



Co-op Treasurer Fraud

SCENARIO

The president of the board received a letter from a landscaper for the cooperative (co-op), which stated that if the outstanding balance was not paid soon, the landscaping company would commence legal action. The president was surprised by this, as she was unaware there was an outstanding balance. She discovered that the co-op treasurer, who was responsible for paying the service contractors' invoices, had failed to pay many of them and kept the money for himself instead. Because he was the only board member responsible for handling money and the invoices went to him directly, no one else on the board was aware that there were a large number of unpaid invoices. The treasurer had made copies of checks and put the contractor's name and amount owed on the copy, so it looked like he had made the payments. However, the real check was made out to the treasurer and deposited in his account. An investigation revealed that there was over \$100,000 in unpaid invoices and that the treasurer had stolen the money over a five-year period.

RISK CONTROL TIP

The board should not appoint a single person to be responsible for the funds of the association. Larger expenses should require the approval of more than one board member, and board members should share the responsibility of ensuring that invoices are paid in a timely fashion. Bank statements should be carefully reviewed. Consider having an outside accountant review the association's funds on a yearly basis.



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