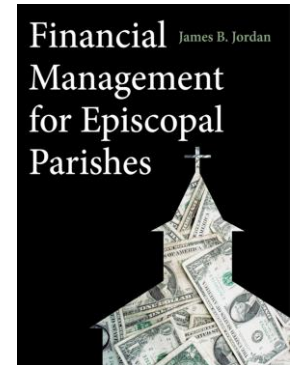


Transparency Leads to Greater Giving

James B. Jordan, CPA, CFE

James B. Jordan CPA, CFE

- CPA - Only Church clients
- CFE (Certified Fraud Examiner)
 - Fraud investigations
 - Consulting – Parish and other Church entity fraud assessments and proactive internal control design
- Author
 - Financial Management for Episcopal Parishes, a “how to” book
- Lecturer at clergy and industry conferences, and diocesan and parish retreats
- Educator – Seminaries: Emory (Atlanta); GTS (NYC); GTU (Berkeley)



Agenda

- Introductory Remarks
- Inhibitors of Transparency
- Enablers of Transparency
- Results of Transparency

Introductory remarks

2 Corinthians 9:6-7

“(6) The point is this: the one who sows sparingly will also reap sparingly, and the one who sows bountifully will also reap bountifully.

(7) Each of you must give as you have made up your mind, not reluctantly or under compulsion, for God loves a cheerful giver.”*

**The New Revised Standard Version, Catholic Edition (NRSVCE).*

trans·par·ent *adjective*

- *a* : free from pretense or deceit : frank
- *b* : easily detected or seen through : obvious
- *c* : readily understood
- *d* : characterized by visibility or accessibility of information especially concerning business practices

Retrieved from www.meriam-webster.com, February 24, 2014

Questions?

Inhibitors of Transparency

Inhibitors to Transparency

- Lack of commitment (tone) from the top
- Lack of leadership
- Lack of internal control
- Lack of communication
- Indifference
- Money is “secret”
- Fraud

Inhibitor – Lack of Tone at the Top

Roles in the parish that affect tone

- Rector
- Assistants, Associates, Youth Minister
- Treasurer
- Bookkeeper
- Vestry

Roles in the diocese that affect tone

- Bishop
- Canon to the Ordinary
- Diocesan Finance Director
- Others

Inhibitor – Lack of Leadership

- Lack of Leadership - A person in a position of power and/or influence who people look to for direction that:
 - Lacks buy-in to the vision of transparency
 - Is unwilling to get involved
 - Has no conviction of the mission or need for transparency
 - Is resistant to change

Inhibitor – Lack of Internal Control

- Inadequate checks and balances to prevent loss of assets
- Incomplete monitoring and accountability
- Inconsistent or superficial oversight of financial processes
- Outright holes in the processes that enable theft of money

Inhibitor – Lack of Communication

- Donors only hear “give more”
- Little to no reporting of results of giving or investing
- “Clandestine” Endowments
- Uncomfortableness of discussing money in the church
- Lack of listening to parishioners or Vestry
- No clear indication of where the church’s financial position stands at any point in time

Inhibitor – Indifference

- Pastoral-only focus
- “Money is not our thing”
- “Let the _____ do it”
- “I don’t want to know (be bothered)”
- “Money is not my background or forté”
- “Who would steal from a church anyway?”
- “... And if they did, they must need it”
- “That is the _____’s problem, not mine”

Inhibitor – Money is “Secret”

- “Nobody needs to know what our giving levels are”
- “I am the only one who has access to the discretionary fund”
- “As Rector, I do not want to know who gives or how much; I am focused on the pastoral side”
- Only the Endowment Committee knows what we have or what we do with it.
- By the way, who is on the Endowment Committee?

Inhibitor – Fraud

- Association of Certified Fraud Examiners (ACFE) 26 years of biannual surveys:
 - 1 in 6 non-profits experience internal fraud annually
 - 5% of income is lost by every organization annually due to fraud
- My experience conducting over 200 church audits is 1 in 3 have fraud, and lately, 1 in 2
- What is the impact in the pew?

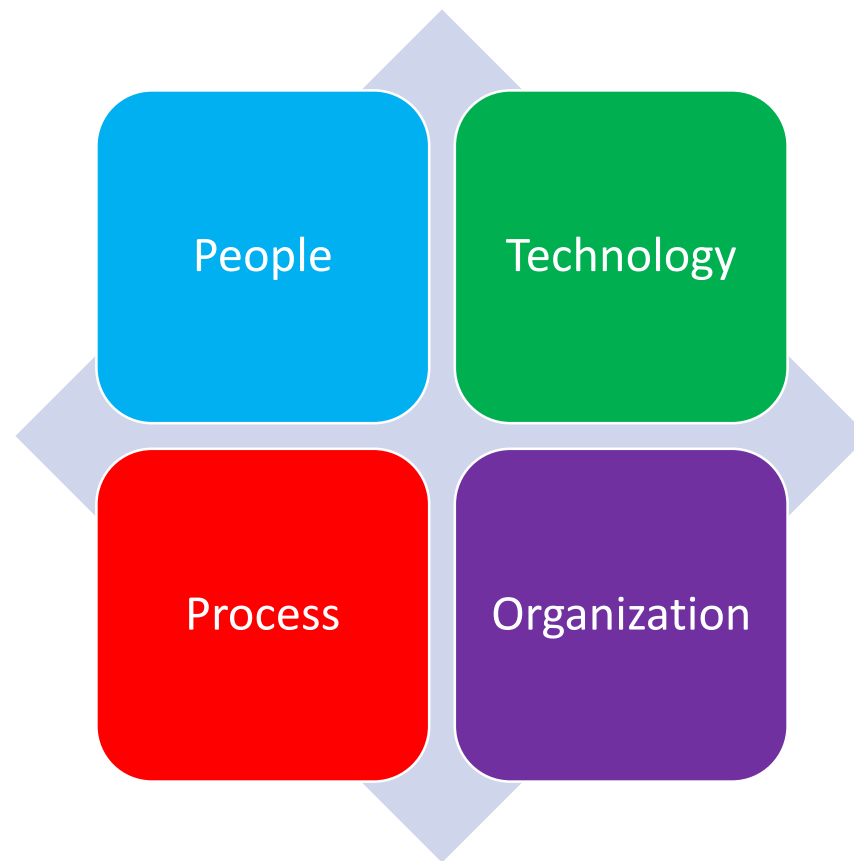
Who steals money from the church?

Anyone with access.

Questions?

Enablers of Transparency

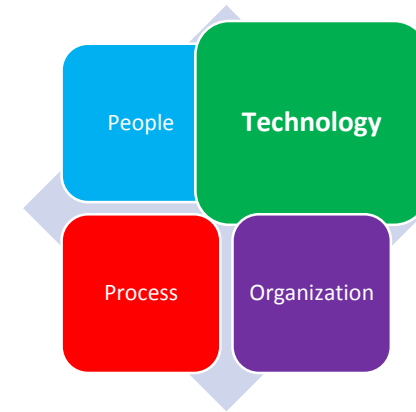
Enablers of Transparency



Enabler - Technology

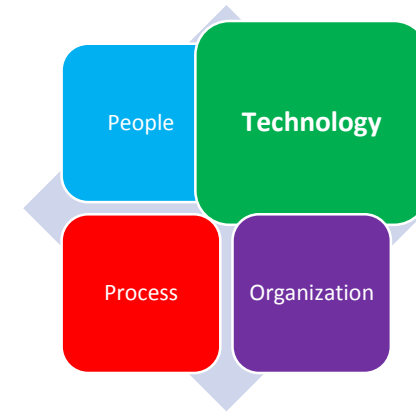
- Proper accounting
 - Use the right software (ACS Technologies)
 - All accounts of the church
 - Complete financial statements
 - Include all assets
 - Include all debt
 - Include the clergy discretionary accounts
 - Endowments are a part of the financial statements
 - Net assets properly classified

• Unrestricted	Without Donor Restrictions (2017+)
• Temporarily restricted	With Donor Restrictions (2017+)
• Permanently restricted	



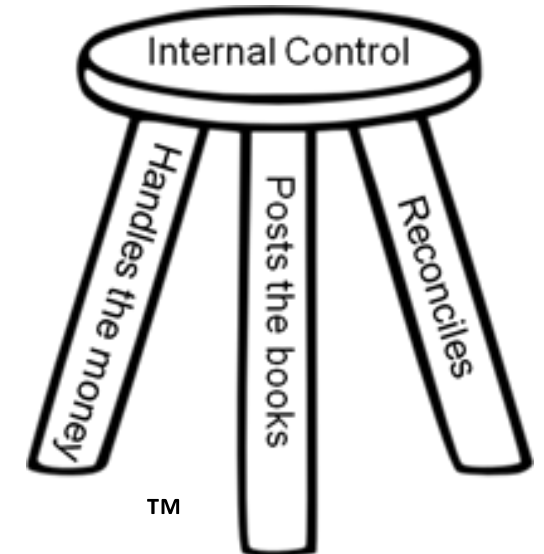
Enabler - Technology

- Financial visibility
 - Include debt
 - Include fixed assets
 - Financial information available
 - Posted financial statements
 - Pledge vs Actual last week, MTD, YTD
 - Bulletin on Sunday
 - Weekly email
- Make sure the members of the Vestry can read and understand the financial statements (and can discuss with church members when the need arises)



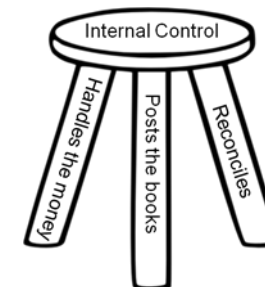
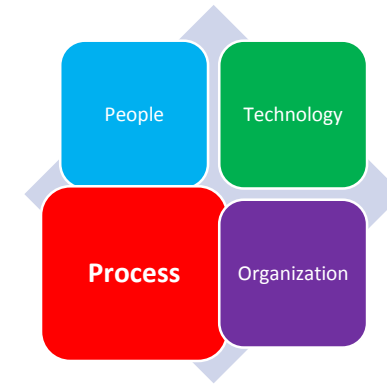
Three Legged Stool of Internal Control™

- Separation of Duties
 - Handles the money; does not post the books
 - Posts the books, does not handle the money
 - Reconciles (does neither of the two above)



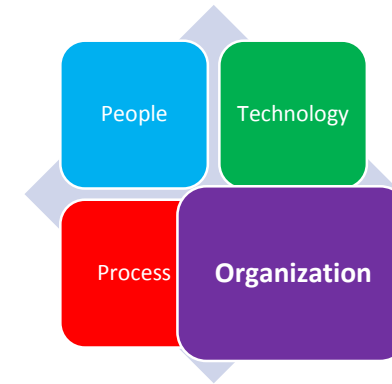
Enabler - Process

- Clear internal control in place
 - Inspected and tested
 - Separation of duties
 - Cash to deposit to posting
 - Authorization to disbursement to posting
 - Oversight and accountability
- Independent reconciliation of ALL accounts
 - Bank (including clergy discretionary)
 - Credit card
 - Brokerage



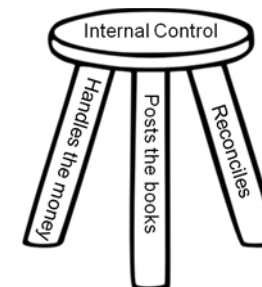
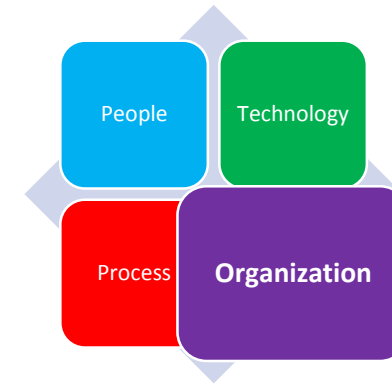
Enabler - Organization

- Roles clearly defined
 - Rector
 - Vestry
 - Staff
 - Volunteers



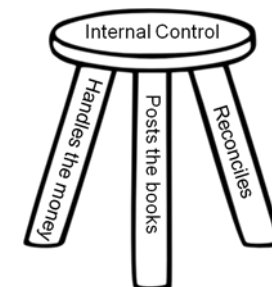
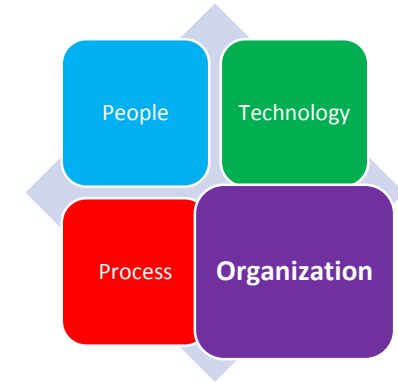
Enabler – Organization Rector

- Rector
 - Sets the tone for the daily operation of the church and for worship
 - Manages paid and voluntary operational staff
 - Implements internal control



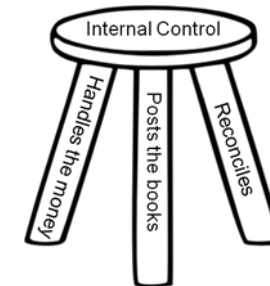
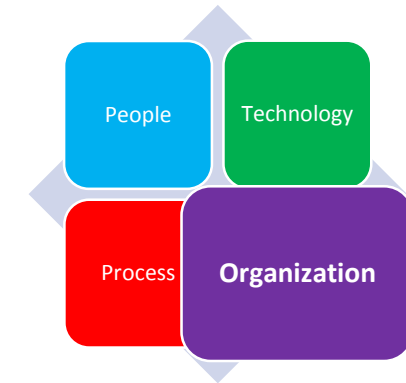
Enabler – Organization: Vestry

- The Vestry has fiduciary responsibility for the church's monies
 - Accountability
 - Sets the tone for openness and fair treatment of accounting transactions
 - Ex: Receipts must be turned in before payment is made – no exceptions
 - Examination and Oversight
 - Receives and reviews the budget plan vs. actual and financial statements monthly
 - Responsible for designing internal control and processes



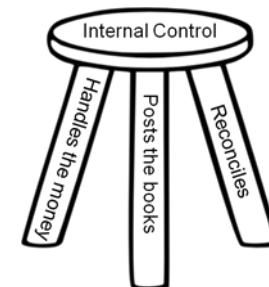
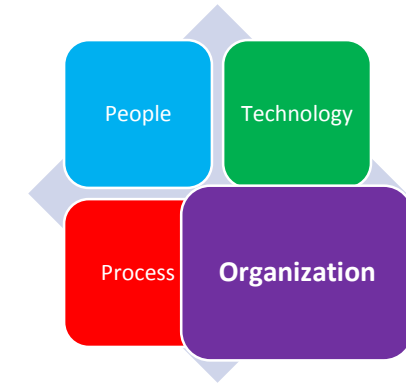
Enabler – Organization: Vestry

- The Vestry has fiduciary responsibility for the church's monies
 - Approvals
 - Only those invoices that have been approved by the person or designated person by the Vestry should be paid by the bookkeeper.
 - Ex: Questions invoices and asks for originals
 - Diligence
 - Creates policies for religious and staff to implement
 - Rotates counters
 - Examines transactions of their committees/commission monthly and questions items
- No Church is too small to implement internal controls.



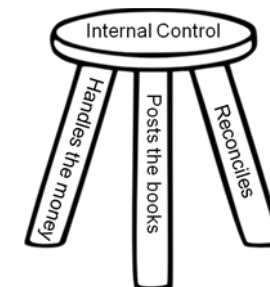
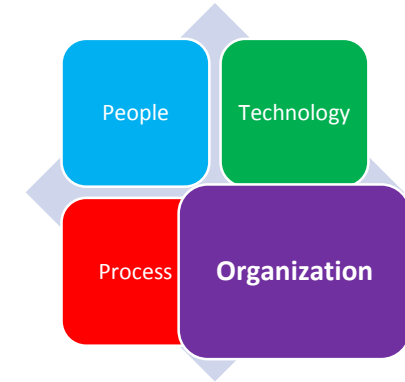
Enabler – Organization: Treasurer

- Not a member of the Vestry
- Independently reports to the Rector and the Vestry
- Often attends the Vestry, but may be independent ex-officio member
- Opens and reconciles all financial related statements and communications
- Examines general ledger transactions
- Proposes journal entries to the Vestry for approval
- Part of the Three Legged Stool of Internal Control™



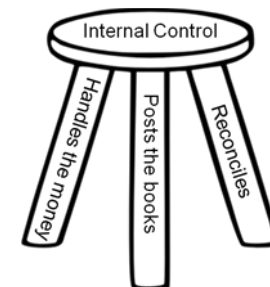
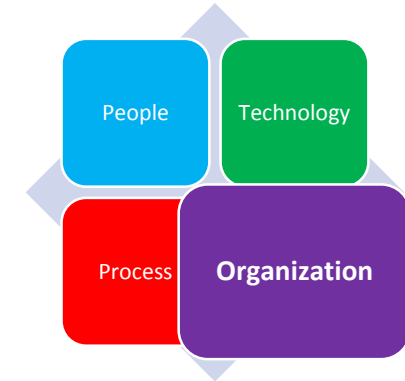
Enabler – Organization: Bookkeeper

- Never handles money, including signed payable checks
- Writes checks
- Posts Books
- Runs most financial computer applications, but not all (e.g., Treasurer runs all reconciliation programs)
- Part of the Three Legged Stool™ of internal control



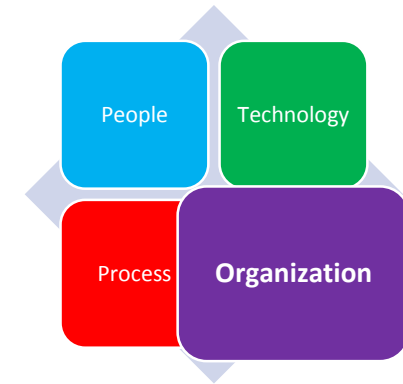
Enabler – Organization: Church Staff

- Records pledges in the computer
- Posts contributions in the computer
- Part of the Three Legged Stool of Internal Control™



Enabler – Organization: Volunteers

- Often used as counters of money
- Committee chairs – accountable for budget expenditures
- Handle other monies
 - Wednesday night suppers
 - Fund raising events
 - Semi-official capacity, i.e. Church School bursar



Questions?

Results of Transparency

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Results of Transparency

- Giving that is “..not reluctantly or under compulsion, ... a cheerful giver.”
2 Corinthians:7 (NRSVCE)
- Donor confidence that purposeful giving will be used as intended
- Greater participation in church activities outside of mass
- My observation is that transparency raises giving levels
 - Participation rate
 - Higher per transaction amounts
 - Broader participation in additional giving opportunities
 - Larger new contributions, e.g. endowments



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 - 2016 Report to the Nations
 - <http://www.acfe.com/rtn/2016-rtn.asp>

Thank you!

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