

January, 2005

TO: Alumni and Volunteer Corporation Presidents & Treasurers

FROM: Christopher L. Bittman, Grand Treasurer
Craig D. Templeton, Executive Director

Re: Mandated Changes to Financial Accounting Policies & Procedures

In the past two years, SigEp has engaged police in investigating and prosecuting four reported cases of embezzlement from Alumni and Volunteer Corporations by Treasurers or House Managers. In all four cases, the amount stolen exceeded the \$25,000 policy limit carried on the Fraternity's Crime Insurance Policy. As a result, these Alumni and Volunteer Corporations had to bear a significant portion of the loss. This type of crime creates severe strain on chapter and Alumni and Volunteer Corporation operations and, in some instances, threatens continued existence of the undergraduate chapter.

There will be changes in our operating policies depending on renewal of our crime coverage insurance policy. One of those changes will likely be that crime coverage will become an optional, separately listed charge option like the Directors' and Officers' liability coverage; heretofore crime coverage has been an included benefit. The coverage functions as a bond, like an employer would carry on bonded employees, but, in our case, covers volunteers in positions to manage Fraternity funds. The policy for your AVC Board covers both alumni and undergraduate officers of the chapter.

Regardless of your AVC's election of crime coverage, **each Alumni and Volunteer Corporation should immediately implement the following safeguards.** By doing so, you are making significant strides in preventing embezzlement.

- Require dual signatures on checks over a predetermined amount, such as \$500.
- Remove the responsibility of monthly account reconciliation from the officer with check writing authority and appoint another officer to be responsible for this function. Liquid asset accounts should be reconciled on a monthly basis.
- Have an account that prohibits debit card and ATM withdrawals.
- Have an independent third party conduct a yearly audit of the corporations' finances. Perhaps there is an alumnus who will do this at no charge. Due to the financial constraints, this is a recommendation. The decision to go through an independent audit will likely be dictated by the extent of the assets of the Alumni and Volunteer Corporation.
- Make it known that Sigma Phi Epsilon Fraternity and its insurance providers are prosecuting the four identified cases and individuals involved to the fullest extent of the law and will do so as well for any similar situations with any chapter in the future. Brotherhood does not

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mean protecting brothers when they commit a crime. It is against all values upon which the brotherhood of Sigma Phi Epsilon is based.

Your Regional Director is available to address any questions you may have regarding this requirement. Failure to apply these measures of internal control will result in cancellation of your chapter's insurance coverage under our crime policy.

Thank you for your cooperation. Should you have questions or concerns, please direct them to Kathy Johnston, Director of Risk Management, at Headquarters, extension 332, or by email at Kathy.Johnston@SigEp.net.

CLB:CDT/s/12-30

cc: National Board of Directors
Regional Directors
Kathy Johnston, Director of Risk Management