

Preventing Money Theft In Your Chapter Association Isn't As Hard As You Think



You're a small association chapter run by a board of volunteers. Maybe you have one paid employee, like an executive director or an administrator. You know and trust each other and don't need to be concerned with chapter theft. Or do you?



All chapter organizations should keep their eyes and ears on every aspect of their finances: how money comes in and goes out and where it's kept. Without that oversight, theft is fairly easy and common even from people you know and think you trust.

Several times a month we learn about a chapter theft. They've ranged from a few dollars to missing sponsorship checks and the thefts of hundreds of thousands of dollars. Money disappears through a person pocketing cash at an event registration and not recording it (yet another reason for online payment); volunteers writing checks to themselves or non-existent vendors; using chapter credit cards for personal expenses; inflating reimbursement requests; redirecting dues and registration payments to personal accounts; and more.

We don't want to scare you, but chapters are targets. Most don't believe they need formal financial controls and rely heavily on volunteers who may have little, if any, financial oversight training. Transparency, oversight and governance, and perhaps most importantly, education are critical for keeping chapter funds safe.

Five reasons chapters should worry about theft

1. **Insider theft is easier than you think.** Most chapter theft comes from someone with direct access to the accounts, like treasurers, bookkeepers, other board members and staff. Since trust tends to exist blindly in chapters, people often have plenty of time to steal before anyone notices.
2. **Weak oversight creates opportunities.** Many chapters have one person handling all aspects of their finances. They don't require dual signatures to take out money, audits almost never happen, etc., which makes stealing easy to do and hide.
3. **The impact can be devastating.** Even the loss of a few thousand dollars can cripple a chapter's ability to run programs and events and manage its day-to-day operations.
4. **Legal and reputational liability.** Board members can face personal liability if someone proves they failed to implement reasonable oversight. Theft can also destroy member trust in the chapter and the chapter's reputation.
5. **Recovery is hard.** Stolen funds are rarely fully recovered. Prosecuting a volunteer or employee is difficult, costly, time-consuming and emotionally draining.

Decreasing chapter theft requires teamwork

Even though you have a treasurer, CPA or bookkeeper, admin or executive director responsible for your chapter finances, that one person isn't enough. Decrease your financial risk by ensuring multiple people are involved with managing chapter funds. This is another time board members need to see that they must be accountable for more than just their position, which can mean things like:

- Requiring multiple approvals for expenses over a certain dollar amount
- Separating duties like authorization, payment and reconciliation
- Limiting access to chapter bank accounts and financial tools.

In addition to adding people to tasks, chapters can decrease their theft risk by keeping the funds visible. Consider:

- Reviewing financial reports at each board meeting
- Tracking what you spend against your annual budget
- Documenting all financial decisions and approvals
- Maintaining organized records for things like transactions and contracts.

Know where chapter money is coming from and where it is going

Maybe a vendor or sponsor came through a chapter or board member. Or maybe these organizations have a positive reputation in the community. You can trust them, right? Maybe or maybe not, so make it a requirement to verify any new vendors, sponsors and any other funding sources.



Completing a verification checklist for each new vendor, etc. can help. This can include activities like asking for written documentation, e.g., a W-9 or a signed agreement, before moving any money; verifying an organization's identity instead of relying on what they provided; watching for red flags like requests for wire transfers or using payment apps (e.g., Zelle, Venmo, Cash App).

Legitimate vendors, sponsors, funders, etc. should have no problem providing this information.

Conduct periodic financial reviews to catch potential issues early

Financial reviews can save you from theft and keep your chapter reputation from irreparable harm. Just knowing a review is coming or multiple steps are required to set up a vendor, sponsor, etc. can be enough to discourage theft. However, even with all these guardrails, sometimes things still happen and money disappears.

Periodic financial reviews allow you to catch theft early. This doesn't mean you need to complete a formal audit. Even monthly reviews of bank statements by a non-treasurer board member — this is where separation of duties is important — can be helpful. The key is consistency and independence. Financial reviews can be done by other board members; someone in your parent organization; an outside accountant or bookkeeper; or simply someone with a strong background in finance.

If you see something, say something: build a culture of accountability

Financial safety doesn't just fall on the shoulders of your treasurer, accountant or bookkeeper. All board members need to understand what they're looking at and what they should be looking for. Set expectations around what they should keep an out for — from something as simple as seeing someone pocket \$5 at an event registration to the inability to find a company name in the Better Business Bureau to the validity of numbers in a report — and what ethical conduct looks like. This may require you to provide basic financial training so that everyone on the board can understand the reports you're sharing in board meetings and reading the financial sections of your association management system, or AMS.

When you clearly define roles and have written policies around chapter finances, it's much harder for anyone to steal without someone noticing. It also means your protections stay consistent as chapter leadership changes, board members take their responsibilities seriously and your board prioritizes transparency and accountability in all its financial activities.

