Preventing Fraud and Embezzlement at Your Worship Center

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Fraud in the Church!

- Why steal from God?
- Saints can be sinners.
- We trust too much.
- We believe that church employees are saints. (See above.)
- No chance of getting caught.
The Scope of the Problem

- 30% of all workers will steal
- 12% of nonprofits fall victim every year
- One-third of all congregations experience theft each year.
- $120,000 per loss and growing every year
Common misconceptions

- Most frauds last 18 months before being caught.
- Average tenure of perpetrator is over 8 years.
- 87% have never been charged with fraud or theft before.
- More frauds are caught by a tip (40%) than any other means.
Red Flags

- Drop in revenues
- Increase in expenses
- Disorganized records
- Missing documents
- Duplicate payments to vendors
Red Flags

• Employee re-writing records
• Excessive overtime
• No vacations
• Refuses promotions
Common Techniques

- Billing schemes
- Checks payable to cash
- Personal debts
- Employee credit cards
- Skimming out of offering plate
- Fictitious employee
Rationalizations

- Immediate gratification
- Victim mentality
- Under compensation
- Just borrowing it temporarily
- Too small to ever miss it
- Confident that they will never be caught
Criminals are stupid.
Criminals rarely have any money when they are caught.
The only people who can steal from you are the people you trust.
Sometimes, the longer the employment – the greater the trust and potential for loss
Prevention

● Triangle of Fraud
  - Opportunity
  - Pressure
  - Rationalization

● Prevention addresses each leg of triangle

● Look at the most trusted employees as the most likely to steal from church
Number One Deterrent

- Fear of getting caught!
- Not prison time
- Not guilty conscience
Prevention - Opportunity

- Two signers
- Two counters of offering
- Rotate count teams
- Deposit Offerings ASAP
- Cameras in counting room
- Separation of duties
Prevention – Opportunity

- Credit card statements
- Board and Pastor involvement
- Mandatory vacations
- Web based accounting
- Whistleblower policy
- Duplicate bank statements to non-signers
Prevention – Pressure

- Lifestyle out of line with income
- Cars out of line with income
- Gambling or drug use
- Increased personal expenses (medical, college)
- Peer pressure to have the same things as the Jones
- Develop personal relationships with employees
Prevention – Ethics

- Practice high ethics
- Talk about high ethics
- Adopt and follow Code of Ethics
- Require regular background checks (criminal and credit)
If you catch them --

- Call your attorney immediately
- Engage a Certified Fraud Examiner to assist you with the formal investigation
- Do not confront them!
- Do not discuss publicly!
- Prosecute when possible!
Thank You

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