WHEN PARENTS DO THE WRONG THING

Fraud, Waste, and Abuse in Small Organizations that Support Children

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Learning Objectives

• Identify the Risks Associated with Parent-Teacher Organizations, Booster Clubs, and other small organizations that support children.

• Review case examples where wrongdoing went public and made the news.

• Best Practices and Controls that should be in place to mitigate the risks and ultimately advance the mission of the organization.
Organizations Defined

• **What Are We Talking About?**

  - **Traditional parent/school support organizations** - PTA (Parent Teacher Association)/PTO (Parent Teacher Organization), School Foundations (fundraising arms)
  
  - **Athletic, Academic Booster Clubs affiliated with the schools** – ex. Football, Band, MUN,
  
  - **Club Organizations not affiliated with schools** - Pop Warner Football, Little League Baseball, AYSO (American Youth Soccer Organization), USA WaterPolo affiliates
  
  - **Unaffiliated fundraising activities** – “Johnny’s mom volunteering to raise funds for school equipment with a recycling drive”
Risks—The Nature of the Beast Itself

- These organizations handle large sums of money, often as cash & checks.
- Work with primarily unpaid volunteers/coaches
- Task work is often done in homes/one person jobs ex. counting money for deposits
- Few likely to have documented policies, procedures, etc
- Not likely to have inventory systems
- Utilizing our electronic world: Paypal, debit card, ATM, credit card, on-line banking
- Not subject to disclosure laws like schools or other public agencies
- No central agency to track fraud in small non-profits
Risks—The Volunteers

- Access to undocumented cash receipts, credit cards, ATM, paypal, debit cards, SCRIP, and other bank accounts
- Inexperienced with cash handling/finance
- No background checks
- Few inventory systems
- Trusted… parents, friends, neighbors
- Don’t know to segregate duties or don’t have enough volunteers to appropriately segregate duties
- Board Members that may not have leadership skills
- Volunteers get comfortable and learn the weaknesses
- Rotate officer positions
- Few workers/many hours to the organization
- Potential sense of entitlement for funds/Volunteer personal financial challenges
Case Examples—Personal Experience

- Small Risk Examples/Typical of Most Volunteer Organizations – Rarely Discovered:

**Recycling Mom** – personal relationship, well-loved in community, committee chair for years, small budget item, individual task to take items to recycle and bring back cash for deposit, financially challenged at home:

*Discovery* – budget difference from prior yrs.

*Mitigated future risk after confession*---Removed her from temptation/committee chair job

**Christmas Boutique Mom** – personal relationship, committee chair for years, big task that no one else wanted to do, financially challenged, passed bad checks over summer & did jail time:

*Discovery* – Another mom

*Mitigated future risk* – Kept on as committee chair but no cash involvement in task
Case Examples—Personal Experience

• Kettler Elementary PTO/PTA – Theft of Funds by Treasurer/Parent Volunteer ($40,000 +?)
  
  • http://articles.hbindependent.com/2004-10-07/news/export1726_1_treasurer-grand-theft-co...
  • http://articles.latimes.com/1992-03-06/business/fi-3577_1_payable-clerk
  
  • Discovery & Investigation
  
  • Mitigate Risk – Jail & Restitution
Case Examples—In the News

- **Abuse Positions of Power/Authority**

1. Pop Warner Santa Margarita/Trabucco Canyon (**$86,000**) – Founder of League (79 checks cashed-2000)  (OC Register)
2. Vine Elementary PTA ($52,000) & West Covina American Little League ($26,000) – PTA President/Secretary/Treasurer job rotation (2015/16)  (abc7.com)
3. Vista American Little League (**$21,458**) – President/Treasurer (wrote 8 checks to himself-2015)  (San Diego Union-Tribune)
4. Beachside Montessori Village Center PTSA – (**$73,048**) – President (paypal acct/previous criminal history of petty theft & writing bad cks-2012/13)  (local10.com)
5. Sunnyside PTO (**$40,000**) – President (struggling financially-debit card abuse)  (yakimaherald.com)
Case Examples – in the News

• **Seems Obvious…..**
  - Reseda/Cleveland High School – football coach office - **$7000** cash & checks kept in a drawer for a long period of time/stolen (2016)  
    (ABC7.com)

• Fallbrook HS Football Boosters – coach used debit card at a brothel, strip club, & liquor store (pending investigation) plus **$27,000** in unpaid taxes since 2002  
  (San Diego Union Tribune)

• **Huge Losses…**
  - El Toro HS Athletic Boosters - **$250,000** in 2006 – 1 bank account used to funnel all athletic booster monies, missing in the transition.  
    (OC Register)
Controls—How to Mitigate the Risks

- **Red Flags With Volunteer Organizations:**

  - Too few volunteers/officer positions rotated with same people too much/no term limits
  - Electronic conveniences used a lot – paypal, debit & credit cards, ATM cards
    - “helpful volunteer” involved in too many things
  - No treasurer’s report offered at meetings/lack of transparency
    - Deposits not timely (Was your check cashed?)
  - No insurance/audited records/tax filings – s/b voted on in meetings
  - No training offered for incoming officers/no records from prior officer
  - Procedures for financial activities in only 1 volunteer’s hands (ex. Budgeting, signing checks, bank statement review, counting cash)
    - Relatives on volunteer boards together
Controls—How to Mitigate the Risks

• **Structure** – Look for Existing or Create it!!!
  
  • *Policies & Procedures/Forms/Bylaws* – training 1:1 & classes, existing inventory lists, paper trail requirements ex. PTA Tool Kit
  
  • *Rotate positions/”New Blood”/term limits* – Training
  
  • *Descriptions of job duties/separation of duties* – officers and committee chairs

  • *Structure in Meetings* (Roberts Rules) ex. Releasing funds, vote on budget changes, minutes

  • *Bring more People to the Party*…2 counting cash, 2 signers on checks, 2 reviewing bank statements, input w/ Budgeting & ongoing review, treasurer’s report transparency in meetings

  • *Limit electronic capabilities* / multiple eyes on bank account

  • *Professional* tax preparation/audit outside volunteer status – Pay for it!!!

  • *Obvious stuff* – never sign a blank check, deposit monies immediately

  • *Insurance/Bonded/Conflict of Interest Forms*

  • GET INVOLVED!!!!!!
Questions