

EMBEZZLE

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ing checks represented cash in an investment account that had been set up for MAP. The bookkeepers then gave the monthly statements and canceled checks to the executive director, who filed them.

Simmons says the money was accounted for in the monthly financial statements as being in investments.

"The financial statements we received didn't specify the kind of investment account, but we had always had [certificates of deposit] and most of us assumed that was where the money was invested," he says. "We had never given permission for a change."

Simmons says he can see how the funds were lost, but still finds it hard to believe they were.

"You might expect something like this from a board that wasn't getting monthly statements or where the treasurer wasn't attending meetings," he says. "But the statements came out like clockwork, we looked at actual expenses to those budgeted, and we sometimes generated questions."

An active and involved board is one of the best protections against embezzlement, says Terry Simon with KPMG Peat Marwick in Greensboro. He is the partner in charge of the higher education and nonprofit practice in the Carolinas.

"Embezzlers hide what they're doing by holding back information," he says. "So be on the lookout for late or untimely reporting or evasive answers. See the budget before the year begins and the budget-to-actual during the year and understand why discrepancies exist. Require board approval for large or unusual transactions."

"When an organization is very small, a clear segregation of duties can be difficult, so it's important that the executive director be involved and provide oversight," he says. "If all this isn't done, there's potential for a lot of trouble."

Sometimes, Simon says, a board may choose to set up a separate audit committee to provide this kind of financial oversight.

Quillen agrees that board involvement is essential to ensure the impeccable credentials of the agency and to keep its reputation uncompromised.

"If you don't ask questions about

things you don't understand, you're guilty of mismanagement," he says.

Quillen of the United Way says that a board should get reports on a regular basis that detail how the financial controls are being put into effect. The treasurer should explain at least once a year how the monthly reconciliations are conducted. Checks should be reviewed regularly to make sure the required signatures are there.

"The bank won't do it for you," he says.

Says Simon, "These actions protect the organization from bankruptcy and deficits, as well as from embezzlement. Both cause your organization to lose its reputation and the trust of its contributors."

So what happened at MAP?

"We thought we had a good system, but it obviously had holes in it," Simmons says. "I've never served on a volunteer board where the people weren't friends or at least liked the people they were working together with toward a common goal. Stephen was a longtime supporter, and that gave me a feeling of security. I guess the lesson is that no matter how trustworthy someone is, you've got to double-check everyone."

In mid-February, Charlotte's non-

profit community received news of another incident in their sector when John Crowell, at the time executive director of Parents for Drug Free Youth, was arrested for allegedly embezzling at least \$25,000 from the group between January 1991 and August 1993.

The two incidents serve as a lesson to board members of the importance of fulfilling their responsibilities. A key issue is what members should do if they suspect that there has been improper financial activity on the part of a volunteer or staff member.

First, advises the United Way's Quillen, ask enough questions in an open forum to make sure that it is not a systemic problem. Then, talk privately with the president — or another top official if you suspect the president — about your suspicions. Then, you may want to call in an outside auditor to clarify the situation.

If illegal activity may be involved, you have the option of contacting the police. Groups sometimes may choose not to do so and instead negotiate to get the money returned. Others, however, feel it is more important to set an example and as a result do go to the authorities. However, it is up to the district attor-

ney's office to decide whether to prosecute on criminal charges. It is up to the board to decide whether to file a civil suit against the person or persons.

Boards must be prepared to respond quickly any time anyone makes an accusation about mishandling of funds.

"All the media has to report is that someone made the accusation, and that can be devastating for an agency," Quillen says. "You must immediately investigate every complaint, no matter how seemingly silly or small and assure your principal funders that money is being handled responsibly."

"Good accounting practices and controls can help you through this, but you must be prepared to investigate immediately and release your findings," he says. "Otherwise, the situation can kill your reputation."

According to MAP board member Mary Hopper, the organization was open in all its communications about the missing funds, and actively and directly contacted all contributors. As a result, she says, in its annual solicitation to individual supporters in late 1993 and early 1994, MAP raised more than twice the amount raised the previous year.

DUCK

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is among those who are trying desperately to reverse that trend.

A new book, "Carteret Waterfowl Heritage," is a manifestation of Dudley's dream. Part of the proceeds are earmarked for the Core Sound Waterfowl Museum at Harker's Island.

"Every area wants its own historic identity," said Dudley, a Morehead City dentist who grew up on the White Oak River that forms the Carteret-Onslow county border.

"All the development of historic preservation so far has been in other parts of Carteret County. It was time for something to come Down East."

"It's a natural outgrowth of my interest in waterfowl, decoys, and interest in old photographs."

Dudley sees a recent surge in interest in decoy carving and collecting as the foundation of a campaign to preserve Down East heritage. He has some attentive comrades in the Harker's Island area, where for six years a December decoy festival has attracted visitors who previously wouldn't have ventured there outside the summer season.

The Down East carvers had studied the exhibits and festivals of carvers in the Tidewater Virginia area. That led to the formation of a carvers' guild, and the Harker's festival, which brought in 7,500 people in December.

The waterfowl museum is being planned for The Point, a piece of land with a breathtaking view of Core Sound and the distant Cape Lookout. Its 16



acres, donated by the U.S. Park Service, are expected to include trails and a waterfowl habitat.

The museum already is open in temporary quarters in what was a doctor's office. It will take \$1.2 million to build the permanent quarters, and \$200,000 a year to run it.

The book, published last year,

covers the hunt clubs and guides as well as the carvers. It includes 32 pages of color plates on decoys, hunting equipment and waterfowl postage stamps, and covers the exploits of a couple of non-native enthusiasts who visited the area — Franklin D. Roosevelt and Babe Ruth.

So far, about 800 people — with a passion for preservation — have donated more than \$200,000.

For more information or to join the museum, or purchase the book, call (919) 728-1500, or write Core Sound Waterfowl Museum, P.O. Box 556, Harker's Island, N.C. 28531.



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