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CHUPP INSURANCE AGENCY

Agency Newsletter

Striving Towards Excellence

Philippians 3:14

Church Embezzlement

Startling Statistics

No church or non-profit wants to believe that an employee or volunteer would ever steal money from their organization. The unfortunate truth, however, is that nearly 1 in 10 churches have reported being embezzled. Both the percentage of churches falling victim to embezzlement and the dollar amount being stolen are on the rise.

Below are some statistics by-the-numbers regarding embezzlement in the church:

1.) $120,000 – That's the average amount of loss incurred by churches who fall victim to embezzlement.
2.) 18 months – The length of time before most embezzlers are caught.
3.) 8 years – The average tenure of a person who is caught embezzling.
4.) $39 billion vs $35 billion – In only the first half of 2014, those were the amounts reported embezzled from churches vs the amount spent by churches on worldwide mission work.
5.) 80% - The percentage of church fraud that is estimated to go unreported.
6.) $65 billion – The amount to which researchers expect church embezzlement to increase by the year 2025.
7.) 40% - The percentage of embezzlers who are caught based on a tip.

These are startling statistics that should give you reason to pause and consider how you can prevent your church from falling victim to embezzlement. Read on for steps your ministry can take to safeguard your funds. Keep in mind that the number one way to deter embezzlement is through the fear of getting caught.

CHUPP AGENCY UPDATE

Things are humming along at Chupp Insurance. We feel fortunate and blessed to work with so many great ministry partners. We have a couple of exciting announcements. Those of you who contact us via phone have probably spoken with Kelsey Lunger. She and her husband, Eric, were blessed with a healthy son. Ronan Ty joined their family in December. Also in December, came the news of Rebecca (Chupp) VanDosen expecting a little one in August. Becca works with our accounts payable and Baby VanDosen will be Rod and Tammy Chupp's first Grand Baby. Yes, this makes Randy and Rose Great Grandparents!

We are dedicating this issue to the topic of employee theft/embezzlement. Embezzlement is one of the most hurtful attacks a church congregation can experience. We want to offer suggestions for procedures and practices, as well as insurance coverage if the unfortunate situation occurs, to avoid and assist in overcoming these situations.

We are enclosing an insightful piece written by Otis Buchan, Director of Supervised Churches and Camps, Assemblies of God, Michigan District. We appreciate Pastor O sharing his knowledge and experience with all of us. I hope you find these resources to be helpful. If you would like further information or to discuss optional Employee Theft coverage, please contact us at your convenience.

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PROTECTING YOUR PEOPLE

E-mail Address Request

Do we have correct e-mail addresses for your ministry contacts? Send them to audra@chuppinsurance.com so we can keep you informed and up to date with news you need to know.

Purposeful Prevention

The church's propensity to trust volunteers and employees often leads to a lack of accountability when it comes to finances. We trust our pastors, secretaries, treasurers, etc. and we allow them to handle the books, checking accounts, and offerings without the proper safeguards in place. Fortunately there are several steps churches and non-profits can take to protect their finances.

1.) Develop policies and procedures that include cash handling expectations, two-person accountability, a regular rotation of counters, and an auditing schedule. Train all relevant employees and volunteers on procedures at least annually.
2.) Establish a schedule to have routine audits completed by someone outside the church.
3.) In regards to check writing, assign one person check preparing abilities and a second person the authority to sign checks. No blank checks should be given to those with signing authority.
4.) Require two signatures for any check written above a specific amount.
5.) Have a person not involved with check writing or signing open and review all bank statements.
6.) Create a rotation for volunteers and/or employees who will count the offerings. Institute a rule that two or more unrelated people must always be present when money is handled.
7.) Money should be deposited as soon as possible or be stored in a safe in a locked room until deposit can be made.
8.) Perform background and credit checks on all employees or volunteers who will be handling money or the finances. Do not allow a person with personal financial issues access to your organization's funds.

There are other safeguards that churches and non-profits can put in place to prevent embezzlement, but the above list is a good place to start. Below are links to articles that were used for this newsletter and which go more in depth about this topic.

Recovery of Funds Through Insurance

When an employee or volunteer is found to have been embezzling money, the crime has often been happening for quite a while and the funds taken are long gone. While an insurance claim can be made against your property insurance for theft by an outsider, insurance policies are designed to exclude the recovery of funds stolen by an employee or volunteer.

The good news is that an extra crime coverage, referred to as Employee Theft or Dishonesty, can be added to your policy to cover the loss incurred from embezzlement. If you do not have this coverage for your ministry, our agency strongly recommends that you discuss with your agent the cost of adding this to your policy. Be sure to ask if an additional endorsement is needed to cover volunteers as employees.

Article Links for More Information

10 Practices That Safeguard Your Church Against Embezzlement by SmartChurchManagement.com

18 Shocking Facts About Church Embezzlement by ShareFaith.com

Financial Controls For Every Church by GuideOne.com

Robbing God, Literally: 1 in 10 Protestant Churches Experience Embezzlement by ChristianityToday.com

For since the creation of the world God's invisible qualities – his eternal power and divine nature – have been clearly seen, being understood from what has been made, so that people are without excuse.

Romans 1:20

Protecting Organizations and Businesses from Employee Fraud

Otis T. Buchan

When it comes to embezzlement or fraud my former thinking was that the incidences of these crimes were surely less likely in ecclesiastical and not for profit entities. The very mission of these organizations attract people whose values would hinder such behavior. Unfortunately, the cultural practices of these enterprises often have the unintended consequences of creating an environment with the opposite effect.

Years ago, while I was serving on the Board of Regents at Midwestern Christian University, I was assigned to the school's finance committee. The auditor for the financial record was giving us a report on the review of accounts and practices. During his report he also educated us on a reality that was surprising and enlightening to me. It was his experience that small nonprofits had a higher incidence of worker theft. He said that three things, when present, can provide a catalyst to embezzlement:

1. Individual's felt need
2. Opportunity or access
3. Rationalization

Too often the small business or the nonprofit organization is inherently ripe for creating just such an environment. We compensate employees below the market rate for similar duties, which may place these folks in financial stress and over time develop in them a feeling of deserving more or even being cheated. In lieu of compensation, the organization may give a higher level of trust (through empowered access to resources and less accountability), thinking that this will communicate to the employee how much they are valued. This "trust" environment can unintentionally create a temptation situation for the employee who now has greater opportunity to mishandle resources. Because of their intimate involvement in observing the flow of resources and internal business decisions the employee may develop a bitterness that can give way to cynicism and a rational for theft.

Not to excuse the thief, but we must acknowledge that our systems may play a role in adding momentum to temptation. We need to structure ways to help employees avoid temptation, avoid appearances of theft, and protect in the event of false accusation without communicating a lack of trust. Those responsible for handling finances should have a segregation of duties that hinders easy off-the-record improprieties through additional eyes, records, and witnesses. Also, work toward competitive, even generous, compensation plans to communicate genuine appreciation and lift the stress of overt financial need. Serious consideration as to familial relations and financial record keeping should also be given thoughtful consideration. For instance a key leaders spouse may not be the best person to act as bookkeeper.

When we see how easily tens of thousands of dollars can be lost in these tragic stories, we may at the very least reevaluate our organizations policies and procedures in regards to financial accountability. Work towards creating an environment where the need and opportunity to steal does not easily exist.