 1 or preferably 2 individuals to be responsible for all matters relating to the fraud. This way all information, contacts, meetings or phone calls are handled and recorded in a timely and efficient manner. Ensure that these individuals are aware that there is no way of predicting how long this procedure may take.
3. Document everything including phone calls, casual conversations, meetings and discussions with your colleagues and/or the offender. At some point, any particular part of this information may become essential and it may need to be accessed.
4. A police check will not screen out this type of individual. In this case, charges were never formally filed, so the individual will have no record.
5. Once the insurance company pays out on the fraud charges, the association is no longer considered the victim. The insurance company is then the victim and has the option of pursuing criminal charges.
6. Criminally charging the individual for personal repayment should proceed – even though the possibility of collection is negligible as this will create a record.
7. It was our experience with the local police that eventually our case number could not be tracked. It is believed that the original evidence has been lost during a series of moves or purged as part of a regular police filing process. We wrongly believed that because a case number has been assigned, the investigation would be ongoing.
8. This type of crime is not considered a priority and certainly once the culprit moved from the province, there was a huge problem as far as the police were concerned with the logistics and expense of returning the individual to Alberta. We were informed by the police that there simply was not a budget for this.
9. Do not be intimidated by authority figures. Lawyers, accountants, police and insurance agents are people too.
10. Promptly inform Revenue Canada that an individual has received some income and that there are suspicions that this may not be reported on a personal tax return. Revenue Canada has no borders but does have a 7 year limitation.
11. Ensure that records are kept in a secure place and are carefully monitored to ensure they are preserved, safeguarded and within control.

12. Although we opened a file with the local police, this does not mean that criminal charges were laid. We did not realize that this would require a separate action.
13. Be diligent in your verification of credentials. An experienced criminal has information, which on the surface, appears to be legitimate and authentic. Make a call, just to satisfy your curiosity.
14. Review your association's policies and procedures. Try to eliminate any loopholes and be steadfast in honoring the structure.
15. Don't blame yourself, likely this person has a lot of experience in this type of crime, knows the system and will frequently be one step ahead.

Our local organizations rely on the spirit of volunteerism through dedicated, caring, selfless individuals. As blue collar crime continues to increase, the reality is that perhaps "Our Lessons" may offer some immediate assistance or may even be recalled for future reference. Unfortunate occurrences such as this should not affect attitudes or efforts in making the world a better place through volunteer efforts. We must carry on – just smarter.

Board Member