



Three ways churches set up their staff to steal from the collection (I'll bet you're making two of them.)

Seminary may have prepared you for preaching. But often it doesn't prepare you for managing the finances of a church. You've delegated money-handling to your team. And you respect and trust them. But did they think of everything? Are your people following your procedures? What might you be missing? Without realizing it, have you placed your staff or volunteers in temptation's way? Up to a third of churches will experience fraud, theft, or embezzlement. Pastors are supposed to **protect** their staff, not place them in temptation's way. But this suggests that up to a THIRD of PASTORS unthinkingly set their people up to fall.



It's heartbreaking to see the aftermath of church fraud – I want to keep your church from this pain. And, Pastor, I want to keep YOU from the regrets of having allowed such a thing to happen on your watch. At one now-closed church, the trustees were in the habit of signing blank checks. I saw an interview of one of the trustees. As he expressed his remorse, he came right out and said "*We were stupid.*" I don't want you to be that guy.



I'm a Certified Fraud Examiner. And I have been doing numbers-based detective work since the 1980s. I've spent years developing an easy, online system to dig deep and find procedures to tighten. With my help, you will be even more the hero at your church!

What help do I offer? I offer the peace of mind that comes from having an outside professional come in and look at how you do things. I spot weaknesses and show you how to fix them. You'll sleep better - and your people will have more confidence in you - as you act on these issues. But let me give you the top three issues that I'll be looking for. I see these in a majority of church fraud cases that have appeared in the press. I also have seen them in the

churches I've audited. These are common and serious problems. And you can address these yourself, this week.

1. The person keeping your books can also get to church money. A church will hire someone to be their “financial secretary.” This person handles ALL their financial matters. This person will open the mail, prepare the deposits, keep the books, and pay the bills. Sometimes they do payroll as well. And usually they reconcile the bank and credit card statements.

This is a violation of the most basic of accounting rules. The problem is that this person has access to the money AND they are able to cover their tracks. You need to separate out the bookkeeping from the money-handling. This also means that the bookkeeper should NOT have full access to the bank accounts. He or she needs to be able to SEE the accounts, of course! But this can be done through “view only,” “read only,” or “accountant’s access. Check with your bank.

Your job? Make sure that you separate the jobs properly. Have one person keep the records showing how church money arrived and was spent. And have someone *ELSE* actually taking the money in and spending it.

2. Only one person is watching where the money is going. Bookkeepers or financial secretaries reconcile bank and credit card statements. That’s good – that’s what they’re supposed to do!

But you should have the statements sent to the someone ELSE, too. This person should do a smell check before the statements are processed. This can be the pastor or any other responsible person. Best? Use someone who has no church credit or debit card, and who has no ability to prepare or sign checks. And have the statements mailed to this person’s home (or give them “read only” access by computer). They should look for:



- Large withdrawals
- Transfers to odd accounts
- Checks made out to cash (or to the check-writer)
- ATM withdrawals
- Amazon and eBay purchases
- Purchases from unknown or odd vendors.

It might be wise to investigate charges at liquor stores or Victoria’s Secret...

By reviewing statements each month, thefts or credit card misuse would be detected right away. By not doing this, some churches have had fraud go on for years... or decades.

3. You only have one person counting the collection (*stay with me here*). Most churches know that they need more than one person counting the collection. The last four churches I've helped, for instance, each were very proud. They had two or three people doing the counting each week. But it wasn't quite that simple.

Turns out, each of these counters had their own tasks to complete. This included a person to record checks. Another was entering donation information onto a laptop. And one cash counter would be counting the one-dollar bills while another was counting the twenties. Do you see the problem here? Each had their nose down in their own work. While they *were* being diligent workers, they were NOT being diligent WATCHERS. Any of these people could have pocketed cash or checks with very little difficulty. The other workers would not have seen a thing.

Your job? Leave one person to work as usual. But have the other just watch. Or let them all get along as they have for years. And get another person in the same room JUST to watch. That's all he or she does! And they add their signature to the counting report as the "watcher."

So what happens if you leave one of these doors open?

Perhaps nothing, though the cost of being wrong is significant. Ethics researchers believe that 21% of people will never steal and 19% will always steal. The remaining 60% may or may not steal based on the circumstances. Let's assume that you *never* hire one of the 19% "guaranteed bad guys." And God's grace may have led you to ONLY choose those who never steal.

But what leads one of the remaining 60% to steal? Fraud experts use the "Fraud Triangle" to explain why people step over the line. The three elements are Financial Pressure, Opportunity, and Rationalization.



Financial Pressure: often characterized by it being "unshareable." This could be the treasurer having a hidden addiction to alcohol, gambling, porn, or drugs. They are stuck with mounting expenses but they can't tell anyone. However, don't focus only on addiction! It could be huge medical bills – especially for a loved one. In some churches and communities,

worth comes from a person's possessions. People can be up to their eyeballs in debt, and they dare not tell anyone.

Opportunity: where the person sees a way they can get away with the theft. This is usually a result of a person doing two jobs that should not be done by the same person. Think of a fox watching a hen house. Or think of an employee approving his own time card. He would be able to add a few hours, then vouching for them as if he were the supervisor. Another incompatible mix, as you saw above, would be the bookkeeper signing checks. In each case, the person believes that he or she could make off with church money without getting caught.

Rationalization: convincing yourself that you are not a thief. Here, the person tells themselves, "I'm just BORROWING this money." Or "They don't pay me enough, so I'm just making it right." Or "It's just the church. It's not like I'm robbing from a PERSON." We've been doing this since the time of Eve.



There's problem with the pressure and the rationalization: these are conversations which occur inside a person's head. We can't see or hear them. What we DO have access to is the opportunity – the church financial procedures. By tightening these up, we make it harder to steal. The member may be under severe financial pressure. And he may be very good at talking himself into things. But if we remove the opportunity, he *stands*.

So tighten up the Big Three described above! Call if you want to chat, of course. And call us in to walk you through tightening up these and several hundred *OTHER* possible holes.

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Examples of church fraud: www.internalcontrolsaudit.com/summaries.asp