



SAFEGUARDING THE CHURCH'S FINANCES IN 3 EASY STEPS

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Safeguarding the Church's Finances in 3 Easy Steps

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“I never thought it would happen to our church.”

Too often, these words are spoken after a church experiences financial loss. A financial loss can happen at any time and create significant consequences—including loss of the congregation’s trust, litigations, or prosecution of church members. To prepare safeguards, we must ask: what causes financial losses?

The Association of Certified Fraud Examiners states three risk factors create an opening for financial losses to occur, which can cause the church harm:

1. A weakness in the church financial system.
2. A person in a financial position who controls church finances experiences pressure.
3. A person in a financial position rationalizes committing financial fraud through their own internal rationalization.

Did you notice in the three reasons two main elements cause financial loss? They are the system and people. These factors are the basis to safeguard the church’s finances.

Know Your Treasury Team

People are the most significant risk factor when it comes to financial risk because they can break down a well-implemented system. Know who you elect for finance positions and follow up with them regularly. The individuals on the church's treasury team should not be a "we elected him/her because no one else wanted to do the job" individual. If that is the case, you are putting the church's finances at risk.

Financial positions should be given to someone who has a firm conviction in their faith and has knowledge of keeping financial records. If a person doesn't have strong beliefs, they might be inclined to steal. Without a strong business background, errors might occur. As personal circumstances change, re-evaluate the positions within your treasury team.

Establish Clear Roles and Responsibilities

Many churches fail to create specific roles for their treasury team, creating a lack of responsibility. This confuses other members about the handling of the church's finances. Descriptions of duties should be established to create accountability to safeguard against this.

Assigning responsibility also allows for clear roles and can prevent fraud. For example, two deacons can collect and count tithes and offerings with an assistant treasurer. The assistant treasurer then deposits the monies. The treasurer should create financial reports. This creates a separation of duties and a system where the deacons check each other for counting errors, and the treasurer creates accurate financial statements.

Establish Financial Goals and Review Them

Do you know how the church's money is distributed? Does your treasury team know the goals the church has set for the year? When was the last time the church board saw a financial report?

By answering these essential questions, you ensure that multiple people are looking at the church's financial records. This allows the pastor, the board, and the finance committee to act as an auditor of the finances. It also ensures that resources are being used as intended. If any unreasonable records are found, they are investigated.

These three steps are the building blocks for minimizing human risk factors and creating an optimal financial system. Take the time to know your finance team. Performing routine checks can do wonders to maintain the church's financial system. Goal setting and reviewing create a reason to pay attention to church finances and confirm that goals are being met. Without proper safeguards of choosing the right team with multiple checks and balances, the church leaves itself open for significant financial risk.

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