

Reducing the Temptations of Fraud in Your Church

By Nathan Salsbery, Partner

Two particular vices, if present among church leadership, have the unique ability to impose severe and long-lasting damage on a church: sexual immorality and fraud. Both, when uncovered, immediately damage long-standing trust between church leadership and members. Unfortunately, opportune environments for both often go unrecognized or unaddressed until it is too late. In my years as an auditor of ministries and as a pastoral staff member at my local church, I have witnessed firsthand the tragic consequences imposed upon the church by these sins. For the health of our churches, we should be vigilant about doing what we can to reduce temptations in these areas. The consequences are too severe to take lightly.

The focus of this article is on reducing the temptations of fraud in your church, specifically the misuse of church funds or assets by a church leader for personal gain. Risks of fraud in the church often go unrecognized due to a high-trust environment and a lack of adequate training among leadership.

It is easy to understand why a high-trust environment exists among church leadership. After all, most leaders understand that trust is foundational to effective leadership teams. The problem is not that high trust is present among leadership teams, but that churches often do not take wise precautions to reduce the temptation of church finance misuse.

To put this in perspective, most healthy church leadership teams with high trust among team members still have clear guidelines for interactions between ministry leaders of the opposite sex. For example, most churches would think it unwise for a male staff member to travel out of town with a female staff member who is not his wife. It is much better to simply not allow out-of-town travel among two ministry leaders of the opposite sex. This avoids negative appearances and unnecessary temptations. Yet many church leadership teams allow compromising situations in the area of church finances because they believe their ministry colleagues are trustworthy. How many church leaders have unsupervised access to church checking accounts, ministry credit cards, and the church accounting system? The statement I have heard

most frequently when working with churches victimized by fraud is, “We never expected they were the type of person to do this.”

The second reason fraud risks are not recognized by church leaders is due to a lack of adequate training in this area. During my seminary studies, I have had numerous classes on systematic and practical theology, biblical interpretation, and church history and missions, but I’ve only had one class dealing with church administration — and only a portion of this class dealt with church finance topics. I imagine my experience is not unique among other seminarians who have gone on to pastoral ministry and now manage large budgets and numerous staff and ministry programs. Unless they gain it through other professional or educational experiences, many pastors do not have enough training to structure an effective system of financial checks and balances for their ministry. If other church leaders or volunteers do not have skills in this area, there is a significant — and likely unrecognized — risk present in the church.

There is simply too much at stake for a church to allow an environment where fraud can easily occur. A few simple checks and balances can help prevent opportunities for committing fraud. First, be sure to separate these financial duties:

- Authorization (e.g. check-signing authority)
- Custody (access to check stock or cash)
- Recordkeeping (the ability to make entries in the accounting system)

No one individual in your church should have access to all three of these duties. If your church leader is currently able to individually do all three, it is the financial equivalent of having him or her go on an overnight ministry trip with a non-spouse team member of the opposite sex. It looks bad and there is great potential for unnecessary temptation. Here are just a few practical tips to help reduce the temptations of fraud in your church:

- List each way cash comes into your ministry and each way it goes out. Always involve multiple people in these processes to provide extra accountability.

- If your church has a small staff, involve an elder or a responsible member volunteer in the processes of collecting and disbursing cash.
- Have a board treasurer or an elder periodically review the senior pastor's ministry credit card statements and the church's bank statements (including images of cancelled checks from the bank). Let the pastoral staff know that this review is being performed. A church leader's perception that someone is monitoring his or her management of church funds is often the greatest deterrent to fraud.
- Have your church leaders participate in training on financial management, accounting, and internal controls.

Too many churches have suffered severe damage that was partially due to tempting work environments that provided easy opportunities for moral compromise. While a high-trust environment is essential for an effective church leadership team, an adequately trained and highly accountable church leadership team is essential to reducing temptations and protecting the integrity of the ministry.

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