

by Eric Spacek

Faith sees us through many of life's toughest challenges — physical, mental and emotional. However, theft, embezzlement and corruption are moral dilemmas that can rock the faith and stability of your worship family.

It's important that you protect your church's finances, as well as the integrity and trust of your congregation. Putting a few simple risk management measures in place now will reap many rewards down the road.

Develop and Document Policies

If one doesn't exist already, a set of policies regarding financial management should be developed and documented. Financial safeguards are needed to protect the following types of funds:

- Petty cash
- Collections/offerings/tithes
- Special event funds
- General church checking and savings accounts
- Special group accounts
- Investment funds

Having a written plan in place is the foundation of proper risk management. Clearly defined policies and procedures will help prevent the misappropriation of funds and protect employees and volunteers in the event of any accusations or allegations.

Your plan should make frequent use of the two-unrelated-people rule. That means when money is being collected, counted and deposited, two unrelated people should be with the money at all times. This is an important way to minimize the risk of theft and to hold those working with money accountable.

Once your financial management plan is documented, announce that fact to your congregation, and make the policies visible or accessible. As more people understand just how closely finances are being managed, the less likely you are to encounter a criminal act or dishonest action.



Manage Risk to Protect Church Finances

Protect the Collection

Ushers play an important role; monitoring their activity is the first step toward more sound financial management. If possible and appropriate, background checks should be performed on ushers as well as any of your church volunteers and staff, regardless of their ministry.

Once screened, ushers should be trained to keep a watchful eye on the congregation to see if anyone appears suspicious or out of place. Ushers also should be able to visually or verbally communicate with one another during the collection. This is imperative to keeping funds safe.

After the collection has been taken, it should be immediately secured, not remain unattended in the front of the church. Two ushers should take the collection and lock it up or place it in a secured bank bag.

It also is a good idea to ask congregation members to place their donations in sealed envelopes. Sealed envelopes make it more difficult for a thief to determine whether the offering is in the form of cash or a check.

Count the Collection

From the moment funds are collected, the two-unrelated-people rule should begin to take effect, meaning two unrelated people should at all times be responsible for the donations. Tithes and donations should never be left unattended, or with just one church staff member or volunteer.

Some churches choose to count the collection immediately following the services, while others wait until the following day. Those churches who count their donations the following day should place the money in a safe or deposit the money in the bank until the counting procedure begins. Collections should never be taken to a person's home.

When counting the collection, it is important that at least two people are present. There also should be a distinct separation between those counting, the treasurer and the financial secretary to minimize the chance of embezzlement. Counting should be completed in a secure room, and counting teams should be rotated weekly or monthly.

Envelopes, cash and checks should be kept visible at all times during counting. Double-checking figures and balancing funds is important. A signed and dated form that lists all currency, coins and checks should be listed and a deposit slip completed.

Maintain Internal Controls

Theft by a church member or visitor might not be shocking, but embezzlement by an employee or volunteer could be devastating to your congregation. To help prevent internal theft, employees and volunteers should be screened and background checks completed. Select only people of high integrity who possess the ability to be discreet with sensitive financial information. Rotating people among various volunteer roles also will help protect the church and its finances.

Your pastor should never serve in the position of treasurer or have sole authority to sign checks for any church account. This rule ensures integrity, helps prevent false accusations, and reduces the appearance of impropriety.

Additionally, annual audits should be completed. The audit might be conducted by a congregation member who's a Certified Public Accountant (CPA) or has a strong financial background.

Or, you might feel it's more prudent to hire an outside firm to conduct the annual audit, or to review completed audits every few years. It's especially important to conduct an audit before any new members get involved with the management of church finances.

Report Purchases and Donations

With so many ministries and activities, your church might have a need for many purchases made by many different people. All purchases should be made through a voucher system to ensure accountability. If an item must be purchased with personal funds, require a receipt and a completed reimbursement form.

Additionally, the congregation has a right to know how their donations are being used. Reports should be made through monthly or quarterly financial statements. Regardless of how your church decides to report the use of funds, some method of accountability and reporting should be a part of every financial program.

Respond to Occurrences or Allegations

Make it easy for church members to report in confidence any suspicious behavior they observe. This will help the congregation come forward with useful information.

To ensure an environment of trust and respect, it's critical that all allegations are acted on promptly and with care. Suspected embezzlers

or thieves should be confronted. Ask for their account of the situation and, if not already completed, an audit should be performed.

If any of the information received or a confession points to guilt, then it's up to church leaders to decide whether or not the case should be turned over to the police. Church leaders must remember their responsibility to the other members and donors of the church.

Safeguard the Future

As a church leader, you're charged to be a good steward of your church's finances, as well as the people entrusted to your care.

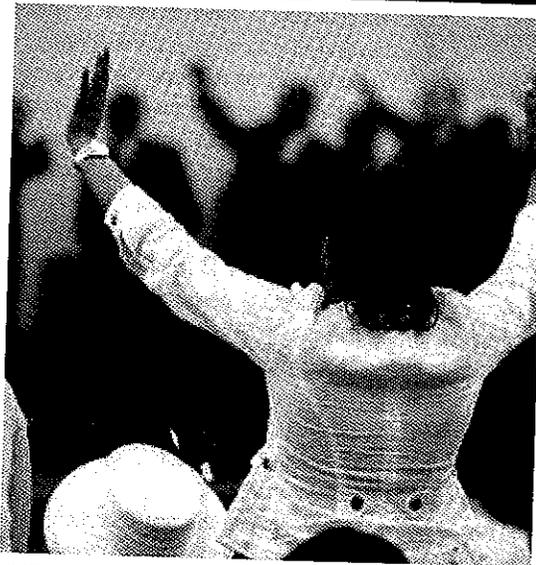
The future is, quite literally, in your hands. Proper risk management procedures are necessary to ensure financial security. Clearly written policies — backed by consistent procedures and enforcement — will go a long way in protecting integrity, building trust and fostering faith.

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