



The following is located at: <http://ChurchSafety.com/topics/money/fraud/webeenembezzled/respondingembezzlement.html>

Simple Tips to Responding to Embezzlement

Six steps to handling theft at your church.

Dan Busby | posted 7/19/2011

One of the biggest challenges of embezzlement in a church setting is determining how to respond when theft is discovered. Here are six steps that may help you navigate the disturbing discovery that your church has been embezzled:

1. **Identify the amount of the loss.** The church's first priority is to deal with the embezzled funds and to understand the details of the loss. Ask questions like: Was only one person involved? What's the time frame for fraud—did it occur long ago, or is it still going on? Is the embezzlement limited to a petty cash fund? Do we have a way to determine how much has been embezzled? Once you know the details of the loss you are in a better position to decide whether you need outside help or if church staff can handle the situation.
2. **Insurance coverage.** Determine if the organization has any insurance to cover the loss. If so, the question of legal action may be in the hands of the insurance carrier.
3. **Restoration of funds.** If there is no insurance to cover the loss, determine whether or not the church can recoup any or all of the loss, and decide how to accomplish the recovery.
4. **Public relations.** Determine if the ministry will make a public statement concerning the embezzlement. Most ministries will prepare a carefully worded public statement but will not release the statement unless the matter gets into the media.
5. **Reporting responsibilities.** Any portion of misappropriated funds not repaid to the church must be reported as taxable compensation to the individual embezzling the funds under U.S. law (laws vary in other countries). Failure to report properly subjects the organization, its board, and the individual, to significant tax penalty and repayment requirements that exceed the stipulated amount unaccounted for. This constitutes a contingent liability.
6. **Review policies and procedures.** Take what you learned from the embezzlement, and use that knowledge to determine any inadequacies in existing policies and procedures.

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To learn more about how to respond to an embezzlement claim, download [We've Been Embezzled!](#). To learn more about how to prevent fraud, see the downloadable resource [Internal Controls for Church Finances](#).

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