



CHURCH WEST
Insurance Services
The Cutler Group

Maintaining Financial Controls
in the Small Ministry
Minimizing Risk When Staff and Volunteers are limited







Church Training Center
Cultivating Effective Leadership

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Church Training Center
Cultivating Effective Leadership

Keith Clark-Hoyos

- Certified Public Bookkeeper
- Certified QuickBooks Advisor
- Certified Coach in Training
- M.A. Ministry, Leadership, & Service
- Commissioned Minister for Finance, Administration & Communication
- Former Executive Associate Conference Minister

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Church Training Center
Cultivating Effective Leadership

MISSION:
To equip and empower church leaders to be effective in areas of governance, mission, budgeting, finance, and administration.



COACHING



CONSULTING




TRAINING



SEMINARS






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Church Procedures Audit
Securing Resources for Ministry

MISSION:
To secure resources for ministry through the establishment of Policies Procedures that deter embezzlement, increase accountability, and provide healthy transition from one volunteer to the next.



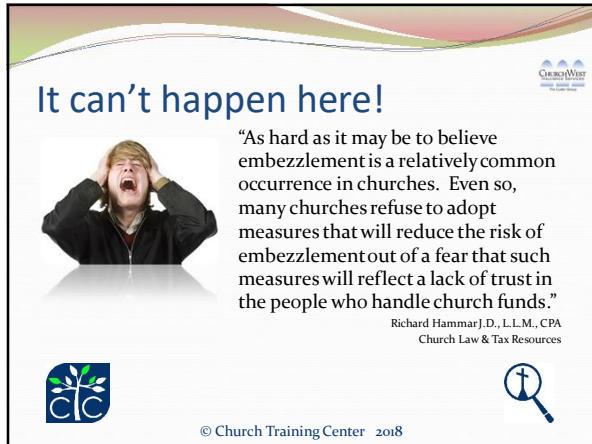
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Church Embezzlement



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It can't happen here!

“As hard as it may be to believe embezzlement is a relatively common occurrence in churches. Even so, many churches refuse to adopt measures that will reduce the risk of embezzlement out of a fear that such measures will reflect a lack of trust in the people who handle church funds.”

Richard Hammar J.D., L.L.M., CPA
Church Law & Tax Resources

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BROTHERHOOD MUTUAL INSURANCE CLAIMS PRODUCTS RESOURCES LEGAL ASSIST REQUEST A QUOTE MY ACCOUNT

Church Fraud Exceeds What Churches Give to Missions

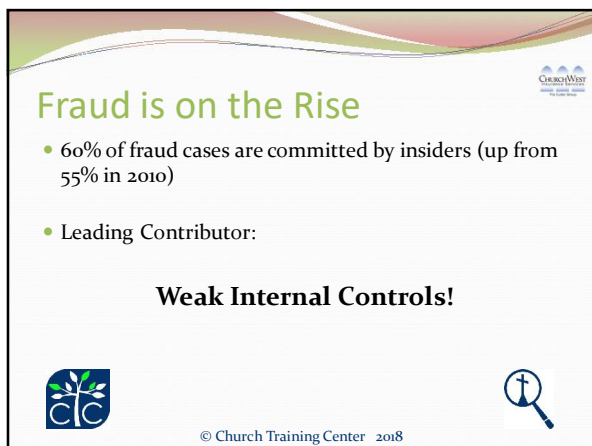
Often, it's one of the most trusted people in the church who's pilfering from the plate, or diverting funds from the church budget or investment accounts.

Church Financial Fraud is Big Business Worldwide

Research on church fraud shows that \$100,000, while significant by most people's standards, is a very small part of the estimated total amount of fraud committed against the Church each year. According to the current Status of Global Mission report from the Center for the Study of Global Christianity, Christian organizations worldwide are expected to experience more than \$59 billion in financial fraud by mid-2017. Compare that to the \$53 billion churches are expected to give to worldwide mission work during the same time frame.

Church crime continues to grow—estimated at more than \$110 million each day. At that rate, worldwide church financial fraud may reach the \$100 billion mark by 2025. That's still not the whole picture. About 80 percent of all cases of church fraud go unreported and therefore are not included in statistics. Only the big fraud cases, some involving complex schemes perpetrated by well-known Christian individuals and organizations, make the news.

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Fraud is on the Rise

- 60% of fraud cases are committed by insiders (up from 55% in 2010)
- Leading Contributor:

Weak Internal Controls!

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Fraud is on the Rise



Garland Egerton photo
1984-2005

Former Inter-Faith director charged with theft from his church

- Meet Garland Egerton.
- Accused of Embezzling \$120,000 over two years.
- Incoming pastor requested an audit.
- Questions Board could not answer.




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Unique Issues for Churches




- No Tangible Services or Product in exchange for their cash
- High Degree of Trust
- Willingness to Forgive
- Lack of Internal Controls
- Flock Mentality





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Unique Issues for Churches





Flock Mentality



In 2005 shepherds in Istanbul, Turkey watched as one sheep jumped off a cliff to it's death.


Then, in horror, the shepherds watched the rest of the 1,500 sheep in the flock follow the first one off the cliff.

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Unique Issues for Churches

Flock Mentality



Janet, a new member of First Church looks with surprise as Joe, the treasurer carries the offering to his car after the service.

After looking around and seeing no one else was concerned, she went back to her coffee and conversation.

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Forbes

Investing
NOV 18, 2013 @ 4:53 AM 45,474

Fraud Thriving In U.S. Churches. But You Wouldn't Know It

Walter Pavlo, CONTRIBUTOR
FULL BIO

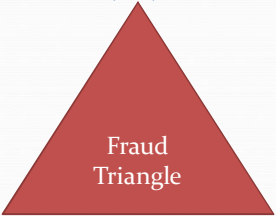
"Nobody wants to believe that the person they trust, the person they respect, is stealing from them," said Sizemore. "But that is exactly what I'm seeing in our practice." Each year, Forensic Strategic Solutions receives 3-4 cases of a church or nonprofit that has discovered or suspects fraud. Typically, when they investigate, they find few if any accounting controls and most financial procedures in place are based on "trust."



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The Fraud Triangle

Motivation/Need/Pressure






Opportunity Rationalization

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The Window of Opportunity

- Weak internal controls
- Too much trust
- Poor management oversight
- Lack of financial audit
- No background check for key positions
- Lack of independent review of banks statements and credit card statements



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Internal Controls



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Internal Controls

**How Many Volunteers
Does It take
to handle the offering?**



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Financial Controls Flow Chart

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    graph LR
      A[Cash Received] --> B[Delivered to Counting Room by People A & B (not related)]
      B --> C[People A & B (& if you can, a third person is desired) count the cash and check and enter sums on a cash report and a bank deposit slip and sign.]
  
```

Cash Received → Delivered to Counting Room by People A & B (not related) → People A & B (& if you can, a third person is desired) count the cash and check and enter sums on a cash report and a bank deposit slip and sign.

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Financial Controls Flow Chart

```

    graph LR
      A[People A & B deliver signed cash report to Person D, the administrator who makes the deposit entry in the check book and files the cash report] --> B[Bank statement is mailed to someone other than People A, B, C or D]
      B --> C[Person D gives original cash reports to the person who receives the bank statement so that s/he can reconcile]
  
```

People A & B deliver signed cash report to Person D, the administrator who makes the deposit entry in the check book and files the cash report → Bank statement is mailed to someone other than People A, B, C or D → Person D gives original cash reports to the person who receives the bank statement so that s/he can reconcile

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Segregation of Duties



Segregation of Duties are primary internal controls intended to prevent or decrease the risk of errors, identify problems, and ensure corrective action is taken. This is accomplished by ensuring that no single individual has control over all phases of any business transaction. There are four general categories of duties:

Authorization	Custody	Record Keeping	Reconciliation
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Segregation of Duties

- Accounts Payable / Accounts Receivable
- Checks:
Authorizer / Preparer / Signer / Reconciler



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Weighing Risk vs. Prevention



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Challenges in the Local Church

- Limited Staffing
- Limited Resources
- Limited Volunteers




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The Help You Need
Schedule Your
FREE
Coaching Call
Today!



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The Help You Need
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Today!

I work with church leaders who are overwhelmed with their financial systems.

I help them gain confidence in utilizing their financial resources to further the mission of the church.

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The Help You Need
Schedule Your
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Today!

I know how overwhelming it is for a new treasurer ...

...to not know where to begin.

...to discover there isn't a job description, policies or procedures or any guide.


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The Help You Need
Schedule Your
FREE
Coaching Call
Today!

Let me help you transform your situation.
Stop feeling lost for next steps.
Leave the legacy of a healthy financial system.

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The Help You Need
Schedule Your
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Today!

- Create a sense of clarity about your church's financial health.
- Discover the essential building blocks for creating a healthy financial system.
- Learn the #1 thing stopping you from having a mission centered financial system.
- Identify the most powerful actions to take to ease your stress and gain confidence.

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The Help You Need
Schedule Your
FREE
Coaching Call
Today!

➤ Complete the session with the excitement of knowing EXACTLY what to do next to create a healthy financial system that furthers the mission of your church.

You can book your FREE Consultation:
www.ChurchTrainingCenter.com/CoachMe

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