

Identifying and Preventing Theft Within Sports Organizations

Youth sports organizations begin with the best of intentions. Well-meaning folks spend countless hours laying the foundation of organizations to benefit children and teach the many lessons that are only learned on the field or court and nowhere else. Unfortunately, too many times these organizations also become a source of income for these same folks or the ones who follow. If you think your organization hasn't been affected by theft, you might want to think again. Any organization that runs a primarily cash operation has most likely suffered some sort of theft. There are ways to identify and prevent these thefts, and I have compiled a list of warning signs and prevention tips to help ward off the increasing threat.

Identifying theft and the folks most likely to be involved, according to the Association of Certified Fraud Examiners:

Behavioral Signs:

- 1) Living beyond their means
- 2) Financial difficulties
- 3) Control issues, unwillingness to share duties
- 4) Close relationships with vendors and suppliers
- 5) "Wheeler Dealer" attitude
- 6) Divorce, or other unstable family conditions
- 7) Irritability, defensiveness and suspiciousness of others

Demographic Signs, according to the *Marquet Report* :

- 1) 63% of the time the perpetrator is a female
- 2) Males on average steal twice as much money than females
- 3) The average age at the start of the embezzlement was 42
- 4) The 40-49 year old age group caused the greatest overall loss
- 5) By a vast majority, embezzlers hold financial positions
- 6) By a vast majority, embezzlers are the sole perpetrators
- 7) Only 5% have prior criminal backgrounds
- 8) 11% of all fraud reported in the U.S. occurred in religious and non-profit organizations

Things to watch for:

- 1) Missing or illegible records
- 2) Altered receipts or records
- 3) Disorganized records

- 4) Unusual drop in revenue
- 5) Inability to reconcile bank accounts, or the same individual reconciling the bank statements that is in charge of the finances
- 6) Duplicate payments
- 7) Payments made to usual or unknown vendors
- 8) Payments made in cash inappropriately (for instance paying for uniforms in cash is probably inappropriate, paying for pizza in cash from the concession stand may not be)
- 9) Missing check numbers or checks written out of order

There are ways to prevent this from happening in any organization, even one operating primarily in cash. They are relatively simple things to do, don't require a lot of extra effort and anyone can do them. Here are some of them:

- 1) Get involved, parents if you are involved you have the opportunity to see what is actually going on and make sure that everything passes the smell test. Also, the more eyes on the prize the more difficult it is for someone to steal it, literally.
- 2) Know the rules. If your organization is non-profit, and most are, there must be a constitution and it must be followed. Meetings are required and the timing is defined in the constitution. This protects not only the organization, but the board members themselves, as their roles are defined here as well.
- 3) Keep the board of directors pure. Have rules against certain relationships between board members. For instance, a "closely held relationship" rule is a good one to add to the constitution, no board members may have a "closely held" relationship. This can be defined however you choose, but here are some suggestions, no relationships by; marriage, blood relationships, business relationships, relationships of authority (for instance a teacher and a principal where the teacher could potentially benefit from making decisions along with the principal), team relationships (no more than one parent per team for instance).
- 4) Insist on financial reporting at every meeting. This may already be indicated in the constitution, but if it isn't it should be added. This puts all of the information at your fingers, especially when year to year statistics are made available
- 5) Speak up! Ask questions, don't make accusations, but ask good questions. Attend the board meetings and insist the rules are followed. Employ the "Where there is smoke, there is fire" attitude and don't dismiss your gut instincts.
- 6) Get professionals involved. You can get an extra layer of protection from licensed professionals, their livelihood is on the line, so they are more likely to be thorough and the risk/reward is decreased. If it's possible have a CPA as treasurer, even if it means a volunteer from the local firm.

These 6 things will cure almost any problem and detect most. If you have a pure board, interested parents who are involved, keeping the board on task and reporting the finances regularly at meetings even the average person should be able to spot any problems or inconsistencies. I have also listed below some specific tasks that can be done to reduce the theft of cash in concession stands and entrance gates. These

do take a little longer, but will pay off in the long run. They will not only discourage theft, but help you to locate the source should it occur.

- 1) At the concession stand take inventory, ideally at the end of each event. Subtract the ending inventory from the beginning inventory to determine what has been sold. Then determine the selling price of the items to figure out how much cash should have been received from the sale of those items. This can be compared to receipts to verify no cash is being skimmed off the top. This is easy to do using a spreadsheet that can be set-up once and used all season long. It also helps you to analyze your products to see which items are most popular, which are not selling well and when to reorder.
- 2) At the gate, issue tickets or passes. Or, use a pitch counter to track the number of entrants. If you can, have one person count entrants and another collect cash. Compare the counts with the cash collected to verify collections.
- 3) Install a drop box or safe at the venue. Have a board member clear out the cash boxes at intervals and dump the cash into a drop box or safe. This helps eliminate temptation and also keeps the volunteers safer. Only the treasurer and one other board member should have access to the safe. The treasurer or his designate can pick up receipts after events and make deposits.
- 4) Make deposits regularly. Make deposits for every event, even make multiple deposits per day if needed. Make sure deposit tickets are kept and recorded as to exactly what they represent. I prefer to keep separate deposits for each profit center, one for concessions, one for gate revenue, one for spirit wear sales for example to help track profits for each center.
- 5) Vary your staff. Use lots of different volunteers to staff events. Again, the more eyes on the prize the less likely it ends up missing! You can't plan against collusion, but following the closely held rule for staffing as well may help.
- 6) Have a clear cut purchasing policy in place that dictates who can make purchases and which ones require a vote or approval by the board or the membership.
- 7) Open a P.O. Box and make sure all correspondence is directed to it. Have one board member collect the mail and another handle the finances, this can alert to problems of late payments, no payments or unusual vendor activity.

Finally, I ran into some interesting information while researching embezzlement on the web. The Association of Certified Fraud Examiners has concluded through years of research that two key factors that contribute to the large losses suffered by small companies -- lack of basic accounting controls and a greater degree of misplaced trust. More often than not, it is the long-trusted employee typically the small business's one-person accounting department...who is found to be the thief. In other words, the person you least suspect is usually the one who commits the crime. In addition, in fraud prevention there is a 10-10-80 Rule that states, 10 percent of people will never steal no matter what, 10 percent of people will steal at any opportunity, and the other 80 percent will go either way depending on how they rationalize a particular opportunity. Your job...keep the 80% from any opportunity to steal from the organization by tightening up controls and segregating the duties so that no one person has too much control. For the other 10% invest in a crime insurance policy!