Integrity *at* Stake

SAFEGUARDING YOUR CHURCH'S HONOR

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For my wife and best friend, Tammy.

Thank you for being my biggest fan

and cheerleader.

I couldn't have accomplished this book

without your constant support and encouragement.

For my parents.

As leaders in the church,

you consistently modeled accountability,

transparency and integrity.

CONTENTS

foreword

The church, parachurch and non-profit organizations are designed to be conduits of hope and rays of light that result in the transformation of people's lives.

However, when an organization neglects good stewardship practices, it can lead to fraud and financial abuse. When this occurs, it diminishes that ministry's Kingdom influence.

There have been some improprieties that are so acute, that the government is actually wondering if churches and nonprofits are complying with the law. All of this causes the church and the ministry to lose credibility and ultimately its ministry effectiveness.

If there is one thing better than a minister of a church or a CEO of a nonprofit organization publicly admitting mistakes and asking for forgiveness, it's NOT having to have a public reading of any transgressions!

My friend and colleague, Rollie Dimos, has devoted his life to helping Christ-centered organizations earn and maintain high levels of trust, through developing high standards of accountability and practice. He gets it…both the ministry and management!

Integrity at Stake is not a fictional book. These are actual situations that caused financial setback and were embarrassing to the ministry. Interestingly, each of these could have been avoided if greater accountability and transparency were embedded in the ministry's policy and practice.

Caution: the subject material in this book may prevent you from experiencing any fraudulent schemes in the ministry you lead!

Doug Clay | *General Treasurer*

The Assemblies of God National Leadership and Resource Center *introduction*

The biblical patriarch Job understood adversity. He knew despair. He had experienced loss of health, loss of family and loss of fortune. In the midst of unfathomable grief and loss, his wife and friends were encouraging him to turn his back on God. However, Job didn't waver in his convictions. He understood his character was on the line.

His integrity was at stake.

Job was pressured to compromise, but he stood firm in his convictions and didn't sin against God. He maintained his integrity, and he maintained his honor.

I've been involved in the financial operations of various churches and nonprofits for almost twenty-five years. From performing the bookkeeping, to being elected treasurer, and providing consulting services to pastors and boards as an internal auditor, I've been involved in all aspects of a ministry's financial operations. I've served alongside ministries with good financial practices, and I've been able to help other ministries improve poor practices.

But over the years, I've seen people who, unlike Job, compromised their integrity and committed financial abuses. Abuses that included:

- Pastors and bookkeepers writing church checks to pay for personal expenses for their family and friends.
- Church staff using the church credit card for personal charges.
- Pastors hiding unauthorized transactions from the board.

- Ministry leaders transferring funds to secret bank accounts.
- Churches that had to close their doors because they failed to send their payroll taxes to the IRS.

The world is suffering an economic crisis—and our churches are not immune to this crisis either. We often think that fraud only happens on Wall Street, but, sadly, it also happens on Main Street—in the midst of our churches.

We may think that organizational fraud is a victimless crime—since the organization isn't a real person, and companies should have sufficient funds to recover the loss. However, when fraud occurs in the church, significant spiritual ramifications linger long after the financial. The church will have probably lost some funds, but a financial abuse performed by a spiritual leader can ruin the leader's ministry and possibly destroy a church, leaving a building full of people whose faith has been shattered in its wake.

Misuse and abuse of ministry funds occur due to the lack of accountability—in some of the cases mentioned earlier, accountability was virtually nonexistent.

I encourage churches to embrace accountability and transparency, two essential keys that will minimize risk and help your church fulfill its mission. And by adding a few simple internal controls, you will increase the accountability and transparency of your nonprofit organization, bring integrity to your financial operations, and in my opinion, characterize biblical stewardship!

But everyone in the church must embrace accountability and transparency. These two keys must be part of your church culture and DNA. Most importantly, they must be modeled by your leadership. And, pastors, as you model accountability and transparency in your churches, your staff, church board, and congregation will follow!

Over the next few chapters, I'll discuss the importance of accountability in your ministry's financial operations, and reveal the impact that poor controls have had on various churches and nonprofits.

I pray that as you read though this book, you'll understand how embracing accountability and transparency will help the success of your ministry and protect your church's honor.

who should read this book

Within every organization, someone has the primary task of managing the organization's finances. No matter the title—bookkeeper, accountant, treasurer, or chief financial officer—these people have the day-to-day responsibility of receiving income, paying bills, recording transactions, and preparing financial reports. Certainly, they also have a responsibility to make sure assets are safeguarded and proper controls are in place to minimize the risk of fraud.

However, this book is also written for many others within the organization who are charged with the responsibility to steward non-profit resources and prevent the misuse and abuse of donor funds, including:

- Pastor/president. As pastor, you may also fulfill the role of president, chairman of the board, or chief executive officer. You probably don't count the offering, make deposits, or post transactions into the financial records, but you decide when and where funds are spent. You also have the authority to bypass established policies, which sometimes circumvents controls. This book is for you to help you realize the importance of implementing and enforcing a system of internal control.
- Treasurer/chief financial officer. Your role includes managing the financial operations and providing reports on the current status of finances. It is important for you

to know financial controls are in place and operating effectively.

- Accounting staff. Whether your title is accountant, bookkeeper, finance specialist, or accounting clerk, you handle the day-to-day financial transactions for the organization. The accuracy and integrity of the organization's finances rests with the accounting team.
- Deacon/board of directors. Your role, as the governing board, includes making sure finances are managed effectively while propelling the organization forward in fulfilling its mission. You'll want to make sure segregation of duties and other financial controls are in place to safeguard the organization's assets while protecting the integrity of the organization and its staff.

Essentially, every employee in the church or non-profit ministry plays a part in preventing fraud. No matter your title or role, this book will reveal how fraud can occur in churches and other nonprofit organizations, and how you can prevent it.

everyone in the church

must embrace

accountability

and transparency

SECTION ONE

Fraud

A FRANK DISCUSSION ON THE POTENTIAL RISKS TO YOUR ORGANIZATION

CHAPTER ONE

FRAUD RISK: WHAT EVERY LEADER NEEDS TO KNOW

facing the facts

You might have read this headline in 2009: "Father and son pastors plead guilty to stealing $3.1 million from church."[1] Or maybe you read about the pastor who embezzled $700,000 from his congregation[2], or that $1.3 million designated for church planting was misused by pastors.[3]

Many times, we think that fraud only happens in large corporations like Enron or WorldCom, but it can happen to small nonprofit organizations, too. Unfortunately, many religious and charitable organizations may think their organizations aren't at risk because they employ people who, they feel, possess strong moral and ethical convictions. Others may erroneously believe that strong controls require additional staff and great expense. As a result, leaders let their guard down and fail to implement processes with strong controls.

One of the most frequent abuses in church finances is using nonprofit funds for personal use by stealing cash from the offering plate, writing unauthorized checks, or using the church credit card for personal expenses. External pressures such as personal debt, medical crisis, or an unexpected job loss can cause even the most loyal employee to make a rash and unfortunate decision. These perpetrators may rationalize their actions by thinking of it as just a temporary loan, fully intending to pay it back. Others justify their actions because they feel underpaid or undervalued and believe they are owed the extra pay.

In 2012, the Association of Certified Fraud Examiners examined 1,388 fraud cases, of which 10.4 percent occurred at nonprofit organizations.[4] First-time offenders, with no prior criminal records, perpetrated the fraud in 87 percent of all cases.[5] For those nonprofit organizations that experienced fraud, the median loss was $100,000.[6]

If a fraud occurs, the church will lose more than just money. Donor confidence will rightly be weakened, and they may decide to reallocate their contributions to other organizations. Further, the reputation of the church and its pastor in the local community could be permanently damaged.

Can your church afford a loss of this magnitude? More importantly, do you know how to protect your organization from fraud?

interest from all sides

Accountability and transparency shouldn't be exercised just for the donors in the pews, but are also important to the many other organizations watching you.

Certainly donors want to make sure their contributions to a particular ministry are used responsibly and further the ministry's stated goals. But external interests also monitor the accountability and good governance of nonprofits.

Media and watchdog groups keep a watchful eye on nonprofit activity to ensure it is transparent and responsible. State attorneys general are interested in protecting the funds donated by their constituents, and the IRS requires that nonprofits comply with appropriate rules and regulations for tax-exempt groups. In fact, from 2002 to 2012, the percentage of tax-exempt returns examined by the IRS has doubled.[7]

Congress also watches to make sure religious organizations are accountable and compliant to maintain public confidence in the nonprofit sector. In January 2011, Senator Chuck Grassley, ranking member of the Committee on Finance, released a report on the review of activities and practices of media-based ministries, churches, and other religious organizations. Characterized as an ongoing effort to strengthen the tax-exempt sector, Grassley said his goal was to improve accountability and governance of tax-exempt organizations in order to maintain public confidence.[8]

why accountability matters

Often times, I meet church leaders who are fearful of making their financial activity accountable and transparent, and many times, control of the church's finances is limited to one or two individuals. In a best-case scenario, this is simply an honest, but naive mind-set believing that finances are better controlled when fewer people are involved. In a worst-case scenario, this is a deliberate attempt to conceal poor stewardship or abuse. It's the worst-case scenario that will ruin a leader's ministry, destroy a church, and shatter people's faith.

A prominent preacher once lamented publicly that accountability is just a code name for red tape. He stated that it was simply a tool for accountants and bureaucrats to question a leader's decisions and a back-door approach for stopping progress. It was apparent this leader wasn't a fan of accountability and transparency. Unfortunately, a few years later, this leader learned that his associate pastor had embezzled $700,000 from the church. The associate pastor's decision to steal from the church was his own choosing; however, the lack of accountability in the organization was certainly a contributing factor.

This type of situation can be avoided by embracing accountability—and by realizing that accountability is a scriptural principle!

The principle of accountability runs throughout the Bible. In scriptural terms, accountability means giving an account of how well we steward the gifts and resources that God gives us. The Parable of the Talents is an example of how God holds us accountable for our stewardship (Matthew 25:14–30). And as described in the Book of Revelation, each person will stand before God and give an individual accounting of their lives on the Day of Judgment (Revelation 20:11–15; see also Romans 14:12).

Paul even addresses the accountability of his work in his letter to the Corinthian church. He wrote: "We want to avoid any criticism of the way we administer this liberal gift. For we are taking pains to do what is right, not only in the eyes of the Lord but also in the eyes of men" (2 Corinthians 8:20–21).

In business terms, church leaders are the stewards of an organization's resources, including all funds received from donors. Pastors and board members are accountable to one another for the business decisions they make. And they are all accountable to their donors for how well they steward contributions.

In practical terms, without accountability, human nature tends to drive us to the dividing line between right and wrong, where we encounter the gray areas of life. Certainly, making right choices involves listening to the leading of the Holy Spirit; but it also involves submitting ourselves to others and seeking wise counsel. The Book of Proverbs reminds us that "in the multitude of counsellors there is safety" (Proverbs 11:14, KJV).

In today's world, leaders feel pressured to follow the latest trends and buzz words. They are strongly encouraged to try new things, push the envelope, think outside the box, and engage the current culture and ideas. Ideas are not intrinsically evil; and in many cases, they may be necessary to foster a growing and thriving congregation. But without submitting ourselves to another's accountability, anyone could more easily cross the line into misuse and abuse.

Accountability and transparency of financial operations aren't meant to constrain leaders, but they are, instead, meant to protect leaders and the reputations of their organizations. If I could paraphrase that verse from Proverbs: Where there is a multitude of counselors *who discuss, review, and approve the financial operations of the church*, there truly is safety.

We are taking pains to do what is right,

not only in the eyes of the Lord

but also in the eyes of men.

SECTION TWO

Case Studies

TRUE STORIES OF

FRAUD & PRACTICAL

WAYS TO PREVENT IT

CASE STUDY 2

SECRET BANK ACCOUNT

During the monthly meeting to review the ministry's financial operations, the bookkeeper went through the details of revenue and expenses, upcoming bills, and available cash. The ministry director was particularly interested in the funds collected to help open a campus ministry in the area. The bookkeeper reminded him that all funds collected were deposited into a separate bank account segregated from other ministry funds. She stated that although the campus ministry had recently opened, some funds remained left to be disbursed. After paying a few outstanding invoices, the campus ministry fund would be depleted.

The ministry director was satisfied with the information and directed the bookkeeper to pay the remaining bills and then close the campus ministry bank account.

The bookkeeper paid the remaining bills but kept the bank account open until the final few checks had cleared the account. During the next monthly meeting, the bookkeeper stated that the final bills were paid, and the bank account would be closed soon, as a few checks still had not cleared the bank. She explained it would take another month for the final checks to process through the account. The ministry director smiled and crossed the item off the agenda. "I guess we can remove this from the agenda," he stated. And with the strike of a pen, the topic of the campus ministry bank account was never revisited.

Unfortunately, the bookkeeper didn't close the campus ministry bank account, soon realizing that she was the only one who knew the account was still open. Since she was the person who opened the mail, including the bank statements, she was able to conceal the fact that the account was still open.

The bookkeeper began transferring money from the operating fund to the campus ministry fund. She started small—transferring only a few hundred dollars, disguising the transfer in the financial records as a routine expense.

Even though she was confident that no one would notice the transfer, she waited. As the organization's bookkeeper, she was an authorized signer on the bank accounts, which allowed her to write checks, make transfers, and withdraw funds. No one, not even the ministry director, looked at the financial records in detail, choosing only to see summary reports.

After a few weeks passed, no one asked about the transfer, so the bookkeeper went to the bank and withdrew the money. The next month, the bookkeeper decided it was time for another transfer. Only this time, the transfer was a little larger. Again, she concealed the transfer as a routine expense, and she went to the bank and made a withdrawal. Over the next year, she continued to make large transfers from the operating fund into the campus ministry fund. After each transfer, she went to the bank and withdrew all the funds.

Fortunately, while no one at the nonprofit noticed the embezzlement, someone at the bank was taking notice. The alert bank employee began noticing a pattern—after each transfer into the account, the bookkeeper would withdraw all the funds. The suspicious pattern caused the bank manager to contact the ministry director.

By the time the ministry director learned about the scheme, the bookkeeper had embezzled more than $57,600 over two years.

After a short investigation, the bookkeeper was terminated and agreed to make restitution in lieu of criminal prosecution.

what went wrong

In this case study, the bookkeeper was entrusted to close an unneeded bank account. Certainly, most employees in our churches and ministries are trustworthy. However, abuse can occur when a lack of accountability exists. In this case study, no one followed up to make sure the bookkeeper actually closed the account.

As a result, the bookkeeper was able to keep the second bank account hidden, transfer funds into the secret account, and use the funds for personal use.

Several internal control weaknesses allowed this abuse to occur, including:

- The organization's management failed to review the bookkeeper's actions to ensure the bank account was closed.
- The bookkeeper had signature authority for all bank accounts and the ability to transfer funds without additional approval.
- The bookkeeper received all the mail, including the bank statements.

As a result of these weaknesses, the bookkeeper had complete control over the financial records. This allowed the bookkeeper to disguise her transactions, manipulate reports and conceal her fraudulent activity.

best practices

Segregation of duties is an important internal control. No one employee should have unrestricted and unaccountable control over the finances. In many churches and ministries, the accounting function is limited to one or two people. As a result, one person usually has total control over the finances. However, additional measures can be added to provide accountability and oversight.

As noted earlier, the survey completed by KPMG in 2011 found 74 percent of fraudsters were able to perpetrate their crimes by exploiting weak internal controls.[43] This was a significant increase from their 2007 study that found only 49 percent of fraud cases occurred by exploiting weak controls.[44]

A lack of accountability is a common weakness in non-profit organizations, which can lead to significant abuse. For example, in August 2013, the CEO of a non-profit charter school in Philadelphia pled guilty to stealing $88,000. Through bank accounts that only he controlled, the CEO withdrew funds from the school and a sister organization with which he used to purchase a house for himself. He concealed his activity by disguising the withdrawals as legitimate labor expenses.[45]

While industry experts and best practices encourage accountability and strong controls, this continues to be the weak link in the financial processes at many churches and non-profits.

In order to keep all bank activity accountable and transparent in your organization, consider implementing these controls:

- Limit signature authority on bank accounts to those who are needed to transact business.
- Separate the functions of writing checks and reconciling bank activity.
- The person who reconciles the bank account should receive all the bank statements.
- All checks, electronic funds transfers, withdrawals, and wire transfers should require proper approval before the transaction occurs.

evaluate your organization

- ❑ Do you limit signature authority on bank accounts to those who are needed to transact business? Who currently has signature authority? What functions do they perform?
- ❑ Do you separate the functions of writing checks from the bank reconciliation activity? Who performs each of these functions?
- ❑ Do all bank statements go directly to the person who reconciles the bank account? Are there any exceptions to this process? How often and why?
- ❑ Do all checks, electronic funds transfers, withdrawals, and wire transfers require proper approval before the transaction occurs? What is the approval process and who is involved?

for further review

If you would like to assess the strength of your financial controls in this area, perform a mini-audit by following these steps:

1. Determine who has authority to sign checks. Evaluate whether these people have the ability to enter transactions into the general ledger.
2. Determine if the person who reconciles the bank statements is authorized to sign checks.
3. Verify that bank reconciliations are performed timely and completely.
4. Review bank statement activity for three to six months.
   a. Review activity for reasonableness.
   b. Verify that all withdrawals and electronic funds transfers were appropriate, properly approved, and posted to the general ledger.
5. Review canceled checks and determine the appropriateness of any checks written for cash or deposited into other bank accounts.

CASE STUDY 3

WRITING BLANK CHECKS

The president of the organization sat at his desk stunned. An independent auditor had just walked into his office and revealed that a trusted employee was probably stealing funds from the ministry. Even more disturbing was that the theft had been occurring for at least eighteen months. Several questions raced through the president's mind: "Is this true?" "How could this happen?" "Why didn't we catch this earlier?" "How are we going to move forward?"

ABC Publishing[46] was a ministry organization that printed religious materials, training resources, and Bibles in various languages. Their staff included missionaries, editors, and translators. Many staff and department leaders often traveled overseas to track the progress of their ongoing projects, often leaving a few administrative and support staff alone in the office.

The office manager was assigned the task of overseeing much of the office's administrative duties including purchasing office supplies, office decor, and hospitality items.

When the office manager needed to make a purchase, she would submit a purchase request to the vice-president for approval. Upon approval, the chief financial officer would write a check and have an authorized person sign the check. Only the president, vice-president, and chief financial officer (CFO) were authorized to sign checks. If an invoice wasn't attached to the purchase request, the CFO asked the office manager to return the check stub with an invoice or receipt once the purchase was made.

Often, the exact total of the purchase wasn't known when the purchase request was submitted. The vendor's name and a description of the items being purchased were on the request, but not a total dollar amount. The organizational leadership agreed to sign a blank check as long as the office manager turned in a receipt afterwards.

The first time the office manager requested a blank check to purchase office supplies, the CFO requested she bring back the check stub and receipt. After making the purchase, she carefully folded the receipt so the purchase total was clearly visible and stapled it to the check stub. When she returned the check stub to the CFO, he asked her two questions: "Did the vice-president approve this purchase?" and "Did you attach the receipt to the check stub?" The office manager answered yes to both questions, knowing that the exchange was just a formality since the CFO had the vice-president sign the blank check, and he could see that the receipt was attached to the check stub.

The office manager watched as the CFO went to his computer, opened the financial software program, entered the check into the financial records, and placed the check stub in the filing cabinet with paperwork for other completed transactions.

She walked away and thought, "That worked well." Over the next few weeks, she requested a couple more blank checks. After a while, she realized that while the CFO would always ask "Did the vice-president approve this purchase?" and "Did you attach the receipt to the check stub?" he never actually looked at the receipt. Further, the vice-president never asked to review the receipt before she returned it to the CFO. The office manager appreciated the fact that the organization's leadership viewed her as a trusted employee, but she also realized she had more freedom than she thought.

The president shook his head in disbelief and asked the auditor to explain what had happened. As far as the auditor could tell, at some point, the office manager realized that even though she turned in a receipt for every blank check, no one actually reviewed the receipt to make sure the items purchased were business-related. While the auditor didn't know the reason behind her actions, it was evident that she soon realized she could make personal purchases and use ministry funds to pay for it.

When the auditor reviewed the receipts as part of his normal testing, he discovered that gift cards were included in many of these transactions that started with a blank check. The gift cards, which could be purchased near the check-out lane, were clearly identified on the receipts and included restaurant, grocery, and retail establishments. As he looked through the financial files, he determined that these gift card purchases had started approximately eighteen months earlier. At first, the gift card amounts were low, but over time, the auditor noticed that the gift card amounts increased. He also noticed that several gift cards were purchased at a time—each one clearly itemized on the receipt.

The auditor noticed that while the office manager had turned in the receipts, she was clearly trying to hide her activity. In fact, she purposely folded the receipt and stapled it in such a way to hide the items being purchased. Someone would have to remove the staple and unfold the receipt in order to view the list of purchased items.

The organization's president confirmed to the auditor that his organization didn't use or give away gift cards. These gift cards were definitely unapproved purchases. The president confronted the employee and suspended her. The case was then turned over to legal counsel for further review and investigation.

By the time the auditor uncovered the theft, the office manager had purchased $9,000 in gift cards, ranging in amounts from $25 to $300.

what went wrong

In this case study, the office manager was a very talented and trusted employee. Due to her length of time at the organization, her passion for the ministry, and her accomplishments in the past, she had the trust and confidence of her supervisors. As a result, her supervisors didn't give a second thought to handing her a blank check.

While the CFO provided a measure of accountability by writing the vendor's name on the check, the office manager's only required task was to write the amount on the check at the store checkout. However, she abused her supervisor's trust by adding personal items to the purchase and using ministry funds for payment.

Several internal control weaknesses allowed this abuse to occur, which included:

- The office manager submitted her purchase for preapproval, but no manager reviewed her purchases afterward.
- The vice-president frequently signed blank checks for the office manager's use.
- The office manager's purchases were not reviewed to determine if the items purchased complied with internal policies.
- The president, vice-president, and CFO all failed to hold the office manager accountable for her purchases.

As a result of misplaced trust, this fraud scheme continued for over eighteen months before being discovered.

best practices

Writing blank checks is a fast and convenient way to allow employees to make purchases. However, signed, blank checks can be easily abused. Not only can the checks be written for more than the approved amounts, the checks can be used for entirely different purchases.

Issuing unauthorized checks or "check tampering" is a common fraud scheme. For example, in April 2013, an office manager was sentenced to almost three years in prison for embezzling more than $900,000 from her employer using this scheme. She was able to convince the check signers at the company to sign blank checks under the assumption that they would be used to pay company expenses. Instead, she cashed the checks and used the money for her own personal benefit. Once the blank checks were signed, she tried to conceal the fraud and implicate someone else by making the checks out to another employee and then forging the employee's endorsement on the back of the check. Besides the fraud, she was also convicted of identity theft.[47]

One recent fraud study found issuing or forging unauthorized company checks was the most common embezzlement scheme.[48] Another study found that check tampering was the second most common fraud scheme perpetrated on religious and charitable organizations.[49] Unfortunately, the median duration of check tampering schemes lasted around thirty months before being discovered at these religious and charitable organizations.

Don't let this happen at your organization. When writing checks, there are several steps a church can take to keep fraud from occurring. These controls include:

- Maintaining a policy to never sign blank checks
- Securing blank check stock in a locked cabinet
- Keeping track of check numbers used and reconciling check numbers to remaining blank check stock
- Matching supporting documents to each check's amount before signing checks
- Requiring supporting documents to be original invoices or receipts—not copies, partial documents or estimates
- Using purchase requests or requisition forms to authorize purchases before they occur
- Reviewing itemized receipts or invoices for appropriateness and compliance with the organization's policies

evaluate your organization

- ❑ Do you make it a practice to never sign blank checks? Do exceptions occur? Why?
- ❑ Do you secure blank check stock in a locking cabinet? Who has access to the locking cabinet?
- ❑ Do you keep track of pre-numbered check stock and reconcile unused check numbers to the checks already printed? Who performs this reconciliation? How often?
- ❑ Do you review supporting documents and match amounts to the checks before signing? Who performs

this review? What happens if supporting documents aren't available?

- ❑ Do you require original invoices and receipts for payment? What happens if original documents aren't available?
- ❑ Do you require properly approved purchase requests or requisition forms before purchases are made? What is the process to get approval? Who has authority to approve purchases?
- ❑ Do you review the itemized receipts or invoices for appropriateness and compliance with the organization's policies? Who performs this review? What happens if a purchase doesn't comply with policy?

for further review

Would you like to know if your controls are strong enough to prevent this from happening at your ministry? Perform a mini-audit of how you write checks by following these steps:

1. Interview the bookkeeping staff to determine if blank checks are commonly used.
2. Obtain a list of all checks written within the past three months. Pick a sample of twenty-five checks to review.
   a. Obtain canceled checks. (Your bank may provide copies of the check with the monthly bank statement.)

   b. Determine if purchases were properly approved.
   c. Match the canceled checks to the supporting receipts or invoices.
   d. Review the itemized receipts to determine if the purchases were appropriate and complied with the organization's policies.
3. Consider changes to policy or process to strengthen this area if any weaknesses exist.

Writing blank checks

is fast and convenient;

however, blank checks

can be easily abused.

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