

# FIDELITY

Every Emergency Service Organization (ESO) has money and assets it is responsible for. These assets come with fidelity requirements (duties, promises and expectations) for the officers, members and organization. Unfortunately, some officers and managers are not always honest and may be tempted to divert money and other financial assets away from your organization for personal gain. Acts like these are known as Fidelity claims.

Fidelity exposures can typically be addressed with the implementation of specific systems providing checks and balances for managing funds. This bulletin offers some best practices for managing financial risks within your ESO to help you prevent opportunities for fidelity claims.

## FIDELITY RISKS

Your organization's funds can be at risk of misuse and embezzlement. This type of loss not only disrupts the organization but can impact families and communities as well. The damage to an organization's reputation in the community can hinder good will and the loss of funds can jeopardize the equipment and services you provide to your community.

Another problem for fire and EMS organizations is that a majority of the instances span relatively long periods of time. Frequently, a contributing factor is complacency and not following best practices. This may result in the losses being staggeringly high.

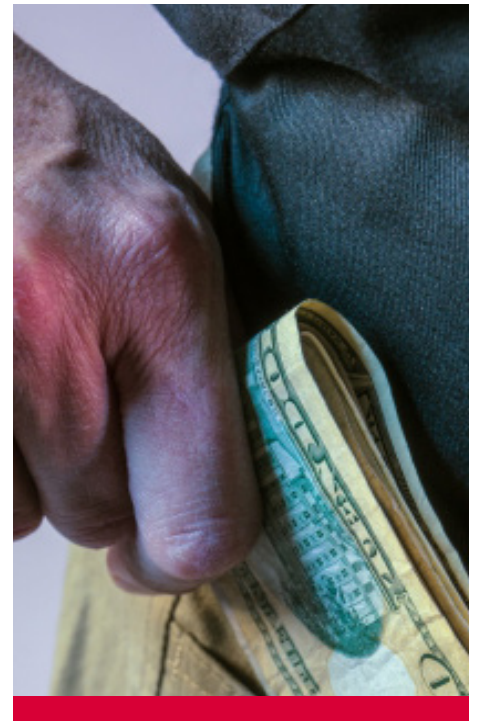
### Reducing Fidelity Exposures

It is important to run annual background checks on any individual involved in a financial receivable or payable transaction on behalf of the organization (including cash, checks, credit cards). This includes individuals who may be responsible for organization assets such as vehicles, property, buildings and investments. Trustees and board members, directors, managers, chief officers, treasurers, financial secretaries, billing personnel and special event managers could become a financial drain on any organization if they do not perform with fidelity.

Consider the following risk control methods for reducing fidelity exposures.

### Purchasing, Fund Management and Check Writing

- Require two (2) signatures on checks signed only after written in full. Never sign blank checks or allow the use of signature stamps, even for convenience.
- Have signature cards on file with all financial institutions and update them annually and anytime there is a change in authorized signors.
- Have an individual who does not have check writing authority receive and reconcile bank statements.



- 
- Audit your financial records annually, utilizing an independent third-party.
  - Do not permit persons with close personal ties (husband/wife, brother/sister, business partners, etc.) to have control over organizational check writing or reconciliation.
  - Require purchase orders and invoices for purchased goods or services. Independently validate receipts of goods and services. Have these compared to written checks or company credit card statements.
  - Separate the functions of check-writing and deposits.
  - Conduct background checks on all officers and new members. Annually review background checks on any individual involved in the handling of organization finances or assets.
  - Have all financial policies in writing.
  - Review your organization's insurance policy to assure proper fidelity coverage is in place.

### **Fundraising and Special Events Cash**

In addition to the best practices already mentioned, consider the following practices for persons handling funds, especially cash, during fundraising and special events.

- Have a third-party present whenever handling cash. This includes not permitting persons with close ties (husband/wife, brother/sister, business partners, etc.) to handle the same cash transaction.
- Use video for security and monitoring cash transactions.
- Whenever possible, have some form of paper trail (ticket stubs, receipts, bill of sale, sign-in sheet) so that a close estimate of the anticipated cash can be obtained and confirmed.
- To minimize the amount of cash on hand, pick-up large amounts of cash periodically, documenting personnel involved, times and amounts picked up.
- Have two individuals at a minimum involved in the reconciliation of cash deposits.

### **Accounting Software, Computers and Related Systems**

Many fire and EMS organizations do not have newer computers, computer networks and sophisticated security measures in place. Instead, the ESOs depend on one or more individuals to use their personal computer, internet and email in the hope of cost-savings.

Consider the following steps to mitigate the risk of losing financial data and the possibility of a fidelity event by implementing the following best practices.

- Use ESO-owned computer hardware, tablets and licensed software. Assign those machines to organization officials or require work be performed in the organization office.
- Limit use of company-owned computers, hardware and systems for ESO business only.
- Have all authorized personnel use a unique, company-owned email rather than a personal email account.
- Have individuals use a unique password that is not shared with others. Use a different password for each financial institution.

- Install and utilize antivirus software on any computer or electronic device used for storage of ESO financial records.
- Password protect and encrypt company wireless connections, if possible.
- Establish a process for regularly backing up data to a separate location on the computer, and two (2) separate physical locations to mitigate catastrophic loss of data.
- Use two-factor authentication.
- Do not conduct transactions on an unsecured/encrypted wireless connection.
- Properly dispose of old ESO computer hardware, erase hard disk drive and destroy, if possible, and destroy other memory devices.

## ADDITIONAL RESOURCES

The New York State Charities Bureau developed a resource for [Internal Control and Financial Accountability for Not-for-Profit Boards](#). One notable section outlines best practices for the implementation and monitoring of internal financial controls. Also, the importance of job descriptions for all members of the organization – including board members – is emphasized throughout the document.

## VFIS RESOURCES

- VFIS Risk Bulletin on managing contracts is located under the ESO Administration section at [vfis.com/safety-central](https://vfis.com/safety-central)
- [VFISU.com](#) course on Financial Management for ESOs
- [ResponderHelp.com](#) SOG on OIG background checks for everyone in the EMS organization if the ESO is billing Medicare/Medicaid for services
- VFIS webinar on ESO Board Member Essentials