

Is your program at risk of being embezzled?

Youth sports programs nationwide are being crippled by volunteers stealing tens and hundreds of thousands of dollars – often to bail themselves out of financial trouble, as well as cover up gambling debts and enjoy shopping sprees. Could your program be next?

Editor's Note: *This is the first of a two-part series on how to protect your youth sports program from being embezzled.*

It is astonishing that embezzlement from youth sports programs occurs so frequently. If you type “youth sports embezzlement” into your search engine you’ll be shocked at the number of news articles referencing this subject. All types of youth sports programs have been victimized and these thefts have occurred from California to New York; from Minnesota to Texas.

The amounts involved, although sometimes trivial, are frequently substantial, running in the tens and hundreds of thousands of dollars. Children and parents have been cheated and worthwhile programs that encourage healthy competition and the development of athletic skills have been damaged and in some cases destroyed.

Most distressing is the sad fact that this will continue because many youth sports organizations do not adopt policies and practices to prevent them.

I was involved with a youth football program in the Chicago suburbs for 17 years. I was a coach, a board member, the secretary, the president and for seven years the treasurer of the organization. Like most youth sports programs we were organized as a not-for-profit corporation. We had a corporate charter, a board of directors, by-laws, a Tax Payer ID number and were registered as a 501(c)(3) charitable organization.

Our annual budget during my terms as treasurer exceeded \$100,000. In all the time I spent as treasurer, I was rarely questioned on the conduct of the league’s financial affairs and my work was never audited. It was flattering to be so trusted, but it was also dereliction on the part of the board.

PROGRAM PROTECTION


Every board meeting should include a regular treasurer’s report. That report needs to be more than a simple spreadsheet and oral presentation of the checking account balance. At the least it should contain a synopsis of expenditures and receipts since the last board meeting and year-to-date; a comparison of actual activity to the budget; and a statement of deposit balance(s) and unpaid invoices. The reconciled monthly bank statement should also be available for review.

The officers should compare the statements and reconciliations to the reports the treasurer has given to prevent

the issuance of checks to unauthorized payees. Ideally, no expenses should be paid without the approval of the board. However, the treasurer may have authority to pay routine expenses without board approval. Exceptional expenses and unusually large checks should, of course, require prior board approval or the counter signature of another officer. The board may set by resolution the amount above which two signatures are required.

The board should also insist on some additional reports:

- Reconciled statements of receipt of registration fees. If you know how many kids signed up, and how much an individual fee is, then you should have an amount that can be reconciled to the actual deposit. This prevents funds (especially cash) intended for the league from finding a different home.
- Reconciled statements for fundraising receipts during the period that fundraising takes place. These reports can be submitted to the treasurer and the other officers of the league. Of course, this can be difficult. Typically, the fundraising is done by the kids and the tracking of receipts spreads out across the league. Regular procedures should be adopted and enforced. There has to be a control on the items being sold and the count for those items has to reconcile to the money being turned in. The fundraising chairperson should be responsible for this report and it should balance to the treasurer’s entries. The officers should review the periodic reconciliations and demand explanations for discrepancies immediately.

The Board’s responsibilities must include, at the start of every fiscal year, the adoption of a budget. The budget is the financial expression of the league’s plans for the coming year. If a change in the number of participants is expected, that will affect both income and expenses. If new programs are going to be added then they will have to be paid for. If old ones will be removed, the funds that were going to those programs can be used elsewhere. The budget is an important part of the Board’s fiduciary responsibility. 

Next issue: *Selecting the right person to be the treasurer*

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