

Executive Summary

Embezzlement is the wrongful conversion of funds that are lawfully in one's possession. Embezzlement is a common occurrence in churches because of weak internal controls. This week's lesson is the first of a 6-lesson series that addresses what church leaders should know about embezzlement.

Overview

Many church leaders cannot believe that embezzlement is a risk that they need to take seriously. After all, shouldn't the risk of embezzlement be lower in a religious organization than in any other organization? Unfortunately, the answer is no. In fact, religious organizations are at a much higher risk of embezzlement than many other organizations because many have not adopted effective "internal controls" to safeguard their resources. In many cases it is frequent access to funds, rather than a need for money, that results in embezzlement.

There are many other reasons why church leaders should take the risk of embezzlement seriously, including the following:

- Churches that take steps to prevent embezzlement remove a source of possible temptation from employees and volunteers who work with money.
- By taking steps to prevent embezzlement, a denomination protects the reputation of innocent employees and volunteers who otherwise might be suspected of financial wrongdoing when financial irregularities occur.
- By taking steps to prevent embezzlement, a denomination avoids the unpleasant task of confronting individuals who are suspected of embezzlement.
- By taking steps to prevent embezzlement, a denomination avoids the risk of division among the leadership that often is associated with cases of embezzlement--with some persons wanting to show mercy to the offender and others demanding justice.
- By taking steps to prevent embezzlement, a denomination reduces the risk of having to tell donors that some of their contributions have been misappropriated by an employee or volunteer.
- By taking steps to prevent embezzlement, a denomination reduces the damage to the reputation and stature of its leaders who otherwise may be blamed for allowing embezzlement to occur.
- Churches that take steps to prevent embezzlement help to create a "culture of accountability" with regard to funds.

What is embezzlement?

The definition of embezzlement varies slightly from state to state, but in general it refers to the wrongful conversion of property that is lawfully in your possession. The idea is that someone has legal control or custody of property or funds, and then decides to convert the property or funds to his or her own personal use.

Most people who embezzle funds insist that they intended to pay the money back and were simply "borrowing" the funds temporarily. An intent to pay back embezzled funds is not a defense to the crime of embezzlement. Many employees who embezzle funds plan on repaying the employer fully before anyone suspects what has happened. One can only imagine how many such schemes actually work without anyone knowing about it. The courts are not persuaded by the claims of embezzlers that they intended to fully pay back the funds they misappropriated. The crime is complete when the embezzler misappropriates the funds to his or her own personal use. As one court has noted:

The act of embezzlement is complete the moment the official converts the money to his own use even though he then has the intent to restore it. Few embezzlements are committed except with the full belief upon the part of the guilty person that he can and will restore the property before the day of accounting occurs. There is where the danger lies and the statute prohibiting embezzlement is passed in order to protect the public against such venturesome enterprises by people who have money in their control.

In short, it does not matter that someone intended to pay back embezzled funds. This intent in no way justifies or excuses the crime. The crime is complete when the funds are converted to one's own use-- whether or not there was an intent to pay them back.

What if the embezzled funds are returned? The crime of embezzlement has occurred even if the embezzled funds in fact are paid back. Of course, it may be less likely that a prosecutor will prosecute a case under these circumstances. And even if the embezzler is prosecuted, this evidence may lessen the punishment. But the courts have consistently ruled that an actual return of embezzled funds does not purge the offense of its criminal nature or absolve the embezzler from punishment.

Key point. *Even if an embezzler is caught or confesses, and then agrees to "pay back" the embezzled funds, church leaders seldom know if all embezzled funds are being returned. They are relying almost entirely on the word of a thief.*

Many religious organizations refuse to adopt measures to reduce the risk of embezzlement out of a fear that such measures will reflect a lack of trust in those persons who handle funds.

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