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The importance of internal controls in the church:
3 Tips to implement now

By Deborah Ike

According to a recent story in the _Tulsa World_, authorities charged a former church employee with embezzling nearly $245,000. She's alleged to have charged church employee credit cards to make personal purchases, used church funds to pay her own personal debts and more.

This incident is a sad reminder of why we need controls in place to steward the money God entrusts to our churches. I don't know the leaders of this church, so I don't know what controls they did or did not have at that time. However, here are a few simple steps you can take to reduce the risk of this happening at your church:

Tip 1: The person authorized to make credit card charges should not reconcile credit card statements

If I have a church credit card (or access to them) and I'm also the sole person who reconciles those statements each month, it would be easy for me to make fraudulent charges without anyone noticing.

Don't leave that temptation in front of someone or expose your church to that level of risk. Divide responsibilities and have someone who does not have any access to church credit cards be the person responsible for monitoring charges.

Tip 2: Consider outsourcing

By hiring an outside company to reconcile your church's accounting books each month, you increase the chances of catching any inappropriate behavior early on.

This company shouldn't have direct access to your church's bank or credit card accounts. They should be responsible for entering transactions into your church's accounting software and/or handling monthly reconciliations and reports.

Tip 3: The person who enters new vendors into the accounting software should not be the same person who enters invoices or prints checks

Here's the scenario: Joe creates a new vendor called "Smith's Print Service." Joe's friend happens to own this company. Joe then enters a fake invoice from Smith's Print Service for $1,000 and gets his friend to cash the check for him.

You can set up security rights within an accounting system to divide responsibilities; keeping Joe from creating a new vendor, entering an invoice and cutting a check to pay that fake invoice.

If you don't have enough people on your accounting staff to separate responsibilities to this level, you have a couple of options:

1. Again, consider outsourcing your church's bookkeeping to another company.

2. Require the staff member who authorized a purchase to physically sign off on the invoice *and* have the person who can sign checks review those approved invoices before signing the corresponding check. In this scenario, staff members who have the ability to enter transactions into the church's accounting software should not be allowed to sign off on invoices. This isn't ideal, but it at least increases your chances of catching a fraudulent invoice before signing the check.

These aren't the only internal controls you should have at your church, but they're a good start. When people trust you with their tithes and offerings, they trust you to use and guard that money wisely.

Invest the time now to put proper internal controls into place. Otherwise, you may be forced to invest time later into gathering evidence to prove fraud and deal with the aftermath at your church.

Prevention is much less expensive (both financially and from a trust perspective) in the long run.