



VIA EMAIL

November 26, 2020

Attention: BC Soccer Full/Associate Members and Affiliated Soccer Clubs

From: Stephen Wurz, Director of Finance, BC Soccer

Re: Fraud in Amateur Sports and Internal Controls

In light of a recent reporting by CBC on fraud and theft in the not-for-profit sport sector, Sport BC has put together some helpful reminders and some simple best practices that can assist your organizations in implementing some effective internal controls that can assist in reducing the risk of fraud.

These controls are highly effective and are relatively easy and simple to implement.

Please note this memo is intended to share information, and not to provide advice.

LINKS

Below are two links to news stories posted by CBC that highlight some instances of theft and fraud in Canada.

<https://www.cbc.ca/sports/fraud-canadian-youth-sports-robbed-8-million-past-decade-1.5796422>

<https://www.cbc.ca/sports/fraud-canadian-youth-sports-transparency-rebuilding-trust-1.5806345>

As the first article states, “The thefts tend not to be complicated affairs,” and notes that “the pattern in almost every case is similar: a theft is carried out by one person within the organization who is responsible for the league's finances.”

SUMMARY

Ideally, you want to have three people involved in the financial transaction cycle, persons A, B, and C (referred to as “segregation of duties”). Generally speaking, it’s fine to have person A do the “heavy lifting” at each step of the process (make the deposits, do the book keeping, disburse funds) so long as other people, all acting independently of each other, have involvement and/or oversight. For example:



Receiving money:

Cash should always have two people involved in the receipt process whenever possible. The receipt of cash should be recorded & receipts issued so there are records to match the cash deposited with the bank. Cash should be deposited at a financial institution ASAP. Ideally the deposit record will be signed off by person A and B to evidence that the deposit is accurate and includes all cash received.

Receiving cheques/credit card payments – there is less risk with cheques and credit card payments than with cash receipts. Cheques can only be deposited to the account of the payee and credit card payments are paid directly to a merchant account. Ideally you would have person B responsible for receiving cheques and reviewing merchant account transactions, and person A would be responsible for recording the transactions in the books or vice versa.

Disbursing money:

ALL of an organization's accounts should require dual authorization for the disbursement of funds, always. That means that two signatures are required on cheques and two individuals are required to authorize electronic transactions. There should NEVER be an exception to these rules. Ever. To the extent possible, an organization should never pay for expenses in cash. For incidental purchases an organization should have policies in place whereby authorized persons make purchases on behalf of the organization and are reimbursed in accordance with the dual authorization rules. Ideally you will have a separate person involved in the disbursement of funds that is separate from the receipt of funds – so for example, if persons A and B oversee receipts, then person C should authorize disbursements with either A or B.

Managing money:

Every organization should have a set of documented policies that govern its financial affairs and often these polies are incorporated into a society's bylaws. At a minimum, bank accounts should be reconciled monthly by an individual and those reconciliations be reviewed and signed off by another. Proper records should be kept (either paper or electronic form) and such records should be accessible to at least three people within an organization.

Effective controls are meant to mitigate the risk of fraud and misappropriation but can never reduce the risk to zero. Collusion between two individuals and the override of controls can undermine the best systems. Here are a few of concepts for organizations to consider:

- 1) Set the culture – an organization should set a culture of transparency and accountability at every level. These concepts should be present in organizational documentation (bylaws, policies and procedures, codes of conduct) but most importantly, these concepts need to be practiced by leadership.
- 2) Trust but verify: It is expected that we put our trust in other individuals – such trust is a key component of cooperation and achieving goals as a team. We can trust other people but we have a duty to also verify that our trust is well placed. Likewise, no one should be offended by the reasonable exercise of oversight (see point one about building and living a culture of accountability of transparency and oversight).



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- 3) At a bare minimum, never, ever, ever, have just one person be responsible for the financial affairs of an organization (see points 1 and 2).

Should you have any questions, please contact Stephen Wurz, Director of Finance at stephenwurz@bcsoccer.net.