

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

Principles to Remember

- 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

<http://nf.acfe.com/eweb/dynamicpage.aspx?site=ACFEWEB&webcode=CFEDirectory>

- Do not confront them!
- Do not discuss publicly!
- Prosecute when possible!

Thank You

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