A QUALITATIVE STUDY ON INTERNAL CONTROL USAGE AND FINANCIAL ACCOUNTABILITY AMONG BAPTIST CHURCHES IN NORTH GEORGIA

by

Melissa Kirby

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Doctoral Study Submitted in Partial Fulfillment

of the Requirements for the Degree of

Doctor of Business Administration

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Liberty University, School of Business

December 2020
Abstract

This research study addresses the deficiency in knowledge on internal control usage and financial accountability in churches, and the effects they have on losses from theft, fraud, and misappropriation of assets. This study explores the perceptions of Baptist church pastors, administrative assistants, and other church leaders who are responsible for the financial activities of the church, on internal control usage and financial accountability. This case study consists of 24 Baptist churches located throughout north Georgia. Six themes materialized from this research, including corrective internal controls, detective internal controls, preventative internal controls, proper internal control procedures, financial accountability and stewardship, and vulnerabilities in the church.

The results of this qualitative case study divulged the standards and specific procedures Baptist church leaders need to implement to improve internal control usage in the church. The study also revealed the standards and specific procedures Baptist churches need to implement to improve financial accountability. The conclusions suggest larger churches or church employees with a background in accounting need to assist smaller Baptist churches that have internal control weaknesses. These accounting professionals should provide training and support to implement proper internal control policies and procedures to improve internal control usage and financial accountability to reduce the possibility of the occurrence of fraud in Baptist churches.

Key words: Internal control usage, Baptist churches, The differential association theory, financial accountability, and financial stewardship.
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Dr. Carlos Ranglin, Dissertation Chair

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Dr. Felicia Olagbemi, Dissertation Committee Member

___________________________________________________ Date:  __________________
Dr. Edward M. Moore, DBA Program Director
Dedication

I dedicate this dissertation to my Savior, Jesus Christ. I am not worthy, but thank you, Lord Jesus, for dying on the cross for my sins and saving my soul. I want to thank my family for your support over the past three years. To my husband, Jamey, thank you for your love and everything you do for our family. Thanks for always supporting my career and educational decisions. To my daughters, Paris and Kinzley, thank you for your understanding when I had to miss precious time with you to work on this dissertation. Finally, we can all go on vacations or to ball tournaments without me having to work. Thank you to my parents, Charles and Sally, for your encouragement, your support, and for always being my biggest fans. To all of you, I love you and could not have completed this educational goal without each one of you. I can never thank you all enough.

But those who trust in the Lord will find new strength. They will soar high on wings like eagles.

They will run and not grow weary. They will walk and not faint. Isaiah 40:31.
Acknowledgments

I want to thank Dr. Carlos Ranglin, my dissertation chair, for all of your support and knowledge as I completed this educational journey. You have always been so responsive to my questions and provided the encouragement I needed to continue in this process. To Dr. Felicia Olagbemi, my committee member, thank you for your suggestions that improved my study, I am forever grateful. To Dr. Jodie Vangrov, thank you for your inspiration and knowledge, I sincerely appreciate it. Our talks helped me to keep moving forward!
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Section 1: Foundation of the Study

According to Crockett (2018), fraud and misappropriation of assets in churches is a growing problem, prompting the need to increase the available knowledge on internal control usage and financial accountability. Pollack and Papiernik (2017) indicated that knowledge regarding internal control usage is extremely important yet is relatively uninvestigated by researchers. Carmona and Ezzamel (2006) emphasized the need for additional research on church accounting strategies and perceived additional research would amplify the current literature available. Heinen (2008) stressed the demand for churches to implement stricter internal controls and accounting policies and procedures to safeguard assets.

Background of the Problem

Churches operate to fulfill the spiritual and physical needs of individuals in their community, and the missions of the church are fulfilled through generous donations by church members or other affiliates. The Association of Certified Fraud Examiners (ACFE, 2020) designated in their 2020 Report to the Nations that a normal organization will lose 5% of its revenue each year to fraud. Churches conduct financial activities in an environment based on trust and employees and volunteers often lack proper training, which allows an increased opportunity for the occurrence of theft or fraud. Also, churches are less likely to employ the necessary anti-fraud initiatives, such as internal controls, which causes them to be more vulnerable (Kramer, 2015). A persistent finding in the literature is that churches, especially smaller ones, tend to lack sufficient internal controls. The inclination to trust employees may cause churches to omit checks and balances. Duncan and Stocks (2003) indicated internal controls are often overlooked because church leaders do not want to seem untrusting of individuals.
The ACFE (2020) indicated that a lack of internal controls is the fundamental weakness that allows fraud to be committed against organizations. The study also established that fraud materializes most often in institutions with less than 100 employees, a classification the 2009 Congregational Life Survey designated many churches belong to. Like many small businesses, churches often do not have the proper internal controls in place to identify fraud (Lane, 2011). Research frequently specifies that sound internal control policies and procedures can reduce the opportunity for fraud (ACFE).

An unanimity in literature reports the most common form of fraud committed against churches is asset misappropriation. This aligns with the results of the ACFE (2020) report that 86 percent of fraud cases in all institutions involve asset misappropriation. Recent cases of church fraud have caused internal control usage in the church to be questioned (Bowrin, 2004). One case of theft is that of Catholic priest Michael Jude Faye, who stole $1.3 million from congressional collections in Darien, Connecticut (Young, 2018). Another example of reported church fraud is the case of Rosina Blanco, the former bookkeeper of the Brazilian Father’s Missions of the Catholic Church in Sugarland, Texas, who stole almost $1.2 million of church funds. Blanco stole the funds because of the trusting nature of the church and its donors (United States Department of Justice [DOJ], 2018). Andon et al. (2018) indicated that internal controls in churches are weak. Duncan and Stocks (2003) stressed the importance of having strong internal controls in place, mirroring the internal controls used in businesses.

Minarik (2017) opined internal control usage is regarded as secular rather than sacred. Kulikova and Satdarova (2016) implied pastors consider internal controls and the financial functions of the church to be secular and not important. Internal controls are implemented to protect the assets of the church from theft, misappropriation, or fraud. Churches advocate the
principles of integrity, honesty, and trustworthiness, therefore, the need to implement better internal controls is often deemed unnecessary, which may damage the overall mission of the church. Church administrators should implement written policies and procedures to guide the handling of the financial matters of the church. To mitigate the risk of the occurrence of fraud, strong internal controls should be implemented to protect the assets of the church (Everett et al., 2018).

**Problem Statement**

The general problem to be addressed is the lack of internal control usage and financial accountability among churches resulting in losses from theft, fraud, and misappropriation of assets. Griffin (2015) stated many churches do not have adequate accounting practices and procedures in place to protect assets. Lockett (2014) noted that a lack of effective financial management in churches could lead to fraudulent activities such as misappropriation of funds. Many studies have concluded churches have minimal internal controls and accounting practices compared to the average business (Archerbeaut et al., 2015). In carrying out business activities, churches should follow the same policies and procedures that a local company would follow, such as enforcing efficient internal controls (Messier et al., 2017). Young (2018) suggested churches are susceptible to fraud because employees and volunteers take advantage of their trusting nature and relaxed controls. In a recent study, Saxton et al. (2011) identified a gap in research on fraud prevention and the use of internal controls and believed the public deserves to know churches are being held accountable and are only spending donor funds to fulfill the missions of the church. The specific problem to be addressed is the lack of internal control usage and financial accountability among Baptist churches, within north Georgia, resulting in losses from theft, fraud, and misappropriation of assets.
Purpose Statement

The purpose of this qualitative case study is to add to the body of knowledge concerning the lack of internal control usage and financial accountability in churches, and the effects they have on losses from theft, fraud, and misappropriation of assets. It explored this problem through an in-depth study on the use of internal controls and financial accountability, and their effects on losses, fraud, and misappropriation of assets at Baptist churches in north Georgia.

Nature of the Study

Researchers choose between three methods to conduct research: (1) qualitative, (2) quantitative, and (3) mixed-method (Parry et al., 2014). The attributes of each method, as well as their appropriateness to this research study, are examined below.

First, qualitative research is useful for proving answers to the who, where, and how research questions (Lunde et al., 2013). The main advantage of using qualitative research is the ability to investigate a topic in depth (Cleary et al., 2014). Qualitative research methods are beneficial in defining the meaning people give to situations they experience (Bogdon & Biklen, 2003). Researchers use the qualitative research method to understand people’s lived experiences (Leedy & Ormrod, 2018). This study used the qualitative research method to add to the body of knowledge on internal control usage and financial accountability in churches, and the effects they have on losses from theft, fraud, and misappropriation of assets.

Qualitative research is best suited for a problem that demands to be explored because of the need to understand a complex issue. This complex issue can only be understood by speaking directly with individuals and allowing them to recount their understanding of the issue being researched (Creswell & Poth, 2018). The qualitative research method was appropriate for this study because of the need to interpret church administrators’ perspectives on financial
accountability and internal control usage in their respective churches. Qualitative research methods also enable researchers to investigate experiences, feelings, or thought processes that are tough to research through traditional research methods (Strauss & Corbin, 2014). For this study, the researcher explored Baptist church leaders’ experiences regarding the use of internal controls and financial accountability.

Second, researchers use the quantitative research method to study the relationship between variables that focus on providing answers to questions and hypotheses using experiments and surveys (Hoe & Hoare, 2012). Quantitative techniques give measurements of data through design or statistical analysis (Creswell, 2014). The researcher decided not to use a quantitative method of research because an in-depth view of the opinions of church leaders regarding financial accountability and the use of internal controls was chosen for the study. The quantitative research method was not appropriate in this study because it would not answer the research questions.

Third, the mixed-method research design uses a mixture of qualitative and quantitative methods into an individual study or several related studies (Bishop & Holmes, 2004). Mixed-method is proper when the study can be enhanced by using both quantitative (close-ended) and qualitative (open-ended) modes of data (Taylor, 1982). It is argued that when combing both forms of data, the mixed-method research design provides a more comprehensive understanding of the research problem than either research method design existing alone (Creswell, 2014). The mixed-method research design was not suitable for this study because of the time available and the associated expenses involved in completing the research.
Discussion of Method and Design

Research designs available for use in qualitative research include case study, narrative, ethnography, phenomenology, and grounded theory. The attributes of each research design are examined below, as well as the appropriateness to this research study.

Case Study Design

Researchers use case study design to study an individual, event, or program for a specific period and on a specific problem (Field, 2009). Using a case study design as the research method is appropriate for researchers who need to provide detailed information on a specific problem (Wooten et al., 2003). Researchers will use a case study design to gain a thorough knowledge of the issue at hand. Insights gathered from case studies can have a direct impact on policy, practice, and future research, which was the intent of this study. Yin (2014) observed that one of the most significant sources of proof is the interview method in a case study. The investigator should use open-ended questions in a friendly and non-threatening way to direct the interview process and to gain the required proof that supports case-study outcomes (Prasad, 2015). Using open-ended questions during interviews in this case study research allowed the researcher to increase the understanding of church leaders’ perceptions of financial accountability and the use of internal controls. The case study research design was the most appropriate for this study on standards and procedures Baptist church leaders need to implement to improve financial accountability and internal control usage within their respective churches.

Narrative Design

Narrative research design focuses on the experiences of an individual through stories of life and learning significant to the individual’s experiences. Researchers use the narrative research design to attain an understanding of the conditions of an individual’s experiences.
Research studies fitting for narrative design are those in which the researcher will use the individual’s stories and experiences, then retell the story through a narrative chronology (Creswell & Poth, 2018). The narrative research design was not appropriate because it investigates the life of the individual, which was not relevant to this study (Creswell, 2014).

**Ethnography Design**

Ethnography research design is used in qualitative studies when the researcher desires to interpret the world through the individual’s perspective, culture, and social behavior (Palmer, 2001). Ethnography is useful when the researcher is concentrating on an entire culture or group of people. An ethnography research design was not appropriate for this study because the ethnography approach in qualitative research is designed for anthropology and studying entire cultures (Creswell, 2014).

**Phenomenology Design**

Phenomenology research design is used in qualitative studies when the researcher desires to discover a common theme and meaning among multiple individuals regarding their experiences of a phenomenon (Bernard, 2013). Morse (2015) implied the individual’s recollection and description of the experiences develop the nature of the study. Acquiring an understanding of the phenomenon is done through patterns, theories, or generalizations from the data collected (Creswell & Poth, 2018). This study does not relate the research problem to phenomenological studies, as the focus was on Baptist churches versus an individual’s first-person point of view regarding an experience.

**Grounded Theory Design**

Grounded theory research design is used in qualitative studies by researchers obtaining explanations from many individual interviews about specific processes or actions. Grounded
theory is generally used when the researcher desires to receive an explanation of what is happening (Glaser, 2014). Studies designed in grounded theory allows researchers to conceptualize the hidden social patterns of an area of interest to develop a theory (Creswell, 2016). The researcher in this study did not aim to create a theory, as the accounting stewardship theory already exists. Therefore, grounded theory design was not appropriate for this study. The researcher sought to investigate findings and outcomes across several churches, so the case study design was deemed the most appropriate design for this study.

**Summary of the nature of the study.**

The researcher contemplated other research designs in addition to the case study design and decided a single case study design was the most appropriate for this qualitative research. Anthony and Jack (2009) indicated using the case study research design for research conducted on religious organizations presents fewer problems and is more informative compared to other research designs. By using open-ended questions in interviews, case study design allows individuals to have their voices heard, which made the case study research design preferential in this study (Bennett & Elman, 2007). This study used a single case study design to determine the effects internal control usage and financial accountability have on theft, fraud, and misappropriation of assets.

**Research Questions**

This qualitative research study was designed to answer the following research questions:

**Research Question 1 (RQ 1):** What standards or specific procedures do Baptist church leaders need to implement to improve internal control usage in the church?

**Research Question 2 (RQ 2):** Why do Baptist churches need to improve internal control usage in the church?
Research Question 3 (RQ 3): What standards or specific procedures do Baptist church leaders need to implement to improve financial accountability in the church?

Research Question 4 (RQ 4): Why do Baptist churches need to improve financial accountability in the church?

Research Question 5 (RQ 5): What standards or specific procedures do Baptist church leaders currently use to improve internal controls in the church?

Research Question 6 (RQ 6): Why are the standards or specific procedures currently used in the Baptist church considered as improvements to internal controls?

Research Question 7 (RQ 7): What standards or specific procedures do Baptist church leaders currently use to improve financial accountability in the church?

Research Question 8 (RQ 8): Why are the standards or specific procedures currently used in the Baptist church considered as improvements to financial accountability?

Conceptual Framework

Embezzlement and mismanagement of assets in churches have become a common theme in recent years (Ahiabor & Yaw Mensah, 2008). These despicable acts have raised concerns about the effectiveness of internal controls and financial accountability in churches (Bowrin, 2004). Many industries experience fraud, but there is evidence that churches are more susceptible because of weak or lacking internal control usage (Jurado, 2013). There has been little research conducted on accounting in churches, especially in the areas of internal control usage and financial accountability. Through interviewing, observing, and researching, this study explored church leaders’ perceptions of internal control usage and financial accountability and their effects on theft, fraud, and misappropriation of assets, in Baptist churches throughout north Georgia.
Internal control usage and the differential association theory.

The conceptual framework acts as an anchor for the study by showing the ideas of literature that are the basis of the research (Baxter & Jack, 2008). The primary concepts that support this research are internal control usage, the differential association theory, and financial accountability. According to Lakis and Girlunas (2012), the basic instrument of control usage in an entity is the creation of an effective internal control system. Internal controls act to mitigate the risk of fraud, theft, or misappropriation of assets (Barry, 2013). The concept of internal control usage is just as important to churches as it is to profitable corporations. Inadequate internal controls can inhibit church leaders from carrying out the missions of the church or place those responsible for the financial activities of the church in questionable situations (Duncan & Stocks, 2003).

The control environment of the church sets the foundation for establishing internal controls. Creating an organization that values integrity and ethical behavior is imperative so that effective entity-wide internal controls are established. The tone church leaders set through their actions, policies, and communications can influence a lax or positive internal control environment (Iannacone, 2017). Therefore, all leaders in the church must understand the importance of establishing and maintaining effective internal controls. Griffin (2015) asserted that at a minimum, church leaders participating in the financial activities of the church should learn to analyze and understand financial data, budgets, and financial reports.

The primary goal of the internal control framework is to prevent fraud, or at least reduce the risk for the occurrence of fraud, and to detect fraud if it occurs (Leedy & Ormond, 2018). Kamau (2016) found that internal control activities are organized into three main categories: preventive, detective, and corrective. Preventive controls prohibit errors and fraud from
occurring and include authorization and approval procedures, segregation of duties, and adequate control over access to records (Yee, 2015). Detective controls detect errors or fraud that have occurred. Detective controls include verifications or reconciliations and personnel supervision (Ntongo, 2012). Corrective controls help to identify, reduce, or eliminate the problem that caused the error, omission, or misstatement, and prevent any destructive act from occurring (Aristanti, 2015). When internal controls are in place and properly working, there is a reduction in the potential for theft, fraud, or misappropriation of assets in the church (Labaran, 2018).

The differential association theory.

Donald Cressey, a criminology researcher, developed the differential association theory, and his work added to the development of the fraud triangle, which is used to describe why people commit crimes (Albrecht et al., 2008). The fraud triangle shows that an individual is motivated to engage in fraud when three components come together: (1) perceived pressure, (2) perceived opportunity, and (3) rationalization (Avent & Cashwell, 2015). The fundamental aspect of Cressey’s theory is that individuals who take part in criminal behavior have assembled enough feelings and rationalizations in favor of violating the law that they forgo any pro-social feelings against such criminal activity (Crawley, 2014). Cressey also asserted that criminal behavior is learned and will occur when expected rewards for unlawful behavior outweigh the benefits of lawful behavior. Cressey also stipulated that individuals in trusted positions who commit seminal fraud can rationalize their dishonest actions, and they do not believe their actions are inconsistent with the codes of conduct (Enofe & Armaria, 2011). Often church administrators are paid substandard wages or are not paid at all for their time (Cornell et al., 2012). This can lead to individuals being motivated or pressured to commit seminal fraud because they are underpaid or feel they are not appreciated (Peters, 2015). There must be an
opportunity, such as inadequate internal control usage or lacking financial accountability, for seminal fraud to occur. Anything that contributes to allowing an individual to commit or conceal fraud increases the opportunity for it to occur. This study sought to identify key areas where internal control usage is lacking, or financial accountability is nonexistent, so that policies and procedures can be developed to reduce the opportunity for trusted individuals to commit fraud.

**Financial accountability and financial stewardship.**

Recent high-profile cases of church asset mismanagement have resulted in the need for churches to be more accountable (Laughlin, 1988). The theory of financial accountability results from holding church leaders, employees, and volunteers accountable for conducting a financial activity, such as a key control procedure within a financial transaction process (Hedger & Blick, 2008). A well-designed financial accountability structure serves as the foundation for establishing effective financial processes (Buckhoffer, 2015). Stewardship, an important interrelated concept of financial accountability, includes hiring qualified and honest employees, executing procedures for prosecuting dishonest volunteers and employees, and awarding good job performance (Abdel-Khalik, 2010). Practicing positive stewardship allows church leaders to perform their duties in a more efficient manner (Hiebl, 2015). Church members feel more confident their donations are being used to achieve the missions of the church when church leaders act and practice financial accountability through positive stewardship, such as providing timely and accurate financial reports (Suttington, 2017).

**Discussion of relationships between concepts.**

The sustainability of the church depends on financial accountability through quality stewardship over the financial matters of the church (Griffin, 2015). Developing strong internal control policies and procedures within the church leads to positive stewardship, which reduces
the possibility of theft, fraud, or misappropriation in the assets of the church (Agyel-Mensah, 2016). Churches have large amounts of financial resources entrusted to them, which helps to fulfill the missions of the church. Therefore, having proper internal control procedures in place and holding church leaders, employees, and volunteers accountable is necessary for resources to be attained and used to provide the maximum benefits for members of the church and society (Hauriasi, 2005).

One reason for the occurrence of fraud and misappropriation of assets is because of poor or lacking internal control usage (Ntongo, 2012). Rice et al. (2015) asserted that one way to be stewards over the assets of the church to be financially responsible and have internal controls in place. The most important step in limiting risk is to reduce the circumstances or practices that expose the church to a loss. Suitable and practical controls must be implemented to protect the assets of the church (Rice, et al.). Pavlo (2013) suggested that addressing internal control weaknesses can increase the support from donors of the church.

The focus of the internal control framework includes fraud prevention, providing reliable and timely financial reports, and safeguarding the assets of the church (Minja, 2016). This control activity, if established and working as designed, is a mechanism for establishing financial accountability in the church (Rabrenovic, 2009). Brinkerhoff, Kazbour et al. (2013) supported
this by stating that the higher the level of internal controls, the more accountable are the financial activities of the church.

**Figure 1**

*Relationships Between Concepts*

<table>
<thead>
<tr>
<th>What standards or procedures are currently in use or need to be implemented by Baptist church administrators to improve internal control usage and financial accountability in churches?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Internal Controls</strong></td>
</tr>
<tr>
<td>Verification or Reconciliations</td>
</tr>
<tr>
<td>Adequate Control over Access to Records</td>
</tr>
<tr>
<td>Compliance monitoring and comparison</td>
</tr>
<tr>
<td>Segregation of Duties</td>
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<tr>
<td>Physical Records</td>
</tr>
<tr>
<td>Personnel Supervision</td>
</tr>
<tr>
<td><strong>Financial Accountability</strong></td>
</tr>
<tr>
<td>Awarding Good Performance</td>
</tr>
<tr>
<td>Hiring Qualified and Honest Employees</td>
</tr>
<tr>
<td>Executing Procedures for Prosecuting Dishonest Volunteers and Employees</td>
</tr>
<tr>
<td><strong>Stewardship</strong></td>
</tr>
<tr>
<td>Standards or procedures currently in use or need to be implemented</td>
</tr>
<tr>
<td>Effects on Fraud, Theft and Misappropriation of Assets</td>
</tr>
<tr>
<td>Appropriate internal control standards and procedures in use</td>
</tr>
<tr>
<td>Appropriate internal control standards and procedures not in use</td>
</tr>
<tr>
<td>Strategic Stewardship Not Evident</td>
</tr>
<tr>
<td>Decrease in potential of fraud, theft and misappropriation of assets</td>
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<tr>
<td>Increase in potential of fraud, theft and misappropriation of assets</td>
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<tr>
<td>Decrease in the potential of loss of trust from donors, and Decrease in potential of fraud, theft and misappropriation of assets</td>
</tr>
<tr>
<td>Increase in the potential of loss of trust from donors, and Increase in potential of fraud, theft and misappropriation of assets</td>
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</tbody>
</table>
Wakiriba et al. (2014) suggested that for financial accountability to exist, there must be an effective internal control system in place that requires segregation of duties, physical controls, compliance monitoring, transparency, adequate records, and proper authorization. Aramide and Bashir (2015) felt the process of financial accountability can only be effective through proper internal control usage. Litvacuk (2016) noted that the higher the level of the internal control system, the higher the level of financial accountability. Developing and maintaining internal controls in the church will help ensure accountability (Cuomo, 2005).

**Summary of the conceptual framework.**

Churches collect significant amounts of cash through offerings (Alexander, 2012). In combination with spiritual guidance, pastors should manage the assets of the church entrusted to them (Milligan, 2015). Church leaders should display positive stewardship of the church’s assets for the financial wellbeing of the church by implementing proper internal controls (Peters & April 2014). The success of a church to fulfill its missions relies on church leaders, employees, and volunteers to implement substantial financial controls, and to practice good stewardship (Lockett, 2014). Practicing good stewardship allows church leaders to fulfill their roles positively (Enofe & Amaria, 2011).

**Definition of Terms**

*Accounting:* Practice and body of knowledge concerned essentially with procedures for recording transactions, maintaining financial records, performing audits, reporting and analyzing financial information to management, and advising on tax matters (Zietlow et al., 2007).

*Accounting Controls:* Controls essentially used to safeguard assets and verify the authenticity of the financial statements (Laughlin, 1988).
Church Administrators: The person(s) or member(s) who are responsible for the church and/or business functions of the church. Responsibilities could include pastoring the church, office management, communicating with members, overseeing volunteers, assisting with the financial management of the church, or organizing events. Church administrators include the pastor, financial managers, finance and stewardship committee members, treasurer, or other church officers (Bacher & Cooper-White, 2007).

Financial Accountability: An employee’s responsibility for the accounting policies and procedures implemented to encourage effective record storing, application of annual audits, and distribution of financial information to members. Accountability is desirable because it promotes efficiency (Cuomo, 2005).

Financial Accounting: Procedures for preparing financial reports of an institution for use by internal and external groups (Elson et al., 2007).

Financial Accounting Standards Board (FASB): A non-government group of seven members assisted by a large research staff that is responsible for the setting of accounting standards, rules, and principles for financial reporting by U.S. entities (Copley & Engstrom, 2007).

Fraud: Illegal or criminal pretense used to achieve personal financial gain (Miller & Collins, 2007).

Generally Accepted Accounting Principles (GAAP): Collection of commonly used and allowed accounting rules and procedures for financial reporting of an organization (Zietlow, et al., 2007).
Internal Controls: Policies and procedures used to give reasonable assurance that safeguards are established and properly working to make certain the financial statements are reliable and correct (Edmonds et al., 2006).

Pastor: A minister in charge of a Christian church or congregation (Parry et al., 2014).

Assumptions, Limitations, Delimitations

This section discusses the assumptions, limitations, and delimitations associated with this qualitative case study. Pinpointing these items will assist others in comprehending the association between the study and its results (Creswell, 2016).

Assumptions

Assumptions are unexamined beliefs; what a researcher thinks without realizing it (Malone, 2018). Assumptions in qualitative case study research are concepts that are accepted as true, without verification, by researchers and peers who will read the dissertation (Simon, 2011). In other words, any scholar reading the dissertation will assume certain aspects are valid based on the population, research design, or other assumptions (Anthony & Jack, 2009). Every researcher carries certain assumptions that must be managed or overcome to increase knowledge about topics such as internal control usage in churches, and their effects on fraud, theft, or misappropriations of assets.

Many churches do not know how to develop proper internal controls and promote financial accountability due to a lack of knowledge on the topics (Geer et al., 2008).

Assumptions relevant to this qualitative case study included:

1. Church administrators from North Georgia Baptist churches are credible and responded truthfully and completely to interview questions.
2. Participants have an adequate understanding of the interview questions regarding internal controls, financial accountability, financial stewardship, and fraud in Baptist churches (Bennett & Elman, 2007). Because of time constraints, it was impossible to validate the responses of everyone, so the researcher assumed the respondent answered truthfully (Crouch & McKenzie, 2006).

To justify the second assumption, participants received detailed instructions before the interview to increase comprehension (Creswell, 2016). After receiving these detailed instructions, the researcher assumed the participants have an appropriate understanding of the study and interview process to take part in the research. The accuracy and validity of this research study depended on participants’ truthfulness and complete responses. An extreme effort was given to ensure the terminology used in the interviews was familiar to the participants, but the complete understanding of each word cannot be guaranteed. Since this study intended to research internal control usage, financial accountability, and their effects on fraud, theft, or misappropriation of assets, there is some risk participants might respond in a manner perceived as the correct answer, but not necessarily their honest opinion. To assist in alleviating this assumption, the researcher ensured participants of the protection of their identity and full confidentiality.

Lastly, the assumption was made that interview questions were appropriate for the study. Interviews conducted in qualitative studies allow the researcher to openly explore topics in more depth by allowing participants to discuss their experiences or perceptions. Researchers should develop and test interview questions before conducting the actual interview to ensure questions are appropriate (Vogt, 2007). Testing interview questions allow the researcher to explore the
Frequently, assumptions in research projects are accepted as a necessity to conduct the research, but these assumptions cannot be proven (Baxter & Jack, 2008). Researchers should be upfront about assumptions that influenced the research methods, analyses, and interpretations. Researchers should strive to leave nothing to chance to avert any misunderstandings. All assumptions that have a significant connection to the research problem should be blatantly presented (Denzin & Lincoln, 2011). If readers are informed of the assumptions made by the researcher, they are better prepared to evaluate the conclusions resulting from the assumptions (Emmel, 2013).

**Limitations**

Limitations reflect the weaknesses of a study that are outside the control of the researcher. Limitations normally pertain to sampling, data collection, and analysis, and differ among the research methods (Hiebl, 2015). Qualitative research that collects data through interviews has the potential of limitations and included:

1. Baptist churches throughout north Georgia are representative of the population.

2. The researcher conducted the study in a manner that was free from bias or personal opinions.

3. Limitations in confirmability and replication of research on internal control usage and financial accountability of Baptist churches in north Georgia.

This research study centered around Baptist churches throughout north Georgia and the results were limited to the population. General results of a case study are often unclear because case studies look at the behavior of an individual or group and this behavior
might not be reflective of similar individuals or groups (Yin, 2014). Additional research of the
individuals or groups would need to be completed to verify that the results of one study can be
generalized elsewhere (Turbinal, 2013). This study cannot be used to make conclusions about
other denominations or demographics, nor should the results be used to make conclusions
regarding Baptist churches outside the scope of north Georgia. Listings of Baptist churches
throughout north Georgia identified by the Georgia Baptist Association and Southern Baptist
Convention were used to develop the population of churches to be interviewed.

Qualitative studies produce influential research, but not without limitations. The greatest
limitation in qualitative research is the potential for researcher bias created from preconceived
theories or expectations (Vogt, 2007). Researcher bias is a major limitation in qualitative
research. Researcher bias involves the researcher focusing on data that consciously or
subconsciously supports the researcher’s preconceived expectations (Walker, 2015). Since the
individual researcher designs the type of questions to be asked during an interview, they can
unintentionally influence the answers given. This bias can negatively affect the quality of the
data obtained (Leedy & Ormond, 2018). One way to alleviate this researcher bias is to disclose
it in the research report (Hamilton, 2012). Researchers must avoid using leading questions when
conducting interviews to prevent biased results. Researchers should identify biases and speculate
how these biases may affect the research method chosen, data collection, and interpretation of
the results (Merriam, 2009).

It is always possible that subsequent research can cause conclusions from a prior study to
be questioned or disproved by using a different research methodology or design (Yin, 2014).
Researchers should attempt to follow a standard of confirmability and base their conclusions on
the actual data, as well as describe their data-collection and data-analysis processes in substantial
detail so that other researchers can derive the same conclusions from similar data (Creswell, 2016). However, because qualitative research is so interdependent on the individual researcher, it is exceptionally difficult for other researchers to replicate the study. Therefore, this limits other researchers’ ability to confirm or deny the results of the study (Bernard, 2013). One way to work against this limitation is for researchers to distinguish in their reports repeatable practices and the non-repeatable results that emerged from the qualitative study (Singh, 2014). Good researchers recognize their research will have certain weaknesses or limitations that can cause their results and conclusions to be questioned for validity (Leedy & Ormond, 2018).

Weaknesses related to these limitations must be clearly stated when discussing limitations in the research study (Lockett, 2014).

**Delimitations**

Delimitations are concepts that limit the scope and defines the boundaries of the study and are a result of the scope of the study in terms of who, what, when, or how (Denzin & Lincoln, 2011). Delimitations are in the researcher’s control. Delimitations in this qualitative study included:

1. The decision to focus on internal control usage and financial accountability in the study.

2. Choosing only to study Baptist churches in north Georgia as the geographical location for the study.

The initial delimitation in research studies is the decision of which problem to study. There are multitudes of problems to choose from in completing research that are not chosen by the researcher. To alleviate delimitations in a study, researchers should consider each option carefully and describe in the purpose statement what the decided topic is and what the
The primary sources of data for this research came from church leaders in Baptist churches located in north Georgia through a personal interview, where interview questions were developed strictly for this case study. Many Baptist churches in north Georgia are members of the Georgia Baptist Association or Southern Baptist Convention. The Georgia Baptist Association’s and Southern Baptist Convention’s member listings were used to develop the pool of churches to interview. Generalizing the conclusions from church leaders interviewed were limited, as all interviews were based upon the honesty, completeness, and perceptions of the respondents (Vogt, 2007). However, this was an especially pertinent concern because of the inherent sensitivity surrounding the questioning of internal control, fraud, and theft in churches.

Significance of the Study

This study aimed to determine the effects internal control usage and financial accountability have on the occurrences of losses from theft, fraud, and misappropriation of assets in Baptist churches throughout north Georgia. Suttington (2017) focused on the impact financial literacy and accountability have on implementing effective internal controls and was limited to black Baptist churches in the mid-Atlantic region of the United States. This research expanded Suttington’s study by including an additional investigative element, internal control usage, and the effects on losses from fraud, theft, and misappropriation of assets and included Baptist churches in a different region, north Georgia. In exploring internal control usage and financial accountability, the researcher identified strengths in internal controls that will assist churches in developing effective internal control policies and procedures that can reduce the risk of fraud or theft. According to Jacobs (2004), eradicating internal control weaknesses should enhance the
church’s control over resources, strengthen accountability, improve transparency in financial reporting, and ensure compliance with the church’s stated missions and objectives.

**Reduction of Gaps**

Churches must protect their assets from theft or fraud. According to Kistler (2018), an abundance of literature exists on internal controls, but there is a gap in accounting literature on internal controls in churches. This case study intended to fill the gaps in research on fraud prevention, financial accountability, and the use of internal controls in Baptist churches. Suttington (2017) and Griffin (2015) conducted studies on financial literacy and accountability within black Baptist churches. Other research looked at the relationship between years of experience and church size and the reported use of internal controls (Ranglin, 2014). This research added to the existing literature and expanded the scope of prior research by exploring the effects internal control usage and financial accountability have on losses from theft, fraud, and misappropriation of assets.

**Implications for Biblical Integration**

The earth is the Lord’s and everything in it. The world and all its people belong to him” *(New Living Translation, 1988/2015, Psalm 24)*. Church leaders who are responsible for the finances must act as stewards of the resources entrusted to the church and should make wise decisions in how these resources are used so that God is glorified through the work of the church. Having proper internal controls in place is one way to ensure God’s resources are being used appropriately. God instructs believers to “stay away from every kind of evil” *(New Living Translation, 1 Thessalonians 5:22)*. Implementing the proper internal controls and practicing financial accountability and stewardship brings trust rather than distrust to the church and the management of its resources. “For the love of money is the root of all kinds of evil. And some
people, craving money, have wandered from the true faith and pierced themselves with many sorrows” (*New Living Translation*, 1 Timothy 6:10). Increases in cases of church fraud have created the necessity for having internal controls in place to deter the temptation of theft. God also commands Christians to “Work willingly at whatever you do, as though you were working for the Lord rather than for people. Remember that the Lord will give you an inheritance as your reward and that the Master you are serving is Christ (*New Living Translation*, Colossians 3:23-24). These instructions corroborate the need for internal controls and financial accountability in the church. Internal controls protect the financial resources of the church and will reduce the opportunity for fraud. If internal controls are not in place, church leaders, employees, and volunteers should follow God’s instructions, “If you are a thief, quit stealing. Instead, use your hands for good hard work, and then give generously to others in need” (*New Living Translation*, Ephesians 4:28).

**Relationship to Field of Study**

The author of this case study spent five years working as an auditor for The Georgia Department of Audits from 2014 until 2019. During that time, the author tested the effectiveness of internal controls in local school boards and universities in north Georgia. The author found that if internal controls were not present, there was an increase in the potential for fraudulent activity to occur. Tailored to eliminate the ability of one individual to both commit and conceal the fraud, implemented internal controls are effective. The church where a friend of the author attends had a change in church leadership, and discrepancies were discovered regarding the finances of the church. The author’s interests were piqued regarding internal controls and fraud in churches as a result of these discrepancies.
Having served on the finance committee at church, the author knew most funding in churches comes from donations made by its members, and these donors deserve to know their money is being used wisely and appropriately to carry out the missions of the church. As a Christian and accountant, the author intends for this research to provide beneficial guidance on internal control usage and financial accountability to reduce the possibility of theft or fraud in churches. Churches will benefit from the knowledge gained in this research as they can use the information to build on the strengths and minimize the weaknesses in their internal control systems. A church’s inability to provide accurate financial reports to donors can cause ineffective operations and the misuse of funds (Griffin, 2015). As experts in their field, accountants can assist church leaders in improving the overall financial responsibilities of the church and can offer services to help churches accomplish their objectives. However, many churches do not use accountants, nor do they have qualified leaders, employees, or volunteers performing the financial operations of the church (Enofe & Amaria, 2011).

**Summary of the significance of the study.**

This doctoral dissertation ascertained the effects internal control usage and financial accountability have on losses from theft, fraud, and misappropriation of assets in Baptist churches throughout north Georgia. Identifying and removing internal control weaknesses will reduce the possibility of theft, fraud, and misappropriation of assets in churches, which will allow churches to best fulfill their missions. Results from this doctoral dissertation provided churches with internal control strengths that can be implemented as well as weaknesses that should be eliminated. To continue receiving funding from its donors to fulfill the missions of the church, leaders must be accountable as financial stewards of the church’s resources and have properly working internal control policies in place.
A Review of the Professional and Academic Literature

Despite the assumption that churches should exemplify the highest moral behavior, the reality is that church leaders, employees, and volunteers do steal from their churches (Busby, 2005). Griffin (2015) contended many churches do not have adequate accounting policies and procedures in place to protect the assets of the organization. Kinney (2000) indicated that knowledge regarding internal control usage is extremely important yet is relatively uninvestigated by researchers. Also, an effective internal control process is essential for managing the church and to protect their assets. It was the goal of the researcher to reduce this gap through this literature review and in this qualitative study focusing on Baptist churches located throughout north Georgia.

This literature review focused on three elements to support the overall conceptual framework: internal control usage, the differential association theory, and financial accountability. Each of these main elements and their relationship to the problem statement was examined. Supporting the discussion on internal control usage is the composition of information on proper internal control procedures, detective, preventative, and corrective internal controls, as well as the internal control environment. Also included in the discussion on internal control usage is an examination of the relationship between a lack of internal control usage and the occurrence of fraud; vulnerabilities of the church increasing the risk of fraud, such as the trusting nature of churches, reluctance to prosecute, lack of segregation of duties, lack of qualified employees and volunteers, lack of annual audits, and collection of cash; fraud manifestation in the church environment, including embezzlement, skimming out of the offering plate, check tampering, and missing assets; exposing recent cases of fraud in Baptist churches; red flags indicating fraud could be occurring, for instance, a lack in vacation taken will be reviewed along
with consequences of fraud. The differential association theory is presented with a collaborative
discussion on the fraud triangle and its three elements: pressure, opportunity, and rationalization.
Lastly, financial accountability is discussed alongside financial stewardship and sustainability.

**Internal Control Usage**

The occurrence of fraud and internal control usage are interwoven (Hayes, 2006). Fraud
can include embezzlement, theft, and misappropriation of assets (Ebhodaghe, 2017). When
internal controls are nonexistent, the chance of fraud occurring increases. Research persistently
demonstrates that implementing effective internal controls can decrease the possibility of fraud
occurring (ACFE, 2020). Internal controls are primarily focused on safeguarding assets and
assuring financial statements are reliable (Shelton & Whittington, 2008). In churches, internal
controls are critical because revenue is obtained from church members’ donations. Cornell et al.
(2012) concluded that larger churches normally had greater internal controls and that
Presbyterian and Methodist denominations have better internal controls than Baptists. The
Committee of Sponsoring Organizations of the Treadway Commission (COSO, 1985), originally
organized in 1985 to sponsor the National Committee of Fraudulent Financial Reporting, is a
voluntary private-sector organization devoted to improving the quality of financial reporting
through business ethics, effective internal controls, and corporate governance. COSO has been
researching internal control usage and risk management for more than 20 years. During this
period, the committee has reached two conclusions: good internal control usage is an integral
part of a successful organization, and all organizations can achieve effective internal control
usage (Rittenberg, 2006). Implementing strong internal controls is necessary to reduce the risk
of fraud.
The primary purpose of internal control usage is to safeguard the assets of the church. The assets of a church may be tangible, such as cash or buildings, or less tangible, for example, respect and trust from the community. Internal controls help the church to develop policies and procedures that act as the first line of defense in safeguarding assets, preventing and detecting errors, fraud, abuse, and misappropriation of assets (Steinhoff, 2005). Another reason for internal control usage is to protect employees and volunteers. Internal controls protect employees from making errors and remove any temptations to mismanage church assets (Crawley, 2014). Churches should develop internal controls to prevent employees or volunteers from being tempted to steal or prevent the individual from participating in suspicious or questionable activities (Jurado, 2013). Internal controls provide the necessary means for churches to safeguard the assets of the organization. Internal control principles suggest that there is a direct relationship between a positive organizational structure and strong internal controls, and a negative organizational structure and poor internal controls. Internal controls are one of the most important elements in reducing the risk of fraud (Tysaic, 2012).

Having adequate internal controls in place assures donors that the church is a trustworthy steward of their contributions. Churches should attain a level of trust that extends beyond their members into the community in which the church operates. “Stay away from every kind of evil” (New Living Translation, 1988/2015, 1 Thessalonians 5:22). Churches should ensure that their financial management brings glory to God rather than dishonor, and proper use of internal controls can help churches to foster this trust.

Ranglin (2014) researched the relationship between church administrator experience and church size to financial reporting and internal controls. Ranglin discovered there was a notable relationship between years of experience of the church leader and church size to the reported use
Running Head: INTERNAL CONTROL USAGE AND FINANCIAL ACCOUNTABILITY

of internal controls. Ranglin also found that the assets of smaller churches are more susceptible to fraud because internal controls are lacking in smaller and medium-sized churches. Gagliardi (2014) affirmed internal controls should be in place in all organizations, regardless of size, and are useful in preventing fraud, as well as detecting it. This literature review discusses the implications of church size on internal control usage in churches. Internal controls are necessary to reduce the possibility of errors and fraud. It is not possible to eliminate fraud from occurring, however, implementing significant internal controls can assist in preventing a large percentage of fraud that occurs in churches (Fowler, 2017).

Suttington (2017) examined the relationship between the lack of financial literacy and the accountability of church leaders in black Baptist churches. Suttington stated that prior research found black church leaders had limited skills, education, and experience in carrying out the financial duties of the church, and inefficient financial policies and procedures led to fraudulent activities or misappropriation of church funds. Suttington revealed different results demonstrating church leaders were positive stewards and were properly trained to manage the church’s assets. This literature review examined the relationship between church leaders, employees, and volunteers’ knowledge and training on internal controls, and their effects on internal control usage in churches.

West and Zech (2009) studied fraudulent activity in Catholic churches and determined that implementing effective internal controls reduced the occurrence of fraud. Mason (2015) compared internal controls with the detection of embezzlement in Catholic churches and found that those with written fraud policies in place encountered less fraud than those with no written fraud policies in place. Churches, like corporations, should have proper internal controls in place
over the operations of the church’s assets, and implementation of these internal controls should not be avoided simply because of their secular nature (Peters, 2015).

Church leaders institute internal controls by developing policies and procedures devised to give reasonable assurance for achieving the missions of the church. Hendrickson (2016) opined that church leaders should emphasize the importance of internal controls and that all churches should have a written set of internal control policies in place to distribute to new leaders, employees, and volunteers so it is known what is required to maintain the trust of church members. Training church leaders, employees, and volunteers in the usage of internal controls and related risk factors can help strengthen the church’s internal control structure. Training does not guarantee fraud will not occur, but it boosts financial accountability. Churches have limited resources which often prevents the training of leaders, employees, and volunteers, making churches more susceptible to fraudulent activities. McNeal (2006) indicated that allowing untrained and unqualified leaders, employees, and volunteers in a church to perform financial duties, subjects the church to an increased risk in the possibility of fraud occurring.

**Proper Internal Control Procedures**

A.G. Financial Solutions (2015), an insurance company that provides insurance to churches, recommends implementing the following internal controls to reduce a church’s risk for fraud occurring:

* Check signers should not be the same person authorizing the expense.

* Require two individuals to sign checks that are more than a specified amount.

* All disbursements should be made by pre-numbered checks and must be reconciled weekly.
Bank reconciliations should be performed by employees not authorized to sign checks or make deposits. Reconciliations should be performed monthly.

Every check should have supporting documentation attached before approved and signed.

Check requests should be stamped “paid” with the date and check number and filed with the check copy and supporting documentation.

Implement and regulate a credit card policy and purchase approval process.

Require employees involved in managing the finances of the church to take at least a one-week vacation each year and have another individual perform their duties during that week.

Require at least two cash counters every service and have each complete a “cash count” sheet. Have each counter verify and sign one another’s form. Reconcile cash count sheets to the deposit made and trace the deposit to the bank statement when performing the monthly reconciliation.

Instantly stamp checks as “For Deposit Only.”

Deposit collections as soon as possible.

Confirm the existence of employees being paid on the payroll run, as well as the reasonableness of gross and net pay, payroll tax deductions and remittance, and verify sick and annual leave taken.

Complete background checks and verify references on new employees and volunteers.

The above-mentioned internal controls are intended to help churches ensure proper financial stewardship over the assets of the church. Most of the internal control procedures
recommended by AG Financial Solutions (2015) can be implemented easily and at a minimum cost to the church. The complexity of these recommended internal controls will vary depending on church size and location (Myers, 2012). However, Kapp and Heslop (2011) denoted that internal controls can provide a strategy that churches can implement to prevent and detect fraud even when they have a limited number of employees.

**The Internal Control Environment**

The internal control environment is an important component in properly maintaining internal controls. A strong control environment exists when everyone in the church is aware of the existing internal control policies as well as the penalty for not following the internal control policies. The control environment, or “tone at the top” allows employees or volunteers to know that all financial transactions may be reviewed, and the intent is to deter any violations of the internal control policies and procedures. Having a strong internal control environment promotes visibility among all staff and volunteers so that they recognize there are internal control policies in place and violators will be prosecuted (Chu, 2012).

**Detective, Preventative, and Corrective Internal Controls.**

Internal controls can be detective, preventative, or corrective. Internal control principles recognize some control procedures can prevent fraud from occurring and other procedures will only detect the occurrence of fraud or corruption. Preventative controls inhibit errors from transpiring. Detective controls discover errors that have already taken place (Etuk-Ikiof, 2011). Preventative controls should be enhanced with detective controls to provide a more complete internal control system. A loss due to fraud cannot always be prevented, therefore, detective controls are designed to discover the fraudulent activity so the extent of the loss can be
minimized, and correcting controls can be implemented to prevent the repetition of the fraudulent activity (Wallace, 2014).

**Detective Internal Controls.**

Detective internal controls are designed to find fraud after it has already occurred. Detective internal controls confirm that a loss from theft or fraud has transpired but does not prevent a loss from theft or fraud from arising (Lachney, 2018). Once the fraudulent acts have been discovered, church administrators can develop policies and procedures to prevent fraud from occurring again. Detection is needed, but preventative internal controls are more desirable. However, detective internal controls and preventative internal controls work together to avert losses from fraudulent activity (Wise, 2013). Examples of detective internal controls include reviews, reconciliations, physical inventories of assets, and audits.

**Monthly Reconciliation of Accounts**

Monthly reconciliations of accounts, such as bank statement reconciliations, will assist in keeping employees and volunteers honest because these reconciliations will expose unauthorized or unusual transactions. The cash account can be verified through bank statement reconciliations. The bank statement reconciliation ensures that deposits and disbursements are properly accounted for (Hamilton, 2012). Bank reconciliations should be performed by an employee higher than the one performing the daily transactions. For example, someone not involved in the daily transactions of the church and with a background in accounting or finance would be the ideal candidate to complete the monthly bank reconciliations (Perols, 2010). Bank reconciliations assist in preventing errors or fraud by allowing churches to identify any large or unusual transactions. Monthly bank reconciliations are an important control procedure for all
churches, and financial statements should not be presented to church members until all bank accounts have been reconciled.

**Preventative Internal Controls.**

Preventative internal controls are put in place to keep errors or irregularities from occurring by instituting policies and procedures (Hedger & Blick, 2008). Preventative internal controls include segregation of duties, proper authorization and approval, adequate documentation, physical control over assets, background checks, and continuous training of employees and volunteers. Implementing internal controls such as segregation of duties, authorization, and physical controls/custody is significant in fraud prevention (Adetiloye et al., 2016).

**Segregation of Duties**

Segregation of duties, requiring more than one person to complete a task, is a necessary internal control activity of central importance and is a vital part of the internal control process (Hallowell, 2014). Proper segregation of duties insists on three key elements to always be kept separate: authorization, recording, and custody (Messier et al., 2017). Fraudulent activities have a greater risk of occurring if only one person is responsible for these three key accounting activities (Maguire, 2014). For example, if a church secretary solely maintains the church checkbook, the cash account records, the general ledger, counts and deposits the collections, segregation of duties is lacking, and this secretary has the potential to embezzle church funds and cover up the fraudulent activity. One person should not be responsible for each aspect of a transaction from start to finish. When the church has poor segregation of duties, all other internal controls are ineffective (Muthuru, 2016).
Segregation of duties is an internal control that should be implemented in all churches no matter their size. Churches with a minimal number of leaders, employees, or volunteers may have trouble implementing segregation of duties, but mitigating controls should be established to decrease the opportunity for errors or fraudulent transactions to occur. One way to mitigate the risk is to rotate the duties of authorizing, maintaining custody and record keeping between available leaders, employees, and volunteers and should be used even if the church only has two individuals available because regular rotations allow individuals to check one another’s work (Perols, 2010). Another mitigating control that can be implemented is to add comparison monitoring to the internal control procedures in place regarding reviewing cash receipts. For example, the pastor could be asked to perform this mitigating control by comparing the cash receipt records to the actual bank deposit records.

**Authorization and Approval**

According to Perols (2014), proper internal controls for authorization must be in place for the control to be acceptable. Evidence of authorization and approval must be available to adequately authorize payment, such as requiring supervisory review and approval of expenditures before disbursement. Before church funds being spent, all expenditures should be authorized by the appropriate church leader, and approvals must be given before transactions are paid. No expenditure should be processed without proper authorization and approval. Proper authorization and approvals prohibit cash disbursements that are not appropriate, so the missions of the church are achieved. Those with approving authority should not be allowed to record transactions or reconcile the bank statement.
Physical Controls Over Assets

Peters and April (2014) indicated a key element of financial stewardship and internal controls is the physical safekeeping of a church’s assets, whether received through outside donations or church member offerings. Churches should implement solid physical controls in the church, such as lockup procedures and security codes to ensure assets are being kept safe. Also, the church should keep an inventory listing of all physical assets, such as laptops and printers, and conduct an inventory of these items at least annually.

Physical controls are one of the most important internal controls, but are often disregarded by churches (Bacher & Cooper, 2018). Titles, deeds, or records require secure fireproof storage, with the most important documents being held in a safe deposit box. Other physical assets such as the church’s checkbook and keys to church buildings should also be controlled to protect the church and its members. Buildings should be safeguarded by an insurance policy, and all church buildings should be locked when not in use (Busby, 2005). Vehicles or equipment belonging to the church should also have insurance policies and need to be kept behind a fenced-in-area or at least remain locked if a fenced-in area is not available.

Background Checks

According to Lauder (2011), fraud prevention begins before a church leader, employee, or volunteer starts working for the church. One internal control that can be implemented is to conduct in-depth background checks on potential new leaders, employees, or volunteers, who will be responsible for the finances of the church. It is also a good policy to conduct a credit check on personnel to potentially determine those who might be experiencing financial pressures that would lead the individual to commit fraud (Watson, 2019). Rixon et al. (2014) further recommended that additional reference checks and recurrent background and credit checks be
conducted throughout the year for those who participate in higher levels of financial responsibility within the church. Parham et al. (2010) asserted that most criminals who commit fraud are repeat offenders and eighty percent of fraud in churches could be averted by performing background checks. However, the ACFE (2020) reported contradictory conclusions, stating only four percent of fraudsters had a prior conviction. The results from the ACFE suggest that background checks provide limited protection to detect fraud. The conclusions from the ACFE study bring into question whether the four percent was so low because they had never committed a prior fraudulent act or if they were just never reported to authorities and convicted of prior offenses. This would be difficult to determine, which demonstrates the importance of the church being willing to prosecute those caught committing in misconduct.

**Corrective Internal Controls.**

Corrective internal controls are put in place to correct errors found by detective internal controls (Aramide & Bashir, 2015). Examples of corrective internal controls include backups to restore lost data in case of fire or flood, insurance to replace stolen or damaged assets, system redesign, follow-ups, and executing corrective actions (code of conduct), and punishments to those caught in misconduct (Bowrin, 2004).

**Code of Conduct**

Companies that incorporate a code of conduct decreases the occurrence of fraud by fifty percent (ACFE, 2020). The ACFE suggested that the code of conduct should incorporate all church leaders, employees, and volunteers and needs to specify what behavior is allowed and what is not allowed. The code of conduct should also layout the repercussions for misconduct (Gagliardi, 2014). Training on the code of conduct should be done when an individual is hired, and continual training should be coordinated throughout the year.
Relationship Between a Lack of Internal Control Usage and the Occurrence of Fraud.

Avent and Cashwell (2015) indicated internal controls should protect assets, promote good stewardship and kingdom advancement. A church’s internal controls should be continually reviewed for effectiveness and employee compliance. Many churches have received criticism over situations that occurred because of weak internal controls. Churches must ensure ongoing due diligence in internal controls and financial accountability to promote sustainability. The literature shows that most churches lack adequate internal controls to prevent fraud, and they do not address red flags to reduce the chances of the occurrence of fraud. Also, the results of this literature review indicate that churches have unique weaknesses that make them more susceptible to fraud. Churches may also be lacking in the number of employees or volunteers necessary to implement effective internal controls, specifically segregation of duties.

The literature reviewed on the topic of fraud in churches indicated a lack of internal control usage, exposing churches to increases in the occurrence of fraud, theft, and misappropriation of assets (Albrecht et al., 2008). Church fraud increases more than six percent a year, and it is estimated to hit $80 billion by the year 2025 (Hess, 2006). The potential for church fraud increases when internal controls are not in place or are ineffectively working. Churches are known to have poor internal controls and for being reluctant to implement sound business practices, which provides a greater opportunity for embezzlement (Seat, 2015). Snyder and Clifton (2005) noted weaknesses in internal controls within churches and that church leaders have limited knowledge of financial accountability and internal controls. Egging (2015) found the lack of internal control usage in churches increase the occurrence of fraud, and that effective internal control usage improved the accountability and sustainability of the church. Internal control vulnerabilities in the church increase the risk of fraud. Some of these vulnerabilities
include the trusting nature of churches, reluctance to prosecute, lack in segregation of duties, lack of qualified employees and volunteers, lack of annual audit, and collections of cash.

**Vulnerabilities of the Church Increasing the Risk of Fraud.**

**Trusting Nature of Churches**

Prior research on internal control usage in churches found that church members trust their pastors to manage the financial affairs of the church. Ventura and Daniel (2010) reported that even though the occurrence of church fraud is increasing, this does not deter member confidence in their pastor. Also, church pastors consistently trust their employees and volunteers to manage the daily financial activities of the church. Duncan and Stocks (2003) found that pastors understand internal control principles, but trust their employees and volunteers, and refuse to apply internal control procedures in their church. In most situations, the church leader or board does not want to question the actions of those volunteering in the church, therefore, improper transactions are not caught until it is too late. Fraud can have detrimental implications for a church and should not go undetected. Most church members prefer not to think about fraud, especially fraud occurring within their church (Kramer, 2015). The trusting nature of churches can make them more susceptible to fraud because their missions involve doing good for the less fortunate (Alexander, 2012). According to Brotherhood Mutual Insurance Company (2015), the individual most trusted in the church is normally the one who commits fraud. Due to the trusting relationships formed between church members and leadership, members often are blinded to the fact that fraud can occur in their church (Peters, 2015). To rely solely on trust in employees and volunteers can have serious implications (Busby, 2005). Fleckenstein and Bowers (2000) concluded that churches disregard internal controls because they value mercy and trust.
Churches are more susceptible to fraud because of their trusting nature and fraudsters target churches because they do not think they will get caught or prosecuted if caught (Giovino, 2014).

**Reluctance to Prosecute**

Even when churches realize fraud has occurred, there is resistance to prosecute (Steinhoff, 2005). About eighty percent of all cases of church fraud do not get reported (Chu, 2012). Because churches are opposed to accusing individuals of wrongdoing and believe they should convey compassion to those experiencing a difficult situation, churches are reluctant to prosecute. According to Smith (2015), church members believe it is against their religious beliefs to accuse and prosecute a person for misconduct. Even though compassion and forgiveness are an integral part of the belief system in the church, it is important to recognize the negative impact fraud can have on the church. When a beloved church leader, employee, or volunteer uses their position of trust to take advantage of the church and break the law, churches should acknowledge the severity of the situation and carefully consider their decision of whether to prosecute or not (Hallowell, 2016). Churches should also recognize that disciplining or prosecuting an employee guilty of fraud is more effective in reducing the possibility of this employee stealing from their next employer (Ekoma, 2015).

Churches are often reluctant to prosecute because by announcing that fraud has taken place, it exemplifies that the current policies and procedures are inefficient or that church leaders are not properly monitoring the financial activities in the church (McNeal, 2006). Also, churches do not want to risk losing monetary contributions from donors because of the financial misconduct occurring in the church. However, in today’s digital society with social media and immediate access to news, it would be nearly impossible to cover up or hide the news of fraudulent activity in a church. Therefore, church leaders should take into consideration that not
making the announcement public could do greater harm to donor relations than if they were honest and forthcoming (Dimos, 2016).

**Lack of Segregation of Duties**

A lack of segregation of duties is the most common internal control weakness reported by auditors (Goldstein, 2018). A lack of segregation of duties normally indicates that the church is relying on one individual to solely handle the financial responsibilities of the church (Murphy, 2015). Many churches do not understand the concept of internal controls, especially the importance of segregation of duties (Pavlo, 2010). Another cause for a lack of segregation of duties is that, in many churches, members trust those who are responsible for the financial activities of the church. This can result in situations where fraud can occur because the finances of the churches are being conducted by a single individual with very little oversight or regulation (Cornell et al., 2012). Agyei-Mensah (2016) investigated small businesses that had weaknesses in internal controls. It was concluded that three hundred fifty-eight out of seven hundred small businesses revealed a lack in segregation of duties as a weakness. As is the case with many churches, a lack of personnel was recognized as the major reason for this weakness. A lack of segregation of duties is one of the greatest internal control weaknesses that results in an opportunity for thieves to steal money from churches (Wooten et al., 2003).

**Lack of Qualified Employees and Volunteers**

In most churches, funds are not budgeted or there are no available employees or volunteers with the appropriate expertise to properly perform the financial activities of the church (Kummer et al., 2015). Due to the small, inexperienced staff, these churches do not have the appropriate accounting policies and procedures in place, which can lead to the misappropriation of assets (Ruhl & Smith, 2012). Employing church leaders with experience in
accounting or finance can greatly reduce the possibility of the occurrence of fraud (Egging, 2015). Failing to properly train church leaders, employees, or volunteers can lead to financial errors that have the potential of resulting in the occurrence of fraud (Andon et al., 2015). Most Baptist churches have a secretary to perform the daily financial operations of the church. However, most Baptist church secretaries are not professional accountants, which makes the church more susceptible to fraud (Foohey, 2014). If possible, the church should have a finance committee consisting of members who have a background in accounting or finance. The finance committee should review the financial statements of the church monthly and question any unusual activity (Goldstein, 2018). Small churches normally do not have an active board of directors, or if a board is in place, there is a low chance its members have the appropriate background in accounting or finance to properly preside over the financial matters of the church (Snyder & Clifton, 2005). In most cases, the board of directors or finance committee is strictly volunteer and its members have additional commitments, such as full-time jobs and family responsibilities, which prevent them from investing the appropriate amount of time and effort to confirm internal controls are in place and properly working (Peters & April, 2014). Church leaders have a fiduciary responsibility to church members to ensure donations are properly used to achieve the missions of the church (Hallowell, 2016).

**Lack of Annual Audit**

Churches that do not have an annual audit performed tend to be more vulnerable to the occurrence of fraud (Aristani, 2015). According to Kulikova and Satdarova (2016), denomination and church size influenced the occurrence of an annual audit. Denominations that were required to report to a centralized authority, such as the Catholic Church, operate with greater independence and were less apt to have an annual audit by an independent certified
public accounting firm. Wooten et al. (2003) found that larger churches had more available resources and better internal controls and were more likely to be audited by an independent certified public accounting firm than a smaller church. However, it is difficult to say whether an audit improves internal controls in larger churches over smaller churches because of their advanced status due to better internal controls and increased resources. On the other hand, Kulikova and Satdarova concluded that there was a definite relationship between recurrent audits and the reduction of fraud, and surmised the occurrence of annual audits is more successful in deterring fraud than recognizing it.

Cash Collections

Churches usually receive donations in the form of checks or cash. Cash donations may also be obtained from other events, such as fundraisers. These cash donations, especially if not protected by internal controls, are easily stolen (Chu, 2012). Cash is enticing to thieves because it is readily available and can be used immediately (Wise, 2013). The fact that churches handle large amounts of cash makes them more susceptible to fraud (Snyder & Clifton, 2005). Internal control procedures are critical over cash as it is received, and as it is handled, stored, and deposited. For a church, this is a primary concern when counting offerings. All donations received should be counted by at least two or more individuals, and deposits should be immediately made in the bank or bank night deposit box.

Fraud Manifestation in the Church Environment.

Fraud is the conscious deception against a person or entity for personal gain. When the circumstances are right, fraud can occur in any entity. Church leaders, employees, or volunteers who have absolute knowledge and access to the accounting procedures and internal control environment of the organization are more capable of committing fraud without being exposed
because the perpetrator can exploit the system (Ahiabor & Yaw Mensah, 2013). Ethridge (2015) emphasized that any individual has the capability of committing fraud in an organization. Many different categories of fraud exist, but churches normally fall victim to embezzlement, skimming out of the offering plate, check tampering, or missing assets (Busby, 2005).

**Embezzlement**

Embezzlement is the unlawful taking of assets, entrusted to an individual for safekeeping; it is an act of deception and betrayal (Peters, 2015). Embezzlement is a prevailing incident in churches because of poor internal controls (Hess, 2006). Many church leaders or employees who are caught embezzling money from the church maintain they planned on paying the money back and were just borrowing from the church. The intent to pay the money back does not condone or forgive the individual for fraudulent misconduct. In 2017, Lifeway Research surveyed 1,000 Protestant senior pastors, asking about embezzlement in their churches. According to the results of the survey, one in ten pastors reported they had someone in their church embezzle money (Simelane, 2017). The study also found that sixteen percent of Church of Christ members had church funds embezzled, compared to seven percent of Baptist pastors. Lifeway’s research concluded that churches with less than 250 members are less likely to report the influence of fraud (six percent), compared to churches with more than 250 members (twelve percent). Because of the potential of embezzlement, churches must implement the proper internal controls over cash and be willing to prosecute individuals caught embezzling funds.

If a church does not have the proper internal controls in place, it can fall victim to skimming fraud. Skimming fraud results from an individual taking money from the church, normally from the collection plate before it is deposited into the church’s bank account (Jackson, 2008). Skimming is one of the most recurring incidents of theft in churches, but it is difficult to
expose. According to the ACFE (2020), skimming transpired in seventeen percent of reported cases of fraud against churches and had been happening on an average of 18 months before being detected. Internal controls over cash receipts and donations are imperative to protect against skimming. The use of donation envelopes as well as distributing contribution reports to members for confirmation are recommended to minimize the possibility of skimming transpiring.

Check tampering fraud occurs when a trusted individual steals money from the church by forging or altering a check written from the church’s bank account (Dimos, 2016). In a study conducted by Marquet (2011), check tampering was the most common type of fraud reported by churches, and check tampering schemes lasted approximately 26 months before being discovered. Proper internal controls over cash disbursements, such as enforcing a policy to prevent church employees with check signing authority from signing blank checks, securing blank checks in a locked storage bin, reconciling remaining blank checks to the check log, and requiring supporting documentation, prior authorization, and approval by administrators before signing checks for purchases should be in place to reduce the possibility of check tampering (Kramer, 2015).

Capital assets, such as the church building, audio and video equipment, computers, and vehicles make up a significant portion of the church’s budget (Rittenberg, 2016). Because of the resale ability of these assets, theft is a significant problem. Church buildings are often left unlocked for member access to meetings, rehearsals, or prayer, therefore, protecting the assets is burdensome for the church (Dimos, 2016). According to the ACFE (2020), asset theft occurred in twenty-two percent of all reported church fraud cases and resulted in an average loss of $90,000.00. Churches should designate an individual to manage the church’s capital asset listing, which will hinder capital asset theft. The capital asset listing should include all assets
over a certain capitalization threshold amount, such as $500.00. When assets are purchased or disposed of, the capital asset manager should update the capital asset listing. Capital asset tags should be placed on all assets that are included on the capital asset listing, and a physical inventory count should be performed at least once a year (Giovino, 2014).

Exposing Recent Cases of Fraud in Georgia Baptist Churches

Most fraudsters in churches are long-time employees of the church. Squires (2010) showed that the increase in reported cases of financial fraud and theft in religious organizations indicates the need for effective internal controls and financial accountability in churches. The following examples are just a few of the articles that are found when searching recent cases of church fraud in Georgia Baptist churches. These examples demonstrate a serious problem: churches are not immune to fraud. The general trust in Baptist churches is at risk because of the increase in recent cases of church fraud (Cornell et al., 2014). Roy McClendon-Thompson, CFO at Tabernacle Baptist Church in Atlanta, Georgia, was charged with embezzling over $100,000.00 from the church in 2019. Mr. McClendon-Thompson’s case never went to trial because he was killed in a police chase after McClendon-Thompson shot and killed his alleged lover (Walker & Stevens, 2019).

In October 2019, MaryAnn Lee, church secretary at Central Baptist in Gainesville, Georgia, was charged with felony theft by taking for stealing $44,213.00 from the church over four years, beginning January 2015. Mike Taylor, the pastor of Central Baptist Church, stated church leaders uncovered irregularities in the accounting records during a regular financial review and hired a Certified Fraud Examiner to execute a formal investigation (Watson, 2019). This case was still under investigation at the time this literature review was written.
In July 2019, Riley Brown, a former pastor at Broadmoor Baptist Church in Madison, Georgia, was indicted on 14 counts of embezzlement, totaling more than $330,000.00. The alleged theft was uncovered by the church in 2017 and Brown was fired. The church declined to press charges against Brown, but local prosecutors turned the evidence over to a grand jury. The grand jury then administered the indictment. The indictments claim Brown utilized church funds to pay the mortgage he had on a house in Macon, Georgia. Prosecutors contend Brown signed checks written from the church’s bank account to the bank holding the mortgage on the Macon home, wrote cashier’s checks from the church’s account and deposited the money into his account, and transferred church funds to a prepaid debit card that did not belong to the church. It is important to note that Brown had check-signing authority over the church’s bank account (Fowler, 2017).

Megill Brown, former pastor of the Second African Baptist Church and Chaplain for the Savannah-Chatham Police Department, was sentenced to 28 months in prison after being convicted of stealing more than $250,000.00 from church members over more than a decade. Brown deposited the stolen money into a secret bank account under the name “Romans 12 Ministries,” and used the funds to buy lingerie and other retail items. Brown was ordered to pay back his former church more than $178,000.00 (Curl, 2016).

Alana Vines worked as a bookkeeper at her church in Peachtree City, Georgia. Ms. Vines was first hired as a temporary employee in March 2013 and began working as a full-time employee in August 2013. In her position as a bookkeeper, Ms. Vines was permitted to write checks, pay bills, make electronic bank transfers, complete entries in the church’s accounting software, and prepare financial statements. In 2017, the church hired an auditor to review its financial records, and it was discovered that Ms. Vines had written almost $400,000.00 in checks
to herself and her affiliated businesses without approval or authorization by the church. It was also found that Ms. Vines forged the treasurer’s signature or signed the checks herself and fraudulently recorded the checks in the church’s accounting software as being paid to legitimate vendors. It was further recognized that many of the checks Ms. Vines had written to herself were not recorded at all, and the church’s cash balance on the financial statements was overstated. In addition to the check theft, Ms. Vines fraudulently purchased personal items online and paid for it with money from the church’s checking account. In April 2018, Ms. Vines was sentenced to two years in prison, three additional years of supervised release, and ordered to pay restitution of $420,620.07 (United States Department of Justice [DOJ], 2018).

**Red Flags Indicating Fraud Could Be Occurring**

Warning signs known as red flags do not always mean fraud has occurred but indicate something is not right and should be investigated (Irvine, 2005). Investigating red flags is useful in detecting fraud that is occurring, and by investigating these red flags, churches can recognize fraud sooner and possibly reduce the impact of the loss (Cali & Marshall, 2015). In most of the cases reported, individuals committing fraud against churches will have a sudden visual change in their lifestyle (Blaskovic & Slijepcevic, 2014). The most common red flag in cases of fraud is living beyond one’s means, such as buying expensive cars, jewelry, or vacation homes (ACFE, 2020). This red flag should be relatively easy to detect, especially when the employee is earning low wages. When an employee is living beyond one’s means, the church should look at the individual’s finances to decide if this employee is acquiring the money by embezzling from the church (Efrim-Boritz & Timoshenko, 2014).

Declining to take a vacation is an additional significant red flag. Likewise, employees embezzling church funds may work long hours, come to work early or work late into the
evening, and may not take off when they are sick (Kulikova & Satdarova, 2016). Employees should be required to take at least one week of vacation each year and have another employee perform the vacationing employee’s job duties during this time.

**Consequences of Fraud**

The consequences of fraud are both spiritual and financial. Churches not only lose their financial assets, preventing them from fulfilling their missions, it can also destroy the pastor’s reputation, ruin the church, and make its members question their faith. Implementing effective internal controls allow churches to be proactive in safeguarding their assets against the occurrence of fraud (Dimos, 2016). If a church becomes a victim of fraud, it is crucial to take the appropriate steps to prevent future incidents from transpiring. It is recommended that once a church has been victimized by fraud, it should take disciplinary actions against the employee as well as correct the internal control weaknesses that provided the opportunity for fraud (Murphy, 2015). Taking disciplinary action against the employee is influential in demonstrating to current and future employees and volunteers that dishonest conduct will not be permitted.

**The Differential Association Theory**

Cressey (1973) developed the differential association theory of why people commit crimes. In this theory, criminal behavior is associated with an individual’s connection to a criminal environment. Cressey deduced that individuals experience various social influences throughout their lives. Some individuals have social interactions with individuals demonstrating criminal tendencies and become criminals themselves because of this affiliation.

Cressey (1973) indicated embezzlement consists of two components: acquiring a position of trust and then violating that trust. All the prison inmates Cressey studied were trusted individuals who took advantage of their position and eventually turned into violators of that trust.
when they embezzled funds from the organization they worked for. Much of the current research on fraud in churches reference Cressey’s work. Cressey noted three elements are necessary for embezzlement to materialize. There must be: (1) a perceived pressure; (2) an opportunity for trust violation, and (3) a set of rationalizations that deem the behavior as appropriate in each situation. Even though he identified the three elements we now call the fraud triangle, shown in Figure 1, he never identified it as such. The Fraud Triangle can be used to determine why fraud is possibly occurring.

*The Fraud Triangle*

*Figure 2*

*The Fraud Triangle*

The fraud triangle is a model used to explain what causes an individual to commit fraud. A person who commits fraud often has a reason, such as the pressure to meet personal financial obligations or a rationalization that they are owed something from the organization (Ekoma,
Churches need to understand and educate their employees and volunteers on the components of the fraud triangle to better prevent and detect fraudulent activities (Young, 2018). The fraud triangle consists of three components, which, when combined, results in fraudulent behavior occurring (Kamau, 2016). The three components of the fraud triangle are:

1. **Pressure**: A perceived financial need that causes employees or volunteers to steal cash or other assets from the church (Dervaes, 2011).

2. **Opportunity**: A situation that allows the employee or volunteer to steal cash or other assets from the church (Peters, 2015).

3. **Rationalization**: A state of mind or unethical realization that prompts the employee or volunteer to steal cash or other assets from the church, and to justify their unethical behavior (Crawley, 2014).

**Pressure**

The “pressure” element of the fraud triangle represents the financial reasons an individual feels forced to commit fraud. Examples of pressure an individual might experience include debt, gambling, or drug addiction (ACFE, 2020). The most compelling pressures are usually extreme personal debts or financial losses. According to Cressey, pressure occurs when an individual trusted with the finances of an organization considers he has a financial problem that cannot be shared with others. Cressey found trusted individuals who believe their financial problems could not be shared developed an increased pressure to secretly misappropriate funds to resolve their dilemma. In most churches, church leaders and employees work long hours for little pay, which can cause resentment, anxiety, desperation, pressure, and rationalization. These perceptions manifest and the individual ultimately decides they are owed something, which leads them to commit fraud.
Christians and religious leaders are presumed to behave distinctly and abstain from certain behaviors and actions, which can cause an increase in certain pressures. Christians are merely human and do not always abstain from sinful behaviors and actions. Examples of immoral behaviors include greediness and coveting a neighbor’s property. When a church leader, employee, or volunteer does not abstain from these unrighteous behaviors, they may believe they have to hide their behavior and keep it a secret to prevent embarrassment or loss of status (McNeal, 2006). If the Christian then incurs a difficult financial situation because of his actions, it results in a non-shareable financial problem and the risk of financial fraud increases.

**Rationalization**

Rationalization, the second element in the fraud triangle, is the way an individual vindicates committing a crime. Fraudsters commit criminal acts because they can rationalize their actions. The rationalization element suggests that the fraudster convinces themselves that the fraudulent activity is not criminal behavior (Andon et al., 2015). The reasoning a person uses to rationalize committing fraud is not always revealed, but the ACFE suggested that feeling underpaid or underappreciated, or that they were only “borrowing” from the church are the most used rationalizations. Egging (2015) indicated that virtually all criminals who are convicted of embezzlement rationalize they were only “borrowing” the assets entrusted to them. With rationalization, the church leader, employee, or volunteer intentionally decides to steal from the church because internal controls are lacking and the possibility of being caught and prosecuted is low. Levy (2015) indicated that unhappy employees are more inclined to commit fraud. The lack of punishment by the church may also influence an individual to be dishonest.

In rationalization, the trusted representative of the church takes a non-shareable financial problem and comes up with an illegal solution that causes them to commit fraud. Because the
trusted individual is overwhelmed with this non-sharable financial problem, they can rationalize the solution and do not consider the solution immoral. According to Bowrin (2004), the trusted church representative will not commit the fraudulent act and then rationalize it; he will commit the fraudulent act because he can rationalize it.

**Opportunity for the Occurrence of Fraud**

In the third element of the fraud triangle, there must be an opportunity for fraud to occur. The opportunity element of the fraud triangle is the only component that an organization can control (McClure & Margolis, 2010). After a trusted church leader, employee, or volunteer incurs a non-shareable financial dilemma that can be resolved by violating the trust of the church without anyone knowing, he realizes there is an opportunity to use his position of trust to manipulate and steal from God, the church, and its members. Churches cannot control the rationalization of a fraudster, but they can reduce the opportunity of fraud materializing by implementing strong internal controls (Lane, 2011).

The environment of the church provides the perfect opportunity for the occurrence of fraud (Ventura & Daniel, 2010). First, churches are usually smaller institutions, which are known to have a lack of internal controls compared to larger institutions. Secondly, in most cases, they do not employ individuals with the appropriate skills or knowledge of internal controls, which makes it challenging to implement appropriate internal controls in the church (Chu, 2012). Lastly, because churches operate under the opinion that trust is an acceptable internal control, church leaders do not properly monitor or hold those handling the finances of the church accountable. Individuals are given too much leeway, which provides the ideal opportunity for fraud to occur.
Duncan et al., (1999) researched internal controls over cash receipts in three hundred churches located in the southern United States. The results of this study revealed that large churches utilize a counting committee for the intake of weekly offerings, while most small churches do not employ a counting committee, and cash is not protected by proper internal controls. The results of this study also indicated that segregation of duties was not evident in smaller churches, providing a greater opportunity for the occurrence of fraud.

**Financial Accountability**

Accountability describes the responsibility of individuals who manage resources for others (Myers, 2012). Financial accountability is supported by the principle of financial stewardship. Financial accountability by church leaders with advanced training in business management or accounting is lacking in most churches, resulting in the need for an effective system of internal controls (Anthony & Young, 1994). Churches normally place little significance on financial issues and as a result have insufficient internal controls and financial accountability, which causes there to be negligence in overseeing the employees responsible for the financial matters of the church (Duren, 2011).

Pastors in the church play a vital role in fraud prevention, and one of the most influential things they can do to combat fraud is to emphasize the importance of financial accountability (Foohey, 2014). Pastors’ lives should exemplify the characteristics of integrity. Pastors should also frequently preach on the principles of stewardship and the seriousness of financial accountability to their congregation (Milligan, 2015).

Pastors should ensure donors that internal controls are properly working so that church members have confidence their donations are being used appropriately to fulfill the missions of the church (Booth, 1993). The lack of financial accountability in financial matters exposes
churches to greater opportunities for money mismanagement by employees or volunteers. In some cases, the pastor will hire relatives or friends to oversee the financial matters of the church, which can cloud transparency, resulting in the pastor being unable to reveal any instances of asset misappropriation (Tysiac, 2016).

Churches have limited resources; therefore, church leaders should manage the funds of the church efficiently and effectively so that the missions and objectives of the church can be achieved (Milligan, 2015). Church leaders must be held financially accountable for these limited resources (Greiling et al., 2016). To be financially accountable to the church leaders, employees and volunteers must be good stewards of the resources entrusted to their care (Gentenaar & Solomon, 2015). Church leaders who oppose financial accountability should look suspicious to church members (Christensen & Mohr, 2003).

Church members contribute to the church under the presumption donations will be used to advance the missions of the church (Laughlin, 1988). Confidence from church members and the public will increase when there are proper accountability and internal control policies in place (Agyei-Mensah, 2016). Church members are regarded as the most significant stakeholders of the church because they contribute the necessary funding for operations. Churches are being called by their members to be more financially accountable for the donations received. In churches where church members provide most of the funding, public expectations of the church are high. Church members want to adequately respond to the church’s needs, but they also want assurance that the donations they give are being used properly, which supports the need for financial accountability (Lockett, 2014). Due to the recent cases of church fraud, church leaders should take every precaution to be and appear financially accountable to the members of their respective churches.
Financial accountability begins internally with sound internal control policies and procedures that do not allow a leader, employee, or volunteer the opportunity to embezzle or use church funds for personal gain. An internal control system that promotes financial accountability may appear to be awkward, time-consuming, or inconvenient, and sometimes it may seem unnecessary, but it is critical for the sustainability of the church (Peters & April, 2014). Jagels and Coltman (2007) acknowledged that financial accountability is essential for the sustainability of churches. Internal control policies and procedures that are put into place in a church, should promote financial accountability (Edwards, 1990).

Financial Stewardship.

Church leaders, employees, and volunteers are stewards of all that God has entrusted to the church. “Work willingly at whatever you do, as though you were working for the Lord rather than people. Remember that the Lord will give you an inheritance as your reward and that the Master you are serving is Christ” (New Living Translation, 1988/2015, Colossians 3:23-24). These Biblical instructions further support the need for financial accountability and stewardship in all churches. Everything in the church belongs to the Lord, and internal controls aide churches in ensuring assets are being used appropriately to achieve the missions of the church.

To demonstrate positive stewardship, church leaders should guarantee the assets of the church are secured and only used for their intended purposes (Ruhl & Smith, 2012). Church leaders should manage the church efficiently and effectively to exhibit positive financial stewardship over the church’s assets (Milligan, 2015). Some churches have inadequate accounting policies and procedures, including poor internal controls, that prevent church leaders from being able to provide positive financial stewardship over the church’s assets (Kinney, 2000). Positive financial stewardship over the church’s assets is a biblical requirement for
Christians (Avent & Cashwell, 2015). Some churches struggle financially and rely on the offerings each week just to keep the church going, therefore, positive financial stewardship is critical (Crawford, 2014). A positive financial steward protects the assets entrusted to their care as if they were their own and should not participate in activities where they will receive a personal benefit while causing harm to the church (Hiebl, 2015). When church leaders fail to carry out their financial responsibilities as positive financial stewards, the consequences are detrimental to the church (Peters, 2015). When this occurs, the church leader betrays the trust of the church and their integrity is lost (Agyei-Mensah, 2016).

**Sustainability.**

Strong internal controls and financial accountability are necessary for sustainability (Lachney, 2018). Persistent communication between church leaders and members regarding the expenditure of donor funds is influential in promoting sustainability. Churches should provide financial reports, at least quarterly, to assure members their donations are being spent appropriately (Suttington, 2017). Peters & April (2014) stated churches should distribute their financial reports to the members of the church. Wooten et al. (2003) indicated church donors should be aware of how the church is spending their donations.

When church leaders keep members up to date regarding the use of church funds, members continue donating, which increases sustainability (Waters, 2008). Also, by providing regular financial information to donors, contributions may increase (Ekoma, 2015). Mulder (2016) noted that church leaders want to establish relationships with church members and earn their confidence. To earn member confidence, church leaders should increase their openness by communicating the missions and objectives of the church as well as the church’s intention for the
use of donor funds. When church leaders reveal the missions of the church and the plans to use donor funds, they create sustainability (McCarthy, 2007).

**Summary of the literature review.**

The purpose of this literature review is to increase the available material on internal control usage and financial accountability, and their effects on the occurrence of fraud in Baptist churches. The focus was placed on three key elements: internal control usage, the differential association theory, and financial accountability to achieve a greater understanding of the topic.

Church leaders must recognize the importance of establishing and maintaining the appropriate internal controls in their church. By continuously discussing the importance of honesty and trustworthiness, church leaders cultivate an environment of integrity where leaders, employees, and volunteers work to be the best stewards possible over the resources placed under their care. Weak internal controls increase the risk of fraud taking place in the church. Internal control policies and procedures are the first line of defense against fraud through the protection of assets, as well as preventing and detecting errors. Internal controls are vital because of the necessity to achieve the missions of the church through donated resources. Regardless of church size, proper internal control policies and procedures can be developed at a relatively low cost to the church.

Internal control principles denote some procedures prevent fraud from occurring and others detect or correct the occurrence of fraud. Preventative internal controls such as segregation of duties, authorization, and physical controls, keep errors from occurring. Detective internal controls, including reviews, reconciliations, and physical inventories are designed to find fraud after it has already taken place. Corrective internal controls, for example, backups to
restore lost data, insurance, codes of conduct, and punishing those caught for misconduct, are put in place to correct issues that have already occurred.

Next, the differential association theory, developed by Donald Cressey, speculates why people commit crimes. Cressey (1973) linked social influences with criminal tendencies and how individuals become criminals because of these social influences. Cressey’s research led to the creation of what is now known as the fraud triangle. The three elements of the fraud triangle, pressure, opportunity, and rationalization, can be used to determine why some individuals commit fraud and others will not. Churches should understand and educate their employees and volunteers on the elements of the fraud triangle to help prevent and detect fraud.

Lastly, financial accountability is a key factor in preventing fraud. Pastors are some of the most influential figures in the church, and they play a key role in combating fraud by emphasizing financial accountability. Financial accountability is supported by the principle of financial stewardship. Church leaders should manage the church in a manner that exhibits positive financial stewardship over the church’s assets. Churches practicing financial accountability increase the trust of its donors, which can result in increased contributions and sustainability of the church.

Transition and Summary of Section 1

The increase in theft and financial fraud in churches implies a need to increase internal control usage and financial accountability. Inadequate internal controls prevent church leaders from carrying out the missions of the church. Previous studies have shown that churches have weaker internal controls in place compared to the average business. Churches should follow the same business policies and procedures as a for-profit organization. There is a gap in research on internal control usage and financial accountability. This study decreases this gap in research by
studying internal control usage and financial accountability and their effects on theft, fraud, and misappropriation of assets in Baptist churches in north Georgia.

**Section 2: The Project**

The concentration of this qualitative case study is to examine the effects internal control usage and financial accountability have on losses from theft, fraud, and misappropriation of assets in Baptist churches throughout north Georgia. Revenue is primarily obtained from church member donations; therefore, internal control usage is critical. However, most churches do not have adequate accounting policies and procedures in place to protect the assets of the institution (Griffin, 2015). A sample of church leaders and employees who understand the internal control policies and procedures from Baptist churches throughout north Georgia were chosen. The researcher devised the study so that the conclusions attained added to the available knowledge on the effects internal control usage and financial accountability have on theft, fraud, and misappropriation of assets in Baptist churches in north Georgia.

This section consists of the role of the researcher and the methods used to acquire participants. Also included in this section is an examination of the research method and design used in the case study. Lastly, an analysis of data collection, data analysis, reliability, and validity is presented.

**Purpose Statement**

The purpose of this qualitative case study is to add to the body of knowledge on the lack of internal control usage and financial accountability in churches, and the effects they have on losses from theft, fraud, and misappropriation of assets. It explores this problem through an in-depth study on the use of internal controls and financial accountability, and their effects on losses, fraud, and misappropriation of assets at Baptist churches in north Georgia.
Role of the Researcher

Qualitative research provides a means for researchers to understand an individual’s lived experiences (Leedy & Ormond, 2018). Case study research design allows researchers to gain knowledge about a specific topic and requires the investigator to be in attendance when data is being collected. Likewise, qualitative research demands data be collected in a natural, friendly environment through interviewing, observing, and reviewing pertinent documentation on the topic at hand (Creswell & Poth 2018; Stake, 2010). The researcher conducted interviews and observed participants using open-ended questions in a friendly and non-threatening manner to increase the understanding of the interviewee’s perceptions of financial accountability and the use of internal controls (Prasad, 2015).

The researcher sought participants who are members of the Georgia Baptist Association or Southern Baptist Convention and are located in north Georgia. Participants were identified through the Georgia Baptist Association member directory located at https://gabaptist.org/gbcannualreports/, or the Southern Baptist Convention church search, located at www.sbc.net/churchsearch/. The researcher interviewed one individual from each of the twenty-four randomly selected Baptist churches, who understands the internal control policies and procedures crucial to answering the research questions. These participants were identified by pastors as being responsible for handling the financial affairs of the church. Participants in the study included accountants, an administrative assistant, an administrative and financial secretary, administrative supervisor, church administrators, a church financial secretary, administrative supervisor, church administrators, a director of finance, an elder/pastor, executive pastors, a financial accountant, a financial administrator, a financial administrative assistant, financial secretaries, a minister of education/business administrator, an organizational and
leadership oversight director, a pastor, a pastor/adjunct member of the finance committee, a treasurer, and a worship and administrative pastor.

Once the authorization was received via email, the researcher asked pastors to identify the appropriate individual to be interviewed by the researcher. The researcher directly emailed recruitment and consent letters to the individual identified by the pastor as being responsible for the financial activities of the church. Once acceptance of the recruitment and consent letters were received via email, the researcher contacted the appropriate individuals to schedule interviews. Because of COVID-19 restrictions, interviews took place with participants via Zoom® video conference or telephone. The researcher asked open-ended questions to collect data on the use of internal controls and financial accountability, and each participants’ responses were compared to other participant’s responses to identify potential themes.

The researcher recorded individual interviews with an audio recording device to provide evidence of the interview. After each interview was concluded, the researcher drafted the transcript of the participant’s replies to the interview questions. Once the transcript was drafted, the researcher emailed the document to the participant for review to confirm accuracy. After the transcript was reviewed and approved by the participant, the researcher interpreted the information using qualitative data analysis software. Additional documentation was obtained from the church, such as church policies and procedures manuals and employee handbooks to corroborate the evidence gained from the interviews. According to Yin (2014), relevant documents play a definitive role in data collection for case study research.

Participants

In qualitative case study research, participants are the data that is collected by the researcher (Yin, 2014). In this case study, participating churches are those identified as members
The researcher sent permission letters via email to the pastors of selected Baptist churches requesting their permission to take part in the study. Baptist churches agreeing to participate in the study were asked to respond via email indicating their approval for participation. Upon receipt of the authorization email from pastors agreeing to participate, the researcher asked pastors to identify the appropriate individuals to be directly contacted by the researcher. The researcher then sent recruitment and consent letters to the individuals identified by pastors as being responsible for the financial activities of the church. When acceptance of the recruitment and consent letters were received via email from participants, the researcher contacted each individual to schedule an interview. The researcher asked participants to return the signed consent letter via email before the interview was conducted.

Rubin and Rubin (2011) accentuated the significance of the informed consent letters to inform participants of the purpose of the research, emphasize the confidentiality of participants, and to stress that participation is completely voluntary. Protecting the identities of participants through confidentiality is crucial in qualitative research. Creswell and Poth (2018) also reiterated the significance of notifying participants on the purpose of the study as well as protecting the identities of the interviewees. The researcher should ensure participants their responses will be coded and structured in a manner that will not permit their identities to be exposed (Stake, 1995). The researcher in this qualitative study coded the transcripts from interviews so that interviewee confidentiality was maintained.
Research Design and Method

Fassinger and Morrow (2013) indicated that the research method selection process starts with developing an understanding of the different research methods, noting the strengths and weaknesses corresponding to each. Park and Park (2016) specified that one must ascertain which method would sufficiently answer the research questions and provide an understanding of the phenomenon being studied. When choosing the pertinent research method, the researcher should consider the type and focus of the research being conducted. The selection of the appropriate research method will depend on the research questions and available literature (Reiter et al., 2011). The researcher in this study chose the qualitative research method and case study design to examine internal control usage and financial accountability and their effects on theft, fraud, and misappropriation of assets. Yin (2014) suggested that using the interview method in a case study research design provides one of the most significant sources of proof. This section illustrates the researcher’s justification for the chosen research method and design.

Discussion of method.

Researchers can choose from three main types of research methods to conduct their research. The three types of research methods include qualitative, quantitative, and mixed-method (Schoonenboom & Johnson 2017). The research method chosen is determined by the type of research questions, the type of investigation being performed, and the type of data being collected. The mixed-method approach combines elements from both qualitative and quantitative research methods. Creswell and Poth (2018) recognized that the advantage of using mixed-method research rather than a single research approach is that it provides researchers with a better understanding of the research problem. Mixed-method research was best suited to answer what types of research questions. This research study was not designed to answer any
question what type questions, but rather to determine how the usage of internal controls and financial accountability affect losses from theft, fraud, and misappropriation of assets in Baptist churches throughout north Georgia, therefore, mixed-method research was not appropriate for this study.

According to Barnham (2015), quantitative research methods aim to answer research questions that can be answered quantitatively through statistical data. A major disadvantage of using the quantitative research method is that it demands a significant amount of time to develop a numerical mechanism to statistically calculate and test a hypothesis (Zikmund et al., 2012). The quantitative research method requires developing a hypothesis and using close-ended questions. The quantitative method is more factual because it depends on statistics (Park & Park, 2016). According to Buckley (2015), the quantitative research method provides answers to questions of what instead of why or how, which are sought by qualitative research methods. The purpose of this qualitative case study was to determine how the usage of internal controls and financial accountability affect losses from theft, fraud, and misappropriation of assets in Baptist churches throughout north Georgia, therefore, the quantitative method was not a suitable research method to use in this study.

The qualitative research method explores why or how something occurred (Barham, 2015). The qualitative research method is most appropriate when the researcher is studying the phenomenon in its natural environment. According to Creswell & Poth (2018), qualitative research involves incorporating questions and procedures, data collected in the participant’s natural environment, examining data that is generated, and the researcher’s understanding of the significance of the data. The purpose of qualitative research is to better understand a complex phenomenon, which can be investigated and may lead to the development of a theory (Leedy &
Ormrod, 2018). Park and Park (2016) emphasized the use of the qualitative research method when the researcher seeks to establish a theory by comparing similarities and differences between diverse concepts. Also, qualitative research is subjective and mandates the researcher to be personally involved with the participants in the study (Park & Park).

The most prevalent ways to gather data in qualitative research include observations, an examination of documentation, and interviews. Qualitative research depends on individual participants’ perceptions and knowledge where the researcher observes the participants’ actions and interpretations (Stake, 2010). This qualitative case study involved personal interactions with participants through interviews to gain an understanding of pertinent information relative to the research questions. The data collected in this qualitative research study was analyzed to determine the effects internal control usage and financial accountability have on losses from theft, fraud, and misappropriation in assets of Baptist churches throughout north Georgia. As demonstrated through the differences between qualitative, quantitative, and mixed-methods research, the researcher determined the qualitative research method was the most appropriate for this research study.

**Discussion of design.**

The objective of the research design is to make certain the data collected successfully addresses the research problem and responds to the research questions. Doody and Bailey (2016) emphasized the significance of connecting research questions to the type of research design. Researchers performing qualitative studies can choose between five different research designs: narrative, phenomenology, grounded theory, ethnography, and case study (Singh, 2014).

The narrative research design is suitable for studies that concentrate on individual recollections of lived experiences conveyed through stories. In narrative research design,
researchers restrict the number of participants to one or two individuals so that a person can be
developed (Jeppesen, 2016). Studies using narrative research design usually highlight a
collection of stories that allow participants to describe themselves and their unique identities.
This research study does not seek to examine events that have occurred in participants’ lives;
therefore, the narrative research design was not deemed a proper choice (Creswell & Poth,
2018).

Phenomenology research design is suitable for studies where the researcher aspires to
describe a common theme among multiple individuals regarding their experiences of a
phenomenon (Berg, 2004). Snelgrove (2014) indicated that phenomenology research design is
most appropriate when the investigator wants to study what an experience means to an individual
or specific group of people. The phenomenology research design was not deemed to be
appropriate in this research because this study focused on Baptist churches rather than an
individual’s first-person point of view regarding an experience.

Grounded theory research design is used in qualitative studies by researchers obtaining
explanations from multiple individual interviews about specific processes or actions. Glaser
(2014) developed the grounded theory research design, which provides an account of why a
phenomenon occurs. According to Glaser, a grounded theory research design is most
appropriate when the researcher is concerned with obtaining an explanation of why a
phenomenon is happening (Clark & Veale, 2018). Studies designed in grounded theory allow
researchers to conceptualize the hidden social patterns of an area of interest to develop a theory
(Creswell, 2016). According to Webster (2016), a benefit of using grounded theory research
design is that it enables the researcher to adopt an unbiased view of human actions by refraining
from speculations. The researcher in this study did not aim to create a theory, as the accounting
stewardship theory already exists, therefore grounded theory design was not appropriate for this study.

Ethnography research design is used when researchers seek to interpret the world through an individual’s perspective, culture, or social behavior (Palmer, 2001). Ethnography is useful when the researcher is concentrating on an entire culture or group of people. As stated by Grossoehme (2014), ethnography research is not based on interviews only, but also on observations that could require years for the researcher to become completely engaged in the environment. According to Creswell (2016), in ethnography research design, the investigator clarifies and interprets the behaviors, beliefs, languages, and values of the whole group being analyzed. An ethnography research design was not appropriate for this study because the ethnography approach in qualitative research is designed for anthropology and studying entire cultures (Creswell, 2014).

Researchers use case study design to study an individual, event, or program for a specific period and on a specific problem (Fields, 2009). Researchers will use a case study design to gain a thorough knowledge of the issue at hand. Insights gathered from case studies can have a direct impact on policy, practice, and future research. Attributes of the case study research design require the researcher to be present while collecting data and to obtain smaller sample sizes. Case study research design is the most appropriate method for investigators searching for answers to how and why questions instead of manipulating variables in a study (Singh, 2014). Using a case study design as the research method is best suited for researchers who need to provide detailed information on a specific problem (Wooten et al., 2003). Creswell (2016) and Stake (2010) stated that the case study research design uses multiple sources of data, such as interviews and participant observations. Smith (2015) advised that qualitative case study
research allows for an in-depth analysis of a phenomenon and will produce solid data from multiple sources. The researcher explored the effects of internal control usage and financial accountability have on theft, losses, and misappropriation of assets in Baptist churches throughout north Georgia. Since the sample was from one geographical location and the focus was specific, the case study research design was most relevant for this study.

The researcher collected data from interviews with church leaders, direct-and-participant observation, and document analysis. Yin (2014) observed that one of the most significant sources of proof is the interview-method in a case study. The investigator used open-ended questions in a friendly and non-threatening way to direct the interview process to obtain evidence to support the outcome of the case study. Using open-ended questions during participant interviews increased the researcher’s understanding of the church leader’s perceptions of internal controls and financial accountability. The researcher organized the data gathered from participant interviews, observation, and secondary documentation, and then interpreted the data obtained from the participants by identifying recurrent themes that manifested. Through analyzing the experiences of these church leaders and secondary documentation, this study produced data beneficial to churches that will aide in the development of internal control policies and procedures, financial accountability, and training programs aimed at decreasing the risk of the occurrence of fraud.

**Summary of research method and design.**

Diligent deliberation was given to the purpose of this study and research questions to select the most relevant research method and design. This study did not involve analyzing quantifiable statistical data, so it was determined that the qualitative research method was most fitting. Next, the researcher considered the qualitative research designs, composed of narrative,
phenomenology, grounded theory, ethnography, and case study. The case study design was selected as the most pertinent to gain an understanding of the effects internal control usage and financial accountability have on theft, fraud, and misappropriation of assets.

**Population and Sampling**

Asiamah et al., (2017) stated that choosing the proper population and sample assists in giving credibility to the research study. The researcher first defined the population as it guides the selection of the sample (Baxter & Jack, 2008). Asiamah et al. described the population in a research study as a group of people that shares at least one aspect of the phenomenon being studied. According to Emmel (2013), there are no regulations to establish sample sizes and it is smaller sample sizes that provide abundance and the detail desired in performing qualitative research. Qualitative research depends on human perception and gathering observational data rather than numeric measurements (Stake, 2010). The final sample size was determined by the occurrence of saturation. Saturation exists when the data begins to become repetitious and no new information is forthcoming, which signifies the sample size is likely adequate (Creswell, 2016). Creswell (2014) recommended researchers should include a smaller number of participants in a single case study, which will produce sufficient evidence to identify common themes among participants and the researcher can complete an adequate analysis of the results. Also, interviewing fewer participants will allow the researcher to establish and maintain a positive rapport with individual participants (Crouch & McKenzie, 2006).

Leedy and Ormrod (2018) stressed the importance of purposefully selecting participants from the population and the researcher in this study abided by this selection process to determine the individual participants for this study. The researcher began by accessing the Georgia Baptist Association and Southern Baptist Convention directories and filtered the results to include only
Georgia Baptist churches located in Bartow, Carroll, Cherokee, Cobb, Dekalb, Floyd, Forsyth, Fulton, Gordon, Hall, Walker, and Whitfield counties. In 2019, there were approximately 47,456 Baptist churches scattered across 41 state conventions, and Georgia Baptist churches encompass 3,575. The population of this research study was the 436 churches that are members of the Georgia Baptist Association and Southern Baptist Convention that are geographically located in north Georgia, specifically Bartow, Carroll, Cherokee, Cobb, Dekalb, Floyd, Forsyth, Fulton, Gordon, Hall, Walker, and Whitfield counties. The researcher used the random sampling technique to choose a sample of 24 Baptist churches from the population. For this study, the researcher chose one individual from each of the 24 Baptist churches. Participants were selected based on the knowledge they possess regarding financial accountability and the church’s internal control policies and procedures.

Data Collection

The data collection process plays an integral role in the research study because the results are derived from the data collected. Qualitative research demands the researcher play a key role in the data collection process (Leedy & Ormrod, 2018). The participation required of the researcher is exhibited through the examination of documents, observation of behaviors, and interviews of participants (Creswell, 2014; Yin, 2014). Rimando et al. (2015) characterized the data collection process as the collection of data for a specific purpose from various sources. According to Creswell (2016), the data collection process in qualitative research studies is concerned with more than merely collecting data. Qualitative case study research involves incorporating the experiences of individuals being interviewed with the data collection plan (Yin, 2014). Furthermore, the data collection plan includes the expectation of ethical issues in obtaining permission, developing a strong sampling strategy, establishing a method for recording
information, responding to complications promptly, and storing data in a secure method (Creswell & Poth, 2018). In this study, the researcher collected data by conducting interviews using open-ended questions to attain an understanding of the research questions. The interview guide including interview questions utilized to gain an understanding of the research questions are included in the Appendix. The following section furnishes details on the instruments, data collection techniques, and data organization techniques that were used for this study.

**Instruments.**

Creswell and Poth (2018) suggested using multiple sources of data such as interviews, observations, and factual documentation. Yin (2014) stressed that while in-depth interviews are essential in case study research, they should not be the only source of data relied upon to establish research conclusions. In qualitative studies, the researcher serves as the principal instrument and must establish an environment that permits transparency, rapport, and interpersonal connections, and allows participants to feel safe in sharing experiences (Pezalla et al., 2019). Also, Poggenpoel and Myburgh (2018) indicated that the researcher directs the flow of the conversation, sets the participants at ease, and interprets individual responses into meaningful data. Barrett (2018) exemplified the impact researchers have on data collection, organization, and transcription. The researcher is solely responsible for coding and interpreting the data to determine themes that develop. Interpretation of the data depends on the researcher’s knowledge of the subject being investigated (Creswell, 2016). In this qualitative case study, the researcher was an active participant in conducting the interviews and observing the participants. Observing individuals as they respond to interview questions provides deeper analysis and assists in the interpretation of the information shared. In this research study, the researcher was solely responsible for recording and transcribing the interviews. To expand on the reliability of the
interviews, the researcher used an interview guide and asked the same questions to all participants. Once the interviews were transcribed, the researcher asked each participant to review and validate the accuracy of the transcripts.

Church leaders involved in the financial activities of the Baptist churches selected were asked to participate in this case study. Participation included interviews regarding the individuals’ understanding of fraud, internal control policies and procedures, and financial accountability. The in-depth, semi-structured interviews consisted of open-ended questions designed to align with the research questions to obtain greater insight into the usage of internal controls and financial accountability and their effects on losses from fraud, theft, and misappropriation of assets. The questions examined the association between a lack of internal control usage and financial accountability and an increase in the occurrence of fraud, theft, and misappropriation of assets.

**Data collection techniques.**

According to Yin (2014), there are three fundamentals associated with data collection: maintaining a chain of evidence, creating a case study database, and using multiple sources. Additionally, Yin identified six sources that constitute a chain of evidence: documentation, factual records, interviews, direct observation, participant observation, and physical artifacts. Yin also examined the importance of employing a database that organizes the data and analysis in one central location. This study utilized five of the six primary data sources, which are discussed in more detail below.

**Interviews.**

Interviews were used in this qualitative case study to obtain information that was evaluated to understand the relationship between internal control usage, financial accountability,
and the occurrence of fraud, theft, and misappropriation of assets. During the interview process, the researcher must be accommodating to the participants, adhering to their availability and specific needs so that everyone is as comfortable as possible (Creswell & Poth, 2018). The researcher randomly selected 24 Baptist churches identified in the Georgia Baptist Association or Southern Baptist Convention directory. The researcher emailed each of the 24 pastors requesting their permission to participate in the study. After the researcher received the authorization to participate from the pastors of the 24 north Georgia Baptist churches selected, pastors were asked to identify individuals who are responsible for the financial activities of the church. Once these individuals were identified, the researcher sent recruitment letters via email notifying each potential participant of the purpose of the research, participant requirements, and expectations of the study. Recruitment letters were sent to interviewees within two weeks of the researcher’s receipt of authorization. If no response was received from participants within one week of emailing the recruitment letter, a follow-up recruitment letter was emailed to participants. Consent letters were also sent via email that provided potential participants with background information of the study, methodology, risks, rewards, reimbursement, confidentiality, voluntary nature of the study, and the option to withdraw from the study at any time. Once consent was received via email, the researcher contacted each participant to schedule an interview.

Before the start of each interview, the researcher obtained permission from the participant to record the interview with an audio recording device. The researcher used Microsoft® Word to transcribe the interview word-for-word so that the data could be analyzed. Once the interview was transcribed, each participant interviewed was asked to review and confirm the transcript accurately demonstrated what was communicated in the interview. This process is known as “member checking,” which Creswell (2016) recognized as creating validity in a study. The
transcripts were sent via email through a secure file transfer to individual participants. Interviewees were asked to review and submit comments within seven days of obtaining the transcript.

Observations.

Participant observation can provide the researcher with beneficial insights that cannot be obtained by using other data collection methods (Morgan et al., 2017). Field notes were taken by the researcher to provide additional data to accompany the audio recorded interviews. According to Sutton and Austin (2015), field notes provide the researcher with a way to record perceptions of nonverbal gestures made during an interview. Yin (2014) indicated field notes must be organized, categorized, complete, and accessible for use when interpreting the data. Also, Leedy and Ormrod (2018) stressed the importance of using field notes to cite the researcher’s initial interpretations of what was said and heard. The researcher drafted field notes based on personal observations made regarding the participant’s behavior, body language, and other mannerisms displayed during the Zoom® video conferencing interviews.

Documents.

Documents are an additional type of data that is collected during case study research (Creswell, 2016). The researcher requested documentation regarding internal control policies and procedures from each church. Because of COVID-19 restrictions, the researcher requested this documentation to be sent electronically. This secondary documentation was used to authenticate the data collected during the interviews. All documentation collected electronically as well as interview transcripts are being stored on a secure database. Field notes taken are being kept in a fireproof safe that is only accessible to the researcher for the required three-year period.
after completion of the study. Once the three-year period has expired, all electronic files will be erased, and hard copies will be shredded.

**Data organization techniques.**

Stake (2010) recommended using coding systems to categorize data collected by themes so it can be easily analyzed. Coding is commonly used in qualitative case studies to interpret data. The researcher reviewed the interview transcripts, field notes, and secondary documentation to establish themes. Researchers may begin coding data early in the study or delay the process until most of the data has been collected. The researcher in this study used a unique attribute to identify each participant to protect the privacy and anonymousness of everyone. The researcher coded the data, using NVivo®15 coding software, according to its relevant theme(s) using unique identifiers for each theme. The researcher designed a table that lists the data by number and the unique identifier used for the themes. According to Stake, the coding categories will likely change as the research questions develop new meaning and the interviews present new attributes and relationships relevant to the study.

**Data Analysis**

In qualitative case study research, the researcher must analyze the data so it is understandable and usable. According to Creswell and Poth (2018), data analysis involves a multi-step process that includes recording the data collected in an organized fashion, identifying and coding themes, interpreting the data in a non-biased manner, and presenting the data. The researcher used the thematic-data analysis method, which is described as observing and recording common themes identified throughout the collected data (Clark & Veale, 2018). Data analysis in case study research can be difficult because of the large amount of data that is collected. According to Creswell (2014), there are three steps in the data analysis process for
qualitative research: (1) organize the data by transcribing interviews, scan hard copies of documents received, and type field notes; (2) review the data and interpret initial impressions of the information obtained; and (3) commence coding the data.

Data obtained in the study must be organized into manageable portions so the researcher can properly review the information collected (Moser & Korstjens, 2017). To best facilitate this process, the researcher should review the data collected multiple times to ensure familiarity with the information (Castleberry & Nolen, 2018). Becoming familiar with the information collected is helpful when the researcher begins coding and sorting the data. The first task the researcher completed in this study was to organize the data by transcribing the interviews, typing the field notes, and categorizing all documentation received. NVivo®15 software was used to assist in administering and organizing the data collected. This software supported the researcher by organizing the data into digital files and using a file naming system that assisted in retrieving the data. After the researcher transcribed the interviews, participants were provided a copy of the transcript to review for accuracy. According to Harper and Cole (2012), member checking is used in qualitative research as a quality control process to improve the accuracy, validity, and credibility of participants’ interviews. The researcher used both the NVivo®15 software and traditional coding methods. The second task the researcher executed was to laboriously read all documentation collected, as well as make written notes on the interview transcripts, noting possible themes. The researcher used colored pens to identify themes found in the documents. The third task the researcher performed was to sort and code the data by uploading the Microsoft Word® file containing the interview transcripts into the NVivo®15 software. Clark and Veale (2018) defined coding as identifying words or phrases that recur throughout the data collected. Using NVivo®15 software allowed the researcher to analyze the data and code the information
into possible themes or potential issues. This data analysis software provided a way to store and organize the data collected and search for themes and relationships among the data (Creswell, 2014; Stake, 2010). The researcher developed non-biased rationalizations about what was discovered during the study. The researcher then used these discoveries to identify internal control weaknesses and develop a plan to assist churches in minimizing the risk for the occurrence of fraud in their institution.

Reliability and Validity

Reliability and validity provide the foundation for establishing the efficiency and uniformity of a study and research findings (Jordan, 2018). Furthermore, reliability and validity are methods for demonstrating and proclaiming the trustworthiness of research conclusions (Roberts et al., 2006). According to Noble and Smith (2015), procedures to develop reliability and validity in qualitative research are methodical rather than statistical. Reliability is characterized as the ability to duplicate the research process and the conclusions (Leung, 2015). Reliability in qualitative research occurs when the data that is collected is reasonably accurate and aligned with the characteristics and phenomenon of the entity being studied (Leedy & Ormrod, 2018). Validity is defined as the usefulness of the processes, tools, and data (Morse, 2015). There is no universally accepted set of standards for assessing reliability and validity in qualitative research, however, there are some generally accepted strategies that can be used to reduce the possibility of the study becoming untrustworthy or inaccurate. These strategies include removing researcher bias, using member checking to validate the accuracy of the interview transcripts, and detailed and precise record keeping (Creswell, 2014). These strategies are significant in presenting the results of the research as accurate and trustworthy (Kelly, 2016). Researchers are prompted to incorporate strategies for reliability and validity, as they attribute to
the trustworthiness, data dependability, confirmability, and credibility of their case study (Yin, 2014). The following discusses reliability and validity and identifies strategies beneficial to this case study for attaining both.

**Reliability.**

In qualitative case study research, the objective of reliability is governed by the ability of an investigator to produce procedures that would permit a subsequent researcher to perform the same study and achieve the same findings and conclusion. Reliability represents the trustworthiness of research conclusions when the study can be replicated by other researchers (Morse, 2015). The purpose of reliability is to reduce errors and bias in the study. Noble and Smith (2015) stated that reliability considers personal and research method biases. Researchers must be conscious of possible researcher bias. Roberts et al. (2006) explained that researcher bias can be the effect of preconceived notions the researcher derived from familiarity with participants or with the setting of the study. Noble and Smith reiterated it is especially difficult to remove all biases from interview data. Creswell (2014) suggested the researcher should have no prior relationships with participants to reduce biases. Accordingly, in this case study research, the researcher selected Baptist churches that had no prior relationship with the researcher. The absence of reliability in a study may prompt external reviewers to become skeptical of case studies as a research method. One strategy for constructing reliability incorporates keeping detailed records to generate an audit trail that clearly describes the decision process used in arriving at the research conclusions (Noble & Smith). The researcher in this study kept detailed records and securely stored emails, consent forms, paper, and electronic documents obtained, as well as recordings of the responses to interview questions. This study employed a semi-structured interview guide. The interview guide included a list of the interview
questions, and the same questions were asked to all participants. Using the interview guide provided consistency in the research and allowed the study to be replicated as the same questions can be used by other researchers. Yin (2014) stressed the significance of accurately recording and transcribing interviews. The researcher inspected interview transcripts for apparent errors made during transcription and verified codes used in data analysis were consistent in meaning by constantly comparing data to codes (Creswell).

Validity.

The validity of a study assesses the capability that data collected accurately addresses the phenomenon being investigated (Jordan, 2018). Furthermore, Creswell (2014) indicated validity is one of the aptitudes found in qualitative research for addressing the trustworthiness, reliability, and credibility of research studies. Recognition of validity should be communicated at the beginning of the study and considered as evolving throughout the research study (Creswell & Poth, 2018; Leedy & Ormrod, 2018). Studies regarded as demonstrating validity are transferable to other studies (Kelly, 2016). The researcher used multiple strategies to establish reliability and validity in this study. Using multiple strategies increases the researcher’s ability to evaluate research findings and to assure readers of its accuracy (Creswell). According to Yin (2014), internal validity strategies in case study research include pattern matching, explanation of the findings, time-series evaluation, and logic modules. Creswell suggested researchers should employ at least two of the eight validity strategies in qualitative research. The eight methods that can be applied to establish validity include data saturation, triangulation, peer reviews, coding schemes, clarifying researcher bias, member checking, providing comprehensive descriptions of findings, and external audits. The researcher in this study used the NVivo®15 software to identify pattern matching to create internal validity.
External validity strategies implemented by the researcher in this case study included triangulation, member-checking, coding schemes, and data saturation. Noble and Smith (2015) indicated that researchers should employ triangulation to enhance validity. Hayashi et al. (2019) reported that triangulation is one of the most renowned methods for demonstrating reliability and validity. Triangulation instructs the researcher to analyze multiple sources of data to develop a cohesive and logical explanation for the themes identified in the study (Creswell, 2014). Incorporating triangulation in qualitative studies permits the researcher to decipher the correct meanings and to strengthen confidence in the evidence gathered (Fusch & Ness, 2015). Triangulation can also be instrumental in differentiation and the ability to regard multiple viewpoints to recognize multiple meanings (Stake, 2010). The data collected in this study through participant interviews were compared to the secondary data collected from participants regarding the church’s internal control policies and procedures to identify themes through the coding system (Creswell, 2016).

Member checking is defined as a procedure where participants review, comment on, and approve the researcher’s rendition of the interview (Schreiner, 2018). Therefore, member checking validates the truthfulness of the information gathered during the interviews. Member-checking institutes trustworthiness and credibility in the research conclusions (Emmel, 2013). In this research study, participants were provided with transcripts of their interviews and asked to confirm the accuracy of the responses. This confirmed the data used and coded was the information participants shared in the interview with the researcher.

According to Gheondea-Eladi (2014), coding can be critical to the establishment of reliability and validity. To be advantageous in this regard, the coding scheme utilized should be consistently applied and should adequately demonstrate the theories of the study so that these
theories can be employed in comparable studies (Leung, 2015). Irrespective of the source of the data, all data was coded relative to identified themes. The researcher maintained a database containing all the coding criteria. The identified themes are unveiled and explained in the research conclusions.

Data saturation is another strategy essential in the establishment of reliability and validity in qualitative research (Yin, 2014). Data saturation is accomplished through the magnitude of the data (Doody & Noonan, 2016). Researchers can use interviews to attain data saturation (Noble & Smith, 2015). According to Creswell (2016), data saturation is accomplished when the information begins to be repetitive and no new data is being acquired. Fusch and Ness (2015) advised the researcher must use the same interview questions for all participants. Despite the lack of guiding principles, tests of adequacy, or power calculations accessible to determine sample sizes in qualitative research, this study was within the 20-30 interview parameters for qualitative research design (Creswell & Poth, 2018; Emmel, 2013). These interview parameters were presumed to provide enough data for the study to completely reinforce or saturate comprehension of the themes.

**Transition and Summary of Section 2**

The purpose of this qualitative case study is to add to the body of knowledge on the lack of internal control usage and financial accountability in churches and the effects they have on losses from theft, fraud, and misappropriation of assets. The researcher explored the perceptions of Baptist church pastors, administrative assistants, and other church leaders, who are responsible for the financial activities of the church, on internal control usage, and financial accountability. Section 2 contributes information about the role of the researcher, participants,
Section 3 includes specific results and utilization of the research study. Research conclusions provide Baptist church leaders with opportunities to enhance their internal controls and decrease the occurrence of fraud, theft, and misappropriation of assets. Section 3 also describes the research results, themes identified, patterns, and relationships developed during the data collection process. Also included is a discussion on how the conclusions made in this study can be applied to professional practice and recommendations for action and further study.

**Section 3: Application to Professional Practice and Implications for Change**

Section 3 provides the summarized evaluation and outcomes of the research study. The evaluation and outcomes were obtained from 24 participants representing 24 Baptist churches in north Georgia, which explored the perceptions of Baptist church pastors, administrative assistants, and other church leaders who are responsible for the financial activities of the church, on internal control usage and financial accountability. In this section, the researcher provides an overview of the study, presentation of the findings, and application to professional practice. Also, recommendations for actions and future study, reflections, and study conclusions are provided.

**Overview of the Study**

The purpose of this qualitative case study is to add to the body of knowledge on the lack of internal control usage and financial accountability in churches, and the effects they have on losses from theft, fraud, and misappropriation of assets. This study produced data beneficial to churches that will aide in the development of internal control policies and procedures, financial accountability, and training programs aimed at decreasing the risk of the occurrence of fraud.
Pollack and Papiernik (2017) indicated that knowledge regarding internal control usage is extremely important yet is relatively uninvestigated by researchers. Carmona and Ezzamel (2006) emphasized the need for additional research on church accounting strategies and perceived additional research would amplify the current literature available. According to Crockett (2018), fraud and misappropriation of assets in churches are a growing problem, prompting the need to increase the available knowledge on internal control usage and financial accountability.

Due to COVID-19 restrictions imposed during the time this field study was conducted, the researcher was unable to meet with participants in person. Therefore, Zoom® video conferencing and telephone interviews were utilized to gather data. The researcher gathered data through 17 Zoom® video conferencing interviews, seven telephone interviews, observations, and examination of the Baptist church participants’ websites, as well as supporting documentation from Baptist church leaders on their understanding of fraud, internal control policies and procedures, and financial accountability. The study design concentrated on eight principal research questions that addressed internal control procedures and financial accountability. The first research question concentrated on the standards or specific procedures Baptist church leaders need to implement to improve internal control usage in the church. The second research question concentrated on why Baptist churches need to improve internal control usage in the church. The third research question concentrated on the standards or specific procedures Baptist church leaders need to implement to improve financial accountability in the church. The fourth research question concentrated on why Baptist churches need to improve financial accountability in the church. The fifth research question concentrated on what standards or specific procedures currently used by Baptist church leaders improve internal controls in the church. The sixth
research question concentrated on why specific standards or procedures currently used by Baptist churches are considered as improvements to internal controls. The seventh research question concentrated on the specific standards or procedures currently used by Baptist church leaders to improve financial accountability in the church. The eighth research question concentrated on why the specific standards or procedures currently used in the Baptist church are considered improvements to financial accountability.

The researcher originally emailed Institutional Review Board (IRB) approved permission letters to 50 Baptist churches seeking their participation in the study. The Baptist churches were chosen based upon the attributes determined in section two. Attributes included Georgia Baptist churches who were members of the Georgia Baptist Association or Southern Baptist Convention and located in north Georgia, specifically, the counties of Bartow, Carroll, Cherokee, Cobb, DeKalb, Floyd, Forsyth, Fulton, Gordon, Hall, Walker, and Whitfield. From this original inquiry, replies were received within seven days from nine Baptist churches declining the invitation to participate in the study and 14 responding with their permission letter indicating their acceptance to participate in the study. Over the next 14 days, the researcher received permission letters from an additional ten Baptist churches agreeing to be included in the study. No responses were received from 17 Baptist churches after being contacted via email by the researcher on two separate occasions. In total, 50 Baptist churches were contacted with 24 responding with permission letters, signifying their inclination to participate in the study: a forty-eight percent acceptance rate.

Once permission letter responses were received via email from pastors, the researcher asked each pastor to provide the contact information of the individual at the church who is responsible for handling the financial affairs of the church, and a recruitment and consent letter
was emailed to each individual. Before the recruitment and consent letters were sent, they were both approved by the IRB to be used in this study. Upon receipt of consent by the participant, the researcher sent a follow-up email or phone call to schedule the interview. Due to COVID-19 restrictions, all signed consent letters were scanned by the participant and returned via email to the researcher. At the start of each interview, the researcher thanked the individual for their willingness to participate in the interview to discuss their understanding of fraud, internal control policies and procedures, and financial accountability. The researcher also ensured participants of their confidentiality in the study. Participants were asked if they had any questions before the start of the interview and the researcher asked for permission to record the interview and take notes. After the last interview questions were answered, the interviewer stopped the digital voice recorder and asked if the participant had any additional information concerning internal controls, financial accountability, fraud, or theft they would like to share that would be beneficial to the study. The researcher recorded participant responses in a composition book maintained by the researcher.

The study was completed with a total of 24 participants from the Georgia Baptist Association or Southern Baptist Convention located throughout north Georgia. Of the 24 interviews, 17 were held via Zoom® video conferencing, and seven were conducted via telephone. All interviews were conducted during June and July 2020. Saturation of data collected was achieved after the interview with the 24th Baptist church.

Data triangulation occurred in this research study by incorporating participant interviews, member-checking, and field notes drafted by the researcher. Field notes included any observations or notes taken during the interview outside of participant responses to interview questions. After the field study was completed and the transcript was drafted, the researcher
implemented member-checking. Member-checking, an external validity strategy implemented by the researcher in this case study, institutes trustworthiness and credibility in the research conclusions (Emmel, 2013). Within 24 hours of the completion of the interview, participants were emailed a Microsoft® Word file containing the transcript of the interview. Included in the body of the email was a request for each individual to review the interview transcript and notify the researcher within seven days of any inaccuracies. Then the researcher organized and categorized all secondary documentation received from participants. Next, the researcher read all documentation collected and made hand-written notes on the interview transcripts, noting possible themes. Thirdly, the researcher sorted and coded the data by uploading the Microsoft® Word file containing all interview transcripts into the NVivo®15 software. After analyzing all data received during the study, the researcher used the data to identify internal control weaknesses and develop a plan to assist churches in minimizing the risk for the occurrence of fraud in their institution.

Because of COVID-19 restrictions, interviews were conducted via Zoom® Video conferencing or telephone; 17 via Zoom® video conferencing and seven through telephone interviews. Participants of the 24 interviews answered questions regarding:

- Background and Demographics (five questions)
- Education and Training (three questions)
- Internal Controls and Weaknesses (four questions)
- Internal Controls Over Cash (four questions)
- Internal Controls Over Capital Assets (two questions)
- Internal Controls Over Human Resources (four questions)
- Financial Accountability and Stewardship (three questions)
• Fraud, Theft, and Misappropriation of Assets (four questions)

Participant Demographics

The 24 Baptist churches comprised the single case study. Figure three outlines the participant demographics based upon position in the church, years working in this position, educational background, and prior experience. The identifier listed by each participant was used to confidentially represent participants in the research conclusions. Participants in the study included accountants, an administrative assistant, an administrative and financial secretary, administrative supervisor, church administrators, a church financial secretary, a director of finance, an elder/pastor, executive pastors, a financial accountant, a financial administrator, a financial administrative assistant, financial secretaries, a minister of education/business administrator, an organizational and leadership oversight director, a pastor, a pastor/adjunct member of the finance committee, a treasurer, and a worship and administrative pastor. Nine participants indicated they have an associate or bachelor’s degree in business administration, three participants responded they had worked in the banking industry, three participants had previously worked in accounting, and the remaining nine participants indicated they had no education or prior work experience in accounting.

All interviews were recorded with a digital voice recorder by the interviewer, uploaded via USB port to the interviewer’s personal laptop computer, and transcribed for interpretation and analysis. To ensure confidentiality, all churches were given identifiers of C1, C2, C3, C4, C5…… C24 and all participants were assigned identifiers of P1, P2, P3, P4, P5…. P24. After all interviews were completed and transcribed, the researcher uploaded the Microsoft® Word files containing each interview transcript into the NVIVO® 15 software to code and discern themes. Upon completion of the data analysis, the researcher established six main themes. These themes
include corrective internal controls, detective internal controls, preventative internal controls, proper internal controls, financial accountability and stewardship, and vulnerabilities in the church.

Research question one concentrated on the standards or specific procedures Baptist church leaders need to implement to improve internal control usage and was addressed with the themes of audits, budgets, capital assets, physical controls, training, and segregation of duties. Research question two concentrated on why Baptist churches need to improve internal control usage in the church and was addressed with the themes of background checks, reluctance to prosecute, segregation of duties, training, and the trusting nature of churches. Research question three focused on standards and specific procedures Baptist church leaders need to implement to improve financial accountability in the church and was addressed by the themes of audits, budgets, capital assets, physical controls, segregation of duties, stewardship, and training. Research question four focused on why Baptist churches need to improve financial accountability and was addressed by the themes of backgrounds, reluctance to prosecute, segregation of duties, stewardship, training, and the trusting natures of churches. Research question five focused on what standards and specific procedures Baptist church leaders currently use that improve internal controls in the church and was addressed by the themes of accurate records, authorization and approval, background checks, bank statement reconciliations, cash collections/deposits, cash disbursements, code of conduct, monthly reporting, and segregation of duties. Research question six focused on why the standards or specific procedures currently used in Baptist churches are considered improvements to internal controls and were addressed by the themes of authorization and approval, background checks, cash collections/deposits, code of conduct, and segregation of duties. Research question seven focused on what standards or
specific procedures Baptist church leaders currently use that improve financial accountability in
the church, and was addressed by the themes of accurate records, authorization and approval,
background checks, bank statement reconciliations, cash collection/deposits, cash disbursements,
code of conduct, monthly reporting, and segregation of duties. Research question eight focused
on why the standards and specific procedures currently used in Baptist churches are considered
as improvements to financial accountability and were addressed by the themes of accurate
records, authorization and approval, background checks, cash collections/deposits, code of
conduct, and segregation of duties. The following paragraphs provide specifics about the 24
Baptist churches who took part in the study, explanation of themes, and research study
conclusions.

Figure 3

Summary of Participant Demographics

| C1   | Position in the church - P1: Church Financial Secretary
|      | Years working in this position - P1: 40 years
|      | Educational Background - P1: High school graduate with some college
|      | Prior Experience - P1: Stay-at-home wife

| C2   | Position in the church - P2: Financial Administrator
|      | Years working in this position - P2: 10 years
|      | Educational Background - P2: High school graduate
<p>|      | Prior Experience - P2: Worked in the banking industry |</p>
<table>
<thead>
<tr>
<th>Position in the church</th>
<th>Years working in this position</th>
<th>Educational Background</th>
<th>Prior Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>C3</td>
<td>P3: Financial Administrative Assistant</td>
<td>P3: 5.5 years</td>
<td>P3: Bank Teller</td>
</tr>
<tr>
<td>C4</td>
<td>P4: Administrative and Financial Secretary</td>
<td>P4: 14 years</td>
<td>P4: Retired Plant Engineer</td>
</tr>
<tr>
<td>C5</td>
<td>P5: Minister of Education and the Business Administrator</td>
<td>P5: 2.5 years</td>
<td>P5: Retired Federal Probation Officer and State Probation Officer</td>
</tr>
<tr>
<td>C6</td>
<td>P6: Organizational and Leadership Oversight</td>
<td>P6: 2 years</td>
<td>P6: Volunteer at the Church</td>
</tr>
<tr>
<td>C7</td>
<td>P7: Elder and Pastor</td>
<td>P7: 2.5 years</td>
<td>P7: Partner in CPA Firm</td>
</tr>
<tr>
<td>Position in the church</td>
<td>Years working in this position</td>
<td>Educational Background</td>
<td>Prior Experience</td>
</tr>
<tr>
<td>------------------------</td>
<td>-------------------------------</td>
<td>------------------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>P8: Financial Secretary</td>
<td>P8: 23 years</td>
<td>P8: Associates Degree</td>
<td>P8: A/R Clerk</td>
</tr>
<tr>
<td>P10: Pastor and Adjunct Finance Committee Member</td>
<td>P10: 2 years</td>
<td>P10: High School Diploma</td>
<td>P10: Pastor at Prior Church</td>
</tr>
<tr>
<td>P11: Accountant</td>
<td>P11: 5 years</td>
<td>P11: BS in Business Administration and CPA</td>
<td>P11: CPA Firm</td>
</tr>
<tr>
<td>P12: Pastor</td>
<td>P12: 3.5 years</td>
<td>P12: Bachelor’s degree</td>
<td>P12: Pastor</td>
</tr>
<tr>
<td>Position in the church</td>
<td>Years working in this position</td>
<td>Educational Background</td>
<td>Prior Experience</td>
</tr>
<tr>
<td>------------------------</td>
<td>-------------------------------</td>
<td>-----------------------</td>
<td>------------------</td>
</tr>
<tr>
<td>P13: Financial Accountant</td>
<td>5 years</td>
<td>Doctorate Degree in Accounting</td>
<td>Currently Accounting Instructor</td>
</tr>
<tr>
<td>P14: Accountant</td>
<td>1 year</td>
<td>BS in Accounting</td>
<td>Accounting Manager of Consulting Firm</td>
</tr>
<tr>
<td>P15: Administrative Assistant</td>
<td>2 years</td>
<td>High School Graduate and Some College</td>
<td>Insurance Underwriter</td>
</tr>
<tr>
<td>P16: Treasurer</td>
<td>28 years</td>
<td>BBA in Accounting</td>
<td>Accounting and Owner of Software/Computer Staffing Company</td>
</tr>
<tr>
<td>P17: Church Administrator (CFO) of the church</td>
<td>10 years</td>
<td>Bachelors and Masters in Business Administration</td>
<td>CFO for a non-profit</td>
</tr>
</tbody>
</table>
Position in the church - P18: Worship and Administrative Pastor
Years working in this position - P18: 15 years
Educational Background - P18: Bachelor’s Degree in Music and Computer Science and a Masters in Theology
Prior Experience - P18: Banking Industry

Position in the church - P19: Church Administrator
Years working in this position - P19: 8 months
Educational Background - P19: Bachelor’s Degree in Accounting
Prior Experience - P19: Served in the Air Force for 21 years

Position in the church - P20: Director of Finance
Years working in this position - P20: 5 years
Educational Background - P20: Associates Degree in Accounting
Prior Experience - P20: Bookkeeper in Tax Office

Position in the church - P21: Executive Pastor
Years working in this position - P21: 3 years
Educational Background - P21: Bachelor’s Degree in Business Administration and a Masters in Advanced Biblical Studies
Prior Experience - P21: Pastor
Participating Baptist Church Specifics

Details about the Baptist churches chosen for this study were developed through interviews and an examination of the Baptist churches’ websites.

**Church 1 (C1)**

C1 is a member of the Georgia Baptist Association and has approximately 1,200 members. C1 began almost 168 years ago and remains steadfast in its ministry by focusing on the Great Commission. C1’s financial leadership consists of a Senior Pastor and two Administrative Assistants. The researcher obtained information on C1 through a Zoom® video.
conferencing interview with one of the Administrative Assistants. Additional data was acquired through observation notes made during the interview and the church’s website.

**Church 2 (C2)**

C2 is a member of the Georgia Baptist Association and has approximately 3,097 members. C2 aims to glorify God and was founded 18 years ago. C1’s financial leadership consists of Elders, Associate Pastors, an Office Coordinator, an Executive Pastor of Operations, a Campus Administrator, an Accounts Payable Clerk, a Director of Administration, and a Financial Administrator. The researcher obtained information on C2 through a Zoom® video conferencing interview with the Financial Administrator. Additional data was acquired through observation notes made during the interview, review of the employee handbook provided by the Financial Administrator, and the church’s website.

**Church 3 (C3)**

C3 is a member of the Georgia Baptist Association and has approximately 2,700 members. C3 was founded almost 168 years ago and the vision of C3 is to touch the world with the gospel of Christ. C3’s financial leadership consists of a Senior Pastor, an Associate Pastor, a Financial Administrative Assistant, and the Senior Pastor’s Administrative Assistant. The researcher obtained information on C3 through a Zoom® video conferencing interview with the Financial Administrative Assistant. Additional data was acquired through observation notes made during the interview and the church’s website.

**Church 4 (C4)**

C4 is a member of the Georgia Baptist Association and has approximately 100 members. C4 was founded almost 79 years ago and the church has a passion to be faithful to the mission of Jesus. C4’s financial leadership consists of a Pastor and a Secretary. The researcher obtained
information on C4 through a Zoom® video conferencing interview with the Secretary. Additional data was acquired through observation notes made during the interview and the church’s website.

**Church 5 (C5)**

C5 is a member of the Georgia Baptist Association and has approximately 1,800 members. C5 is a body of believers committed to worshipping and serving Jesus Christ. C5’s financial leadership consists of a Senior Pastor, an Associate Pastor, and the Minister of Education/Business Administrator. The researcher obtained information on C5 through a telephone interview with the Minister of Education/Business Administrator. Additional information was acquired through notes made during the interview and the church’s website.

**Church 6 (C6)**

C6 is a member of the Southern Baptist Convention and has approximately 300 members. C6 exists to disciple the nations by producing followers of Christ. C6’s financial leadership consists of Elders, Ministry Leaders, and an Organization and Leadership Oversight Director. The researcher obtained information on C6 through a Zoom® video conferencing interview with the Organizational and Leadership Oversight Director. Additional data was acquired through observation notes made during the interview and the church’s website.

**Church 7 (C7)**

C7 is a member of the Southern Baptist Convention and has approximately 165 members. C7’s mission is to connect people to Jesus. C7’s financial leadership consists of a Lead Pastor, an Elder/Associate Pastor, a Worship Pastor, and a Church Secretary. The researcher obtained information on C7 through a Zoom® video conferencing interview with the Elder/Associate
Pastor. Additional data was acquired through observation notes made during the interview and the church’s website.

**Church 8 (C8)**

C8 is a member of the Southern Baptist Convention and has approximately 200 members. C8 believes God has shaped us all to serve. C8’s financial leadership consists of a Senior Pastor and a Financial Secretary. The researcher obtained information on C8 through a Zoom® video conferencing interview with the Financial Secretary. Additional data was acquired through observation notes made during the interview, a review of the policies and procedures manual provided by the Financial Secretary, and the church’s website.

**Church 9 (C9)**

C9 is a member of the Georgia Baptist Association and has approximately 2,200 members. C9’s mission is to know, show, and share the love of Jesus Christ. C9’s financial leadership consists of a Senior Pastor, an Associate Pastor, an Administrative Assistant for the Pastor, a Facilities Manager, and an Administrative Supervisor. The researcher obtained information on C9 through a Zoom® video conferencing interview with the Administrative Supervisor. Additional data was acquired through observation notes made during the interview, review of the policy and procedures manual provided by the Administrative Supervisor, and the church’s website.

**Church 10 (C10)**

C10 is a member of the Georgia Baptist Association and has approximately 300 members. C10 is around 182 years old and has an interesting history. C10’s financial leadership consists of a Senior Pastor, a Treasurer, and an Administrative Secretary. The researcher
obtained information on C10 through a telephone interview with the Senior Pastor. Additional data was acquired through notes made during the interview and the church’s website.

**Church 11 (C11)**

C11 is a member of the Georgia Baptist Association. Before COVID-19, C11 had around 170 attenders on average. Because of a lack of records, C11 is unable to determine the current number of members but is in the process of establishing a database for record keeping. C11 is around 93 years old and desires to glorify God. C11’s financial leadership consists of a Pastor and Deacons. The researcher obtained information on C11 through a telephone interview with the Pastor. Additional data was acquired through notes made during the interview, a review of newspaper articles relating to the recent case of fraud, a review of the policies and procedures manual provided by the Pastor, and the church’s website.

**Church 12 (C12)**

C12 is a member of the Georgia Baptist Association and has approximately 6,000 members. C12 has a goal to transform lives. C12’s financial leadership consists of a Senior Pastor, an Executive Pastor, a Business Administrator, and Human Resources Associates. The researcher obtained information on C12 through a Zoom® video conferencing interview with the Accountant. Additional data was acquired through observation notes made during the interview, a review of the Constitution and Bylaws provided by the Accountant, and the church’s website.

**Church 13 (C13)**

C13 is a member of the Georgia Baptist Association and has approximately 250 members. C13 is about 22 years old and the church has seen the mighty work of God in its members’ lives and their community. C13’s financial leadership consists of a Senior Pastor, an Associate Pastor, and a part-time Financial Accountant. The researcher obtained information on
C13 through a telephone interview with the part-time Financial Accountant. Additional data was acquired through notes made during the interview and the church’s website.

**Church 14 (C14)**

C14 is a member of the Georgia Baptist Association and has around 1,500 members. C14 believes scripture in its entirety. C14’s financial leadership consists of a Lead Pastor, an Executive Team, a Facilities Director, and an Accountant. The researcher obtained information on C14 through a Zoom® video conferencing interview with the Accountant. Additional data was acquired through observation notes made during the interview, a review of the Constitution and By-Laws provided by the Accountant, and the church’s website.

**Church 15 (C15)**

C15 is a member of the Georgia Baptist Association and has around 1,669 members. C15 believes that every word of the Bible is inspired by God. C15’s financial leadership consists of a Senior Pastor, Elders, and a Treasurer. The researcher obtained information on C15 through a Zoom® video conferencing interview with the Treasurer. Additional data was acquired through observation notes made during the interview, and the church’s website.

**Church 16 (C16)**

C16 is a member of the Southern Baptist Convention and has around 113 members. C16 is around 72 years old, and at C16, love is meeting needs. C16’s financial leadership consists of a Senior Pastor and an Administrative Assistant. The researcher obtained information on C16 through Zoom® video conferencing interview with the Administrative Assistant. Additional data was acquired through observation notes made during the interview and the church’s website.
Church 17 (C17)

C17 is a member of the Georgia Baptist Association and has around 300 members. C17 is around 72 years old, and this church is passionately striving to become more like Jesus. C17’s financial leadership consists of a Pastor and a Church Administrator. The researcher obtained information on C17 through a Zoom® video conference interview with the Church Administrator. Additional data was acquired through observation notes made during the interview, a review of newspaper articles relating to the recent case of fraud, a review of the Constitution and Bylaws provided by the Church Administrator, and the church’s website.

Church 18 (C18)

C18 is a member of the Georgia Baptist Association and has around 1,900 members. C18 believes the Bible is the word without any error. C18’s financial leadership consists of a Lead Pastor and Worship and Discipleship Pastor. The researcher obtained information on C18 through a telephone interview with the Worship and Discipleship Pastor. Additional data was acquired through notes made during the interview, a review of the Accounting and Personnel Manual provided by the Worship and Discipleship Pastor, and the church’s website.

Church 19 (C19)

C19 is a member of the Georgia Baptist Association and has around 1,600 members. C19 desires to be a church of disciples. The financial leadership of C19 consists of a Lead Pastor, an Executive Pastor, and a Church Administrator. The researcher obtained information on C19 through a telephone interview with the Church Administrator. Additional data was acquired through notes made during the interview and the church’s website.
Church 20 (C20)

C20 is a member of the Georgia Baptist Association and has around 18,500 members, and desires to be a church that worships God. The financial leadership team at C20 consists of Deacons, a Senior Pastor, an Associate Pastor, a Director of Finance, and an Administrative Assistant. The researcher obtained information on C20 through a Zoom® video conferencing interview with the Director of Finance. Additional data was acquired through observation notes made during the interview and the church’s website.

Church 21 (C21)

C21 is a member of the Georgia Baptist Association and has around 113 members. C21 exists to make disciples who love God, and its financial leadership team consists of a Lead Pastor, an Executive Pastor, and Elders. The researcher obtained information on C21 through a Zoom® video conferencing interview with the Executive Pastor. Additional data was acquired through observation notes made during the interview and the church’s website.

Church 22 (C22)

C22 is a member of the Southern Baptist Convention and has around 480 members. C22 is working to reveal Christ through transformed lives. C22’s financial leadership consists of a Lead Pastor, an Executive Pastor, and an Administrative Staff. The researcher obtained information on C22 through a Zoom® video conferencing interview with the Executive Pastor. Additional data was acquired through observation notes made during the interview and the church’s website.

Church 23 (C23)

C23 is a member of the Georgia Baptist Association and has around 500 members. C23 is on a mission working together. The leadership of C23 consists of a Pastor and Administrative
staff. The researcher obtained information on C23 through a Zoom® video conferencing interview with the Financial Secretary. Additional data was acquired through observation notes made during the interview and the church’s website.

**Church 24 (C24)**

C24 is a member of the Georgia Baptist Association and has around 2,000 members. C24 points people to Jesus. The leadership of C24 consists of a Lead Pastor, Executive Pastor, and Administrative Ministries. The researcher obtained information on C24 through a telephone interview with the Executive Pastor. Additional data was acquired through notes made during the interview and the church’s website.

**Presentation of the Findings**

This section discusses the conclusions of this research study. The investigation focused on eight research questions. The researcher organized the conclusions of the research in the presentation of findings around the themes identified to substantiate the eight research questions. Also, the conclusions of this research amplified the available knowledge explored in prior sections.

The purpose of this study is to gain an understanding of Baptist church leaders’ understanding of fraud, internal control policies and procedures, and financial accountability. The researcher interviewed 24 individuals from 24 Baptist churches located throughout north Georgia. The interview questions substantiating the eight research questions centered around bank statement reconciliations, capital assets, cash disbursements, counting and depositing cash, employee relations, financial accountability, fraud, misappropriation of assets, stewardship, and theft.
The themes materializing from the research include corrective internal controls, detective internal controls, preventative internal controls, proper internal control procedures, financial accountability and stewardship, and vulnerabilities in the church. Each theme is analyzed below.

**Theme 1: Corrective internal controls – Code of conduct.**

Corrective internal controls can be implemented to prevent the repetition of fraudulent activity (Wallace, 2014). Corrective internal controls are put into place to correct errors found by detective internal controls (Aramide & Bashir, 2015). A code of conduct is an important corrective internal control that should be in place and enforced by churches. Companies that incorporate a code of conduct decrease the occurrence of fraud by fifty percent (ACFE, 2020). The ACFE suggested that the code of conduct should incorporate all church leaders, employees, and volunteers, and needs to include what behavior is allowed and what is not allowed. The code of conduct should also layout the repercussions for misconduct (Gagliardi, 2014). Training on the code of conduct should be done when a person is hired, and continuous training should be coordinated throughout the year. Nineteen of the 24 (79%) Baptist churches interviewed indicated they had a code of conduct in place, and it was stated in an employee policies and procedures manual. The code of conduct is discussed at the time of hire and periodically if changes are made or if misconduct occurs. P1 said the code of conduct, with expectations, is in the employee handbook for employees to review. P2 stated the code of conduct is displayed on the church’s staff resource page and in the employee handbook that is reviewed at the time of hire, and direct communications are sent when a new policy is implemented or an existing one has been updated. P3 indicated all employees, when hired, are made aware of the code of conduct. P5 stated if a new employee is hired, they are trained and given verbal instructions on the code of conduct, and if changes or new policies and procedures are made, those are usually
communicated by having a staff meeting. P12 indicated a personnel handbook is distributed to all new employees that contain the code of conduct. Lunch and learn trainings are periodically held, and one-on-one conversations with staff are held if questions arise. In contrast, P4 stated it did not have a code of conduct that is communicated to employees.

**Analysis.**

The theme corrective internal controls focused on a code of conduct. Church employees are not exempt from unethical behavior and can benefit from having a written guide for ethical conduct in the workplace (Wise, 2013). According to P6, implementing a code of conduct informs employees and volunteers of what behavior is acceptable, as well as the repercussions for not following the expectations for employees or volunteers. Nineteen of the 24 (79%) Baptist churches interviewed in this study identified the inclusion of a code of conduct, however, five of the 24 (21%) Baptist churches interviewed communicated a lack of any policies or procedures, including a code of conduct.

In exploring research question five, what standards or specific procedures Baptist church leaders currently use that improve internal controls in the church, P5 recognized the importance of having a code of conduct in place and stated: “the official statement in the policy and procedure book says it will be turned over to law enforcement for investigation and the person will be dismissed.” Although acknowledging that corrective internal controls and a code of conduct are a significant part of a church’s internal control environment, P4 shared there is a lack of corrective internal control policies and procedures within the church. In addressing what standards or specific procedures church leaders currently use to improve financial accountability in the church (RQ7), the efforts made by 24 of the 25 (96%) Baptist churches interviewed, suggest Baptist churches are enforcing best practices regarding corrective internal controls to
improve financial accountability. A well-designed financial accountability structure and control environment serves as the foundation for establishing effective financial processes (Bukhoffer, 2015). Having a strong internal control environment, including a code of conduct, promotes accountability among staff and volunteers so that they recognize there are internal control policies and procedures in place and violators will be prosecuted (Laughlin, 1988). P13 stated, “internal controls that are adhered to strengthen accountability, that’s key… you could have it all written down, but if no one is following what it says, then what good are the policies?” In exploring research questions six and eight, why are the standards or specific procedures used in the Baptist church considered as improvements to internal controls (RQ6) and financial accountability (RQ8), church leaders benefit from having a written guide for ethical conduct in the church. Churches that enforce a code of conduct set desired behavioral expectations and hold employees accountable. Enforcement sets the tone for the internal control environment, and a culture of ethical conduct. This ultimately improves internal controls, increases financial accountability, and reduces the occurrence of fraud (Aramide & Bashir, 2015).

**Theme 2: Detective internal controls.**

Detective internal controls discover errors that have already taken place (Etuk-Ikiof, 2011). Detective internal controls confirm that a loss from theft or fraud has transpired but do not prevent a loss from theft or fraud arising (Lachney, 2018). According to P10, detective internal controls go hand-in-hand with accountability; it is important to have a set plan in place to make sure that plans and processes are being carried out without loopholes, so the theft does not happen a second time. A loss due to fraud cannot always be prevented, therefore, detective controls are designed to discover the fraudulent activity so the extent of the loss can be minimized (Wallace, 2014). P10 indicated it is the detective internal controls that help remove
Detective internal controls help remove the opportunity because the employee knows someone is looking at their work and they will be caught. Once the fraudulent acts have been discovered, church leaders can develop and implement policies and procedures to prevent fraud from occurring again. Conclusions from the individual interviews established four subthemes including audits, budgets, capital assets, and monthly reporting.

Audits

According to Kulikova and Satdarova (2016), denomination and church size influenced the occurrence of an annual audit performed. Wooten et al. (2003) found that larger churches had more available resources and better internal controls and were more likely to be audited by an independent CPA firm than a smaller church. Kulikova and Satdarova concluded that there was a definite relationship between recurrent audits and the reduction of fraud. Eleven of the 24 (46%) Baptist churches interviewed reported having an annual audit by an independent CPA firm. The 11 churches that reported having an annual audit have at least 500 members in the church and specified they rely on the annual audit to identify internal control weaknesses in the church. P12 stated that reviewing the annual audit reports is useful in identifying internal control weaknesses and added that no instances have been found in the audit report of the church in the last few years. P15 noted that the church not only has an annual audit conducted by outside CPA firms, it also has internal reviews by members of the finance team. P19 stated, “an annual audit checks our internal control processes and identifies any weaknesses that may be present.” Ten of the 11 (91%) Baptist churches interviewed that have an annual audit stated the audit was part of their internal control policies and procedures, and one church said it was required by the bank for
the loan on the church building. Figure four demonstrates a word cloud created in NVivo®15 using the words coded to the theme of an audit.

Figure 4

Words Associated with the Theme of Audit

![Word Cloud Image]

**Budgets**

God blesses churches with financial resources to carry out the missions of the church. Being good stewards and protecting the assets is a significant responsibility. Churches use budgets to plan and control spending so they are good stewards of the church’s resources (Ventura & Daniel, 2010). Budgets also provide a way to detect errors or other irregularities in the church’s finances. Ten of the 24 (42%) Baptist churches interviewed responded positively to the use of a budget. P19 responded that all expenditures are reviewed to ensure they are within the budget and that they are an appropriate use of church funds. P10 noted the budget is used to set priorities for funding. P12 indicated an analysis of the budget-to-actual report, in addition to the annual audit report, is used to identify internal control weaknesses within the church. P6 said reviews of the Balance Sheet along with the budget review show when money is missing or
misallocated. Figure five demonstrates a word cloud created in NVivo®15 using the words coded to the theme of budget.

**Figure 5**

*Words Associated with the Theme of Budget*

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**Monthly Reporting**

Managing the church’s resources and preparing financial reports is an administrative responsibility that is vital to the ministry of the church. Good stewardship of the resources God has blessed the church with facilitates the sustainability of the church (Hallowell, 2014). Fifteen of the 24 (63%) Baptist churches interviewed stated monthly or quarterly financial reports were completed and shared with church members. P6 indicated every member of the church is accountable and should watch over the assets of the church through monthly reviews of the balance sheet. P11 specified “transparency is crucial, financial reports are prepared every quarter, so members know where the church is and how it is performing with the general budget that was approved by church members.” Six of the 24 Baptist churches (25%) interviewed did not mention providing monthly financial reports but indicated deacons, elders, or finance
committee members reviewed financials to promote accountability and stewardship. P5 declared “we have a finance committee, a personnel committee, and a deacon board that is held accountable by our church members.” Also, P7 indicated the elders of the church are responsible for the oversight of the church’s financial assets and review the financial and budget reports each month. Furthermore, P24 stated a team of volunteers review the monthly financials to keep the church and the team accountable to the budget and the assets coming in. In contrast to the other churches participating in the study, two Baptist churches did not mention financial reporting or oversight committees when discussing accountability or stewardship. P14 indicated the executive pastor reviews the bank statement reconciliations for errors but did not mention any other financial reviews. P21 alluded to not having effective controls currently in place that promote accountability but were working to implement controls to protect the church and its members.

**Capital Assets**

Capital assets, such as church buildings, audio and video equipment, computers, and vehicles make up a significant portion of the church’s budget (Rittenberg, 2006). Because of the resale ability of these assets, theft is a significant problem. According to the ACFE (2020), asset theft occurred in 22 percent of all reported church fraud cases and resulted in an average loss of $90,000.00.

Only three of the 24 (13%) Baptist churches interviewed have a capital assets policy in place. C19 has a depreciation schedule and any asset over $5,000.00 is placed on the capital asset listing and recorded on the balance sheet. Each year a physical inventory is taken. P24 stated a capital asset listing with depreciation is kept and recorded on the balance sheet. The capital asset listing is also reviewed monthly. P20 indicated each department is responsible for
its assets, maintenance, depreciation, etc., and each department is responsible for submitting an updated capital asset listing each month. The remaining 21 Baptist churches interviewed identified capital assets as an area that needs improvement. P12 noted capital assets are an internal control weakness for the Baptist church. P2 stated there are no capital asset policies in place. P17 indicated not having any procedures over capital assets. P3 said there are “no internal controls over capital assets or even a listing of them.” P5 indicated this is a non-existent area. The church has discussed implementing a policy, but has not done so, and said, “it is something we have a weakness in and need to do for sure.” P4 stated, “Honestly, I have never thought about capital assets in the church, that would certainly be a weakness since we have no procedures.” Figure six demonstrates a word cloud created in NVivo®15 using the words coded to the theme of capital assets.

**Figure 6**

*Words Associated with the Theme of Capital Assets*

**Analysis.**

The theme of detective internal controls is focused on audits, budgets, capital assets, and monthly reporting. Detective internal controls aid Baptist churches in preventing fraud from occurring again. Avent and Cashwell (2015) indicated internal controls should protect assets and promote good stewardship and kingdom advancement.
Churches that do not have an annual audit performed tend to be more vulnerable to the occurrence of fraud (Aristani, 2015). Completion of an annual audit provides Baptist churches with credible information that can be used for making decisions regarding resource allocations and improvements to internal control policies and procedures (Busby, 2005). Eleven of the 24 (46%) Baptist churches interviewed stipulated the church had the completion of an audit performed each year. The 11 Baptist churches that currently have an annual audit stipulated the church rely on the audit results to identify internal control weaknesses. P2 felt that while audits are time-consuming and costly, they are worth it; audits reveal where the church is vulnerable and provide the donor or potential donor confidence their gifts are being properly managed. According to P20, the annual audit provides a review of internal control processes to ensure there are no weaknesses that would allow the possibility of fraud occurring. The most significant difference revealed from the interviews between the 11 Baptist churches that have an audit and the 13 Baptist churches that do not have an audit is the size of the Baptist church. The 11 Baptist churches that currently have an audit signified having more than 500 members attend their church while the 13 Baptist churches that do not have an audit reported significantly fewer members.

Budgets provide a plan for spending so that churches are good stewards of what God has blessed them with (Duncan, 1997). It also provides a path to ensure the missions of the church are fulfilled. Ten of the 24 (42%) Baptist churches interviewed responded positively to the use of a church budget to determine variances that potentially detect the occurrence of fraud, theft, or misappropriation of assets. P6 noted continual review of the budget will show when money is missing or misallocated. P11 indicated the budget is approved by the church, and periodic reviews of the budget-to-actual expenditures report helps ensure financial accountability.
Differences in budget implementation and usage between the Baptist churches interviewed could not be pinpointed as educational levels, church size, prior experience, and training all varied between the Baptist churches who indicated the utilization of a budget to detect fraud.

Only three of the 24 (13%) Baptist churches interviewed have capital asset policies and procedures in place to protect the church from capital asset theft, indicating an area of weakness among the Baptist churches interviewed. The three Baptist churches with internal control policies in place over capital assets have more than 1,500 church members and have an annual audit performed. Two of the Baptist churches interviewed that have a capital asset policy in place have leaders with a bachelor's in business or accounting, and the third church’s assets are managed by an outside CPA firm. The capital asset listing should include all assets over a certain capitalization threshold amount, such as $500.00. When assets are purchased or disposed of, the capital asset manager should update the capital asset listing. Capital asset tags should be placed on all assets that are included on the capital asset listing and a physical inventory count should be performed at least once a year (Giovino, 2014).

The subtheme of monthly reporting is a strong internal control policy and procedure currently utilized by the Baptist churches interviewed in this study. Monthly reporting provides a way to identify irregularities and monitor fluctuations in income or expenditures. Utilizing monthly reporting allows Baptist churches to identify errors or potential theft and keeps church leaders accountable to church members. P2 stated, “a monthly review of financials from a CPA firm helps identify internal control weaknesses in the church.” Based on the information gathered in this research study, the subtheme of monthly reporting is the strongest detective internal control procedure currently used by Baptist church leaders and is considered an
improvement to internal control usage (RQ5) and financial accountability (RQ7) in Baptist churches.

In exploring research questions one and three, audits, budgets, and capital assets are recommended to be implemented to improve internal control usage (RQ1) and financial accountability (RQ3), based on the results of this study. In exploring research questions two and four, why Baptist church leaders need to improve internal control usage (RQ2) and financial accountability (RQ4), churches that do not have an audit performed tend to be more vulnerable to the occurrence of fraud. Audits are beneficial in reviewing the financial operations of the church and ensure accountability. Churches that lack the resources to have an audit should at least have a review conducted by a CPA firm. Even though it may be an expense to the church, having an outside perspective over the financials can potentially save the church from the detrimental costs of fraud. To improve internal control usage (RQ2) and financial accountability, (RQ4), Baptist churches should develop a budget to plan and track both income and expenses each fiscal year. Budgets should be presented to church members for approval. The budget will assist in providing a means for detecting errors, possible fraud, theft, or misappropriation. Capital asset policies and procedures should also be developed and enforced to protect the church from theft. Also, churches should designate an individual to manage the church’s capital asset listing, which will hinder capital asset theft.

**Theme 3: Preventative internal controls.**

Internal controls are primarily focused on safeguarding assets and assuring financial statements are reliable (Shelton & Whittington, 2008). Implementing preventative internal controls is significant in fraud prevention (Adetiloye et al., 2016). Conclusions from the interviews conducted with Baptist church leaders resulted in four subthemes for preventative
internal controls, including authorization and approval, background checks, physical controls, and segregation of duties.

**Authorization and Approval**

According to Perols (2010), proper internal controls including authorization and approval must be in place for the control to be acceptable. Evidence for authorization and approval must be available to adequately authorize payments, such as requiring supervisory review and approval of expenditures before disbursement. Those with approving authority should not be allowed to record transactions or reconcile the bank statement. Six of the 24 (25%) Baptist churches interviewed noted no authorization or approval controls were in place to protect the assets of the church. P10 indicated the treasurer cuts the checks and signs them without supervisory review or approval. P13 responded similarly by stating “I cut all of our checks and sign the checks without a pastor’s approval.” P24 noted the church does very little with cash disbursements and all monthly bills are paid online. No authorization or approvals for cash disbursements or online payments was mentioned. The 18 remaining Baptist churches discussed strong internal control policies and procedures regarding authorization and approval. P12 demonstrated check request forms are completed by the authorized staff member or minister with the supporting documentation attached. The check request form is then reviewed by the minister, director, or supervisor and signed as approval to pay. P6 indicated an online banking or credit card transaction must be approved before a charge is made and then the receipt must be brought back, and the authorizer must sign off on it.

**Background Checks**

According to Lauder (2011), fraud prevention begins before a church leader, employee, or volunteer starts working for the church. One internal control that should be implemented is to
conduct in-depth background checks on potential new employees who will be responsible for the finances of the church. It is also a good policy to conduct a credit check on personnel to potentially determine those who might be experiencing financial pressures that would lead the individual to commit fraud (Aladejebi, 2017). Rixon et al. (2014) further recommended that additional reference checks and recent background and credit checks should be conducted periodically throughout the year for those who will participate in higher levels of financial responsibility in the church. Twenty-three of the 24 (96%) Baptist churches interviewed stated a background check is required to be completed before employment. P4 indicated the church has never required a background check. On the other hand, P12 stated every employee gets a criminal background check and some get additional screens such as the Department of Motor Vehicles (DMV) driving record check, and a credit report review, depending on the employee’s job responsibility. P10 stated the church requires background checks for all staff members and anyone who is involved with the youth.

**Physical Controls**

Peters and April (2014) indicated a key element of financial stewardship and internal controls is the physical safekeeping of a church’s assets. Churches should implement solid physical controls, such as having a fireproof safe to store important documents and cash as well as locks on church buildings and vehicles. Other physical safeguards include requiring passwords for computer logins, financial software access, personnel files, or financial institution access. Eighteen of the 24 (75%) Baptist churches interviewed indicated at least one physical control in place. The remaining six churches interviewed did not indicate having any physical controls in place. P4 stated, “we don’t have any internal controls in place here other than just our desire to do the right thing with everything we have.” The majority of the Baptist churches who
have physical safeguards in place have fireproof safes, use locked bank bags for cash collections and deposits, require secure passwords and user ID’s to access computer logins, bank logins, or accounting software. P8 stated the church uses a “Shelby Teller” check scanner to scan all checks received and directly deposit the checks into the bank. The cash is counted and placed in a locked bank bag and stored in a fireproof, locked safe. P22 indicated the Sunday offering is placed in a locked cabinet and a locked office until it is deposited. When the money is taken to the bank, it is placed in a locked bank deposit bag. P20 mentioned the use of a fireproof safe and an armored truck picking up the deposits. According to P20, cash is received and is placed in the fireproof safe by the ushers, no one person is ever alone with the money. The security and finance team then collects the money from the safe and counts the cash. Once the cash is counted, it is placed back in the safe until an armored truck comes to pick it up and take it to the bank to be deposited. Because of COVID-19, C19 is utilizing a locked box for people to place their offerings in as they leave the church. Once the offering is gathered two individuals are required to take it to a fireproof safe that is locked and located behind locked doors. P8 indicated the use of a fireproof combination safe that is kept behind locked doors, as well as the use of a check scanner to deposit checks automatically. P24 indicated any cash collected is placed in a locked bank bag and stored in a locked filing cabinet until being deposited. The executive pastor has the key to the cabinet and a volunteer has the key to the locked bank bag. P19 also indicated the use of a check scanner and a locked bank bag.

Segregation of Duties

Segregation of duties, requiring more than one person to complete a task, is a necessary internal control activity of central importance and is a vital part of the internal control process (Felix & Niles, 1988). Segregation of duties is an internal control that should be implemented in
all churches regardless of size. Churches with a minimal number of employees should implement mitigating controls if segregation of duties is not possible. C11 and C17 understand the necessity of having segregation of duties in place to safeguard the church’s assets. Both are victims of fraud because of the non-existent segregation of duties. P10 noted before taking over as pastor, there were no controls in place and since his arrival, the church has developed and implemented an entire set of controls. Because of a lack of internal controls, especially segregation of duties, P10 indicated there was a strong suspicion the previous treasurer was committing fraud, but there was no follow-up, verification, or records available to prove fraud. P13 indicated being a part-time employee and that the church does not have any segregation of duties or mitigating controls because of the size of the church. P13 stated “I understand what internal controls are and that we should have them in place, but unfortunately, we just don’t have enough people to have segregation of duties or internal controls.” C8 has not been a victim of fraud but indicated a lack of segregation of duties. P8 said, “I handle all of the money in the church.” All other churches interviewed responded segregation of duties are in place and appropriately working. P14 stated, “separation of duties is important to ensure no one person has control of receiving and disbursing funds.” P5 noted that good checks and balances are necessary “so that everyone involved in the financial process has to be accountable to someone else. All individuals involved in the financial process have to be accountable to someone else.” P19 stated, “we have enough volunteers for segregation of duties, and always have at least two people involved in the handling of cash or other financial activities in the church.” Figure seven demonstrates a word cloud created in NVivo®15 using the words coded to the theme of segregation of duties.
Analysis.

The theme of preventative internal controls focused on authorization and approval, background checks, physical controls, and segregation of duties. Preventative internal controls inhibit errors from transpiring. The subtheme of authorization and approval must be enforced for internal controls to be appropriate. Six Baptist churches interviewed noted no authorization or approval procedures in place to safeguard the assets of the church. P5 mentioned the use of a ledger book and running purchase order numbers to record disbursements outside the normal monthly expenses, but no indication of requiring authorization and approvals was provided. Like P13, P3 noted no internal controls in place over cash disbursements; a voucher is completed, and the check is cut and signed by the financial administrative assistant. P3 also stated small amounts can be reimbursed through petty cash. When questioned about internal
control policies and procedures over cash disbursements, P16 stated “everything is paid, including expense reimbursements, using checks.” No attestation regarding authorization or approval was given. P18 stated there is segregation of duties in place over cash disbursements, but no requirements for authorization or approval. In contrast, the remaining 18 Baptist churches interviewed responded that authorization and approvals are required before expenditures are paid. C22 and C23 require completion of a disbursement request form that must be signed off by the requestor and approved by another member of church leadership, such as the pastor. C19 requires authorization and approval by the accountant before the expenditure is paid. Churches without authorization and approval policies and procedures in place over cash disbursements should implement and enforce the requirement of at least having one church leader review and approve expenditures and a second individual to cut checks and sign them.

Background checks and reference checks are highly recommended to prevent fraud (Rixon et al., 2014). Parham et al. (2010) asserted that most criminals who commit fraud are repeat offenders and eighty percent of fraud in churches could be averted by performing background checks. Twenty-three of the 24 (96%) Baptist churches interviewed stated background checks are required before an individual is hired. P4 stated they did not require background checks; however, it was noted that if the individual has served in another church, C4 follows-up with that church regarding the individual. The researcher asked C11 whether or not the former employee who is being charged with credit card fraud had a prior record. P11 responded that background checks were not required when the individual was hired. Churches that currently do not have policies in place that require background checks should implement this requirement. Churches that currently have policies and procedures requiring background checks should implement an additional policy requiring an annual background check and credit checks
on current employees to determine if any life-changing events have occurred that would lead an employee to feel pressured to commit fraud.

A subtheme of preventative controls, physical controls, appears to be a weak internal control procedure utilized by the Baptist churches interviewed in this research study. Physical controls are one of the most important internal controls that should be in place to protect the church from asset theft. Churches that do not have physical control policies and procedures in place should implement fireproof storage to protect important documents such as titles or deeds. Insurance policies for church buildings and vehicles should be enacted and valid. Locks on church buildings and vehicles should be mandatory to keep church assets inaccessible when not being used.

The final subtheme of preventative controls, segregation of duties, can be burdensome for smaller churches to execute due to the lack of resources available for distributing tasks. Incorporating segregation of duties as part of internal control policies and procedures in the church increases the effort by employees to commit fraud and is likely to decrease the occurrence of fraud (Dorminey et al., 2012). Segregation of duties must be utilized by Baptist churches. If resources are not available for appropriate segregation of duties, mitigating controls should be enforced to safeguard assets and reduce the possibility of fraud.

In exploring research questions one and three, what standards or specific procedures do Baptist church leaders need to implement to improve internal control usage (RQ1) and financial accountability (RQ3) in the church, physical controls and segregation of duties were recognized as preventative internal controls that should be improved, as determined by the results from interviews conducted in this study. In exploring research questions five and seven, authorization, and approval, background checks were recognized as internal controls that are currently in place
(RQ5) in the Baptist churches interviewed in this research study, and are considered as improvements to financial accountability (RQ7). Research questions two and four focused on why Baptist churches need to improve internal control usage (RQ2) and financial accountability (RQ4). C11 recently had theft occur in the church, and P11 indicated it was due to non-existent internal controls at the time the theft was occurring. Because no physical controls were in place, their former administrative assistant who has recently been charged with credit card theft was able to log into the church’s computer system from home after being terminated and remove personnel documents. P17 and P11 indicated that since they were victims of fraud, background checks and credit checks are now being required of all new employees. C17’s former accounts payable clerk stole more than $140,000.00 over three years; the accounts payable clerk was responsible for collecting the money and depositing it. No segregation of duties was in place at the time and it was not caught until it was way too late. According to P17, this former accounts payable clerk is their poster child for stealing from the church, and because of this former employee, segregation of duties is now in place and strictly enforced. C11 also stated because of a lack of segregation of duties, its former administrative assistant has been charged with using the church’s credit card for personal use, fraudulently charging approximately $163,000.00 over five years. Now, P11 indicated all previous employees have been terminated and all new policies and procedures have been put into place. Research questions six and eight focused on why the standards or specific procedures used in the Baptist church are considered as improvements to internal control usage (RQ6) and financial accountability (RQ8). Proper authorization policies and procedures serve as safeguards for preventing invalid transactions from occurring. Conducting background checks on potential new employees may uncover
current or past behavior that exposes the employee’s lack of integrity, which will help minimize the risk for fraud and protect the church.

Theme 4: Proper internal control procedures.

Research persistently demonstrates that implementing effective internal controls can decrease the possibility of fraud occurring (ACFE, 2020). Implementing strong internal controls is necessary to reduce the risk of fraud (Steinhoff, 2005). Proper internal controls also protect employees and volunteers; internal controls protect employees from making errors and remove any temptations to mismanage church assets (Crawley, 2014). Financial accountability begins internally with sound internal control policies and procedures that do not allow a church leader, employee, or volunteer the opportunity to embezzle or use church funds for personal gain. Internal control policies and procedures that are put into place in a church promote financial accountability (Cornell et al., 2012). Participants were asked if they believed strong internal controls strengthen the financial accountability of a church and 23 of the 24 (96%) Baptist churches interviewed answered with a confident “Yes!” or “Absolutely!” The one exception was P4 which stated “I’m sure the stronger the internal controls are for anything that it would strengthen them, especially financial accountability. I feel we don’t have anything in place here.” P11 elaborated on strong internal controls with a memorable quote, “What internal controls do is even greater than financial accountability. It removes the cracks in the wall that Satan can use to destroy the witness of the church.” P18 made the statement “strong internal controls make financial accountability easier. Not only does it strengthen it, but it also makes it easier.” Conclusions from interviews conducted resulted in three subthemes including cash collections/deposits, cash disbursements, and bank statement reconciliations.
Cash Collections and Deposits

All churches interviewed except C13 indicated strong internal controls over cash collections and deposits. P13 discussed controls over cash collections and deposits in their church and stated:

I will be honest with you, our internal controls, where we have them, they are loose in that I have sole responsibility for all the cash. It comes to me…. It is one of those things where I know I have way more control than I should have.

Because of COVID-19, three churches are no longer accepting cash, and are only accepting online donations. P2 and P24 indicated utilizing a police officer or security guard during the counting of the offering. According to P2, cash and checks are collected during the services and moved to a secure room by ushers and a security guard. The cash is counted and recorded by two approved volunteers; it is then put in a sealed, secure bag and placed in a dual-control safe. On Monday, two employees retrieve the money from the safe. Checks are sorted, stamped, and entered into the accounting software. Cash is recounted and verified against the count sheet, and totals are entered into the accounting software. Deposit slips are prepared and after they are balanced with the accounting software reports, they are placed back in the safe to be retrieved by an elder and taken to the bank for deposit. P24 stated before COVID-19, the executive pastor, a volunteer, and a police officer would meet between services, collect the offering, and bring it into a locked office. The executive pastor and the volunteer would separate the cash and checks, and one would count cash and the other would count checks and complete a cash/check count sheet. They would then switch and count to confirm the totals on the cash/check count sheet. P9 responded that two members of the committee are present when the safe is opened to transport the offering to a locked room for counting and deposit preparation. P9 also indicated the use of
ACS Technologies’ Realm Software for online giving. This software is encrypted to protect financial information and only the chairperson of the counting committee and the administrative supervisor can access the software. P11 responded that on Monday morning, two people go to the safe and retrieve the offerings and place them in a bag and bring it back to the accountant’s office, and at least three people are there to count the offerings and then two different people take the cash to the bank for deposit and bring back the deposit slip. P7 noted that two people who are not married to one another count the offering each week. P8 stated an escort accompanies the financial secretary to the bank each Monday to deposit the cash offerings. P11 said it takes two people to take anything out of the safe because not one person has the whole combination; the combination to the safe is divided between two people which requires two people to always be present when the safe is opened. P9 indicated all checks are stamped “for deposit only” and are processed through electronic means to the bank using a digital check scanner. P18 noted the use of a five- to six-member teller ministry team that retrieves the deposit envelopes from each service, the cash is separated from the checks, then checks are brought down to the church office and run through a scanner and automatically deposited. P15 reported the use of a pre-numbered receipt book. Cash is immediately recorded and deposited into the bank and checks are given to the ministry assistant to scan and record. Figure 8 demonstrates a word cloud created in NVivo®15 using the words coded to the theme of counting and depositing cash.
Figure 8

Words Associated with the Theme of Counting and Depositing Cash

Cash Disbursements

All Baptist churches interviewed except five stated they had policies and procedures in place for cash disbursements. P13 said, “I cut all of our checks and sign the checks.” P16 indicated everything is paid, including expense reimbursements using checks, but could not provide specific procedures over the cash disbursement process. P6 replied most of the transactions are completed through online banking or with credit cards; this avoids actual cash being disbursed, but no specific procedures were given for cash disbursements. P3 indicated that only one individual is involved in processing cash disbursements, and no reviews or approvals are done. No specific procedures were given for cash disbursements by P3. The remaining 19 churches demonstrated policies and procedures in place over cash disbursements. P15 responded two individuals sign the checks after reviewing all invoices and checks. P18 indicated the use of a check request form as well as policies and procedures in place for credit card expenses. P22
stated a purchase requisition form must be authorized by a church staff member and have a receipt attached; all payments must have dual signatures. P23 also indicated the use of a cash disbursement request form and dual signatures are required on checks. P8 stated there is a committee that approves purchase requisitions and assigns a unique number to each purchase requisition. Figure 9 demonstrates a word cloud created in NVivo®15 using the words coded to the theme of cash disbursements.

**Figure 9**

*Words Associated with the Theme of Cash Disbursements*

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**Bank Statement Reconciliations**

Monthly bank statement reconciliations are an important control procedure for all churches, and financial statements should not be presented to church members until all bank accounts have been reconciled (Simelane, 2017). All 24 (100%) Baptist churches interviewed stated bank statement reconciliations are performed and reviewed monthly. P2 stated the “financial/statistical reports coordinator reconciles the bank statement against the general ledger. Afterward, the reconciliation is reviewed by the financial administrator.” P9 indicated the counting committee chairperson is responsible for reconciling bank statements. This is the
separation of duties from the administrative supervisor’s role in writing checks. P17 indicated the bank statement reconciliations are completed by the accountant and reviewed by the finance committee chair. P18 stated the bookkeeper performs the bank reconciliation and the office manager approves it. Figure 10 demonstrates a word cloud created in NVivo® 15 using the words coded to the theme of bank statement reconciliations.

**Figure 10**

*Words Associated with the Theme of Bank Statement Reconciliations*

**Analysis.**

The theme of proper internal control procedures focused on cash collections/deposits, cash disbursements, and bank statement reconciliations. Strong internal controls provide the necessary means for churches to safeguard the assets of an organization. Strong internal controls are one of the most important elements in reducing the risk of fraud (Tysaic, 2012). Twenty-three of the 24 (96%) Baptist churches interviewed indicated strong internal controls over cash collections/deposits. C1 has strong internal controls in place and P1 indicated that most donations are online or via check, little cash is presented to the church for deposit. Ushers
collect their offerings at the service on Sunday and a group of representatives from the finance committee and the treasurer or assistant treasurer stamp all checks “for deposit only” and count the cash. The cash is then placed in a fireproof safe and retrieved on Monday by one of the administrative assistants, posted, and deposited. Churches that currently do not have internal controls over cash collections/deposits should enact procedures such as having multiple individuals involved in the counting and confirmation of collections, and cash and checks should be immediately deposited.

Based on the results from the interviews conducted with Baptist church leaders, Baptist churches currently have strong internal control policies and procedures over cash disbursements. Churches that currently do not have cash disbursement policies and procedures in place should implement controls such as enforcing a policy to prevent church employees with check signing authority from signing blank checks, securing blank checks in a locked storage area, reconciling remaining blank checks to the check log, and requiring supporting documentation, authorization, and approval by church leaders before signing checks for purchases.

All 24 (100%) of the Baptist churches interviewed reported the use of bank statement reconciliations. Monthly reconciliations of the bank account will assist in keeping employees and volunteers honest because these reconciliations will expose unauthorized or unusual transactions. Bank statement reconciliations also ensure that deposits and disbursements are properly accounted for (Hamilton, 2012). In exploring research questions five and seven, what standards or specific procedures do Baptist church leaders currently use that improve internal control usage (RQ5) and financial accountability (RQ7), cash collections/deposits, cash disbursements, and bank statement reconciliations were recognized as proper internal control usage that improves financial accountability. In exploring research questions six and eight,
which focused on why the standards or specific procedures currently used in the Baptist church are considered as improvements to internal controls (RQ6) and financial accountability (RQ8), strong internal controls over cash collections protect employees or volunteers from being tempted to steal and prevent individuals from participating in suspicious or questionable activities (Jurado, 2013). The internal control procedures in place by the Baptist churches interviewed will deter thieves from stealing cash donations. Utilizing online donations and donation envelopes protect churches against skimming. P12 stated check request forms are completed by authorized staff with the supporting documentation attached. The check request form is then reviewed by the minister, director, or supervisor, and signed as approved to pay. The form and attachment are routed to the accountant, the check is processed, and reviewed for accuracy and proper approval. The check is then printed and signed by the accountant. The check is attached to the check request form and routed to the second check signer for review and approval. P5 indicated the use of a check-writing policy and purchase order form. Proper internal controls over cash disbursements prevent check tampering fraud and improve financial accountability. P5 also noted that one individual without check signing authority prepares the bank statement reconciliation and the pastor reviews and approves it. P8 noted that the financial secretary prepares the bank statement reconciliation and a second person reviews and approves. Employing bank statement reconciliations assist in preventing errors and fraud by allowing churches to identify unusual or unexpected large transactions, which increases financial accountability.

**Theme 5: Financial accountability and stewardship.**

The theory of financial accountability results from holding church leaders, employees, and church volunteers accountable for conducting a financial activity, such as a key control
procedure within a financial transaction process (Hedger & Blick, 2008). Practicing positive stewardship allows church leaders to perform their duties in a more efficient manner (Hiebl, 2015). Church members feel more confident their donations are being used to achieve the missions of the church when church leaders act and practice financial accountability through positive stewardship, such as providing timely and accurate financial reports (Suttington, 2017).

Conclusions from the interviews conducted established three subthemes including accurate records, leadership, and training. Figure 11 demonstrates a word cloud created in NVivo® 15 using the words coded to the theme of stewardship.

**Figure 11**

**Words Associated with the Theme of Stewardship**

![Word Cloud](image)

**Accurate Records**

The task of keeping accurate records and copies of all significant financial documents is normally assigned to a church leader. Accuracy and thoroughness are critical to the sustainability of the church (McNeal, 2006). All 24 (100%) of the Baptist churches interviewed confirmed the importance of maintaining accurate records. P1 indicated that the stewardship role
in managing the church’s assets is supported by keeping the most accurate records possible. P2 supported a similar viewpoint and stated that the stewardship role is fulfilled by ensuring the financial processes set forth by the leadership of the church are executed in an efficient, trustworthy manner and by providing accurate reports to church members. P8 advised that the role of stewardship means honestly doing the job with the most minimal number of errors possible so that God is honored, and the assets of the church are protected. P9 indicated the stewardship role is supported by making sure tithes and offerings are counted correctly so the funds are available to fulfill the missions of the church.

**Leadership**

Pastors should assure donors that internal controls are properly working so that church members have confidence their donations are being used appropriately to fulfill the missions of the church (Irvine, 1996). Opinions regarding which leadership position in the church is responsible for protecting the assets of the church varied between the Baptist churches interviewed in this study. Responses given included the finance committee, treasurer, pastor, stewardship committee, elders, anyone involved with the finances, church members, deacons, and the church administrator. Six of the 24 (25%) Baptist churches interviewed stated the pastor is responsible for protecting the assets of the church. P20 indicated senior pastors have the ultimate authority. P12 responded the pastor sets the tone for protecting the assets. P11 stated:

> The pastor is responsible; he is called to be the shepherd of the flock…. I cannot allow wolves to come in and harm the flock, which we had for a while, and that’s why I felt like it was important to push that we get the financial policies in place.

Figure 12 demonstrates a word cloud created in NVivo®15 using the words coded to leadership.
Training

Training church leaders, employees, and volunteers in the usage of internal controls and related risk factors can help strengthen the church’s internal control structure. Training does not guarantee fraud will not occur, but it boosts financial accountability. Churches have limited resources, which often prevents training of leadership, employees, and volunteers, making churches more susceptible to fraudulent activities. McNeal (2006) indicated that allowing untrained and unqualified leaders, employees, and volunteers in a church to perform financial duties, subjects the church to an increased risk for the possibility of fraud occurring. In this research study, it was revealed that 15 of the participants either had a degree in business or had previously worked in the banking industry, and nine had no prior work experience or education in business. Participants were asked if they have participated in training to support their role in managing the financial assets of the church. Twelve of the 24 (50%) participants answered they have had no formal training but mentioned on-the-job training or their education assisted them in their current position. P6 declared “my education and work experience outside the church has
been my training.” P8 stated “just my knowledge gained in college.” P13 indicated “my degree, but I haven’t taken any training for the church.” Nine participants stated they have taken training on managing the financial assets of the church provided by the Georgia Baptist Association, Lifeway Church Services, The Church Network, or The National Association of Church Business Administrators. P2 has “10 years of training on various topics in the banking industry as well as various seminars and webinars.” P12 has participated in “non-profit CPE online courses as well as vendor and non-profit/church association webinars.” P23 has attended “internal control training from system programs over the years.” Figure 13 demonstrates a word cloud created in NVivo®15 using the words coded to training.

**Figure 13**

*Words Associated with the Theme of Training*

![Word Cloud](image)

**Analysis.**

Theme five, financial accountability and stewardship focused on three subthemes, accurate records, leadership, and training. Developing internal control policies and procedures within the church leads to positive stewardship, which reduces the possibility of theft, fraud, or misappropriation of assets from the church (Agyel-Mensah, 2016). Accurate records, a
subtheme of financial accountability and stewardship, is significant to the sustainability of the church. All 24 (100%) of Baptist churches interviewed indicated maintaining accurate records promotes financial accountability and stewardship. P16 stated, “I know it is very important to maintain accurate records.” Also, P20 specified “I just want to do my job to the best of my ability and perform it honestly. It is not my money; it belongs to God.”

Church leaders institute internal controls by developing policies and procedures devised to give reasonable assurance for achieving the missions of the church. Opinions varied on which member of the leadership team is responsible for protecting the assets of the church. Each of the church leaders interviewed acknowledged the responsibility of protecting the church’s assets and noted the importance of using the leadership position to act as positive stewards over God’s resources entrusted to the church.

In exploring research questions five and seven, what standards or specific procedures do Baptist church leaders currently use that improve internal control usage (RQ5), and financial accountability (RQ7) in the church, accurate records, and leadership were concluded to be areas of strength in Baptist churches. Research questions six and eight focused on why standards or specific procedures currently used in the Baptist church are considered as improvements to internal controls (RQ6) and financial accountability (RQ8). Church leaders must be good stewards and do their due diligence in maintaining proper, accurate, and timely record-keeping to ensure the effective and successful operation of the church’s financial activities (Giovino, 2014). Pastors play a vital role in fraud prevention, and one of the most influential things they can do to combat fraud is to emphasize the importance of financial accountability (Foohey, 2014). P5 indicated everything starts with the pastor. The pastor is the leader of the church, the overall manager of the church, he is responsible for everything in the church.
Training, a subtheme of financial accountability and stewardship identified in this research study, revealed nine of the 24 (38%) Baptist church leaders interviewed are not formally educated to support their current position in the church. Twelve of the 24 (50%) Baptist church leaders interviewed indicated no formal training to support their position. Utilizing church leaders with experience in accounting or finance can greatly reduce the possibility of the occurrence of fraud (Egging, 2005). P1 has a high school diploma and no formal training, stressed frustrations because of a lack of training and indicated, “I have not had training for managing the financial assets, but I have had on-the-job training with a lot of help from other church treasurers.” Limited resources restrict churches from employing individuals with higher levels of education in accounting or finance, which causes churches to be in a position where fraud can potentially be increased due to a lack of understanding by employees or volunteers (Busby, 2005). In exploring research questions one and three, which focused on the standards or specific procedures Baptist church leaders need to implement to improve internal control usage (RQ1) and financial accountability (RQ3) in the church, training resulted as an area of concern for the Baptist churches interviewed in this study. If possible, churches should have at least one employee or volunteer who has a background in accounting or finance to review the financial statements of the church and question any unusual activity (Goldstein, 2018). Research questions two and four focused on why Baptist churches need to improve internal control usage (RQ2) and financial accountability (RQ4) in the church. Failing to properly train church leaders, employees, or volunteers can lead to financial errors that have the potential of resulting in the occurrence of fraud (Andon, et al., 2018).
Theme 6: Vulnerabilities in the church.

The potential for church fraud increases when internal controls are not in place or are ineffectively working. Egging (2005) found a lack of internal control usage in churches increases the occurrence of fraud, and that effective internal control usage improved the accountability and sustainability of the church. Internal control vulnerabilities in the church increase the risk of fraud. Conclusions from the interviews conducted in this study revealed three subthemes for vulnerabilities in the church, including a lack of segregation of duties, reluctance to prosecute, and the trusting nature of churches.

Lack of Segregation of Duties

A lack of segregation of duties is the most common internal control weakness reported by auditors (Goldstein, 2018). A lack of segregation of duties normally indicates that the church is relying on one individual to solely handle the financial responsibilities of the church (Murphy, 2015). Another cause for a lack of segregation of duties is because, in many churches, members trust those who are responsible for the financial matters of the church. This can result in situations where fraud can occur because the finances of the church are being conducted by a single individual with very little oversight or regulation (Cornell et al., 2012). Seven of the 24 (29%) Baptist churches interviewed indicated a lack in the segregation of duties and two of these churches had confirmed cases of fraud. P4 stated, “as you can tell since we are a smaller church, I do most everything.” P4 also indicated when you have a smaller church, unfortunately, segregation of duties is not able to exist, and employees are trusted to not take advantage of the church. With the majority of employees in a church, it is not a problem, but unfortunately, sometimes there is that one employee who uses that trust for their gain, and because of that,
internal controls and processes are necessary to protect the employees and the church. P13 stated:

we just do not have enough people to have segregation of duties or internal controls….

We know we really do not have a lot of internal controls in place and we do not look for weaknesses…… My position is easily eight to ten hours max per week, sometimes more or sometimes less, but that is the average, and we cannot afford to hire another financial person just to have internal controls like segregation of duties.

As previously mentioned, P10 believed there was fraud occurring before he became pastor but because of a lack of controls, it was unable to be proven. P10 stated upon his arrival as pastor, one person controlled everything at will. After evaluating their processes and hiring a new treasurer, an additional weakness was identified in the possibility for the treasurer to alter what the records are from the initial count of the offering. P10 believes an additional person should double-check the recording of the offering and its deposit. P3 stated there was a lack of segregation of duties in the church. P3 indicated “when cash is received in the office it is counted by me and deposited.” C11 fell victim to church theft due to a lack of segregation of duties and lacking physical controls. Now, C11 has developed internal control policies and procedures to protect the employees and the church. According to P11, you must have multiple people involved. One person should not be able to go from the beginning when someone drops a twenty-dollar bill until the end when the reports are done. Only one person should never do that alone. P11 said “speaking from experience, that's what happened, only one person was involved. That’s how she got away with it for so long.” C17 also was a victim of fraud because of a lack of segregation of duties but has since implemented policies and procedures to safeguard the assets of the church. P17 indicated “complacency is my biggest concern. With long-time
staff members, we often relax and may not check as thorough or often as needed.” C8 has not been a victim of fraud but reported having a lack of segregation of duties. P8 stated “I handle all of the money in the church…. I am the end person touching the money.” On the other hand, the other churches interviewed had segregation of duties in place to protect the church and its employees, as previously explained.

**Reluctance to Prosecute**

According to Smith (2015), church members believe it is against their religious beliefs to accuse and prosecute a person for misconduct. Even though compassion and forgiveness are an integral part of the belief system of the church, it is important to recognize the negative impact fraud can have on churches. Thirteen of the 24 (54%) Baptist churches interviewed responded they have a zero-tolerance policy for any employee found to be stealing. These 13 churches indicated the employee would be “immediately terminated and prosecuted.” P17 stated there would be “no allowances to make it right.” The churches interviewed who were victims of fraud have terminated the employees and filed criminal charges against those individuals. The remaining 11 Baptist churches do not have policies or procedures in place for unethical behavior. P6 does not have a zero-tolerance policy in place but commented the offense would be internally investigated and the elders would determine if further legal action needs to be taken. P10 responded that they currently do not have policies in place for fraud or unethical behavior. “We don’t have anything saying where if you are caught you are dismissed or what the procedure is.” P13 also responded that there are no policies and procedures in place regarding fraud or unethical behavior. P16 stated they have not run into an unethical situation, but the executive committee and associate pastor would handle it if a problem arose, but no formal policy is in
place. P15 indicated that there would be a range of repercussions, from reprimands, counseling, and/or termination.

**Trusting Nature of Churches**

Duncan and Stocks (2003) found that pastors understand internal control principles, but trust their employees and volunteers, and refuse to apply internal control procedures in their churches. In most situations, the church leader does not want to question the actions of those volunteering in the church, therefore, improper transactions are not caught until it is too late. Most church members prefer not to think about fraud, especially fraud occurring within their church (Kramer, 2015). To rely solely on trust in employees and volunteers can have serious implications (Busby, 2005). Churches are more susceptible to fraud because of their trusting nature and fraudsters target churches because they do not think they will get caught or prosecuted if caught (Giovino, 2014). Trust was a recurrent word in the interviews conducted with Baptist church leaders in this study. P13 stated “There is a lot of trust placed in me or anyone in this type of position. Trust is the biggie in church finances, but we all know how trust can go.” P12 utilizes a small pool of three “trusted” volunteers and further emphasized that there is a lot of trust placed in the deacons and ministers to be good stewards. P11 took a different approach to discuss trust. P11 spoke about the trust that had been placed in the individual who had been stealing since 2015 and commented:

Removing the opportunities that allow somebody to fall into sin on the financial side is the mindset that I went into this position with. You can still trust people; you just don’t want to put them in a position where they are going to have to compromise their faith because they are in a bad place financially.
P19 discussed preventing employees from having too much trust noting it should be ensured that employees could not commit fraud because of too much trust in an individual or just plain complacency in enforcing internal control policies and procedures. Lastly, P2 divulged the importance of donor trust, testifying that donors trust that the church is handling their gifts to the Lord in a responsible, transparent, and trustworthy manner. It is of the utmost importance to Kingdom work that the finances of the church are protected by internal controls, qualified staff, and sufficient oversight. Figure 14 demonstrates a word cloud created in NVivo®15 using the words coded to the theme of trust.

Figure 14

*Words Associated with the Theme of Trust*

Analysis.

Theme six, vulnerabilities in the church, demonstrates poor internal controls that provide an opportunity for fraudsters to take advantage of churches. Churches are known to have poor internal controls and for being reluctant to implement sound business practices, which provides a greater opportunity for embezzlement (Seat, 2015). A lack of segregation of duties, a subtheme of vulnerabilities in the church, is usually a result of lacking resources, including available personnel. A lack of segregation of duties is an internal control weakness that provides an opportunity for thieves to steal from the church (Wooten et al., 2003). Seven of the 24 (29%) Baptist churches interviewed in this study indicated a lack of segregation of duties. These seven
Baptist churches who admitted segregation of duties is an internal control weakness were smaller churches, and have a lack of available personnel, which causes too much trust to be placed in a single individual. Unfortunately, this internal control weakness has resulted in individuals taking advantage of the trusting nature of the church and stealing from several of the churches that participated in this study. The churches that were victims of fraud have rectified the weakness and internal control policies and procedures are now in place to prevent a lack of segregation of duties. In contrast, three of the 24 (13%) Baptist churches interviewed realize they have a lack of segregation of duties, which allows for an internal control weakness, but have not implemented mitigating controls nor do they plan on implementing procedures to reduce the risk. In exploring research questions one and three, Baptist churches need to increase internal control usage (RQ1) in areas where segregation of duties is lacking or implement mitigating controls to reduce the opportunity for fraud to occur, which will ultimately improve financial accountability (RQ3).

Reluctance to prosecute, a subtheme of vulnerabilities in the church, appears to be an internal control weakness that should be improved for 11 of the 24 (46%) Baptist churches interviewed. In exploring research questions one and three, Baptist church leaders should implement policies to prosecute individuals that engage in criminal behavior, to improve internal control usage (RQ1) and financial accountability (RQ3). P21 responded that in most cases, staff members are fired. Depending on the level of fraud, “we are willing to offer a second chance. It is our job as a church to demonstrate love and forgiveness. We all sin and fall short of the glory of God, and Jesus preached forgiveness.” Research questions two and four focus on why Baptist churches need to improve internal control usage (RQ2) and financial accountability (RQ4). Disciplining or prosecuting an employee guilty of fraud is more effective in reducing the
possibility for this employee to steal from their next employer (Ekoma, 2015). P11, a victim of fraud, stated, “one thing that was our goal of the prosecution, was to ensure this goes on the former employee’s record so that they do not have the opportunity to do it again.”

The final subtheme of vulnerabilities in the church, the trusting nature of churches, was exhibited throughout the interviews conducted in this study. Violations of trust are one of the most common crimes committed against churches (Alexander, 2012). P17 indicated smaller churches must put a good deal of trust in one individual, which is also a big problem. Smaller churches interviewed that have a lack of available personnel, emphasized greater reliability and trust in single individuals. In exploring research questions two and four which focus on why church leaders need to improve internal control usage (RQ2) and financial accountability (RQ4), there are serious risks involved when a lack of available resources exists and too much trust is placed in individuals.

**Summary of the findings.**

The foundation of the study in Section One distinguished that fraud and misappropriation of assets in churches is a growing problem, prompting the need to increase the available knowledge on internal control usage and financial accountability. Specifically, churches, especially smaller ones, tend to lack sufficient internal controls and conduct the financial activities in an environment based on trust, which allows an increased opportunity for the occurrence of fraud. To obtain a better understanding of this problem, the researcher conducted 24 interviews with Baptist church leaders from 24 different Baptist churches located throughout north Georgia. Additional data was collected from policy and procedure manuals, newspaper articles, and the individual church’s websites. The researcher explored the perceptions of Baptist church leaders, who are responsible for the financial activities of the church, on internal control
usage and financial accountability. The literature on internal control usage and financial accountability is scarce, and the data collected and analyzed illustrates the increased opportunities for the occurrence of fraud in Baptist churches due to insufficient employee training, reluctance to prosecute, and a lack of internal controls, especially in the area of capital assets, physical controls, segregation of duties, and not utilizing an audit or budget. The themes established to form the data collected and analyzed in this research study as well as the significance to research questions are displayed in Figures 15-22.

Research question one concentrated on the standards or specific procedures Baptist church leaders need to implement to improve internal control usage in the church and data analysis concluded with the themes displayed in Figure 15, including audits, budgets, capital assets, physical controls, reluctance to prosecute, segregation of duties, and training.

**Figure 15**

*Interview Question One and Applicable Themes*
Research question two concentrated on why Baptist churches need to improve internal control usage and data analysis concluded with the themes displayed in Figure 16, including audits, background checks, budgets, capital assets, physical controls, reluctance to prosecute, segregation of duties, training, and the trusting nature of churches.

**Figure 16**

*Interview Question Two and Applicable Themes*
Research question 3 concentrated on the standards or specific procedures Baptist church leaders need to implement to improve financial accountability in the church and data analysis concluded with the themes displayed in Figure 17, including audits, budgets, capital assets, physical controls, reluctance to prosecute, segregation of duties, and training.

**Figure 17**

*Interview Question Three and Applicable Themes*

Research question four concentrated on why Baptist churches need to improve financial accountability in the church and data analysis concluded with the themes displayed in Figure 18, and including audits, background checks, budgets, capital assets, physical controls, reluctance to prosecute, segregation of duties, training, and the trusting nature of churches.
Research questions five and seven concentrated on what standards or specific procedures Baptist church leaders currently use to improve internal control usage (RQ5) and financial accountability (RQ7) in the church. Data analysis concluded with the themes displayed in Figures 19 and 21 and including accurate records, authorization and approval, background checks, bank statement reconciliations, cash collections and deposits, cash disbursements, code of conduct, leadership, and monthly reporting.
Research questions six and eight concentrated on why the standards or specific procedures currently used in the Baptist church are considered as improvements to internal control usage (RQ6) and financial accountability (RQ8). Data analysis concluded with the themes displayed in Figures 20 and 22, and including accurate records, authorization and approval, background checks, bank statement reconciliations, cash collections and deposits, cash disbursements, and code of conduct.
Figure 20

Interview Question Six and Applicable Themes

RQ6: Why are the standards or specific procedures currently used in the Baptist church considered as improvements to internal controls?
**Figure 21**

*Interview Question Seven and Applicable Themes*

RQ7: What standards or specific procedures do Baptist church leaders currently use to improve financial accountability in the church?
In summary, an overview of the study and presentation of the research findings through analysis of the data exploring the perceptions of Baptist church leaders, responsible for the financial activities of the church on internal control usage and financial accountability has been presented. Recommendations for actions and further study, along with personal reflections and study conclusions are discussed below.
Applications to Professional Practice

In this qualitative case study, the researcher explored the perceptions of Baptist church leaders responsible for the financial activities of the church on internal control usage and financial accountability. The research study identified key areas where internal control usage is lacking or financial accountability is non-existent. This study addressed to the deficiency in knowledge on internal control usage and financial accountability in churches and the effects they have on losses from theft, fraud, and misappropriation of assets. According to Crockett (2018), fraud and misappropriation of assets in churches is a growing problem, prompting the need to increase the available knowledge on internal control usage and financial accountability. Likewise, Pollack and Papiernik (2017) indicated that knowledge regarding internal control usage is extremely important yet is relatively uninvestigated by researchers. Embezzlement and mismanagement of assets in churches have become a common theme in recent years (Ahiabor & Yaw Mensah, 2013). These despicable acts have raised concerns about the effectiveness of internal controls and financial accountability in churches (Bowrin, 2004). This research study provided additional knowledge on internal control usage and financial accountability and their effects on fraud, theft, and misappropriation of assets in Baptist churches.

This qualitative case study divulged the standards and specific procedures Baptist church leaders need to implement to improve internal control usage in the church (ACFE, 2020; Barry, 2013; Buckoffer, 2003; Crawley, 2014; Cressley, 1973; Fowler, 2017; Griffin, 2015; Leedy et al., 2018; Steinhoff, 2005; Yee, 2015). Also, the study revealed the standards and specific procedures Baptist churches need to implement to improve financial accountability. Furthermore, larger churches or church employees with a background in accounting should assist smaller Baptist churches that have internal control weaknesses. These accounting professionals
should provide training and support to implement proper internal control policies and procedures to improve internal control usage and financial accountability to reduce the possibility of the occurrence of fraud in Baptist churches.

This qualitative case study concluded Baptist church leaders should implement standards or procedures over segregation of duties, physical controls, training, reluctance to prosecute, audits, budgets, and capital assets to improve internal control usage and financial accountability in Baptist churches. Participants acknowledged the importance of internal controls, however, the smaller Baptist churches identified difficulties in implementing internal controls, especially audits, budgets, and segregation of duties because of a lack of available resources. Both C11 and C17 were victims of fraud because of non-existent segregation of duties. P13 and P8 revealed a lack in the segregation of duties, no audit, or mitigating controls were present in the church because of the size of the church and available resources. Baptist churches interviewed that do not have an annual audit performed had less than 500 members.

In addition to understanding segregation of duties, Baptist church leaders divulged a reluctance to prosecute, the absence of training, physical controls, and internal controls over capital assets. Churches have limited resources, which often prevent training of employees and volunteers, making churches more susceptible to fraud. Training resulted in an area of concern for Baptist churches interviewed in this study. P10, P13, and P15 stated no policies were in place for fraud or unethical behavior. P21 signified offering a second chance to fraudsters because it is the responsibility of the church to demonstrate love and forgiveness. Regardless of internal control weaknesses identified by participants, there was a consensus that strong internal controls strengthen the financial accountability of a church. P12 noted capital assets is an area of weakness for the Baptist church. P2, P3, P5, and P17 expressed having no internal controls over
capital assets. P4 concluded no physical controls or internal controls over capital assets are in place and were not considered until mentioned by the researcher. Baptist churches, especially smaller ones, experience heightened vulnerability for fraud or theft when internal control weaknesses exist. It is recommended that Baptist churches work with accounting professionals to complete an annual audit, prepare budgets, train church employees responsible for the financial activities of the church, and implement physical controls, internal control policies and procedures over capital assets, and improve segregation of duties. Providing job-specific employee training will improve an employee’s understanding of internal controls and promote financial accountability.

The Bible discusses the three main focal points of this study: internal control usage, financial accountability, and stewardship. “He was a thief, and since he was in charge of the disciples’ money, he often stole some for himself” (New Living Translation, 1988/2015, John 12:6). Judas often stole from the other disciples who trusted him. Likewise, two of the churches interviewed fell victim to trusted employees because of a lack of internal controls. Enforcing strong internal controls in the church alleviates the opportunity for a Judas’ in the church to steal. 2 Corinthians 8:19-20 discusses internal controls over cash collections of the church. “He was appointed by the churches to accompany us as we take the offering to Jerusalem – a service that glorifies the Lord and shows our eagerness to help. We are traveling together to guard against any criticism for the way we are handling this generous gift. We are careful to be honorable before the Lord, but we also want everyone else to see that we are honorable.” (New Living Translation, 2 Corinthians 8:19-21). Paul understood the importance of having another brother accompany Titus to Jerusalem so there would be no suspicion over the handling of the gift. Paul
wanted to ensure the money was safeguarded so the integrity over cash collections was maintained in the church.

“Choose a good reputation over great riches, being held in high esteem is better than silver or gold” (New Living Translation, 1988/2015, Proverbs 22:1). Financial accountability and stewardship must be evident in the church through the implementation of strong internal controls. Apart from God’s grace, anyone is capable of sin in the right circumstances, therefore, church leaders must implement internal control policies and hold employees accountable so that the missions of the church are achieved. Churches are called to be good stewards over the resources God has provided. Being good stewards of God’s blessings is one way to express the church’s love for God and the world. “God has given each of you a gift, use them well to serve one another…. Then everything you do will bring glory through Jesus Christ. All glory and power to him forever and ever! Amen” (New Living Translation, 1 Peter 4:10-11). To foster care, trust, and harmony within the church, accountability must be conveyed throughout all levels of employees within the church by enforcing internal control usage.

**Recommendations for Action**

The researcher in this qualitative case study ascertained several concepts that could be proposed to Baptist churches. These applications could be beneficial to all Baptist churches, regardless of size, especially those striving to increase internal control usage and financial accountability. The following concepts should be considered for enactment by Baptist churches:

- Apply the use of a budget to monitor revenue and expenditures as well as to detect fraud.
- Require an annual audit to identify internal control weaknesses and improve financial accountability and stewardship.
• Perform regular employee reviews and evaluations to get feedback and to critique employees’ work to look for red flags that could lead to fraud.

• Work with churches that have strong internal controls or accounting professionals to train church employees responsible for the financial activities of the church on internal control policies and procedures, emphasizing the necessity of having the specific policy or procedures in place.

• Work with churches that have strong internal controls or accounting professionals to develop physical controls and internal control policies and procedures over capital assets.

• Work with churches that have strong internal controls or accounting professionals to develop effective segregation of duties or mitigating controls when segregation of duties cannot be attained because of a lack of resources.

The recommendations above present an opportunity for accounting professionals or churches with strong internal control policies and procedures to use the gifts provided by God to help the Baptist churches in their local community in need. The Georgia Baptist Association, Southern Baptist Convention, The Evangelical Council for Financial Accountability (ECFA), and The Georgia Baptist Mission Board provide resources for churches seeking to improve internal control usage. It is anticipated that Baptist churches that consider these suggestions will strengthen financial stewardship, efficiency, and effectiveness of internal controls, which will ultimately heighten financial accountability. Strengthening internal control policies and procedures within the Baptist church is expected to reduce the opportunity for the occurrence of fraud, theft, and misappropriation of assets. Also, increased financial stewardship and
accountability ensure donors their gifts are being used as intended to fulfill the missions of the church.

**Recommendation for Further Study**

Future studies on internal control usage and financial accountability in Baptist churches continue to be a subject that is open to future research. A similar study expanding into another denomination other than Baptist, or in a different geographical region than North Georgia, could strengthen the knowledge on internal control usage and financial accountability within churches. Another option for additional studies is to conduct a similar study that focuses on Baptist churches that have an annual audit conducted. Investigating Baptist churches that have an annual audit may demonstrate that Baptist churches requiring an annual audit have adequate internal control policies and procedures in place to increase financial accountability and reduce the occurrence of fraud, theft, or misappropriation of assets. Furthermore, future studies could concentrate on Baptist churches that utilize a budget to monitor revenue and expenses. Exploring Baptist churches that utilize a budget may provide additional knowledge on strong internal control policies and procedures that promote financial accountability.

**Reflections**

As a former auditor, the researcher understands the importance of internal controls and financial accountability. As a prior member of the finance committee in a Baptist church, the researcher has experienced firsthand the process and expectations of using donor funds to fulfill the missions of the church. These opportunities prompted the researcher to conduct this study. Before conducting this study, the researcher understood it was important to have internal controls in place to protect cash collections in the church, segregation of duties must be in place, and more than one individual should collect and count to the collections. The researcher also
understood the importance of utilizing a budget and that custody, authorization, and recording of the cash should be maintained separately. After conducting this study, the researcher realized there is more involved in protecting the assets of the church than first thought. Baptist churches in north Georgia need improvements in the implementation of internal control policies and procedures and financial accountability to reduce the possibility of theft. Specifically, the areas that need improvement include conducting annual audits, budget utilization, physical controls, segregation of duties, capital assets, and willingness to prosecute.

“The earth is the Lord’s and everything in it. The world and all its people belong to Him” (*New Living Translation, 1988/2015*, Psalm 24:1). Churches are called by God to be good stewards and manage what is entrusted to their care. Everything in this world belongs to God and is only being borrowed by the church to carry out the Great Commission. One day everyone in this world will be called by God to give an account for their life and how God’s gifts were used. It should be the desire of everyone to hear the Master say “well done, my good and faithful servant” (*New Living Translation, Matthew 25:21*). Churches should implement strong policies and procedures that promote financial accountability so that the missions of the church can be fulfilled to serve those in need and further the kingdom of God.

The researcher is sincerely grateful to the 24 Baptist churches that participated in this study. Regardless of the restrictions faced due to COVID-19 and the sensitivity of the research topic, participants were happy to openly answer interview questions, share experiences, and provide documentation from the church. The researcher was overwhelmed by the sincerity, generosity, and willingness to help by participants.
Summary and Study Conclusions

In summary, the researcher explored the perceptions of Baptist church leaders who are responsible for the financial activities of the church on internal control usage and financial accountability. Twenty-four Baptist churches from north Georgia participated in the research study. The Baptist churches chosen were members of the Georgia Baptist Association or Southern Baptist Convention. Prior research conducted by Suttington (2017) and Griffin (2015) studied financial literacy and accountability within black Baptist churches. Other research looked at the relationship between years of experience and church size and the reported use of internal controls (Ranglin, 2014). This research expanded on the scope of prior research by exploring the effects that internal control usage and financial accountability have on losses from theft, fraud, and misappropriation of assets. This research focused on eight research questions and six main themes were identified to substantiate the eight research questions (ACFE, 2020; Alexander, 2012; Barry, 2013; Buckoffer, 2003; Chu, 2012; Cornell et al., 2012; Crawley, 2014; Cressey, 1973; Fleckenstein et al., 2000; Fowler, 2017; Goldstein, 2018; Griffin, 2015; Kulikova & Satdarova, 2016; Kummer et al., 2015; Leedy & Ormrod, 2018; McNeal, 2006; Peters & April, 2014; Smith, 2015; Steinhoff, 2005; Ventura & Daniel, 2010; Wooten et al., 2003; Yee, 2015).

Research questions one and three focused on what standards or specific procedures Baptist church leaders need to implement to improve internal control usage (RQ1) and financial accountability (RQ3) in the church. Research questions two and four focused on why Baptist churches need to improve internal control usage (RQ2) and financial accountability (RQ4) in the church. Themes developed from the conclusions in this research study include audits, budgets, capital assets, physical controls, reluctance to prosecute, segregation of duties, training, and the
trusting nature of churches. The results of this research study revealed less than half of the Baptist churches interviewed reported having an annual audit performed. The 11 Baptist churches that have an annual audit completed disclosed the audit report was useful in identifying internal control weaknesses that may be present in the church. Wooten et al. (2003) concluded that larger churches had more available resources, better internal controls, and were more likely to be audited by an independent certified public accounting firm than a smaller church. All 11 Baptist churches in this study that have an annual audit performed reported having at least 500 members in the church. The Baptist churches in this study that responded no audit is performed by the church revealed less than 300 members in the church.

Less than half of the Baptist churches interviewed in this research study responded positively to the use of a budget. Ventura & Daniel (2010) indicated churches use budgets to plan and control spending. Budgets also provide a way to detect errors or irregularities in the church finances. The Baptist churches in this study that revealed the utilization of a budget indicated the budget was used to identify internal control weaknesses, missing funds, and misallocations. It was also concluded that the budget was used to ensure church funds are being used appropriately to fulfill the missions of the church.

Only three of the Baptist churches interviewed indicated having a capital asset policy in place. According to the ACFE (2020), asset theft occurred in 22 percent of all reported church fraud cases and resulted in an average loss of $90,000.00. All the Baptist churches without an internal control policy over capital assets identified capital assets is an area of weakness for the Baptist church. The three Baptist churches with internal control policies in place over capital assets have more than 1,500 members in the church and have an audit performed each year.
Most of the Baptist churches interviewed reported having at least one physical control in place. However, one of the Baptist churches interviewed experienced theft of personnel information due to non-existent physical controls. Peters and April (2014) indicated a key element of financial stewardship and internal controls is the physical safekeeping of a church’s assets. The majority of the Baptist churches that have physical safeguards in place have fireproof safes, use locked bank bags for cash collections and deposits, require secure passwords, and user ID’s to access computer logins, bank logins, or accounting software. Churches without physical controls in place should implement controls immediately as physical controls are one of the most important internal controls that should be in place to protect the church from theft.

One-half of the Baptist churches interviewed responded having a zero-tolerance policy for employees caught stealing. According to Smith (2015), churches believe it is against their religious beliefs to accuse and prosecute a person for misconduct. Reluctance to prosecute is an internal control weakness that should be improved for the other half of Baptist churches interviewed. Ekoma (2015) implied disciplining or prosecuting an employee guilty of fraud is more effective in reducing the possibility of this employee stealing from the next employer.

Segregation of duties can be burdensome for smaller churches because of a lack of available resources for distributing tasks. Incorporating segregation of duties is likely to reduce the occurrence of fraud (Dorminey et al., 2012). Two of the Baptist churches interviewed were victims of fraud because of a lack of segregation of duties. Another church interviewed noted a strong suspicion of fraud due to non-existent segregation of duties in place. Segregation of duties should be implemented in all churches no matter the size. If segregation of duties cannot be enforced, mitigating controls should be in place to protect the church.
Training employees and volunteers in the usage of internal controls strengthens the internal control structure of the church. McNeal (2006) indicated allowing untrained employees and volunteers to perform financial duties in the church presents an increase in the risk for the possibility of fraud occurring. The results of this research study revealed training is an area of concern; half of the participants interviewed had no formal training to assist in their current position. Trust was a recurrent word in the interviews conducted with Baptist church leaders. Violations of trust are one of the most common crimes committed against churches (Alexander, 2012). Smaller Baptist churches interviewed indicated a lack of available personnel and emphasized greater reliance and trust in single individuals. The results of the interviews conducted concluded there are serious risks involved when too much trust is placed in one individual who is solely responsible for the financial activities in the Baptist church.

Research questions five and seven focused on what standards or specific procedures do Baptist church leaders currently use that are considered as improvements to internal controls (RQ5) and financial accountability (RQ7) in the church. Research questions six and eight focused on why the standards or specific procedures currently used in the Baptist church are considered as improvements to internal controls (RQ6) and financial accountability (RQ8). The themes of accurate records, authorization and approval, background checks, bank statement reconciliations, cash collections and deposits, cash disbursements, code of conduct, leadership, and monthly reporting were identified to substantiate these research questions.

All the Baptist churches interviewed confirmed the importance of maintaining accurate records. Participants revealed that maintaining accurate records promotes stewardship and financial accountability, which is significant to the sustainability of the Baptist church. Most Baptist churches interviewed have internal control policies for authorization and approval in
Authorization and approval procedures must be enforced for internal controls to be appropriate in safeguarding the assets of the church. Background checks were also evident in the Baptist churches interviewed in this study. Only one church does not complete background checks before hiring employees. Background checks and reference checks are highly recommended to prevent fraud (Rixon et al., 2014). Most Baptist churches interviewed indicated a code of conduct is in place and is included in the employee handbook. The code of conduct is discussed at the time of hire and periodically if changes are made or if misconduct occurs.

Having a strong internal control environment, including a code of conduct, promotes financial accountability (Laughlin, 1988).

All of the Baptist churches interviewed reported bank statement reconciliations are performed and reviewed monthly. Participants indicated monthly reconciliations of the bank account will assist in keeping employees and volunteers honest because reconciliations will expose unauthorized or unusual transactions. All Baptist churches except one responded that internal control policies and procedures are in place over cash collections and deposits, which assist in reducing the possibility of the occurrence of fraud. Also, most Baptist churches interviewed stated policies and procedures were in place for cash disbursements.

The Baptist churches interviewed acknowledged the responsibility church leaders have in protecting the assets of the church. Participants also noted the importance of using the leadership position to act as positive stewards over God’s resources provided to the church. Furthermore, most of the Baptist churches interviewed stated monthly or quarterly financial reports were prepared and shared with church members. Utilizing monthly reporting allows Baptist churches to identify fluctuations in income or expenses, which reveals errors or potential theft, and ultimately increases financial accountability.
References


U.S. Department of Justice (9, April 2018). Former Church Employee Sentenced for Embezzlement over $400,000 from the church.


Whelan, D.J. (2008). Church leaders must see the tone for effective internal control. *Church Executive, 6*(1), 245-265.


Appendix: Semi-Structured Interview Guide

Introduction

Thank you for meeting with me today to discuss your perceptions of internal control usage and financial accountability in Baptist churches. The interview will take approximately 1 hour to complete. Everything that you share with me today will be kept strictly confidential. Please answer the interview questions to the best of your ability. If at any point during the interview you feel uncomfortable, need to take a break, or wish to decline to answer a question, you may do so. Before we begin, do I have your permission to record our conversation and to take notes? Do you have any questions before we begin our interview? (BEGIN DIGITAL RECORDER). This is an interview (assigned participant ID number) on (state date) and he/she has agreed to the recording of this interview.

Background and Demographics:

1. Approximately how many members do you have in your church?
2. What is your position in the church and what are your primary duties?
3. How long have you worked in this position?
4. What is your educational background?
5. What did you do before working in this position at the church?
6. Please describe your participation in managing the financial assets of the church.
7. What training have you taken to support your role in managing the financial assets of the church?

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8. How have your prior experiences and/or training equipped you to detect the occurrence of fraud, theft, or misappropriation of assets in the church?

Questions - Regarding internal controls and weaknesses

9. Who do you believe is responsible for protecting the assets of the church?

10. What is your understanding of internal controls over assets in the church?

11. How are internal control policies and procedures communicated to employees in the church?

12. How are internal control weaknesses in your church identified?

Questions - Regarding internal controls over cash

13. Please describe the procedures for counting and depositing cash received.

14. Please describe the procedures for cash disbursements.

15. Please describe the procedures regarding bank statement reconciliations.

16. Do you feel there are internal control weaknesses associated with cash collections or disbursements in the church?

Questions – Regarding internal controls over capital assets

17. Please describe the procedures over capital assets within the church.

18. Do you feel there are internal control weaknesses associated with capital assets in the church?
Questions – Regarding internal controls over human resources

19. Describe the process for hiring new employees.

20. Are new employee background checks required for new employees?

21. Please describe the procedures over processing payroll for employees.

22. Do you feel there are internal control weaknesses associated with employee relations in the church?

Questions regarding financial accountability and stewardship

23. What is your understanding of financial accountability and stewardship over the assets of a church?

24. What do you believe is your stewardship role in managing the church’s assets?

25. Do you believe strong internal controls strengthen the financial accountability of a church?

Questions regarding fraud, theft, and misappropriation of assets

26. What are the church’s policies regarding fraud and unethical behavior?

27. How are these policies provided to employees in the church?

28. When you hear of a church leader, employee, or volunteer committing fraud or stealing from the church, how does this information help you to strengthen the internal controls in your church?

29. What other information concerning internal controls, financial accountability, fraud, or theft would you like to share?