

Protect your church from the temptation of internal fraud

By Mark Ruppert

When Fred Meyers was elected treasurer of "First Community Church," it didn't take him long to realize something wasn't adding up with the church's finances. After scouring the church ledger and consulting a private certified public accountant, Meyers informed church leaders that First Community had been the victim of embezzlement.

Church leaders soon discovered that over the past several years an usher had been directing offering money into his own pockets. Overall, nearly \$10,000 in tithes and offerings never made it into the church's account.

In the business world embezzlement is one of the most common financial crimes in the nation. Unfortunately, it's also a frequent crime against churches and not-for-profit ministries. Unlike other crimes against religious organizations, embezzlement is perpetrated by a trusted person from within.

Leaders should develop a written policy governing the handling of your ministry's finances.

Take preventative measures

Most church leaders don't want to acknowledge the likelihood of one of their own parishioners or employees committing a crime against their organization. While these types of crimes may not be widespread, they are both common and costly enough to warrant preventative measures.

Leaders should develop a comprehensive written policy governing the handling of your ministry's finances. This policy needs to clearly spell out the procedures for handling church finances, making deposits and withdrawals from church accounts, and accessing financial records.

Having procedures in writing and explaining these procedures to employees and volunteers will promote consistent handling of your organization's finances. Written guidelines let everyone know what's expected of them. And they discourage dishonest employees from using ignorance of proper procedures as a defense of their criminal actions.

In addition to a written policy for handling finances it's help-

ful to have written position descriptions for all employees and volunteers. Position descriptions can eliminate confusion over who has access to certain financial documents and who's authorized to perform certain financial functions.

It's important to document all financial transactions clearly and immediately. Record deposits, withdrawals, loan payments, payroll, and any other financial transactions; keep these records (and duplicates, if necessary) in a safe place. By documenting all financial procedures your organization can detect discrepancies quickly, protect honest employees from unwarranted accusations, and gather necessary evidence to identify criminals in the event of a financial crime.

A program should be implemented to encourage the reporting of suspicious financial incidents. In many cases, someone besides the thief is aware of, or at least suspicious of fraud or embezzlement. Making it easy and safe for employees and volunteers to report suspicious financial activity will make it more likely that they'll come forward with helpful information.

Church leaders should develop a plan for handling church finances in which the receipt, deposit, distribution and documentation of church money is carried out by different people. Require dual signatures for financial transactions like withdrawals or for endorsing and cashing church checks for more than a certain dollar amount. If control over financial operations is divided among several people it will be much more difficult for fraud to be perpetrated and discrepancies to go undetected. In addition, ask someone other than your church's financial officer to conduct annual or biannual audits.

Greatest internal threat of loss

Tithes and offerings represent the greatest internal threat of loss to churches and ministries. Because significant portions of offerings are made in cash and are usually collected and counted by volunteers, the misuse or misappropriation of cash offerings is one of the easier crimes to commit against churches.

The following are a few steps to protect your church's offerings:

- Ask your congregants to place financial gifts in envelopes preprinted with their names and addresses before placing them in the offering plate. This will make it harder to discern what portion of the offering is cash versus checks.

- Conduct background checks on all employees and volunteers who deal with money. Avoid selecting candidates who are undergoing a financial crisis or who have a history of theft.
- Always have at least two people present when counting the offering. It's best to use longtime church members who've established a reputation of being trustworthy. Develop a list of such people, and periodically rotate those on the list when offerings are counted. Also, avoid counting the offering behind closed doors.
- Stamp checks "For Deposit Only" when endorsing them. This will make it more difficult for the money to be redirected anywhere except to your church's account. Also, using colored ink, rather than black ink, on rubber stamp images makes it harder to use a copy machine to forge them.
- In addition to financial assets, physical property is a favorite target for criminals within an organization. Leaders should take preventative measures to protect church property.

Monitor keys for safety

Establishing a key monitoring system allows for more efficient security and safety. Use keys with serial numbers on them to keep track of which employee or volunteer has which key. Avoid keeping spare keys; however if they're necessary, keep them locked in a secure place. Collect keys from employees or volunteers who leave

the organization. Also, keep interior office, classroom, and supply room doors locked when not in use. Master keys should only be given to those people who need them.

Leaders should make sure access to security codes is controlled. If your church or ministry has a security system, make certain that only a few necessary staff members know the codes. Additionally, it's a good idea to occasionally change codes or passwords. Codes should be changed whenever anyone with access to them leaves the organization.

A solid inventory of your church's physical property will help with protection. This will enable staff to quickly tell if something is missing, establish proper insurance protection, and allow a faster, more comprehensive recovery in the event of a loss.

Taking steps to prevent internal crime is just as important as guarding against threats from the outside. Following these guidelines will help you reduce the chance of being victimized from within and help you avoid the high physical, emotional, and monetary costs it can bring.



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