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## Building Trust and Credibility through Financial Integrity

“Raising the Standard”



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## About Miller Management



Miller Management began in 1989 with the sole purpose of providing churches and nonprofit organizations with value added accounting & administrative products and services to assist those organizations in furthering their mission.

Our mission is to provide **Expertise** that brings **Clarity** to finances enabling leadership to have **Confidence** in decision making.

Since then, Miller Management has added a variety of services that have now served over 3,000 churches and ministries, spanning 28 denominations.

### MM Accounting Packages Include:

- + Payroll check processing (including W-2s)
- + Accounts payable check processing (including 1099s)
- + Monthly, quarterly, and annual payroll tax preparation
- + Financial statements: statement of activities (income statement), statement of financial position (balance sheet), and detailed trial balance
- + Contribution recordkeeping and preparation of giving statements
- + Automated giving or payments (ACH)
- + Online accessible data
- + Online database management

\*Level of service is determined by the size of the organization and their specific needs

**Web** | [GoodFaithAccounting.com](http://GoodFaithAccounting.com) **Phone** | 816.382.3050

# Training

Today, more than ever, operating a ministry or a church is getting more and more complex. Leadership is vital and necessary, but ministries today also need effective, practical, day-to-day management.

Courses are offered in several delivery modalities including in person, webinars, podcasts, and live zoom classes. Topics include:

- + Building Trust and Credibility Through Financial Integrity
- + 6 Essentials of Church Financial Management
- + 5 Keys to Using Your Financial Data
- + Ministerial Taxes – Know and Understand the Basics
- + How to Build an Accountable and Effective Counting Committee and Counting Process
- + Aligning Kingdom Resources for Effective Ministry - Purpose-Driven Budgeting
- + Church Treasurer/Church Administrator 101
- + How to Hire, Motivate, and Release Staff - Paid or Volunteer
- + Discovering, Valuing, and Working with Diverse Personality Styles
- + Building Effective Relationships with Staff and Congregation Members
- + How to Become an Effective Agent of Change
- + How to Build and Maintain Effective Ministry Teams
- + Enhanced Problem-Solving and Creativity in Ministry
- + Effective Personal, Team, and Organizational Communications
- + Results-Oriented Conflict Management

For additional information visit our website: [GoodFaithAccounting.com](https://www.GoodFaithAccounting.com)

Listen in every Tuesday to the  
**Leadership and the Church podcast**  
provided by Miller Management:  
<http://www.GoodFaithAccounting.com/Podcasts>

#### Disclaimer:

The information sharing within this workbook is not legal advice and is intended as general information to help your organization formulate its own guidelines. It is understood that your organization is legally responsible for all policies and procedures, and their legal basis.

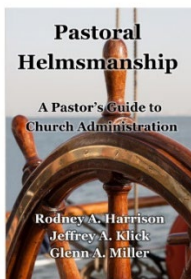
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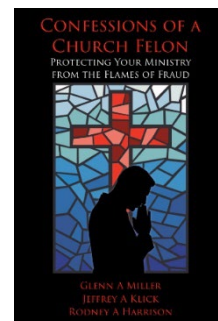
## More Resources



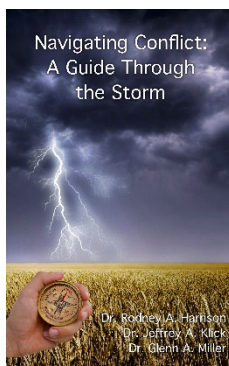
**Pastoral Helmsmanship** is a tool that every pastor needs. Pastors carry a huge administrative load and often are ill equipped to manage it. This book will assist any pastor in every size church with the insights needed to succeed.

Find this book on [Amazon](#).

Often a taboo subject, fraud runs rampant in the Body of Christ. This must change, and this book can and will help! **Confessions of a Church Felon** is a must read for every church leader. This book will help stem the tidal wave of destruction caused by fraud.



Find this book on [Amazon](#)



Everyone has conflict. We can be defeated by it or grow as a result of it, but we will not be above to avoid it. The Kingdom of God is relational, and every relationship sooner than later will hit storms. The insights in **Navigating Conflict** will help you learn how to walk through conflict to a redemptive solution.

Find this book on [Amazon](#).

## I. What's the Big Deal with Financial Integrity?

Jesus taught on money and personal possessions 163 times in the New Testament. More than heaven and hell combined. Why?

*Worldwide fraud in ministry for 2021 was 60 billion dollars.*

*Compared to total spending on worldwide mission of 75 billion.*

So, what could be done with that money:

- 10,000,000 water wells @ an average 8k each
- 80,000 new Christian schools @ 1 million each
- 160,000 church plants @ 500k each
- Feed literally millions of families around the world

So, we can't stop all fraud, but can we reduce it by 10%? And then fund:

- 1,000,000 water wells @ an average 8k each
- 8,000 new Christian schools @ 1 million each
- 16,000 church plants @ 500k each
- Still feed literally millions of families around the world

The impact is both massive and mind boggling.

**But that is the worldwide picture, what does it look like here in the US?**



*“Church treasurer steals \$60 from offering every other week for years from a church of 30 people.”*

*“Pastor buys big screen TV for home and charges it to the church.”*

*“Church Administrator borrows \$3,000 of church funds for personal use.”*

*“Church owes IRS over \$100,000 in back payroll taxes; IRS assesses penalties and interest of over \$30,000.”*

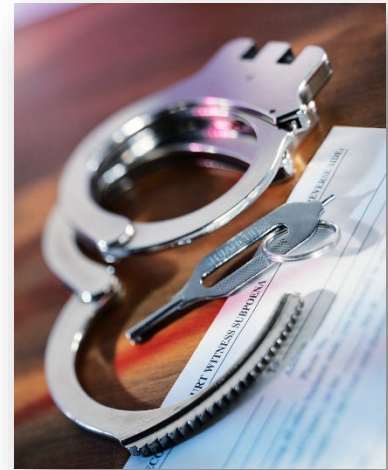
*“Deacon uses \$10,000 of benevolent funds for personal use.”*

*“Vice President of Seminary steals tens of thousands of dollars over 7-year period.”*

*“Church treasurer steals several hundred thousand dollars from offerings, averaged \$1,800 to \$2,000 per week until detected.”*

*“Church treasurer steals \$8,000 from church to support gambling addiction.”*

*“New church bookkeeper found wearing prison ankle bracelet.”*



**Ripped from the MM headlines!**

## II. Impact on the Church Today



According to George Barna, leading church researcher on current trends in churches in North America:

- After joining a church, people are waiting up to six months before they begin to give regularly. It used to take 6 weeks!
- Since a short-lived spike after 9/11/2001, church per capita giving has been declining each year.

According to our own MMS, LLC research:

- The average Midwest Protestant Church has, on average, less than 15% of membership that tithe.
- On average, more than 50% of Sunday morning attendees give nothing to the church during the entire year.
- Denominations across the theological spectrum are suffering at the local, state, and national level because of decreased financial support.

Negative press related to church/ministry scandals damages all churches' credibility, and more importantly, it greatly detracts from the impact of the message of the gospel.

It allows scoffers and nonbelievers to substantiate their claims of hypocrisy. It further encourages church members to not trust leadership with their finances.



People are watching...remember:

**The world will use our behavior as an excuse or a benchmark.**

### III. Biblical Rationale for Reducing Fraud in Ministry

#### 1) Fraud violates the Eighth commandment: “You shall not steal!”

John Wesley states “This command forbids us to rob ourselves of what we have, by sinful spending, or of the use and comfort of it by sinful sparing; and to rob others by invading our neighbors rights, taking his goods, or house, or field, forcibly or clandestinely, overreaching in bargains, not restoring what is borrowed or found, withholding just debts, rents, wages; and which is worst of all, to rob the public in coin or revenue, or which is dedicated to the service of religion.”

#### 2) Fraud violates the Tenth commandment “You shall not covet your neighbor's house; you shall not covet your neighbor's wife or his male servant or his female servant or his ox or his donkey or anything that belongs to your neighbor.”

The tenth commandment, by its implications, serves as a summary commandment of sorts in that violation of it precedes the violation of the other nine commandments. (John I. Durham, *Exodus*, Word Biblical Commentary)

#### 3) We are to help our brothers and sisters avoid sin - Luke 17:1-3 recounts Jesus’s words,

He said to His disciples, “It is inevitable that stumbling blocks come, but woe to him through whom they come! It would be better for him if a millstone were hung around his neck and he were thrown into the sea, than that he would cause one of these little ones to stumble. Be on your guard! If your brother sins, rebuke him; and if he repents, forgive him.”

James closes his letter by reminding believers “My brethren, if any among you strays from the truth and one turns him back, let him know that he who turns a sinner from the error of his way will save his soul from death and will cover a multitude of sins.”

#### 4) The Church Is to Be a Model of Stewardship

The parable of the unrighteous steward found at the beginning of Luke, chapter 16, serves as one of many New Testament teachings on the concept of stewardship. “Now He was also saying to the disciples, ‘There was a certain rich man who had a steward, and this steward was reported to him as squandering his possessions. And he called him and said to him, “What is this I hear about you? Give an account of your stewardship, for you can no longer be steward”’” (Lk 16:1-2). Apparently, the master had heard of a mismanagement of funds to the degree that he had already made up his mind to fire the steward even before an explanation could be offered!

Most churches keep financial records, but not all ministries protect and steward their funds effectively from the ravages of fraud. Stewardship includes more than just keeping records, it requires that one takes proper care in the receiving and spending of His resources. Also consider Luke 16:10 ““He who is faithful in a very little thing is faithful also in much; and he who is unrighteous in a very little thing is unrighteous also in much.” And Mathew 25:14-30, the parable of the talents.

## IV. Advantages of Financial Integrity

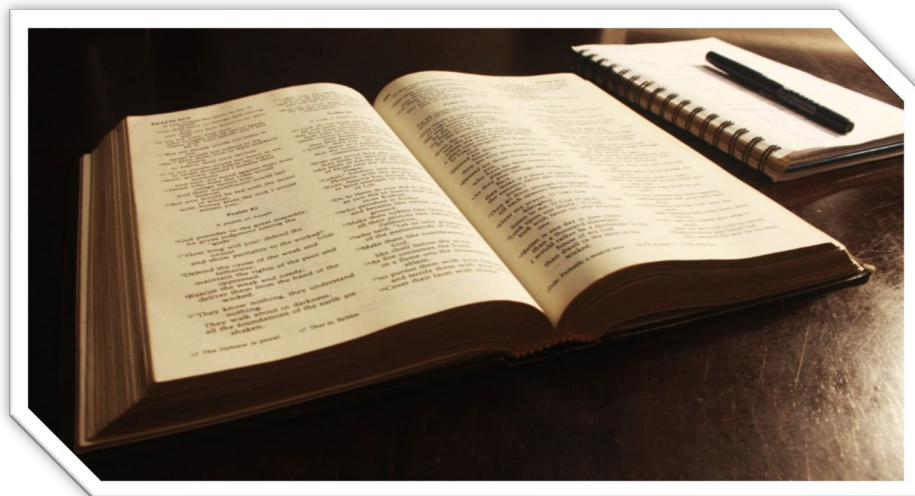
**Do we even need this list?** Shouldn't we have integrity just because the Bible says so?

Ok, to convince your finance team, how about:

1. **Sleep!** You can rest easier at night, sleep better, and as a result, serve your congregation and God more effectively!
2. **Never have to make excuses** for how your finances are handled.
3. **Increases credibility of leadership**, benefits too many to list!
4. **Encourages people to trust** the church with their hard-earned tithes and offerings, hopefully leading to greater trust in God with their personal finances.
5. **Sets a Godly example** for others to follow, in business, in the community, and personally at home.



“I would like to recognize your accounting achievements.”



## V. Financial Integrity in the Church – Building Trust through Proper Accountability

*“Without trust, you have nothing. Trust is an increasingly rare commodity these days. People have become increasingly suspicious and skeptical. At one time, you could assume that others would trust you until you gave them a reason not to. But today with most people, you must prove your trustworthiness first.”*

- John Maxwell, “Becoming a Person of Influence”

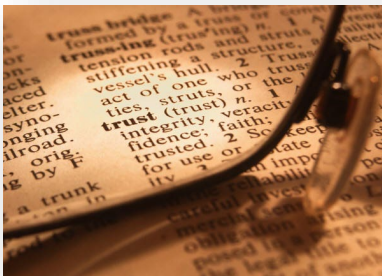
Merriam-Webster’s Collegiate Dictionary, 10<sup>th</sup> edition provides these definitions:

**Control** – *“To exercise restraining or directing influence over, to have power over, to reduce the incidence or severity to innocuous levels.”* ☹️

Is control, by this definition, a pattern we observed in Jesus’ ministry? Is this a Biblical concept that we want to practice? Why or why not?

**Accountability** – *“To account for one’s actions”* 😊

Is accountability, by this definition, a Biblical concept that we should practice? Why or why not? Did Jesus require accountability in His ministry?



**Trust** – *“Assured reliance on the character, ability, strength, or truth of someone or something; one in which confidence is placed.”* 😊

Is trust, by this definition, a Biblical concept that we should practice? Why or why not? Again, what was Jesus’ example in His ministry?

Too often, because of prior bad and hurtful experiences, churches and ministries attempt to “lock down” the ministry so that we will never encounter the sin again!

Unfortunately, the ministry gets so consumed with high control, they forget they are here to minister!



**Ministries are a lot like trees.** All that we see above ground is nice and pretty. We will call a nice solid trunk the Church portion of our tree. The leaves and branches are the staff and volunteers that help create an opportunity for the fruit to grow and prosper. The fruits, of course, are the fruits of the ministry, those whom we have helped to change, grow, and become all that God wants them to become. They can bear seeds for other healthy trees to grow in other places. But what we don't often see or focus on is what is underneath the ground.

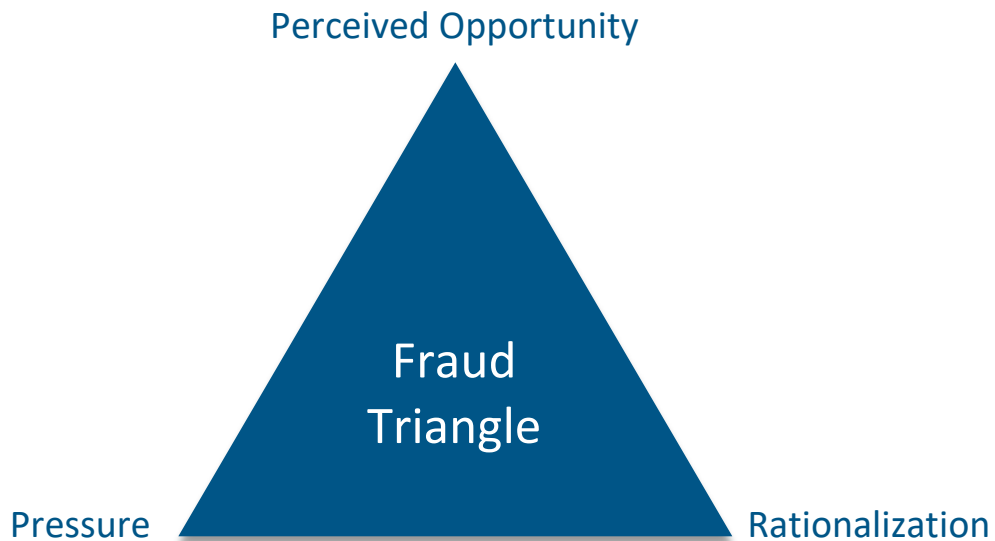
It is widely understood that a tree without a strong and healthy root system will not withstand the perils of drought, high winds, and other natural forces that can come against trees. The more fertile the ground is, the stronger the root system, the healthier the tree, and the bigger the fruit.

Good administration and strong financial controls are often behind the scenes or underneath the surface, but they play a vital role in a healthy root system.

## VI. Church Financial Accountability Checklist

It has been said that “no system is perfect or can prevent fraud 100%.” While there are elements of truth in that statement, we can certainly learn the basics behind the behaviors and circumstances that can lead to fraud, and then work to prevent those circumstances.

In the 1940’s, Donald Cressey of Indiana University did an extensive study of fraudulent behavior. Nearly 70 years later, his hypothesis is still considered to be a classical model explaining occupational fraud.



**Pressure:**

Is the church responsible for peoples outside pressures like: gambling habits, shopping addictions, loss of spouse’s income, medical bills, bankruptcy, living beyond means and so forth? We should always be on guard to help people in need and guide them to solutions that do not involve fraud.

**Rationalization:**

Is the church responsible for the rationalizations people use to allow them to commit fraud? We should be teaching, preaching, and discipling people toward godly behaviors.

**Perceived Opportunity:**

Real or perceived, every ministry is responsible for reducing, removing, or eliminating the real or perceived opportunity to get away with fraud. While we may not be responsible for outside pressures or rationalizations of individuals, we must create strong policies, procedures, and enforcement that keep honest people honest.

## I. Accounts payable

1. Require two signatures on every check – no exceptions, exceptions become the rule.
2. Ensure clear backup documentation for every check prior to signing.
3. Utilize the “next higher up” authorization principle.
4. Eliminate the use of “emergency” manual checks if on a computerized accounting system.
5. Ensure that the person(s) creating accounts payable checks does not sign them.
6. Check signers should not be related to each other, should not be two staff members and should probably not be the Senior Pastor. As often as possible, have at least one check signer to sign most of the checks so they can check for trends and other issues.
7. Never, ever, sign blank checks in advance.
8. Voided checks should be kept on file.
9. If ACH or bank pay systems are used, a person separate from the process should review and sign off each month on all transaction.

## II. Payroll



1. Require two signatures on every check – no exceptions, because exceptions become the rule.
2. Ensure clear backup documentation for every check attached to check prior to signing.
3. Never allow “emergency” manual payroll checks.
4. Check signers should not be related to each other, should not be two staff members and should probably not be the Senior Pastor. As often as possible, you want at least one check signer to sign most of the checks so they can check for trends and other issues. If direct deposit is used, insure a separate person reviews and signs off each month on all direct deposit transactions.
5. The person(s) creating payroll checks should not sign them.
6. All compensation changes should be documented in the personnel file, with proper “next higher up approval”.

7. All compensation must be recorded through the payroll system. This includes love offerings, special gifts, and Christmas bonuses.
8. A current W-4 and I-9 should be on file for every staff member. W-9s should be obtained for all contractors.
9. Complete housing allowance forms each year and have it declared and included in church minutes by December 31 for the coming year.
10. Ensure correct handling of housing allowances & mileage reimbursements and other allowances.
11. Follow all federal wage and hour regulations relating to exempt and non-exempt staff. Churches are required to pay overtime to non-exempt staff. This has nothing to do with how they are paid, hourly or salaried!
12. Ensure correct and timely filing of all payroll taxes and reports, including quarterly 941 payroll tax forms, annual W-3 forms, etc.
13. Ensure correct delineation of employees vs. contractors and, in conjunction, timely distribution of W-2s and 1099s.
14. Ensure timely deposits of employment taxes.

### III. Bank Account Management

1. There is no need for more than three bank accounts for the entire church/ministry:
  - General Checking
  - Savings/Money Market
  - Building fund
2. The church should work diligently to consolidate all small bank accounts that are under the church's purview. Deacon's funds, Sunday school class funds, men's ministry, women's ministry, special missions, etc. should all be under the church's accountable accounting system and not handled by individual persons or factions. NO EXCEPTIONS!
3. Monthly bank reconciliation by someone not involved with preparation and/or signing of checks, or the making of bank deposits.



4. Account balances for all bank accounts and investment accounts should be reconciled with amounts in financial statements.
5. Be certain that all online giving and payment transactions are reconciled each month, Paypal, Applepay, Square, Stripe etc.

### IV. Offerings/Deposits/Contribution Recordkeeping

1. At least two people should always be present when counting offerings – no exceptions. (Three is preferable.)
2. Cash handling procedures should be in writing.
3. Counters should not be related to each other.
4. Counters should be rotated so the same people are not handling the funds each week.
5. One person should take a copy of the counting report to the accountant, the other takes the deposit to the bank.
6. The accountant or bookkeeper should match the contribution report to the bank statement deposits.
7. All money is locked in a safe or locked file cabinet at all times.
8. Contributions are balanced from contributions ledger to the general ledger each month.
9. The documentation for offerings, deposits and contribution recordkeeping should be clear to those NOT involved in the process.

To view these forms, go to:  
**[GoodFaithAccounting.com/Resources](https://www.GoodFaithAccounting.com/Resources)**  
and click on the **Forms** tab.

### V. Financial Reporting

1. A standard income statement AND balance sheet are necessary for complete reporting.
2. Accurate, balanced financial statements should be printed and distributed monthly, no later than the 15<sup>th</sup> – 20<sup>th</sup> of the month.
3. A finance team should review financial reports every month.
4. The annual budget should be used to help manage church finances.

## VI. General

1. An independent review of financial reporting, policies, and procedures should be done annually by a qualified person or committee. Invest the necessary funds for a qualified accounting or bookkeeping firm or outside CPA firm that specializes in working with churches and/or ministries. If funds are not available, consider swapping services with another church.
2. Someone other than the Pastor or paid staff member should serve as Treasurer.
3. A sales tax exemption letter should be copied & used regularly to avoid paying sales tax. (where applicable)
4. At a minimum, conduct semi-annual teaching on stewardship.



5. Perform an annual review of property and liability insurance coverages and cost.
6. Carry worker's compensation insurance.
7. Conduct an annual review of wages, health insurance, and retirement programs.
8. Utilize a records retention policy.
9. Just say no to debit cards.
10. Use tight monthly monitoring of credit cards and vendor charge accounts.

***The most important step to  
reducing fraud is:***

**To have an independent person balance bank deposits,  
to the general ledger, to the contribution statements every  
month!**

## VII. Barriers to Overcome for Financial Accountability

*In our thoughts, words, or deeds, we might be tempted to say:*



- It is just not that important.
- “We don’t want to offend Mr. or Mrs. Smith; they have done the books faithfully for years!”
- We don’t have the time.
- We don’t have the financial resources.
- We don’t have the people.
- We don’t have the knowledge.

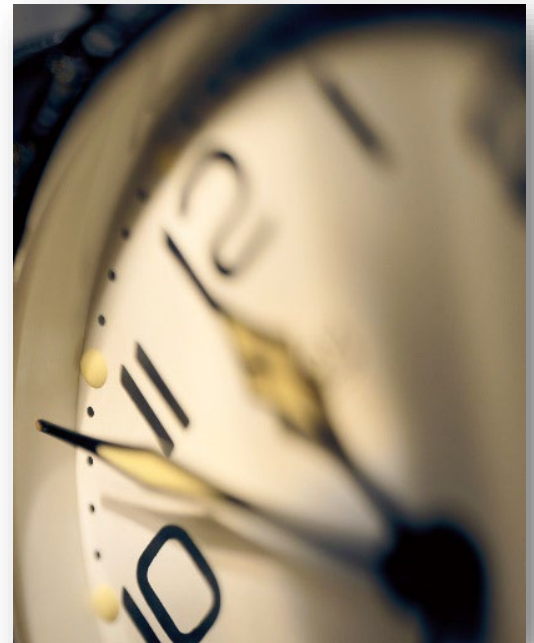
*When in reality we need to begin saying and doing:*

### 1. It is important.

- Educate the congregation and committees involved of the importance of financial accountability.
- Use information from this workshop.
- Research on the internet.

### 2. We will take the necessary time.

- Take the time to do it right.
- Take the necessary time to properly investigate, audit, and correct processes.
- Set a realistic timetable for progress.
- Establish benchmarks for reportable progress.
- Regularly communicate progress toward goals.





### 3. We will get the money.

- If funds are not currently available, then ask the congregation for some special donations for this important project.
- Ask a few key donors for funds; they will support this kind of project.
- Begin setting aside more and more funds each year until you have enough money to implement the right processes.

### 4. We will recruit or hire the right people.

- Find a respected person in the church to head up the project of investigating, auditing, and correcting the weaknesses in church processes.
- Raise funds to hire an outside firm.
- Find another church and swap audit services. An outside look can sometimes be better than internal committees. (Be sure people are qualified and have procedures to follow.)



### 5. We will obtain the knowledge.

You just did! By attending this workshop, you have begun a journey that, if walked out, can lead your church to a path of financial accountability!

In general, remember:

- **We want to keep honest people honest.**
- **We want to be prudent, not paranoid.**
- **We want to protect the church and the workers.**
- **You want accountability, not high control. There is a difference!**



## Contact Information



For information regarding accounting or other services:

**Web** | [GoodFaithAccounting.com](http://GoodFaithAccounting.com)

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## MM Accounting Packages Include:

- Payroll Processing
- Payroll Taxes
- Accounts Payable
- Financial Statements
- Donor Record Keeping
- Online Access

