

Risk Management

Embezzlement



Evangelical Lutheran Church in America
God's work. Our hands.

WHAT TO DO IF YOUR CONGREGATION OR SYNOD IS OR MAY BE THE VICTIM OF EMBEZZLEMENT

Each situation is different and as such no checklist or suggested protocol fits all circumstances. It may be quite different when handling a suspected embezzlement by an employee as opposed to a congregation or synod volunteer. It is quite different handling a current ongoing embezzlement in comparison to one that is discovered involving a person no longer working on congregation or synod financial matters.

This list provides some general advice, but it is important to consider all your options and get proper legal and accounting advice throughout the process. You may use this checklist, but run the steps past the persons with whom you consult - congregation or synod leadership, attorney, accountant, police, insurance broker/insurer as each situation may call for different steps.

- 1) Investigate, Investigate, Investigate
- 2) Call your attorney and accountant/CPA for advice.
- 3) Congregations should call your synod for advice. If the matter involves a rostered leader, report to the synod bishop.
- 4) Decide who in leadership should be told of embezzlement concerns.
- 5) Get the facts, get all the bank account and financial records; decide how far back it is wise to conduct an audit.
- 6) In a confidential manner, discuss concerns with the police, your insurer and with your congregation or synod audit committee.
- 7) Armed with the facts and records, confront the person and consider having your attorney and accountant with you when you confront the person. If possible, ask that the person cooperate fully to reveal dates and detailed explanation of all wrongful conduct.
- 8) With advice of counsel, the person should be placed on administrative leave during the investigation, be allowed to resign or be terminated.
- 9) Retrieve all items such as financial records kept at home, keys, credit cards and security pass cards from an employee or volunteer.
- 10) Make sure that the person who has been accused (and their family) is provided with spiritual support - this typically should come from someone other than the congregation's pastor.
- 11) Change computer passwords, take the suspected person off bank accounts or other financial accounts and consider changing locks.
- 12) Discuss how to proceed with criminal charges; consult your attorney, leadership, police and insurance company (often insurance recovery is contingent on a criminal complaint).
- 13) Discuss how to relay the circumstances to council members, employees, membership, and possibly the media. Make sure to share only information that is absolutely necessary. Refrain from sharing unnecessary details that may jeopardize the investigation.
- 14) Work with your accountant/CPA to thoroughly audit the congregation or synod books to fully understand the extent of the embezzlement.

- 15) In many cases you should hire a specialized forensic auditor; sometimes your insurance will fully or partially pay for audits. This may be the only way that the congregation or synod will know the full extent of loss and allow the congregation or synod to get a full and complete recovery from the insurance company.
- 16) Work with your accountant/CPA, audit committee and leadership to evaluate the system of internal controls and address all deficiencies immediately. Congregations should also consult the "Congregational Audit Guide for ELCA Congregations" on the ELCA website:

<http://www.elca.org/insurance> (see the left side topics and select "ELCA Endorsed Insurance Program Safety and Loss Prevention Materials" and click on the above pdf item)

- 17) Remember, the burden of proving a loss to the insurance company is squarely on the insured i.e., the congregation or synod. Full cooperation with the insurer is required. Therefore, file a written timely notice of claim - contact your insurance company and then expect to provide a completed insurer's proof of loss form and the following additional information:

- Description of the item of loss (how much was the loss) including the date of loss and the amount claimed. NOTE: if the amount of loss has yet to be determined/finalized, please so state
- How and when loss discovered
- Name and personal information of the person suspected of the loss
- Documentation from suspected person's personnel records
- Copy of the police report and related documents
- Current year bank statements, monthly financial reports and a copy of the synod's bank paperwork
- Any pertinent credit card statements detailing suspicious transactions
- Any action regarding restitution? Amount repaid? When?
- Full contact information for congregation or synod's independent auditor
- Please note that the insurer will very likely appoint a forensic auditor. The insurer that has paid a claim has the right of subrogation against any return of funds by the perpetrator up to the amount of the insurance claim payment

- 18) Review Bishop Wohlrabe's insightful commentary entitled: "Eleven Things That I Have Learned From Dealing With Embezzlement" on the ELCA website:

<http://www.elca.org/insurance> (see the left side topics and select "ELCA Endorsed Insurance Program Safety and Loss Prevention Materials" and click on the above pdf item)

- 19) Embezzlement, theft and fraud all take a potentially serious toll on the congregation members and staff, synod employees and leadership. Make sure that you are providing care and pastoral support during these trying times to all, including the pastor(s) and rostered leader(s).

If you have any questions, you may also contact the following: Rob Thoma - Director, Risk Management in the ELCA Office of the Secretary at 773-380-2403 or e-mail him at rob.thoma@elca.org.