



## **THE EMBEZZLER NEXT DOOR: Preventing Theft from School Fundraising Groups**

By Sandra Pfau Englund, Esq.

I recently had dinner with Amy to learn more about the theft that happened at her daughter's high school. Press reports indicated that at least \$14,000 was stolen from the school spirit store over a period of more than a year. The school booster club was so big, however, that no one really knows how much was taken. The school's support organizations had very weak internal controls and discovering the theft, I learned, was almost happenstance.

"Everybody was shocked," Amy said. "All the volunteers were friends and no one ever expected any of us to steal from the kids and the school."

And that is exactly what made stealing from the spirit store so easy. Although there were financial controls written into the group's bylaws, the group rarely enforced them. Everyone trusted everyone. As soon as someone complained that getting two signatures on checks or any other control was too onerous, the rule was not enforced.

Amy had a good job, was married to her high school sweetheart, was active in her church, and doted on her only child, a daughter on the cheerleading team. Amy also is the embezzler next door, convicted of theft from the high school spirit store.

There are many myths about who steals, and in particular who would steal from kids. In Virgil Peterson's 1947 article, *Why Honest People Steal*, he states that most embezzlers have no prior criminal record. In fact, 95% of people convicted of stealing from schools have no prior criminal record. Additionally, Peterson asserts that common factors in why people steal include feeding a gambling habit, desiring to live an extravagant lifestyle, unusual family expenses arising, and inadequate income (94). In Amy's case, none of these factors applied. She doesn't gamble and had sufficient income to live a normal middle class life. In fact, she often gave away the scrip cards that she stole from the spirit store.

More recent studies on why people steal indicate that there are two main categories of thieves: those that steal by rational choice and those that steal in response to a psychological reason (Lamontagne et al. 64-66). Another psychological study states that kleptomania-like behavior is common among people who steal (Sarasolo et al. 1-10).

Kleptomania is described in the Diagnostic and Statistical Manual of Mental Disorders (DSM-IV) as an “impulse disorder” and generally requires a recurrent inability to resist impulses, an increasing sensation of tension immediately before stealing, pleasure or relief at the time of stealing, and the stealing not be based on anger (“Psychological Studies on Shoplifting and Kleptomania”). Amy is diagnosed with kleptomania. She confided to me that she had shoplifted on a number of occasions prior to stealing from the school spirit store. She has discovered since this happened that she has a shopping addiction for which she is in recovery. Some of the common factors relating to the decision to shoplift from one store rather than another, or in deciding where and from whom to steal include social factors, opportunity, and the perception of a low risk of apprehension (Tonglet, 336-354).

In school support organizations, all of these factors are often present. Volunteer leaders are usually friends who have known each other for years. The trust level is high and so too is the perception, and often the reality, that offenders, if caught, are not prosecuted. The high trust level also leads to lax financial controls and failure to enforce financial control policies that may be in place. Embezzlement is a crime of opportunity. So how do you stop it?

Parent Booster USA (PBUSA), the leader in providing education, guidance, and help to schools and their support organizations to comply with fundraising rules, offers up three simple rules in its theft prevention program. PBUSA’s program states that by adopting the rule of “2”, two people to count cash, two people to sign all checks, and two people to reconcile the bank statements, you will improve your financial controls and greatly reduce the risk of theft. Prosecuting any cases of theft that do occur will reduce the perception that embezzlers will not be punished.

### **1. Counting Cash. Never count cash alone.**

Implementing this one simple rule provides enormous protection against theft. Cash should always be counted on site, immediately after you collect it, by two unrelated people. The counters should record the amount collected and the date, then sign the cash tally sheet. Cash should be deposited immediately into the organization’s bank account with a copy of the deposit slip, along with the cash tally sheet, provided to the Treasurer. When I met with Amy she said that this rule was never followed at the high school spirit store. Amy counted the spirit store cash by herself and made the bank deposit. These practices made it easy for her to steal money from the store.

“No one knew what I was doing,” Amy said. “There really was nothing stopping me. In the booster store, there was not a set amount in the drawer at all times; it was whatever I felt like keeping in there. No one else ever counted it or kept track of the funds. At first I would count the cash and take at least half of it; then I would deposit the checks and remaining cash in the bank,” she explained.



## **2. Signing Checks. Require two people to sign checks. Never pre-sign blank checks.**

The requirement to have two signers should be printed on the school support organization's checks above the signature line. Otherwise, no one, including bank personnel, will know that this is your organization's requirement. Amy noted that requiring two signatures on checks was included in her organization's bylaws but was never enforced. "Everyone thought it was too much of a hassle," Amy said. "They even talked about having checks pre-signed but that was vetoed."

## **3. Reconciling bank statements.**

A second person without signature authority should reconcile bank statements. If your treasurer has signature authority and does the reconciliation, a second person should review bank statements, the reconciliation report, and the cash tally sheets and bank deposit slips, every month within 30 days of when the statement is issued. Amy noted that requiring two people to review and reconcile the bank account was definitely not happening in the booster group. "When I was treasurer of the Athletics boosters, I would reconcile the bank statements myself, which I never was able to balance! There was never another person looking at statements or cashed checks or anything," Amy said. "That is until I was eventually caught cashing Athletic checks in the booster store account. The only reason I was caught was because the incoming basketball representative was questioning the amount in her account, thinking there should be more according to the basketball coach. That's why the audit began."

Meanwhile, 1,300 miles away the headlines scream again with yet another case of embezzlement. We see a new one each week. "Former Monroe PTO Treasurer Embezzled \$45,000." When I called the school district superintendent about the case he noted that this was the third time in his 30+ year career that he became aware of someone stealing from a school support organization in a district where he worked. "Eight mothers came into my office in tears," the superintendent told me. "The treasurer had been their friend; they trusted her," he related. Implementing strong financial controls is not just a good idea. It is necessary to prevent support organization theft.

## PBUSA's Three-Step Fraud Prevention Program

Parent Booster USA, Inc.'s theft prevention resources are available free to schools and the public at [parentbooster.org/theft](http://parentbooster.org/theft). Resources include:

**The Embezzler Next Door** – a short minute documentary promoting awareness that theft is common from school fundraising groups, and how to stop it.

**Theft Prevention webinar** – a pre-recorded webinar on how to implement simple financial controls that provide a huge impact against theft.

**Theft Prevention Overview** – a one-page handout that provides an overview of the steps to implement the It Takes 2 theft prevention program.

**Theft Prevention information sheet** – a one-page information sheet about the prevalence of theft.

**Theft Prevention fact sheet** – a two-page handout listing 20+ recent embezzlement cases.

**Tips on using cloud-based accounting software and cashless payment systems** – a one page tip sheet about how the use of cloud-based accounting software simplifies recordkeeping, increases transparency, and improves the transition process for officers of school support organizations.

Parent Booster USA, Inc. is the leading educational organization that helps schools and their school support organizations master the maze of federal and state requirements to fundraise legally. PBUSA launched its theft prevention program in 2015 to help schools and their fundraising groups understand how to implement simple financial controls to avoid embezzlement. See also [parentbooster.org/theft](http://parentbooster.org/theft).

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