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BY SARAH NASIR

Sarah is the Chief Executive Officer of Integrity One Solutions, a private investigations firm in New York City. Ms. Nasir has over two decades of forensic accounting experience and is court recognized expert witness with a passion for protecting people and businesses from internal theft and building rock-solid cases against fraudsters.

FRAUD IN HOUSES OF WORSHIP DO YOU BELIEVE?

Researchers say that church fraud is increasing at a rate of more than six percent per year and by 2025, church fraud worldwide will hit the \$80 billion.

Studies also suggest that as much as 66% of all frauds committed against churches, synagogues and mosques go unreported and unaccounted.

But as one recent case suggests, a “forgive and forget” response to internal wrongdoing is shifting towards prosecuting the offenders, and that is a good thing.

Angela Cheatwood, a church bookkeeper in Anniston, Alabama who embezzled nearly \$500,000 from Sacred Heart of Jesus Catholic Church and Sacred Heart School was sentenced earlier this month to five years’ probation and ordered to pay restitution. Astonishingly, she avoided jail time after pleading guilty to wire fraud in September 2019 for writing unauthorized checks to herself as well as pocketing cash from school fundraisers and donations.

The Angela Cheatwood case is a sobering reminder that all organizations are vulnerable to fraud – including houses of worship. The fact is most church frauds are committed by trusted people from within: pastors, long-term employees and volunteers who collect donations - all entrusted with control over assets.

Fraud takes a considerable toll on any organization but can be especially harmful for houses of worship. That’s because religious organizations rely



heavily on donations. A fraud event is a violation of trust and results in a loss of confidence in church leadership who will be seen as “asleep at the wheel” and ultimately result in a sharp decline in donations. But reputational harm is temporary, and the media coverage will not last forever, as we will inevitably see in the Cheatwood case.

While the response to a fraud event is important, the real goal should be fraud prevention. Fortunately, there are a number of simple yet effective methods to reduce the fraud risk not just in houses of worship, but in all businesses.

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WHAT SHOULD YOU DO?

1. Be Proactive

Being actively engaged in the financial side of the house and continually monitoring the practice's checking account, reviewing system edit reports and cash receipts and disbursements may be the most important step in preventing embezzlement.

2. Conduct Pre-Onboarding Background Screenings

A comprehensive background and credit check^[1] for prospective employees will not only reveal if an applicant was truthful and candid during the hiring process, but will also help you identify individuals with troubled financial histories.

Choosing to prosecute fraudsters like Angela Cheatwood ensures that her embezzlement conviction will forever be found with a proper pre-employment background screening, thus denying her the opportunity to steal from another employer.

One last word on the importance of background investigations: Sometimes what is not present can be just as important as what is present. In the absence of criminal convictions or financial troubles, a proper background investigation can uncover other warning signs such as changing jobs every few years or a previous employers' refusal to comment or act as a reference.

[1] If permissible under federal & state law.

3. Implement Strong Internal Controls

A few simple internal controls can go a long way toward keeping a business safe before it turns into crippling fraud.

■ Segregation of Duties

First and foremost, no single employee should have the autonomy to initiate, approve, and record transactions. Segregating related duties makes it more difficult for an employee to commit and conceal a fraud.

■ Lock and Secure Business Assets

Loose assets may end up with a new home if you're not careful. A simple solution is to lock up valuable assets and eliminate the opportunity for employees/volunteers to steal. Consider installing video cameras in areas where



assets are kept.

■ Require Two Persons to Count Cash Receipts

Like other assets, cash receipts can disappear. Eliminate this issue by having two people count cash before locking it securely away.

■ Review Cash Disbursements

Reviews can help catch incorrect disbursements. Does it make sense where the money is going? If not ask, questions. Remember, being proactive can go a long way towards preventing fraud.

■ Ensure that Bank Reconciliations Are Completed in a Timely Manner

It's easier to catch fraud if you notice issues sooner rather than later. According to the Association of Certified Fraud Examiners, the average fraud lasted 16 months. By promptly reviewing bank reconciliations, you may detect fraud before an employee has a chance to conceal it.

■ Limit Computer Access to "Need to Know"

Limiting computer rights to what is needed to perform the job and requiring regular password changes are simple, inexpensive and effective best practices.

■ Require Employees to Take Mandatory Vacation Days

Employees who commit fraud on a continual basis tend not to take vacations because others may fill in during their absence and possibly uncover the scheme. On its own, mandatory vacation may serve as a deterrent but it also gives you the opportunity review books and records without the suggestion that you don't trust your employee. Remember the old adage: "trust but verify."

WHAT SHOULD YOU DO?

4. Review Your Vendor List

Setting up fake vendors in order to cover up fraud is all too common. Regularly review the list to uncover shell vendors.

5. Know the Warning Signs

- The devoted employee who comes in early, stays late and rarely takes vacations.
- Employees whose lifestyles far exceed income.
- Employees who are territorial in areas of finance, inventory or supply.
- Employees who abuse drugs and alcohol.
- Gambling problems or debt.

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WHAT SHOULD YOU DO IF YOU UNCOVER FRAUD?

If you suspect fraud is occurring or has happened in the past, or you simply want a review conducted in a discreet manner for peace of mind, bring in the experts.

Those who can:

- assess if fraud has occurred,
- the extent to which it has occurred,
- ensure crucial evidence is gathered and preserved,
- skillfully conduct suspect and witness interviews which don't wrongly accuse but do illicit confessions,
- identify accomplices,
- potentially recover assets, and/or
- build a case for criminal prosecution.

Integrity One Solutions Can Help

Investigative Solutions for an Uncertain World

Designing, implementing and enforcing an internal control program is critical to safeguarding assets. Whether you need help setting up internal controls or assessing how effective your current controls are, Integrity One Solutions is here for you.

Contact us today to discuss how our forensic audit & assurance programs can help. www.i1sglobal.com