AN EXPORATION OF INTERNAL CONTROL DEFICIENCIES AND THEIR IMPACT ON

FRAUD IN LOCAL CHURCHES IN NIGERIA

by

Samuel Maduabuchi Eze

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Dissertation

Submitted in Partial Fulfillment

of the Requirements for the Degree of

Doctor of Business Administration

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Liberty University, School of Business

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Abstract

This research study explores the impact of internal control deficiencies on fraud in local

churches in Nigeria and provides church leaders, trusted church members, employees, and

volunteers with necessary tools to guard church funds and assets from fraud and waste of

resources. The researcher designed the study to answer six research questions addressed

with 16 semi-structured interview questions and the outcome was obtained from 17 church

leaders, ministers, employees, and volunteers of local churches in Enugu area, Nigeria. The

six themes that emerged from the study include accountability and stewardship, good

internal control procedures, segregation of duties, disciplinary measures, strong leadership,

and control and monitoring. The results of this qualitative case study shows that

opportunity exists for occurrence of fraud and embezzlement of fund in local churches

in Enugu area, Nigeria due to lack of segregation of duties, poor leadership and

governance, absence of education and training, the culture of trust and reluctance to

prosecute offenders. The researcher recommended key actions for limiting and preventing

fraud in a local churches that include (a) setting the tone at the top and oversight by the

leadership, (b) leading by examples in behavior and teaching of sound biblical messages by

the leaders and pastors, (c) segregation of duties, (d) sound internal control procedures over

offertory collections, tithes and donations, (e) internal and external audit, (f) pre-

employment screening, and (g) prosecution of offenders to serve as a deterrent to others.

 Key words: Fraud Triangle, embezzlement, accountability, stewardship, trust, prosecution,

COSO framework, leadership, governance.

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Approvals

Samuel Maduabuchi Eze, Doctoral Candidate	Date
Dr. Darnell Huntley, Dissertation Chair	Date
Dr. Steven Seay, Committee Member	Date
Dr. Edward M. Moore Ph. D, Director of Doctoral Programs	Date

Dedication

I dedicate this dissertation to my LORD and Savior Jesus Christ who guided and poured the Holy

Spirit upon me throughout this tedious journey. It was a journey that look impossible to

accomplish but He was there every step of the way to guide and fill me with wisdom and

understanding. Special dedication goes to my cherished family. To my beloved wife, Celestina,

and our handsome boys, Chibuike and Chineme, and our sweet and adorable daughter, Chidinma

(Angel) for their encouragement, prayers, love, support and understanding during the entire

period of the study. You are a special blessing to me. Thank you All!

I also dedicate this study to my loving mother, Mrs. Josephine Eze for your motherly care and

support; and my deceased father, John Eze-Osigbo. I know you are in heaven smiling and proud

of me.

This study was done at one of the unprecedented times in the history of mankind, the COVID-19

pandemic. As a survivor of COVID-19 with my family, I also dedicate this study to all families

who lost beloved ones to COVID all over the world. May you be comforted in the Lord Jesus

Christ.

They that sow in tears shall reap in joy. He that goeth forth and weepeth, bearing precious seed,

shall doubtless come again with rejoicing, bringing his sheaves with him (Psalm 125: 5-6)

(KJV).

Acknowledgments

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Above all, I give all the glory to the Almighty God for guiding me through all the ups and downs and the financial enablement to successfully complete this study. To all those who contributed in diverse ways to make this study a success, I say, thank you all. May God reward you in multiple folds.

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Section 1: Foundation of the Study

Fraud has become a significant cause of concern in both for profit and not-for profit organizations including churches. The prevalence of fraud in churches and waste of resources means that funds and resources that would have been used to carry out its critical mission of bringing the fullness of life in Christ to the world is limited (Michaelson et al., 2015). Many of these incidents of fraud in churches could be detected and prevented through the application of internal control systems.

While research on the prevention of fraud has primarily focused on large for-profit organizations, research on not-for profit fraud is scarce due to the limited availability of data and lack of research on fraud within the church (Johnson et al., 2015). This research was conducted to gain an in-depth understanding of the effect of ineffective internal control procedures and implementations in local churches and contribute to strategies for preventing fraud and waste of resources in local churches in Nigeria.

Background of the Problem

Churches, like not-for-profit organizations, are formed primarily to serve the public without expectation of profits or benefits from their founders (Ekhomu, 2015). The central mission of the church is to bring the fullness of life in Christ to the world (Michaelson et al., 2015). Carrying out this critical mission of making disciples (Mark 16:15; Matthew 28:18-20) requires money, resources, and purposeful leadership committed to delivering message of salvation and living lives that exemplify the life of Christ. In its role of bringing salvation to the world, the church stands as the light of the world (Matthew 5:14).

Clark (2008) asserted that the core of Christianity, making followers of Jesus, requires faithfulness to God. This genuine faithfulness to God and being the light of the

world should distinguish church leadership and church followers from those in the secular

world; and the word "fraud" is not supposed to be associated with the house of God.

Because of this view and expectation of church leadership and followers, Shang (2017)

observed that many church members find it unbelievable that churches can be victims of

embezzlement and fraud. However, fraud has become a cause of concern in both for profit

and not-for organizations, and particularly in churches (Dzomira, 2014; Pavlo, 2013).

Johnson et al. (2015) found that fraud in the non-profit sector is on the rise and by the

year 2025, global embezzlement of church funds might be as high as 10%, or $100

billion. Similarly, the Gordon Conwell Center for Global Christianity (2019) reported that

ecclesiastical crime is increasing at a yearly trend of 5.29%, with a financial fraud of $70

billion by 2025 and $170 billion by 2050 globally. Brotherhood Mutual (2018) also stated

that church fraud continues to grow by more than 6% a year and worldwide church financial

fraud is expected to reach $80 billion by 2025. In addition, the Association of Certified

Fraud Examiners' (ACFE) 2018 Report to the Nations on Occupational Fraud and Abuse

showed that the average organization loses 6% of its annual revenue to fraud and abuse,

while 9% of all the fraud cases occurred in non-profit organizations, a half were attributable

to internal control weakness.

Fraud cases in churches and other not-for-profit organizations abound. Notable among

them include the UK Charity Commission indicting Chris Oyakhilome's Christ Embassy

Ministry, Nigeria of the church's board of trustees' fraudulent practices, including illegally

paying more than N827 million (£1,767,250) to entities and organizations it shared close

relationships with (Ibekwe, 2019); Pastor Osazee Igbinigie's of Benin, Nigeria involvement in

fraud and robbery (Deolu, 2016), the United Way's theft of $2 million in Lansing, Michigan; the

Baptist Foundation of Arizona in the United States declaring bankruptcy resulting from fraud of

over $500 million from its elderly and retired parishioners; a Connecticut bishop receiving a 46-

month prison term for duping church members over $500,000 with a promise of phony

investments in 2013; a church book-keeper's diversion of over $400,000 discovered in 2011 in

New Jersey, United States; the discovery of three ex-employees of a North Carolina church who

stole over $335,000 over nine years in 2015; and a Catholic priest, Rev. Michael Jude Fay, who

stole $1.3 million from the congregation's collections in Darien, Connecticut, United States or

the case of two catholic nuns who skimmed $500,000 over a decade from their Catholic school

employer (St. James Catholic School, Torrance, California) and gambled away the cash in Las

Vegas (Snyder, 2005; Shang, 2017; Pavlo, 2013; Seidel, 2018). Snyder et al. (2017) suggested

that many incidents of fraud in not-for-profit organizations could have been mitigated

through the application of effective internal control systems. Internal control is an important

function to both for profit and not-for-profit organizations(Dzomira, 2014). Fraud in

churches worldwide is becoming a pandemic, but implementation of well-designed internal

control procedures is effective in the detection and prevention of fraud.

Most research on the prevention of fraud has focused on large for-profit organizations,

while research on not-for-profit fraud is scarce due to limited availability of data (Archambeault

et al., 2014). Johnson et al. (2015) also noted that there is lack of research on fraud within the

church. As a result of this gap in the literature, further research is needed.

Problem Statement

The general problem to be addressed is internal control deficiencies in religious

organizations, which can result in fraud and embezzlement among trusted members, leaders, and

volunteers. Thornhill et al. (2016) stated that increasing number of fraud and embezzlement

cases are common in churches and are attributable to lack of internal control or lapses in

implementation of existing control. Eulerich et al. (2015) noted that the efficiency of any

organizational governance and risk management process depends on the effectiveness of its

internal control function, while Ahiabor and Yaw Mensah (2014) asserted that a common

misconception among most church leaders is that internal control is primarily for detecting and

preventing fraud and that by implementing internal control, they seem to distrusting their

members.

The specific problem to be addressed is internal control deficiencies in select local

churches in the Enugu area, Nigeria resulting in fraud and embezzlement among trusted church

members, leaders, and volunteers. Wood and Wood (2014) noted that financial fraud in churches

is increasing at an alarming rate. With the increasing rate of fraud, churches are incapacitated as

the amount of money lost to fraud exceeds the amount it donates to its critical mission of

charitable causes (Shang, 2017). Internal controls are critical in preventing fraud and serve as an

effective tool in preventing losses and achieving organizational goals (Afriyie et al., 2018).

Hightower (2008) defined instituting an effective internal control system as a "program of

activities established to catch and monitor a potential exposure that could result in a significant

error, omission, misstatement, or a fraud" (p. 27). Internal control systems are the panacea for

detecting and preventing fraud in all organizations, including not-for-profit organizations such as

churches.

Purpose Statement

The purpose of this qualitative multiple case study is to add to the body of knowledge

by using existing research to expand the understanding of the impact of internal control

deficiencies on prevalence of fraud in churches and contribute to strategies for preventing

fraud and waste of resources in local churches in the Enugu area, Nigeria. This study was

designed to explore the impact of internal control deficiencies of fraud in churches and

provide church leaders, trusted church members, employees, and volunteers with necessary

tools to guard church funds and assets from fraud and waste of resources. The general

problem was explored through an in-depth examination and analysis of how ineffective

internal control procedures and their implementation in churches has created loopholes that

allow fraud and embezzlement to flourish. Johnson et al. (2015) found that about $5 billion of

contributions to churches globally were lost in 2015 due to fraud, and this is expected to

increase exponentially by 2025. This estimate is the tip of the iceberg and is not necessarily

accurate, as many religious organizations fail to report incidence of fraud and settle fraud

cases internally (Smith, 2014). This study was also designed to serve as a guide to church

leadership on the importance of internal control measures for early detection and prevention

of fraud.

Research Questions

This study addressed pertinent research questions to gain an in-depth understanding of

the effect of ineffective internal control procedures and implementations in local churches and to

specifically contribute strategies for preventing fraud and waste of resources in local churches in

Nigeria. The research problems are explored by answering the following research questions.

RQ1: What is the role and importance of internal control systems in churches?

The concept of internal control is critical to organizational success and performance.

Internal control has been defined in various ways. Hightower (2008) noted that internal control is

a "program of activities established to catch and monitor a potential exposure that could result in

a significant error, omission, misstatement, or a fraud" (p. 27). The Committee of Sponsoring

Organization of the Treadway Commission (COSO) model defined internal control as:

> A process, effected by an entity's board of directors, management, and other personnel,
>
> designed to provide reasonable assurance of the achievement of objectives in ensuring
>
> effectiveness and efficiency of operations, reliability of financial reporting and
>
> compliance with applicable laws and regulations (2013).

Internal control essentially deals with the safeguarding of physical assets and monetary

funds and minimizes the opportunities of committing fraud and allowing errors to go undetected.

Tazilah and Hussain (2015) concluded that the main reason for establishing an internal control

system is to prevent fraud and theft. AICPA (2014) emphasized that effective internal control

reduces the risk of asset loss and opportunities for unintentional errors or intentional fraud. It acts

as a preventive control by discouraging errors or fraud and as a detective control by identifying

an error or fraud soon after it occurs.

RQ2: How has lack of or ineffectiveness of internal control systems contributed to fraud

and embezzlement of funds in churches?

Lack of or ineffectiveness of internal control systems has been identified as the reason

behind fraud and embezzlement in churches (Ahiabor & Mensah, 2013). Ojua (2016) found that

internal control in churches is based on trust rather than on basic accounting principles. As

control structures are not effective but built on trust, those in control of funds are susceptible to

fraud (Ojoloko & Audu, 2019). Trust is the emotional glue that binds a team together and

produces confidence. This means that the lead pastor trusts the staff, the staff trust the pastor, and

the staff trust one another, but trust is simply not a valid internal control (Raiborn et al., 2015).

Lack of internal control enables skimming and fraudulent cash disbursements and recently credit

card abuse, where an employee or minister/pastor charges personal items on the church credit

card (Keller & Owen, 2012). Thornhill et al. (2016) opined that the loophole in asset

misappropriation and fraud, regardless of whether in corporate or for-profit organizations, is the

absence of internal controls that should have prevented, deterred, or detected the fraud and were

either circumvented, deficient, or are not in existence.

RQ3: What internal control measures or strategies are needed to prevent fraud in

churches?

Fraud is not specific to one segment of organization. Keller and Owens (2012) noted that

fraud is a significant potential problem for all organizations. It has just as much potential to

occur in non-profit organizations such as churches as it does in for-profit organizations. Curbing

fraud requires implementing internal control measures. Tumwebaze (2018) recommended

strategies to improve internal control measures that include but not limited to ensuring proper

record keeping and authorization of transactions, independent checks, segregation of duties, a

defined line of authority and accountability, application of corporate governance principles, and

instituting a computerized accounting information system.

Segregation of duties remains the most basic form of internal control measures to limit an

individual's ability to commit and conceal fraud. Segregation of duties entails maintaining

separate function of authorization, recording, and custody (Murphy, 2015; Messier et al., 2017).

Reducing the risk of fraud begins with policies that put the right people in the right positions in

an organization. Hiring the right people can be affected by carrying out background checks,

credit checks, education checks, reference checks, criminal history checks, behavioral

interviewing, and psychological testing (Murphy, 2015).

RQ4: What are the barriers or challenges in implementing effective internal control procedures in churches?

While internal control is vital in preventing and detecting fraud, it can be costly, particularly for organizations such as small churches. Tazilah and Hussain (2015) noted that internal control systems are not easy to implement particularly for small organizations with limited capital and investments. Insufficient segregation of duties and lack of proper classification and records can pose a challenge in implementing internal control (Ojua, 2016). Other noticeable challenges in implementing effective internal control procedures in churches include a lack of knowledge regarding the internal control system, resistance to adapt the internal control system, shortage of staff to implement the internal control system, and reluctance from church management (Tanui et al., 2016).

RQ5: How can internal control procedures be used as an instrument to prevent fraud in churches?

Internal controls help to protect assets and detect, mitigate, and prevent fraud, as well as ensure that accurate financial accounting information is maintained (Murphy (2015). Internal control primarily serves the purpose of detecting fraud and errors in record keeping. An effective internal control environment creates preventive and detective controls over fraud. Murphy (2015) also noted that while fraud prevention controls are proactive in deterring and reducing the opportunity to commit fraud, fraud detection controls are reactive in discovering the fraud if it does occur. D'Amico (2018) posited that effective fraud prevention measures entail creating and maintaining an organizational culture rooted in honesty and ethical behaviors, identifying fraud risk areas, and developing internal controls that mitigate the potential risks.

RQ6: What are the roles of church leaders in making sure that effective internal control procedures are implemented?

Church leaders are tasked with ensuring that church assets and resources are properly accounted for and maintained. The revised Catholic Church Code of Canon Law, Canon 1284, effective November 27, 1983, stated that "all administrators (Bishops, Priests, etc.) are to perform their duties with the diligence of a 'good householder' and have the duty to ensure that no abuses exist in the administration of church goods within the diocese" (USCBC) (1995). Effective internal control begins with well written policies and procedures and its implementation starts with "the tone at the top", that is from the top management (Murphy, 2015). No matter how well-designed the control is, it can only be effective if it is followed and implemented properly. This can only happen if church leadership shows commitment and willingness for it to work.

Nature of the Study

The nature of the research study or approach to conducting research falls within the qualitative, quantitative, or mixed method design. The type of research design depends on the research method chosen. A good research design ensures that the data obtained helps to answer the research questions effectively.

In a qualitative method, a researcher describes the characteristics of people or events. 'Qualitative' refers to studies of subjects that are hard to quantify. Aspers and Corte (2019) asserted that qualitative research is a process in which significant new distinctions are made to the scholarly community and that making distinctions is a key aspect of obtaining new knowledge. Qualitative researchers are like explorers bent on discovering the unknown. Denzin and Lincoln (2005) observed that qualitative research is a multifaceted method where researchers

study things in their natural settings and interpret a phenomenon in its natural state. The focus of

a qualitative method is on comparing events without regard to measurements or amounts.

Qualitative researchers are concerned with understanding human behavior from the informant's

perceptive and data are collected through observations and interviews (McLeod, 2019) and

centers on understanding the processes, experiences, and the meanings people assign to things

(Kalof et al., 2008).

In quantitative design, the focus is on characteristics displayed by the people and events

that the researcher studies in terms of measurements or amounts and the research is largely

concerned with pre-determined variables and the analysis concerns the relations between

variables (Small, 2008; Aspers & Corte, 2019). Quantity in quantitative design refers to the

property of something that can be determined by measurement. Franzosi (2016) noted that the

categories in the variables are primarily not questioned in the quantitative study, rather only their

frequency or degree, or the correlations between them are in question.

The mixed approach is a blend of qualitative and quantitative research. In a mixed

research method, the researcher collects and analyzes both quantitative and qualitative data

within the same study (Shorten & Smith, 2017).

Discussion of Research Paradigms

There is link between philosophical worldview or paradigm and research methodology.

This is because the philosophical worldview to adopt is also related to the objects of study in a

particular field. Also, the paradigm a researcher adopts influences which research methods to use

as part of the research methodology for providing reliable evidence about the research study.

Worldview means "a basic set of beliefs that guide action" (Guba, 1990) and paradigms means

"the way we see the world"(Creswell, 2013), or "an interpretive framework of beliefs and

assumptions about the world" (Denzin & Lincoln, 2001).

Many research methodologies originated within a particular philosophical worldview.

Quantitative research is generally post-positivist, while qualitative methodologies relate to

different philosophical worldviews. Sometimes, different scholars use the same methodology

while prescribing to different worldviews. Therefore, understanding the philosophical worldview

is useful in choosing the research methodology to adopt, depending on the field of study. Below

is an explanation of various philosophical worldviews or paradigms:

(Post) Positivism

Postpositivist assumptions have represented the traditional form of research, and these

assumptions hold true more for quantitative research than qualitative research. This paradigm is

sometimes called the scientific method or doing science research. It is also called

positivist/postpositivist research, empirical science, and postpostivism (Creswell, 2009).

Positivistic inquiry aims to explain, predict, or control reality. It strives towards measurability,

objectivity, and reduction of uncertainty, and uses standardized procedures that can be

duplicated.

Pragmatism

Pragmatism is not committed to any one system of philosophy and reality. This applies to

mixed methods research in that inquirers draw liberally from both quantitative and qualitative

assumptions when they engage in their research (Creswell, 2013). Reality does not exist only as

natural and physical realities, but also as psychological and social realities, which include

subjective experience and thought, language, and culture. Pragmatists believe that knowledge is

both constructed and based on the reality of the world in which they live and experience

Creswell, 2013). Researchers are free to choose the methods, techniques, and procedures of

research that best meet their needs and purposes. Pragmatists do not see the world as an absolute

unity. In a similar way, mixed methods researchers look to many approaches for collecting and

analyzing data rather than subscribing to only one way (e.g., quantitative, or qualitative)

(Creswell, 2009).

Advocacy/Participatory

An advocacy/participatory worldview hold that research inquiry needs to be intertwined

with politics and a political agenda. Thus, the research contains an action agenda for reform that

may change the lives of the participants, the institutions in which individuals work or live, or the

researcher's life. The researcher often begins with an issue as the focal point of the study and

assumes that the inquirer will proceed collaboratively to avoid further marginalizing the

participants because of the inquiry. Advocacy research provides a voice for participants, raising

their consciousness or advancing an agenda for change to improve their lives. It becomes a

united voice for reform and change (Creswell, 2009).

Constructivism/Interpretivism

Social constructivism, often combined with interpretivism, is typically seen as an

approach to qualitative research. Social constructivists hold assumptions that individuals seek

understanding of the world in which they live and work. Individuals develop subjective

meanings of their experiences directed toward certain objects or things (Creswell, 2009). The

researcher's role is to grasp meanings of people's actions and interpret the world from the point

of view of participants. In this worldview, research is a subjective process due to the active

involvement of the researcher in the construction and conduct of research. Social constructivists

explore the ways people interpret and make sense of their experiences.

This study follows the constructivism/interpretivism paradigm. Creswell (2013) noted that qualitative research is called interpretive research because the researcher makes an interpretation of what they find based on their own experiences and background.

Discussion of Design

Research design is a plan to answer research questions and is like a roadmap or blueprint for the research. It helps the researcher in developing and determining the choice of the data collection method, the method of analysis, the sample size, and the population (Makombe, 2017). It primarily illustrates the overall structure of the research and informs the type of research been carried out, as well as the expected result. Yin (2016) noted:

> The research design is a logical plan of getting from *here* to t*here*, where *here* may be defined as a set of questions to be addressed, and *there* is some set of conclusions about these questions. Between *here* and t*here* may be found several major steps, including the collection and analysis of relevant data.

The type of research design adopted will also depend on the research questions being investigated. Creswell (2013) categorized qualitative designs into five groups—case study, ethnography, grounded theory methodology, narrative inquiry, and phenomenology.

Case Study Design

A case study involves a deep understanding of multiple types of data sources. Simons (2009) defined case study as "an in-depth exploration from multiple perspectives of the complexity and uniqueness of a particular project, policy, institution, program or system in a real life," while Yin (2009) asserted that qualitative case study design is an empirical inquiry that explores an in-depth phenomenon of a real-life event and can be exploratory, descriptive, or explanatory in nature. The researcher used an exploratory case study research design in this

study to gain an in-depth understanding of the underlying reasons for fraud in churches and to

gain insight regarding how internal control deficiencies have adversely impacted church

finances. The researcher employed techniques such as direct observation of cash and check

collection of offertories during church services, online and direct payments, backstage

observation of how offertory collections were handled—counted, recorded, and prepared for

deposits, mail-in, donations and pledges, Givelify, tithes, bank deposits procedures and

inspection of books and records, surveys, interviews, and other archival data to answer the

research questions that explored the phenomenon. Case studies are used in the research method

where the focus of the researcher is to analyze the subject matter been studied (Astalin,

2013). Using surveys and interviews is appropriate in describing the qualities of a population,

particularly when there are high levels of variation. An unstructured interview is more of a

"controlled conversation" than an interview, which is skewed towards the interests of the

interviewer, while semi-structured interviews are in-depth interviews where the respondents have

to answer preset open-ended questions (Gray, 2009). On the other hand, survey research involves

the collection of information from a sample of individuals through their responses to questions

(Check & Schutt, 2012). Ponto (2014) described survey research as a useful and legitimate

approach to research that has clear benefits in helping to describe and explore variables and

constructs of interest.

Phenomenology Design

The phenomenology design attempts to discover and identify how the phenomenon was

experienced by examining individuals' perceptions and attempts to recount the lived experiences

of several individuals and perceptions of a concept or phenomenon (Creswell, 2015).

Phenomenological research focuses on obtaining reality from individual lived experiences within

a particular group and through this process construct an in-depth description of the phenomenon (Yüksel & Yıldırım, 2015). Phenomenological research is typically conducted by interviewing a small group in a population. Creswell (2018, pp.78-79) identified several features of phenomenological study including but not limited to emphasis on a phenomenon to be examined explored in terms of a specified concept or idea, the phenomenon explored with lived experiences of a group of individuals, and the researcher excluding themself from the study while analyzing data collected from narrow analysis into a broader unit of meaning. Phenomenological study is criticized for its abstract nature, difficulty of description, and structured format, particularly for novice researchers. Phenomenology requires some understanding of broader philosophical assumptions because it involves great data collection with single and multiple participants (Creswell, 2018).

Ethnographical Design

In ethnographical design, the focus is on setting the individuals' stories within the context of their culture and culture-sharing group. In case study research, the single case is selected to illustrate an issue, and the researcher compiles a detailed description of the setting for the case (Creswell, 2015). In ethnographic research, the researchers participate with the study's participants in their real-life environment and carefully observe them and interpret the shared and learned patterns of values, behaviors, beliefs, and language of a culture-sharing group (Jones & Smith, 2017; Creswell, 2015). One of the problems with the ethnographic study is that data collection produces voluminous unstructured data from a range of sources, such as fieldwork notes, diary entries, memos, and interview transcripts (Jones & Smith, 2017).

Grounded Theory

Glaser and Strauss (1967) are recognized as the founders of grounded theory. In a grounded theory (GT) qualitative research design, the researcher is concerned with the generation of theory from data that has been systematically collected and analyzed. Haig (2010) asserted that "GT comprises a distinctive methodology, a particular view of scientific method, and a set of specific procedures for analyzing qualitative data and constructing theories from those data." GT is a research methodology with a central purpose to study the experience of participants to develop a theory grounded in the data gathered from participants. The researcher then constructs hypotheses and make predictions about other experiences. Timonen, Foley, and Conlon (2018) posited that grounded theory is not appropriate for verification/falsification of preexisting propositions, while Haig (2010) asserted that a growing number of authors have characterized the creative inference involved in the generation of GT as abductive in nature and agreed that the entire process of theory construction in GT can be cast in an abductive light.

However, GT is appropriate where the research is concerned regarding exploring integral social relationships and the behavior of groups, where there has been little exploration of the contextual factors that affect individual's lives, and where a researcher needs to analyze large quantities of unstructured or semi-structured qualitative data (Lawrence & Tar, 2013).

Narrative Research

Narrative research aims to explore and presents human experience in textual form. Narrative research starts with sharing experiences as expressed in lived and told stories of individuals (Creswell, 2015), and takes the form of interviewing people around the topic of interest and may include the analysis of written documents (Salkind, 2010). One of the problems with narrative research design is that researchers need to have a clear understanding of the

context of individual life from a wide range of information from the participants, and this
requires the researcher to filter several source materials to make up the individual stories
(Creswell, 2015).

Researcher's Choice for Case Studies

Case studies are criticized for providing very little basis for scientific generalization
because of the use of a small number of subjects and/or being conducted with only one subject.
However, Yin (2011) noted that the examination of the data in case studies is most often
conducted within the context of its use and is necessary in exploring or describing data in a real-
life environment or complex real-life situations that are not easily identified in normal
experimental study or survey. The researcher concluded that case study design is the most valid
and reliable method for this study as it offers an in-depth study of contemporary phenomena,
answers the *how* and *why* of research questions through the study of multiple case studies, and
ultimately draws cross-set conclusions.

There is lack of research on fraud in churches and other not-for-profit organizations. The
researcher's goal in using a qualitative case study is to add knowledge to the existing literature
on the effectiveness of internal control on fraud detection and prevention through an in-depth
understanding of real fraud cases. The case study approach in this qualitative research method
offered the researcher an opportunity to have an in-depth and detailed investigation of real fraud
cases in churches and add knowledge to the existing research. Yin (2016) concluded that case
studies can be used to explain, describe, or explore events or phenomena in the everyday
contexts in which they occur.

Discussion of Method

Research methods are processes, strategies, or techniques that researchers use in data collection and analysis to discover new information or to develop a better understanding of an existing topic. Qualitative case study research design is the appropriate method for this study. Qualitative methods are appropriate for in-depth examination of cases because they aid the identification of key features of cases (Aspers & Corte, 2019). Qualitative research methods are used to answer questions about experiences mostly from the standpoint of the participant and are useful in exploring how or why things happen by studying human perception and understanding of a certain phenomenon (Hammarberg et al., 2016; Stake, 2010).

Qualitative Research

Qualitative research is primarily exploratory and is useful in gaining an understanding of underlying opinions, motivations, and reasons for the study and provides insight into the existing problem or developing new ideas or hypotheses for potential quantitative research. It is also used to discover trends or patterns in thought and opinion and to gain a deeper understanding of the problem. Qualitative research is uncovering events in a natural setting to enable the researcher to develop detail from the actual experiences (Creswell, 2014). This assertation justifies the rationale for using qualitative case studies in exploring internal control deficiencies and their impact on fraud on local churches. Qualitative research allows for flexibility, as it offers the researcher the opportunity to utilize different methods of data generation and empirical materials, such as reviews and analysis of scholarly reviewed works of literature and case studies. To understand how lack of internal control makes churches vulnerable to fraud, the researcher carried out a detailed, in-depth collection of data of multiple cases of scholarly academic literature. In addition, direct observation of cash and check collection of offertories during

church services, online and direct payments, backstage observation of how offertory collections

were handled and counted, recorded, and prepared for deposits, mail-in, donations and pledges,

Givelify, tithes, bank deposits procedures and inspection of books and records, and interviews of

church leaders, select congregants, and employees responsible for church funds and assets were

carried out. Since qualitative research focuses on explaining a situation or phenomenon that

occurs (Creswell, 2014) and the role of the researcher is to attempt to access the thoughts and

feelings of study participants (Sutton & Austin, 2015), quantitative research would be unsuitable

for this study.

Quantitative Research

Quantitative research is more suitable for investigating the existence of relationships

among variables (Creswell, 2014) and is used when 'factual' data are available to answer the

research questions, as well as when information is needed on opinions, attitudes, views, beliefs,

or preferences, when the question or problem is known, or when variables to form hypotheses

are available before data collection (Hammarberg et al., 2016). Quantitative research uses data

that can be measured, and data collection methods are much more structured and fall within the

context of fixed research design. In quantitative (fixed method) research, a theory is used to

establish hypotheses to test and allows the investigation of complex causality. The qualitative

(flexible method) uses theory to frame questions and generate theory from data, and theory is

used to guide inquiry of complex phenomena. While quantitative approaches attempt to

generalize findings, qualitative approaches pay specific attention to a particular group of

individuals, contexts, or cultures to provide a deeper understanding of a phenomenon in a local

context (Wright et al., 2016). The findings from quantitative research can be predictive,

explanatory, and confirming and are not suitable for this study that is descriptive and

exploratory.

Mixed Method Research (MMR)

Mixed method research (MMR) designs are a blend of qualitative and quantitative

designs and are designed to answer questions and provide more information than what

quantitative or qualitative research would have provided independently (Sekaran & Bougie,

2016). The mixed research methods approach is characterized by the combination of qualitative

and quantitative research components and/or where researchers incorporate methods of

collecting or analyzing data from the quantitative and qualitative research approaches in a single

research study (Schoonenboom & Johnson, 2017; Creswell, 2011; Wisdom et al., 2012). The

mixed method approach involves an initial quantitative instrument phase, followed by a

qualitative data collection phase where the qualitative phase builds directly on the results from

the quantitative phase (Wisdom & Creswell, 2013). Halcomb (2018) asserted that mixed

methods research allows researchers to use creativity in integrating qualitative and quantitative

elements to best answer the research questions and allows respective strengths and weaknesses

of qualitative and quantitative methods to complement each other (Regnault et al., 2017).

However, mixed methods research was not selected for this study due to the challenging

nature of implementation, especially when used to evaluate complex phenomena (Wisdom et al.,

2013), and its inability to best answer the research questions. Mixed method is a challenging type

of research method as it requires the researcher to integrate both quantitative and qualitative

research data to answer questions to explore a phenomenon in detail (Halcomb & Hickman,

2015).

Discussion of Triangulation

Triangulation refers to the use of multiple methods or data sources in qualitative research to develop an understanding of phenomena under study. Data triangulation involves using different sources of information to increase the validity of a study (Guion et al., 2020). Denzin (1978) and Patton (1999) identified the four types of triangulations as method triangulation, investigator triangulation, theory triangulation, and data triangulation.

Method Triangulation

Method triangulation involves the use of multiple methods of data collection about the same phenomenon (Polit & Beck, 2012). This type of triangulation is commonly used in qualitative studies and may include interviews, observation, and field notes.

Investigator Triangulation

Investigator triangulation involves the participation of two or more researchers in the same study to provide multiple observations and conclusions. This type of triangulation can bring both confirmation of findings and different perspectives, adding breadth to the phenomenon of interest (Denzin, 1978). Findings from different researchers are compared to develop a broader and deeper understanding of how the different investigators view the issue, and if the findings from the different researchers arrive at the same conclusion, then the validity of the findings would be heightened (Guion et al., 2020).

Theory Triangulation

Theory triangulation uses different theories to analyze and interpret data. With this type of triangulation, different theories or hypotheses can assist the researcher in supporting or refuting findings.

Data Triangulation

Most qualitative researchers studying human phenomena collect data through interviews with individuals or groups and their selection of the type of interview depends on the purpose of the study and the resources available. Data triangulation involves using different sources of information to increase the validity of a study. This type of triangulation, where the researchers use different sources, is perhaps the most popular because it is the easiest to implement (Guion, et al.; 2020). Data triangulation is particularly well suited for this study considering the research questions and the nature of this study. Increasing confidence in research data, creating innovative ways of understanding a phenomenon, revealing unique findings, challenging, or integrating theories, and providing a clearer understanding of the problem is identified as one of the benefits of triangulation (Thurmond, 2001). Some disadvantages of triangulation include "its time-consuming nature and possible disharmony based on investigator biases, conflicts because of theoretical frameworks, and lack of understanding about why triangulation strategies were used" (Thurmond, 2001).

Summary of the Nature of the Study

As discussed above, the nature of this study was a qualitative multiple case study. The researcher used exploratory case study research design to gain an in-depth understanding of how internal control deficiencies have adversely impacted church finances, leading to fraud. Qualitative research offers the researcher the flexibility to utilize diverse data generation methods and empirical materials such as reviews and analysis of scholarly reviewed literature and case studies. Data triangulation allows the use of different sources of information to increase the validity of the study.

Conceptual Framework

The conceptual and theoretical framework adopted for this study was based on two prominent concepts and theories from the current literature: The Committee of Sponsoring Organization of the Treadway Commission (COSO), Integrated Internal Control Framework, and the Fraud Triangle. These frameworks describe a structure that will serves as a guide to church leaders in fraud detection and prevention. The study used internal control components—the control environment, risk assessment, control activities, information and communication, and monitoring as the independent variables, while fraud detection and prevention, which is achieved through effective internal control systems, was used as the dependent variable. As diagrammatically depicted in Figure 1, each of the concepts and theories will be evaluated and discussed in this section.

Figure 1

The Conceptual Framework of Internal Control and Fraud Triangle
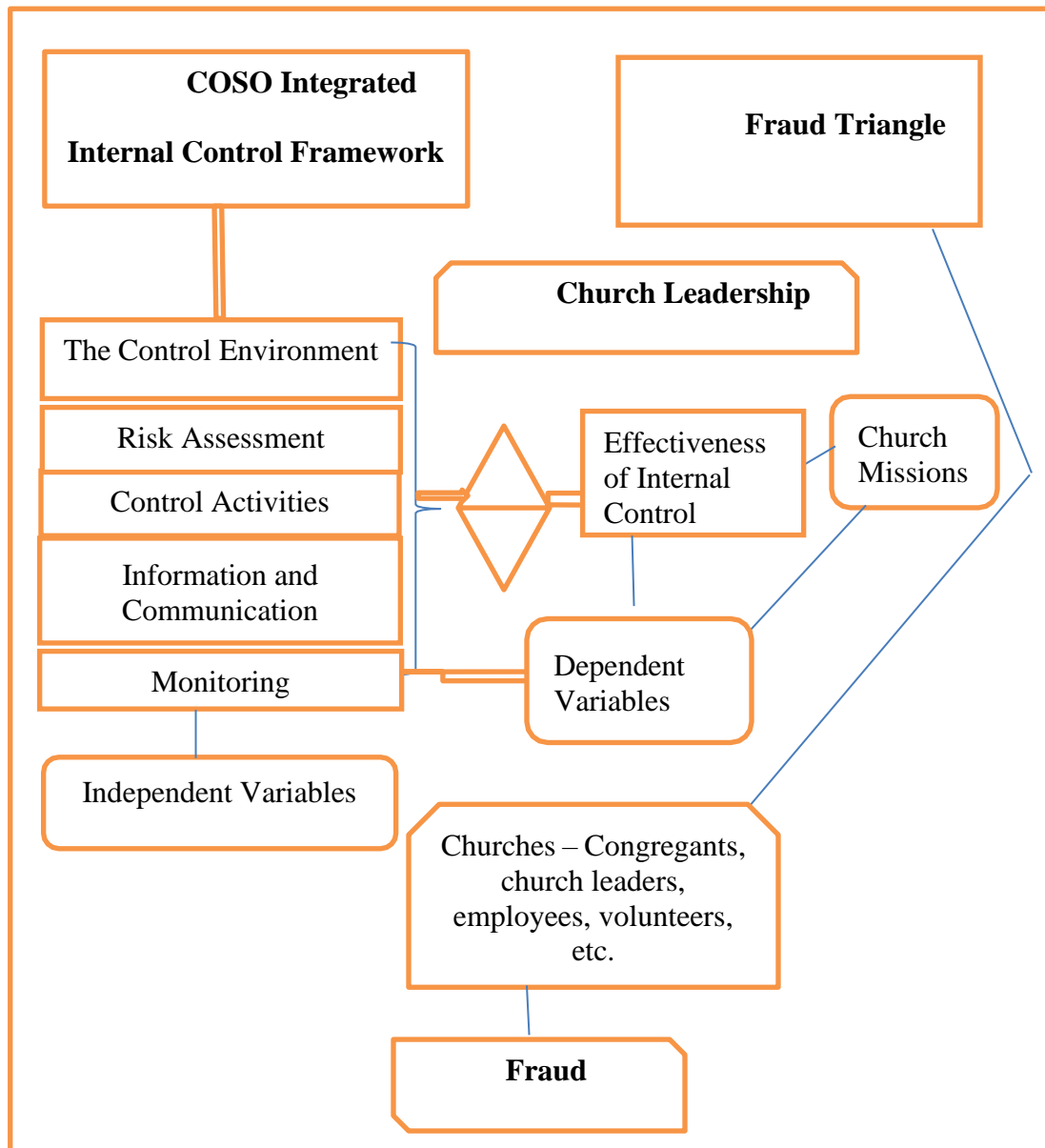
COSO Internal Control Framework

The framework for establishing internal control systems was developed by the Committee of

Sponsoring Organization of the Treadway Commission (COSO). The original framework,

Internal Control—Integrated Framework, was introduced in 1992 to provide principles-based

guidance for designing and implementing effective internal control. Following the demand of

industry senior executives, this framework was developed to find an effective way to better

control and ensure that organizational objectives related to operations, reporting, and compliance

were achieved. On December 15, 2014, the revised 2013 Internal Control- Integrated Framework

was published.

COSO is a corroborative initiative of the American Accounting Association (AAA),

American Institute of Certified Public Accountants (AICPA), Financial Executives International

(FEI), Institute of Internal Auditors (IIA), and Institute of Management Accountants (IMA),

established for the purpose of improving organizational performance and governance through

effective internal control, enterprise risk management, and fraud deterrence (McNally, 2013).

Other guidance after the 1992 framework includes Internal Control Issues in Derivatives Usage

in 1996; Internal Control over Financial Reporting—Guidance for Smaller Public Companies in

2006; Guidance on Monitoring Internal Control Systems in 2009; Implementation Guide for the

Healthcare Provider Industry in 2019; and white paper on Transition to 2013 Internal Control—

Integrated Framework for Sarbanes-Oxley Section 404 Compliance (COSO, 2019).

As depicted in Figure 1 above, the five components of the internal control framework are

control environment, risk assessment, control activities, information and communication, and

monitoring. Table 1 below shows these five components comprised of 17 principles issued by

COSO.

Table 1

Internal Control Principles of Internal Control Component as Presented in COSO's 2013

Framework

Components	Principles

Control Environment	
	1. Demonstrates commitment to integrity and ethical values
	2. Exercise oversight responsibility
	3. Establishes structure, authority, and responsibility
	4. Demonstrates commitment to competence
	5. Enforces accountability
Risk Assessment	
	6. Specifies suitable objectives
	7. Identifies and analyzes risk
	8. Assesses fraud risk
	9. Identifies and analyzes significant change
Control Activities	
	10. Selects and develops control activities
	11. Selects and develops general controls over technology 12. Deploys through policies and procedures
Information & Communication	
	13. Uses relevant information
	14. Communicates internally
	15. Communicates externally
Monitoring	

	16. Conducts ongoing and/or separate evaluations
	17. Evaluates and communicates deficiencies

Control Environment

The control environment sets out the structures, processes, and standards that prescribe

the basis of implementing an internal control system across an organization. It requires

management to demonstrate commitment to integrity and ethical values; exercise oversight

responsibility; establishes structure, authority, and responsibility; demonstrates commitment to

competence; and enforces accountability. The control environment is dictated by the "tone at the

top." The Association of Certified Fraud Examiners (ACFE) (n.d) noted that "tone at the top"

refers to the ethical atmosphere that is created in the workplace by the organization's leadership,

and if the tone set by managers upholds ethics and integrity, employees will be more inclined to

uphold those same values.

Risk Assessment

Risk is the probability of an event occurring that may adversely affect the achievement of

objectives in the areas of operations, reporting, or compliance (COSO, 2004). Effective internal

control requires that management have a system of risk management to identify and analyze risk,

assess fraud risk, and identify and analyze significant changes. Al Ouf (2016) asserted that

managing fraud risks involves the board as well as multiple lines of defense and shared

responsibility.

Control Activities

A system of internal control activities is a vital component of an effective internal control,

which enables the smooth management of an organization (Agyapong, 2017). Control activities

are policies, practices, and procedures that help ensure that employees properly carry out

management directives. These include segregation of duties—the separation of the duty of

initiation, authorization, and approval—reconciliation, and review, as well as physical security of

equipment and resources. The Office of Financial Management (OFM) (2015) noted that internal

control activities are the policies, procedures, techniques, and mechanisms that aid

managements' responsiveness to reduce risk identified in their risk assessment process. Ejoh and

Ejom (2014) further asserted that control activities in an organization basically comprise

performance reviews (comparing actual performance with budgets, forecasts, and prior period

performance), information processing (necessary to check accuracy, completeness, and

authorization of transactions), physical controls (necessary to provide security over both records

and other assets), and segregation of duties (where no one person should handle all aspects of a

transaction from the beginning to the end).

Information and Communication

The information and communication component are systems or processes that identify,

capture, and exchange information in a form that enables people to carry out their responsibilities

and roles (Agyapong, 2017). The information and communication component of internal control

makes sure that information is identified and communicated so that appropriate employees may

carry out their responsibilities. It supports other components of the internal control by making

sure that relevant information is used, and internal and external information is communicated.

OFM (2015) asserted that communication can be formal, through the use of memorandum,

minutes of meetings, written policy manuals, accounting, and financial reporting manuals, etc.,

and informal, through email, speech, and actions of management and other company personnel.

Monitoring

Monitoring activities assess whether each of the components of internal control are present and functioning. Monitoring involves conducting ongoing activities such as supervision of employees, separate monitoring, and evaluation, such as conducting internal audits and evaluating and communicating deficiencies noted. Whittington and Pany (2009) advised that it is necessary to monitor internal control to know whether it is functioning as expected and whether changes are needed.

Fraud Triangle

There is no clear definition of the term "fraud" (Beals et al., 2015). However, ACFE (2020) defined "fraud as encompassing any crime for gain that uses deception as its principal modus operandus" and includes any intentional or deliberate act to deprive another of property or money by guile, deception, or other unfair means." Fraud can be classified as internal or external. Internal fraud, also known as *occupational fraud,* occurs when one uses their occupation to deliberately misuse or steal an organization's assets or resources (ACFE, 2010). This is the type of fraud that occurs when a church leader, congregant, church employee, or volunteer commits fraud against the church.

The second type of fraud is external, that is, fraud coming from outside the organization against a company/church and covers a broad range of schemes such as when a dishonest vendor engages in bid-rigging schemes, bills the church for goods or services not provided, demands bribes from employees, submits bad checks or falsified account information for payment, or attempts to return stolen or knock-off products for a refund (ACFE, 2020). The third class of fraud is against individuals, in which numerous fraudsters have devised schemes to defraud

individuals, such as identity theft, Ponzi schemes, phishing schemes, and advanced-fee frauds or

Nigerian Scams, popularly known as 419.

Another class of fraud is financial statement fraud, which takes the form of "deliberate

misrepresentation of the financial condition of an enterprise accomplished through the

intentional misstatement or omission of amounts or disclosures in the financial statements to

deceive financial statement users" (ACFE, 2020; Wells, 2017); while financial reporting fraud

involves the alteration of financial statement data, usually by a firm's management, to achieve a

fraudulent result. These altered financial statements are the tools then used by a company's

managers to obtain some reward (Lundelius, 2011). Financial statement fraud schemes take the

form of falsification, alteration, or manipulation of material financial records, supporting

documents, or business transactions, as well as intentional misstatements, omissions, or

misrepresentation of events, transactions, and accounts from which financial statements are

prepared. ACFE (2020) and Wells (2017) classified financial statement schemes as fictitious

revenues, timing differences, improper asset valuations, concealed liabilities and expenses, and

improper disclosures.

The Fraud Triangle theory was developed by a 20th century criminologist, Donald

Cressey, and has become the most popular model for explaining why people commit fraud. The

fraud triangle shows that fraud is committed when three elements of opportunity, pressure and

rationalization are present. The fraud triangle is an effective framework for analyzing an

organization's susceptibility to fraud and unethical behavior and is a great tool to help one avoid

being a fraud victim (Higson & Kassem, 2013). Cressey (1973) interviewed criminals and found

two behaviors common to people that commit fraud: that the offender must have accepted a

position of trust in good faith and must have violated that trust by committing a crime.

Cressey(1973) concluded that the trusted person regards themself as having a financial problem

which, for several reasons, they thinks is not socially or morally sanctionable and cannot be

shared with any other person. The trusted person is aware of the possibility that this problem can

be solved by violation of their position of trust, and is able to verbalize this trust violation in such

a way as to make it, at least to the trusted individual, appear as non-criminal. Cressey (1973)

described three conditions that might be predictors of committing fraud, including pressure,

opportunity, and rationalization. Pressure is the financial or emotional force pushing one towards

crime, opportunity is the ability to execute the plan without been caught, and rationalization is

personal justification of dishonest actions. Wells (2017) noted that there are four elements that

must be fulfilled for an action to be considered fraudulent: there must be a materially false

statement, the employee must have had knowledge the statement was false, the company must

have relied on the statement, and the company must have suffered damages because of the

activity. Hooper and Fornelli (2019) stated that frauds occur when someone is tempted by

pressures, enjoys opportunity through few or easy-to-overcome controls, and is encouraged by a

culture that enables rationalization of actions.

It is inconceivable that fraud would occur in churches. One of the traditional functions of

religion is to keep people from wrongdoing and the fear of hell fire is supposed to deter those

who might not be kept on the narrow path by the fear of temporal punishments (Miner, 1931).

Scripture notes that when Mary poured an expensive perfume on Jesus's feet and wiped it with

her hair, Judas objected, noting that it could have been sold and the money given to the poor. The

scripture further states, "He didn't say this because he cared about the poor but because he was a

thief. He was in charge of the moneybag and would steal part of what was put in it" (Christian

Standard Bible, John 12:6). Everyone in the church appears pious, but many Judases are found

anywhere there are churches, even at the leadership level, including the bishops, reverends, and

pastors whose lives are supposed to reflect the life of Christ.

For an individual to commit fraud, all three elements of the triangle must occur. Vona

(2008) argued that a person's position in an organization can create an opportunity to commit

fraud, and that there is a link between opportunity to commit fraud and the means to conceal it.

This assertation proves true in many instances of fraud among church leaders; however, this

possibility exists where internal control is lacking. A strong internal control system entails

segregation of duties. AICPA (2018) posited that segregation of duties entails sharing

responsibilities of a key process to more than one person, otherwise fraud and error risks will be

hard to minimize. Messier et al. (2017) advised that duties of authorization, recording, and

custody must be kept separate.

Discussion of Relationships Between Concepts

The internal control framework and fraud triangle provide the conceptual and theoretical

basis necessary for this study. It is necessary for church leadership, donors, employees, and

volunteers to utilize this framework to prevent fraud. The theories laid the foundation necessary

to address the issue of internal control and fraud in churches. The components of internal

control, or the internal control variables identified in the 17 principles of COSO framework need

to be in place to ensure an adequate internal control system. However, a sound internal control

system will not necessarily prevent fraud because of its inherent weakness, but it serves as a

deterrent to fraudulent practices as well as preventing and detecting of fraud occurrence. This is

because internal control can provide only reasonable assurance and not absolute assurance

regarding the achievement of an organization's objectives.

The framework or model of the fraud triangle goes a step further to describe what

triggers fraud in the first instance. The opportunity to commit fraud occurs where there are

weakness in internal controls. Zakaria et al. (2016) found that one of the major factors that

enables fraudsters to commit fraud is internal control weaknesses. This research study discusses

this awareness of internal control weakness and how it impacts church leaders, employees, and

volunteers. Implementing stronger internal controls and processes reduce the risk of opportunity

as identified in the fraud triangle. Ayagre et al. (2014) showed that when an internal control

system is ineffective, weak, or non-existent, an organization creates a gap that could lead to

fraud, theft, or loss of an asset. Gordon and Cornwell (2018), in their 2018 Status of Global

Christianity, identified two of the biggest schemes perpetrated against churches as skimming of

the weekly collection between when totals are collected, counted, recorded, and deposited, and

fraudulent cash disbursements. Effective internal control systems can provide checks and

balances to prevent these frauds, as an effective internal control system is a strong mechanism to

prevent and detect fraud (Annaraud et al., 2014). Thomason (2019) outlined steps churches

should take to ensure a strong internal control system, including but not limited to:

i.   adequate segregation of duties.

ii.   duties of collection during services being divided among several people, with at

        least a minimum of two people to collect and count the offering. Members should

        be highly encouraged to use envelopes.

iii.   having a written policy on credit card use and misuse. Receipts should be

        required, and charges should be reviewed monthly.

iv.   proper oversight and creation of the church finance committee, comprising

        members who have a background in accounting or other financial expertise.

v.   regular internal and external duties.

Summary of the Conceptual Framework

The fraud triangle model, developed in 1973 by 20th century criminologist Donald

Cressey, demonstrated that fraud occurs when the three elements of pressure, opportunity, and

rationalization are present. While financial and emotional forces may push one to commit crime,

opportunity must be present for a crime to happen. Opportunity is the ability to execute plans,

which is present when the internal control is weak or lacking and motivation is driven by greed,

perceived need, or ego (Albrecht et al., 2009; Dorminey et al., 2012). The Committee of

Sponsoring Organization of the Treadway Commission (COSO) provided a framework, the

Integrated Internal Control Framework, which described five components comprising 17

principles to provide organizational efficiency and effectiveness and safeguard assets. The two

frameworks of internal control and the fraud triangle are complementary. Zakaria et al. (2016)

concluded that internal control weakness is one of the major contributing factors that enable

fraud to be committed.

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Definition of Terms

</div>

Definitions of terms used in this study are listed below to provide with clear

understanding the meaning in which they are used in this study.

Affinity fraud: Affinity fraud is fraud that is common to a specific group. It refers to scams

that target an identifiable group, such as racial, religious, and ethnic communities, the elderly,

professional groups, or other types of identifiable groups (Perri & Brody, 2011).

Antifraud controls: These are policies and procedures established to detect and prevent

employee fraud (Henry, 2016).

Asset misappropriation: Asset misappropriation involves employee stealing or

misuse of business resources (ACFE 2020 Report to the Nations, 2020; Glodstein, 2015).

Case studies: Case studies are empirical inquiries that explore in-depth a phenomenon of

a real-life event and can be exploratory, descriptive, or explanatory in nature (Astalin, 2013; Yin,

2016).

Exemption status: Internal Revenue Code (IRC) section 501(c)(3) of an organization, this

must be organized and operated exclusively for exempt purposes set in the code section (Internal

Revenue Service (IRS), 2020a).

Form 990 or 990-EZ: This form is used by tax-exempt organizations, nonexempt

charitable trusts (that are not treated as private foundations), and section 527 political

organizations to provide the IRS with the information required to be reported (Internal Revenue

Service (IRS), 2020a).

Fraud: Fraud is a dishonest and unethical act with the intention to mislead

another party (Policastro & Payne, 2015).

Internal controls: Internal controls are a program of activities established to catch and

monitor a potential exposure that could result in a significant error, omission, misstatement, or

fraud (Hightower, 2008).

Mixed research approach: This is a blend of qualitative and quantitative research in

which the researcher collects and analyzes both quantitative and qualitative data within the same

study (Shorten & Smith, 2017).

Occupational fraud: Occupational fraud occurs when one uses their occupation to

deliberately misuse or steal an organization's assets or resources for personal enrichment (ACFE,

2010; Glodstein, 2015).

Qualitative research: This is the process in which significant new distinctions are made to the scholarly community with the intent of obtaining new knowledge (Aspers & Corte, 2019).

Quantitative design: Quantitative design involves the collection of data so that information can be quantified and subjected to statistical treatment to support or refute alternative knowledge claims (Williams, 2011).

Section 501(c)(3): This is the portion of the US Internal Revenue Code that allows for federal tax exemption of nonprofit organizations, specifically those that are considered public charities, private foundations, or private operating foundations (Internal Revenue Service (IRS), 2020a).

Segregation of duties: Segregation of duties means maintaining separate function of authorization, recording, and custody (Messier et al., 2017; Murphy, 2015).

White-collar: White-collar frauds are frauds committed by business and government professionals characterized by deceit, concealment, or violation of trust and are not dependent on the application or threat of physical force or violence (FBI, 2020).

Assumptions, Limitations, Delimitations

Assumptions are facts the researcher considers to be true from participants' responses that act as a guide to the researcher in research findings and conclusions. Limitations are potential weaknesses in the study which the researcher has no ability to control (Simon, 2011). Delimitations set the limit of scope and define the boundaries of the study.

Assumptions

Assumptions are facts the researcher considers to be true from participants' responses but cannot be verified to be true because they are beyond the control of the researcher (Simon, 2011). Assumptions of the study enable the reader to understand the researcher methodology,

findings, and conclusions reached (Sekaran & Bougie, 2016). The researcher believes that there

is an impact of internal control deficiency on fraud in local churches and will attempt to discover

what the impacts of the deficiency are.

It is also assumed that it is possible to prevent fraud in churches with the institution of

appropriate internal control systems. The researcher assumed that the participants in this study

were small local churches rather than dominant mega-churches.

The researcher assumed that because of trust existing among church leadership, church

members, employees, and volunteers, churches observed in this study may be reluctant to

establish appropriate internal controls. Ventura and Daniel (2010) found that about 63% of

pastors relied on trust rather than on effective internal controls.

It is also assumed that it is possible to prevent fraud in churches with the institution of

appropriate internal control systems. The researcher assumed that the participants in this study

were small local churches rather than dominant mega-churches.

The risk of the assumption of trust among church leadership, members, employees, and

volunteers might hinder church leadership from instituting internal control systems.

Potential risk of each assumption to the study should be identified and risk mitigation

discussion for each assumption should be provided.

Limitations

Limitations are potential weaknesses in the study which the researcher has no ability to

control (Simon, 2011). One of the potential limitations in this study was that sample size was

too small. Churches selected for this study were local churches rather than mega-churches

with substantial financial and property assets. However, archival data of select mega-churches

were included in the sample size as a secondary control group to compare the similarities and

differences between the mega-churches and local churches in the study. Also, some of the

data collected from the study participants may have been influenced by their individual

perceptions and could not be independently verified.

Another limitation that affected the results of this study was the researcher's inability to access the books and records and church leaders' and employees' unwillingness to divulge some requested information. To lessen these limitations, the researcher employed a triangulation research technique such as direct observation of cash and check collection of offertory during church services, online and direct payments, backstage observation of how offertory collections were handled (counted, recorded, and prepared for deposits), mail-in, donations and pledges, Givelify, tithes, bank deposits procedures and inspection of books and records, and documentation, as well as conducting surveys, interviews, and secondary data analysis. Triangulation offers comprehensive understanding of the phenomenon under study (Carter et. al., 2014;Heale & Forbes, 2013).

Lack of available or limited research on church fraud and reporting affected the result of the study. To overcome this limitation, the researcher widened the case study to research involving both for-profit and not-for-profit organizations.

Delimitations

Delimitations set the limit of scope and define the boundaries of the study, and these are within the control of the researcher (Marshall & Rossman, 2016). Simon (2011) noted that delimiting factors include the choice of research objectives and questions, variables employed, theoretical framework, and the population size, among others. This study focused on exploring the impact of internal control on fraud in local churches. Therefore, only few local churches in the Enugu area, Nigeria were included in this qualitative multiple case study using church leaders, church employees, volunteers, and a few congregants as study participants. The researcher employed multiple research techniques such as observation, documentation, surveys, interviews, and secondary data analysis to collect data.

Significance of the Study

The researcher designed this study to explore why churches are vulnerable to fraud and provide a framework for detecting, preventing, and mitigating fraud in churches. This study adds to the current body of knowledge on available fraud techniques by using existing research to expand the understanding of the impact of internal control deficiencies on prevalence of fraud in churches and contribute to strategies for preventing and mitigating fraud in churches and other non-profit organizations. Implementing internal control systems is the key to mitigating occupational fraud (Gagliardi, 2014; Kapp & Heslop, 2011). Therefore, this research is useful for trusted church members, leaders, employees, and volunteers responsible for church funds and assets with necessary prevention tools to mitigate the risk of fraud.

Reduction of Gaps

Although many researchers have identified the factors that contribute to occupational fraud (Kassem & Higson, 2012), not much research has been carried out on fraud in religious organizations. Shortage of research in the area of church fraud accounting is attributable to the lack of influence by professional accounting bodies such as the American Institute of Certified Public Accountants (AICPA) in the United States and the Institute of Chartered Accountants of Nigeria (ICAN) in Nigeria in churches, as well as limited empirical research by large church organizations and lack of interest in improving their accounting and internal control systems. Gray and Villamarin (2015) concurred that the shortage of research in churches is primarily due to piety and the concept of trust in churches, as well as lack of accounting standards and oversight on the part of religious organizations. Shaharuddin and Sulaiman (2015) stated that most church organizations believe that church leaders have high moral standards and; many small businesses including churches believe that they are not vulnerable to fraud (Gagliardi,

2014). Unlike other 501(c)(3) and section 23(1) organizations and charities, churches are exempt

from filing financial information with the Internal Revenue Service IRS) and Federal Internal

Revenue Service (FIRS), including the annual Form 990, which tracks every penny that comes

into a secular nonprofit and every penny it spends. This lack of transparency, reporting, and

auditing makes churches the most vulnerable for fraud and abuse (Seidel, 2018).

Implications for Biblical Integration

The Bible is the account of a loving God who is trustworthy, holy, faithful, and caring. It

is these qualities from which man was made. Man was created in the image and likeness of God

(Genesis 1:27). The beauty of man was destroyed by sin (Gen. 3) and God saw that the

wickedness of man was great in the earth, and that every intent of the thoughts of his heart was

only evil continually (Genesis 6:5). The prophet Micah proclaimed, "Woe to those who devise

wickedness and work evil on their beds!" (English Standard Version, Micah 2:1-3:12). Fraud is

an embodiment of stealing and lying. The ACFE (2020) described fraud as including "any

intentional or deliberate act to deprive another of property or money by guile, deception, or other

unfair means." In Leviticus 19:11, God warns "*You shall not steal,* nor *deal falsely,* nor *lie* to *one*

another" (NKJV).

God warns that fraudulent food is sweet to a man, but afterwards his mouth is filled with

gravel (World English Bible, Proverbs 20:17). The concepts of Cassey's (1973) fraud triangle

theory purport that fraud occurs when three key factors—motivation (pressure), opportunity, and

rationalization—are present. The motivation or pressure in the model occurs because of a

burning desire to commit fraud, but each person is tempted when they are dragged away by their

own evil desire and enticed (New English Version, James 1:14). The pressure to acquire wealth

and live beyond one's means opens the doorway for the devil to take advantage. St. Paul

exhorted:

> But people who long to be rich soon begin to do all kinds of wrong things to get
>
> money, things that hurt them and make them evil-minded and finally send them
>
> to hell itself. For the love of money is the first step toward all kinds of sin. Some
>
> people have even turned away from God because of their love for it, and as a
>
> result have pierced themselves with many sorrows. (The Living Bible, 1 Timothy
>
> 6:9-10)

A position of trust creates an opportunity and circumstance that allows fraud to occur. In

Leviticus 19:35-37, God warns, "You shall do no injustice in judgment, in measurement of

length, weight, or volume. You shall have honest scales, honest weights, an honest ephah, and an

honest hin." Romans 12:2 makes it clear that there are two standards—the standard of God and

standard of the world. While the fraud triangle talks about rationalization as an individual's

justification for committing fraud, for those that live according to the standard of the world, they

may have excuses because they live according to the dictate of their master—the devil who was a

liar from the beginning (John 8:44). There is no justification or rationalization for fraud to occur

in the house of God. The scripture commands, "You shall not steal" (English Standard Version,

Exodus 20:15; Deuteronomy 5:19).

Writing to the Ephesians, the apostle Paul declared, "Let him who stole steal no longer,

but rather let him labor, working with his hands what is good, that he may have something to

give him who has need" (King James Version, Ephesians 4:28), and Proverbs 10:2-3 exhorts that

"Treasures gained dishonestly profit no one, but righteousness rescues from death. The LORD

will not allow a righteous person to starve, but he intentionally ignores the desires of a wicked

person, and it is better to have little, with godliness, than to be rich and dishonest" (The New

Living Translation, Proverbs 16:8).

Lack of internal control is a sign of poor governance and ineffective leadership.

Successful management depends on effective leadership and good governance (Ozigbo & Orife,

2015; Razali & Arshad, 2014; Wolak, 2017). An example of good governance and exemplary

leadership can be learned from the leadership style of Moses. Moses was described as a leader

full of humility, empathy, heroism, patience, self-reflection, charisma, and wisdom, but humility

is one of Moses's characteristics that stands out (Wolak, 2017). The Book of Numbers describes

Moses as a very humble man, more so than any other man on earth" (Christian Standard Bible,

Num. 12:3).

What can be learned about internal control systems and Moses's leadership style is the

principle of segregation of duties. Initially, Moses was overburdened with administering the

affairs of the Israelites until his father-in-law, Jethro, introduced the principle of segregation of

duties to him. In Exodus 18:1-27, Jethro urged Moses to distribute the duties, saying:

> But you should select capable men from among all the people, God-fearing, trustworthy
>
> men, who hate dishonest gain. Then place them over the people as officials over groups
>
> of a thousand, a hundred, fifty, or ten. Let them sit as judges for the people at all times;
>
> let them bring every important case to you but decide every minor case themselves.
>
> (EHV; NRSV)

It is the responsibility of church leaders to protect the assets and reputation of the church

by been diligent in handling money to encourage integrity and positive biblical stewardship. In 2

Kings 12:9-16, Jehoiada, the priest during the reign of King Joash, introduced a sound internal

control system by separating the money donated for rebuilding the temple and the money from

guilt and sin offerings. At the end of the fundraising, the royal secretary and the high priest came,

counted the money that had been brought into the temple of the LORD, and put it into bags.

When the amount had been determined, they gave the money to the men appointed to supervise

the work on the temple. The primary purpose of internal control is to mitigate fraud. When

opportunity to steal is created, employees and leaders may succumb to the temptation. In the

flesh dwells nothing good (Romans 7:18). Micah 7:5-6 says to put no trust in a neighbor, nor

have confidence in a friend. It is important to implement an effective internal control to reduce

temptation. The Bible offers the principle of segregation of duties and invariably the importance

of internal control in 2 Chronicles 24:11-12, noting that:

> When the chest was taken to the royal office of control, run by the Levites, they would
>
> check the amount of money in it, then the king's secretary would come with a
>
> representative of the chief priest; they would take up the chest and carry it away. (The
>
> Jerusalem Bible)

Benefits to Business Practice and Relationship to Cognate

Governance, fraud, and internal control are the most relevant issues in the field of

accounting and the foundation of the development of book-keeping and accounting. *The Sum of*

Arithmetic, Geometry, Proportions and Proportionality published in 1494 by Venetian

theologian and mathematician, Luca Pacioli, marks the birth of present-day accounting. The

"Summa" contained a 27-page treatise on bookkeeping that laid the foundation of the present-day

double entry system (King & Case, 2017). The old century merchant-manager relationship and

development of businesses marks the beginning of book-keeping. As business volumes

continued to grow, it became impossible for the merchant to commit every transaction to

memory. Book-keeping facilitated the ability to maintain records of business transactions and

create merchant-manager relationships, which birthed stewardship accounting and corporate governance.

The concept of merchant-manager relationship means that the person who runs the business (the agent) is different from the owner of the business (principal). The concept of stewardship (governance) places an obligation on stewards to show proper accountability and provide reliable financial information relating to the resources invested. Accounting plays a vital role in organizing business transactions, maintaining cash flow and financial position, providing financial information to the stakeholders, and reporting requirement to the regulatory authorities. While it is necessary for small business organizations to maintain reliable book-keeping or accounting information, the big for-profit organizations have complex reporting requirements. Tax-exempt organizations (section 501(c)(3)) are required to file an annual information return Form 990 or Form 990-EZ. However, small tax-exempt organizations can electronically file Form 990-N to satisfy their annual reporting requirement if they have annual gross receipt of $50,000 or less (Internal Revenue Service (IRS)). Notwithstanding, those churches and some of their affiliate organizations are exempt from filing requirements with the Internal Revenue Service (IRS); but it is imperative to maintain proper internal control systems to guard against fraud.

As previously noted, the gap between the principal and agent opens a doorway for fraud and mismanagement of assets to occur. Fraud comes in different forms. Generally, fraud is concealment of facts that result in financial loss. It is an act involving deceit to gain an unfair advantage over another, resulting in loss of value (ACFE, n.d). Effective internal control reduces this risk of asset loss and helps to ensure that assets are safeguarded, and financial information presented are complete, accurate, and reliable (AICPA, 2014). This study focused on presenting

a framework of internal control that will detect, mitigate, and prevent fraud not only in local churches but in other not-for-profit and for-profit organizations. This demonstrates a good relationship between this study and the field of accounting.

Summary of the Significance of the Study

This study was designed to explore the impact of internal control deficiencies on fraud in churches and specifically why churches are vulnerable to fraud and to provide a framework for detecting, preventing, and mitigating fraud in churches. Studies have shown that implementing internal control systems is pivotal in mitigating occupational fraud (Kapp & Heslop, 2011; Gagliardi, 2014). While there are research studies on fraud prevention and mitigation in for-profit organizations, there is currently lack of research on fraud in churches and other not-for-profit organizations. This study was designed to help fill that gap and add to the current body of knowledge on available fraud techniques, as well as contribute to strategies for preventing and mitigating fraud in churches.

<center>A Review of the Professional and Academic Literature</center>

This study focused on exploring the impact of internal control deficiency on fraud in local churches, specifically in the Enugu area, Nigeria. The researcher conducted multiple case study reviews of professional and academic literature to determine the available research and identify gaps in the current literature in an attempt to address them.

A literature review is a descriptive and systematic examination of prior scholarly works relating to a particular topic or area of study (Bangert-Drowns, 2005; Creswell, 2014). The literature review reviews the relevant literature relating to the current study to provide the background knowledge and summarizes existing works on the chosen topic.

The researcher took a thematic review of the literature approach and organized the review around the conceptual and theoretical framework of the study. The literature review discussed the organizational structures of the early and modern churches, the dynamics of fraud, including the fraud triangle and other fraud models, internal control framework, internal control weaknesses and deficiencies and their impact on fraud, and techniques to detect, mitigate, and prevent frauds.

Church in History

The biblical meaning of the word church is "ecclesia," which means a group of people who are called out of the world's system by God's grace for the purpose of assembling to worship and serve Christ (Stanley, 2020). A church is the body of Christ and churches started on the crucifixion and resurrection of Jesus. It is often said in religious circles that the early church began on Easter morning. Derived from the early church is the philosophy and belief that the heart of Christianity embodies the life of Jesus Christ. The early record of Christianity was Paul's letter, which began to appear 20 years or less after the crucifixion of Jesus (Barnett, 2005). It is unclear when Christians began to build churches, but *Biblical Archeological Review* (2019) reported that early Christian gathering places are difficult to identify because at first Christians met together mostly in private homes and early churches were forced to stay out of public view because of Roman persecution. However, in 313 AD Emperor Constantine made Christianity a lawful religion in the Roman Empire and this sparked the construction of large public buildings or churches that served as centers of worship for Christians. Resig (2011) reported that archaeologist Vassilios Tzaferis discovered in an Israeli prison at Megiddo a mosaic structure with Christian symbols such as fish and the inscription "to God Jesus Christ," probably built around 230 AD. Resig (2011) noted that:

More recent excavations in Israel, Turkey, and Egypt have produced amazing new church

discoveries that are illuminating the early Christian communities at important sites,

including Laodicea, one of the seven churches of Revelation, and Horvat Midras, which

may be the hometown of the prophet Zecharia.

Baptist Faith & Message (2000) described the nature of the church and noted that:

The New Testament church of the Lord Jesus Christ is an autonomous local congregation

of baptized believers, associated by covenant in the faith and fellowship of the gospel;

observing the two ordinances of Christ, governed by His laws, exercising the gifts, rights,

and privileges invested in them by His Word, and seeking to extend the gospel to the

ends of the earth.

Christ is the cornerstone of the church, and the church is established to fulfill God's

designed purpose for humanity. God's design for this sacred gathering (the church) involves

worship, instruction, encouragement, evangelism, and ministry to those in need, both within the

fellowship and outside its walls (Stanley, 2020). Powers and Roberson (2008) concluded that the

church serves three distinct purposes: (1) as the people of God, noting that the concept of the

church as people of God has its root in the Old Testament, when God made a covenant with the

people of Israel, and they became God's own people (Gen. 12:1-3; 17:1-8). The early Christians

declared that God made a new covenant in fulfillment of promises foretold by the prophet

Jeremiah (Romans 11:27) and the prophet Joel (Acts 2:16-21). The followers of Christ (the

church) like the Israel of old became the people of God, charged with proclaiming the good news

of salvation that can restore the broken relationship between man and God; (2) The church is

defined as the body of Christ in the sense that the church is portrayed as the body of Christ with

Christ himself as the head and individual believers made into the body through the redemptive

love of Christ as other parts of the body. Although the body is made of different parts (I

Corinthians 12:12-27), the member accomplishes the work of the body under the direction of

Christ, the head. Even though the body is characterized by the diversity of gifts (functions), it is

unified in purpose and mission. The church as the body of Christ includes the redeemed of all

ages, believers from every tribe, tongue, people, and nation (Baptist Faith & Message, 2000).

The church as the new humanity reflects the body of Christ as the image of the church through

the redemptive mission of Jesus Christ. The new humanity consists of people who were once

dead in sin (Ephesians 2:1-4) but have been made new and blessed with the ability to do what the

old humanity could not accomplish (Ephesians 2:6-10).

The Structure of Early Churches

After the death of Jesus, for the fear of the Jews, the apostles went into hiding and

following the instruction from Jesus, remained in Jerusalem until they received the Holy Spirit

(Acts 2). They lived a communal life and were devoted to witnessing and prayers (Acts 4:32-37).

The early church depended on two important things: common faith and a common way of

ordering their lives and worship. They lived in one accord and their focus was heaven-bound.

Material acquisitions were not their priority; rather, they were engaged in the breaking of bread

and worship. Serrano (2018) noted that the church should always connect to koinonia

(communion, fellowship, common unity, etc.), and the New Testament presents the church as a

group of believers who not only gather together in worship, fellowship, and service, but the

concepts of unity or togetherness were also foundational elements of the church. Karkkainen

(2011) further noted that there is no true "being" without communion, since no thing or one

exists as an individual, as even God exists within the communal framework of personhood (God

the Father, God the Son (Jesus Christ), and the Holy Spirit).

Leadership Structure

The account of the New Testament church shows that early church leadership was under the plurality of the elders (Acts 11:30; 14:23; 15:2; 20:17; Titus 1:5). The elders comprised the three-fold arrangement of bishops, priests, and deacons.

While Paul the apostle described himself as a diakonos (minister), Peter called himself a presbuteros (an elder), and bishops were also called evangelists as they were responsible for planting new churches. At the end of the second century, most churches were ruled by a single bishop (Kruger, 2015).

Sources of Funds and Financial Management

The apostles of Jesus were mostly noted fishermen with limited financial means. Transitioning into an organized group after the death of Jesus involved significant financial responsibilities. Carrying out the Great Commission and taking Jesus's message to the end of the earth required a significant investment of money for travels, the daily needs of the workers, and the establishment of new churches (Church Development Fund (CDF), 2020). As the disciples set out to a great beginning, they were united with a common purpose (New King Version, Acts 2:44), sharing all they had (English Standard Version, Acts 4:32); selling their possessions and bringing them into the common purse (English Standard Version, Acts 2:45). And the scripture says:

> There was not a needy person among them, for as many as were owners of lands or houses sold them and brought the proceeds of what were sold and laid it at the apostles' feet, and it was distributed to each as any had need. (ESV, Acts 4:34–35)

As the gospel continued to expand and more churches were established in various towns, each church was instructed to take collections to cover the needs of other congregations (1 Corinthians

16:1–3). Early church money was used to cater for the poor, pastors, programs, and proclamation

of the gospel (Gray, 2016). Fraud was met with dire consequences, as happened in the case of

Ananias and Sapphira (Acts 5:1-9).

The Modern Structure of Churches

From the early church hierarchy of deacons, priests, and bishops, the modern structure of

churches is demonstrated in Table 2.1 below:

Table 2.1

Medieval Church Hierarchy

Medieval church hierarchy		
Hierarchy	**Authority**	**Roles**
Pope		Heads the Church
Archbishops		Carry Out the Pope's Guidelines
Major Orders – *Carry the Commands and Instructions of the Archbishops*		
Bishops		
Deacon		
Priests		
Minor Orders - *Held the bottommost position in the church*		
Lectors		
Acolytes		
Doorkeepers		

Men studying at the church schools		

Table 2.2

Modern Church/Mega Church Hierarchy

Modern church/Mega Church Hierarchy		
Hierarchy	**Authority**	**Roles**
Church Board		Governs
Senior Pastors		Leads & teaches
Associate Pastors/Ministries		Teaches
Staff		Equips & manages
Members		Ministry

The early structure of churches quickly transitioned to the medieval period. The medieval period was built on a system of feudal hierarchy. Such structure led to the exploitation and oppression of those lower in the hierarchy and the period of the Reformation saw the rise of mercantilism and then industrial capitalism (Pillay, 2017).

From the time of Reformation, there has been a multiplicity of church organizations. The birth of Protestantism, Pentecostalism, and Evangelism has witnessed the emergence of megachurches in modern Christianity. Ellingson (2008) noted that these megachurches have an average of at least 2,000 attendees per week and are reshaping religion locally, regionally, and nationally, as well as at the denominational and congregational levels. While it is proven that the multiplicity of churches was the result of the mainline churches not meeting the religious

yearnings of their faithful by their liturgical ceremonies (Mbefo, 2002), Obiefuna et al. (2016)

asserted that the recent global socio-economic and political situation has been symptomatic of

the endemic multiplicity of churches. Adegoriolu et al. (2018) concluded that the quest for

evangelism, desperation to hold on to church leadership, misunderstanding within church

leaders, and the claim of power of healing and deliverance are some of the main reasons for the

proliferation of churches. The ugly situation in Christendom today is the quest for materialism

and the commercialization of the gospel (Obiefuna et al., 2016). This trend is the beginning of

fraud among church leaders and its members.

House of Worship

The Bible calls people to worship and praise the glory of God. The apostle Paul reminded

the Colossians Christians, "Let the word of Christ dwell in you richly in all wisdom, teaching

and admonishing one another in psalms and hymns and spiritual songs, singing with grace in

your hearts to the Lord" (New International Version, Colossians 3:16). The church is a place of

worship, spiritual growth, and illumination (Allen, 2015). Worship is an act of service and

maintaining a personal relationship with God is one of the major reasons for being surrounding

by God through church participation and total worship. Worshipping God not only draws one

closer to God but enhances mental, emotional, and physical health and reduces engagement in

behaviors that compromise health (Michaelson et al., 2015).

Leadership Structure

Leadership defined in the context of a person is an individual having the ability to inspire

confidence and support among people who have been organized to achieve the set goals of an

organization (Sadeghi & Pihie, 2012). The leadership of the church has evolved over time from

the early leadership structure of the church to the modern era of the multiplicity of churches.

Paul's letter in Ephesians 4:11-16 describes the different leadership structure in the church but

does not specify the job descriptions. Although Ephesians 4 does not dig into the detailed

behaviors of the apostle, prophet, evangelist, shepherd, and teacher, it does emphasize the role of

local church leadership in stabilizing and unifying the church (Barentsen, 2011). Church leaders

are responsible for building and equipping the church by speaking the truth in love and

advancing the church's mission of proclaiming the gospel and as an agent of social change

(Huizing, 2011; Serrano, 2018). The true leader is Jesus Himself and believers should follow His

footstep. St. Peter noted that "To this you were called, because Christ suffered for you, leaving

you an example, that you should follow in his steps" (New International Version, 1 Peter 2:21).

As discussed later in this study, the quality and leadership style of Christian leaders plays a

significant role in implementing effective and adequate internal control systems that ensure the

effectiveness and efficiency of church administration, the safeguarding of church funds and

assets, and achieving the overall mission of the church. A Christian leader is one with servant

leadership attributes who seeks to lead with prudence in times of crisis and setbacks in any

organization (Ortberg, 2010; Tucker, 2010).

 Different leadership theories exist, most notable among them including charismatic

leadership, servant leadership, transformational leadership, and transactional leadership styles.

Charismatic Leadership. Charismatic leadership is often defined in terms of the charm

and persuasiveness of the leader. They are driven by their convictions and commitment to their

cause and seek to change an existing situation into a better state and impact their followers in

different ways (Bell, 2013; Evans, 2014). Such Christian charismatic leaders include Dr. Martin

Luther King, Jr., who used his powerful communication ability, persuasiveness, charming

personality, and unwavering commitment to make a positive change not only in the United States

but globally, in restoring peace without violence; Mother Teresa, who abandoned teaching to

follow what she considered her calling, founding the Missionaries of Charity to live and serve in

the slums of Calcutta; and Pope John Paul ll, who as a Pope was instrumental in examining the

Roman Catholic Church's role in the modern world and was a vocal advocate for human rights.

Servant Leadership. The concept of servant leadership is described as leadership that

puts the interest of various stakeholders first and has strong concern on improving the well-being

of the least privileged in society (Wu et al., 2013; Linuesa-Langreo et al., 2017). Northouse

(2015) emphasized that servant leaders empower constituents (the church) by putting them first

and helping them develop to their fullest potential. The greatest servant leader of all time is Jesus

Christ (Marina & Fonteneau, 2012). The Gateway Bible commentary of Jesus washing of His

disciples' feet in John 13:1-20 noted:

> That the community Jesus has brought into being is to manifest the love of God that he
>
> has revealed through serving one another with no vestige of pride or position. There will
>
> be recognized positions of leadership within the new community, but the exercise of
>
> leadership is to follow this model of servanthood.

Christian leadership is about servanthood and a true Christian leader is one who is a

spirit-led leader (Pascoe, 2019; Trucker, 2010). The Christian leader is a servant to those they

lead. The apostle Paul beautifully expressed it in 2 Corinthians 4:5 when he said, "You see, we

don't go around preaching about ourselves. We preach that Jesus Christ is Lord, and we

ourselves are your servants for Jesus' sake" (New Living Translation).

Transformational Leadership. Transformational leadership is a leadership approach

that causes a change in individuals and social systems. The concept of transforming leadership

was introduced by J. MacGregor Burns in 1978. Transformational leadership enhances the

motivation, morale, and performance of followers through a variety of mechanisms with the end

goal of developing followers into leaders. These leaders are called transformational leaders

because they create something new from something old (Tichy & Ulrich, 2008). Faulhaber

(2007) explained how Peter was transformed from denying Jesus to becoming an authentic

transformational leader and posited that Peter, having experienced the power of God's grace and

transformation, became an authentic transformational leader. A transformational leader creates a

significant change in the life of followers and organizations and redesigns perceptions and

values.

Transactional Leadership. A transactional leader is someone who values order and

structure. The transactional leader's perception is in creating structures, making it abundantly

clear to the follower what is expected and detailing the consequences for not meeting the leader's

expectations (Lamb, 2013). Transactional leadership depends on self-motivated people who

work well in a structured, directed environment. Transactional leaders are not a good fit for

places where creativity and innovative ideas are valued and are not an ideal leadership style in

the house of God.

Sources of Funds and Financial Management

The modern church has diverse means of raising funds, including the offering (Luke

6:38; 2 Corinthians 9:7), which comes in the form of cash, check, direct deposit, credit card

payments, and grocery supply; and tithing (Gen. 14:19-20; Malachi, 3:8-10), special donations,

pledges, and endowments. The level of church giving in either of these sources of funds depends

on the church, educational level, and attitude toward giving. Barnes (2013) posited that church

size and formally educated memberships positively influence giving patterns in the church. Non-

profit Source (2018) stated that 49% of all church giving transactions were made with a card, and

tithes made up only 10-25% of a normal congregation in 2018 in the United States. There are no

statistics that show a detailed breakdown of sources of funds in Nigerian churches. However, the

local churches are mostly funded by offerings and tithes.

Henshaw (2019) reported that in its survey of 2,200 churches, *Christianity Today* found

that churches with fewer than 200 people in weekly worship attendance had an average budget of

$219,370 with a median of $173,370; for those with 200-499 worshippers, an average budget of

$675,290 and a median of $628,720 was reported. The survey found that on average, 47% of a

local church budget goes toward paying pastors and staff; property expenditures, which may

include mortgage payments or rent, accounts for 7% of the budget; program expenses constitute

10% and money spent on missionary work accounts for only 5%. While bigger churches have a

well-defined finance management handbook and accounting systems, small churches are beset

with financial management oversight. In smaller churches the pastor sometimes handles all the

financial matters, making the church vulnerable to fraud.

The Church As a Tax-Exempt Organization - Section 501(c)(3) and Nigerian Section 23(c)

Organizations registered under section 501(c)(3) in the United States and section 23(c) of

the Companies Income Tax Act (CITA) in Nigeria are known as charitable organizations or not-

for-profit organizations, other than those organizations testing for public safety. These

organizations are eligible to receive tax-deductible contributions in accordance with Internal

Revenue Code (IRC) section 170. If the organization engages in an excess benefit transaction

with a person having substantial influence over the organization, an excise tax may be imposed

on the person and any organization managers agreeing to the transaction (Internal Revenue

Service (IRS), 2020; Council on Foundation, 2019).

However, in Nigeria, companies may make tax-deductible donations to certain public

benefit organizations that are listed in the Fifth Schedule of CITA. Conversely, donations made

by individuals are not tax-deductible. Nigerian not-for-profit companies are subject to a value

added tax (VAT). Religious and educational institutions 'of a public character' are exempt from

tax both under section 23(c) of the Companies Income Tax Act and paragraph 13 of the 3rd

Schedule of the Personal Income Tax Act (Council on Foundation, 2019).

Exemption Status

A not-for-profit organization registered under Internal Revenue Code (IRC) section

501(c)(3) must be organized and operated exclusively for exempt purposes set in the code

section. Its earnings or profit may not go to a shareholder or an individual and may not be an

action organization in way of influencing legislation or participate in any political activity.

In Nigeria, exemption applies only to the extent that the profit of religious and

educational institutions of a public character does not relate to a trade or business carried on by

such institution. In American International School vs. Federal Inland Revenue Service (FIRS)

(2015), it was ruled that income of these organizations that includes, for instance, selling of

books and tapes, should not be subject to taxation as long as the institution is set up as a not-for-

profit entity (like incorporated trustees or limited by guarantee) and there is no proof of

distribution of the profits and any activities carried on within its objects (Erikume, 2016).

Tax exemption for churches protects religious entities from the state. Schwarzwalder

(2015) noted that giving the government authority to tax religious entities not only breaches the

protective wall of separation that guards the church against the state but effectively knocks that

wall down. In the tax case between Walz and the Tax Commission of the City of New York

(1970), Walz noted that the purpose of the exemptions was not to advance or inhibit religion, but

that the exemptions were available to a broad class of institutions the state found desirable, such

as hospitals, libraries, and playgrounds, and scientific, professional, historical, and patriotic

groups. Demanding that religious institutions support the government by paying taxes would

create entanglement.

Unfortunately, Nigeria does not grant special public benefit status to organizations that

engage in public benefit activities. However, the public benefit character of certain organizations

that engage in public benefit activities is recognized through the grant of tax preferences. The

activities listed in the Companies Income Tax Act that for purposes of tax exemption and

deductibility of donations are considered to be of public benefit are activities that are

ecclesiastical, charitable, educational, or that promote sports (CITA Section 19(1)(c) and (d))

(Council on Foundations, 2019).

Accounting and Financial Reporting Requirements

The reporting requirement of not-for-profit organizations is under ASU 2016-14-

Presentation of Financial Statements of Not-for-Profit Entities. The standard requires a not-for-

profit organization to prepare (1) a statement of financial position, (2) a statement of activities,

and (3) a statement of cash flows. An update was issued in August 2016 to improve financial

reporting. The changes were designed to improve the presentation of information communicated

in not-for-profit financial statements, net assets, liquidity, financial performance, and cash flows.

ASU 2016-14 emphasizes liquidity and statement of financial position improvements. Gordon

and Granlund (2018) noted that while a separate statement of functional expenses is not required,

it represents the most effective presentation option for smaller organizations with more than one

program. The update put all private not-for-profit organizations under a single reporting format,

while the newly released not-for-profit reporting standard retains the current approach, focusing

on the organization as a whole and providing a uniform reporting format across varying

industries in the nonprofit sector (Copley & Manktelow, 2018). However, churches are not

legally required to provide annual financial statements to the IRS, state tax authorities, or church

members (Gray & Villamarin, 2015).

In Nigeria, Section 57 of the Financial Reporting Council Act of 2011 formulated the

Statement of Accounting Standards (SAS) No. 32, which prescribes a uniform accounting and

financial reporting system and stipulates that financial statements for not-profit organizations

shall include statement of accounting policies; statement of financial position; statement of

activities (income and expenditure); statement of changes in net assets; statement of cash flows;

notes on accounts; and five-year financial summary. Non-for-profit organizations are equally

expected to comply with the provisions of the International Financial Reporting Standard (IFRS)

effective January 1st, 2013 (Financial Reporting Council (FRC), (2011); Teingo, 2013).

IRS and FIRS Tax Reporting Requirements

Tax-exempt organizations are required by the IRS to file an annual report on Form 990 or

990-EZ, as well as to pass inspection and disclosure requirements. Smaller organizations with

annual gross receipts of $50,000 or less can satisfy their annual reporting requirement by filing

Form 990-N online if they decide not to file Form 990 or Form 990-EZ (Internal Revenue

Service (IRS), 2020). Churches and some of their affiliated organizations are exempt from filing.

Churches are explicitly excluded from filing requirements under the Internal Revenue Code

(IRC) section 6033. Under section 6033(3)(A)(i-iii), churches, their integrated auxiliaries, and

conventions or associations of churches, any organization other than a private foundation with

gross receipts in any taxable year less than $5,000, or the exclusively religious activities of any

religious order, are exempt from filing (Cornell Law School, n.d). However, they may have some

potential reporting and tax obligations if they have unrelated business income taxes and

employment taxes.

In Nigeria, section 55 of CITA makes it mandatory for every non-governmental

organization (NGO) to file its tax return every year. Such return shall contain: 1) the audited

accounts, tax and capital allowances, computations, and a true and correct statement in writing

containing the amounts of its profits from each and every source computed in accordance with

the provisions of CITA; 2) such particulars as may by such form or return be required for the

purpose of the Act and any rules made with respect to such profits, allowances, reliefs,

deductions, or otherwise as may be material by virtue of the CITA; and 3) a declaration to be

signed by a director or secretary of the organization that the information contained in the return

is true and correct (FIRS, 2010).

Fraud as a Problem in Churches

AG Financial (2020) raised alarm regarding the increasing rate of fraud in churches and

cautioned that church fraud takes place over a long period of time, where one can often uncover

small sums stolen at irregular times. They asserted that fraud occurs because many churches lack

the internal controls necessary to detect, prevent, or mitigate fraud. Fraud is particularly a

problem for smaller churches because they lack the resources to withstand occupational fraud

(Drew, 2018). This problem is compounded because when these frauds are discovered, church

leaders are reluctant to report it to local authorities or their insurance company probably because

they want to preserve the reputation of the church and those involved in the fraud (AG Financial

2020).

Fraud Defined

The term 'fraud' "lacks a precise definition" (Beals et al., 2015). Fraud means different things to different people under different situations (Singleton & Singleton, 2010), but in general fraud requires an element of deliberate action and is an intentional deception made for personal gain or to damage another individual (Gupta, 2013). Fraud is subsumed within deception and is the result of some misrepresentation that has been intentionally foisted upon the victim by another individual (Albrecht et al., 2009).

Modern frauds include Ponzi and pyramid schemes, securities frauds, corporate accounting financial scandals, medical and automobile insurance frauds, sophisticated art forgeries, the shell game, and the "Nigerian scam" (Gong et al., 2011). Fraud requires willfulness, which is composed of knowledge, intent, and purpose. Fraud can be perceived as deception or as the opposite of truth, justice, fairness, and equity. ACFE (2020) defined fraud as "Encompassing any crime for gain that uses deception as its principal modus operandus and includes any intentional or deliberate act to deprive another of property or money by guile, deception, or other unfair means."

Fraud is the product of three factors: a supply of motivated offenders; the presence of a prospective victim or target; and the absence of a capable guardian. Under common law, fraud includes four essential elements: 1) material false statement, 2) knowledge that the statement was false when it was spoken, 3) reliance on the false statement by the victim, and 4) damages resulting from the victim's reliance on the false statement. Kranacher (2010) opined that there are three ways to relieve a victim of money illegally: by force, trickery, or larceny, all of which are considered fraud. Ramamoorti (2008) concluded that fraudsters and social engineers use their abilities to influence others to develop a false sense of trust to gain some advantage.

Types of Fraud

Fraud can be classified as internal or external. Internal fraud is fraud committed within an organization by its employees, while external fraud is fraud committed by a person outside the organization. Internal fraud includes occupational fraud and financial and accounting fraud. External fraud includes a variety of fraud such as Ponzi and pyramid schemes, affinity fraud, securities fraud, identity theft, sophisticated art forgeries, the shell game, and Nigerian scams.

Internal Fraud or Occupational Fraud. Internal fraud, also known as occupational fraud, occurs when one uses their occupation to deliberately misuse or steal an organization's assets or resources (ACFE, 2010; Glodstein, 2015). Occupational fraud occurs when a church leader, congregant, church employee, or volunteer commits fraud against the church. Occupational fraud is fraud against an employee's organization by a client or employee (Albrecht et al., 2015). Occupational fraud encompasses a wide range of misconduct by the executive, managers, directors, and shareholders. It is fraud committed by an employee by virtue of occupying a certain position in the organization. Occupational fraud is basically "white collar crime" (Albrecht et al., 2015). Occupational fraud is committed when an employee:

i. misapplies their position in the organization for the personal benefit.

ii. willfully neglects the activities of the superiors, colleagues, or subordinates.

iii. directly or indirectly influences the subordinate or other employees of the organization to do the activities which are not in the interest of the organization.

iv. demands additional consideration from outside parties for doing the job which is the responsibility of the employee in the ordinary course.

v. colludes with the external parties to dupe the organization.

vi.   causes direct or indirect harm to the image, reputation, product, or service of the

organization (Tucker, 2010).

Occupational fraud consists of three types: (a) financial statement fraud, (b)

misappropriation of assets, and (c) corruption (Glodstein, 2015). Asset misappropriation schemes

occur when an employee steals or misuses an organization's assets. This could include stealing

of offertory money, donations, and payroll manipulations, invoice billings, and more. Corruption

is when a person uses their influence to obtain an unauthorized benefit contrary to the person's

duty to their organization. Corrupt acts include things like bribery, conflicts of interest,

kickbacks, and extortion. Financial statements fraud, on the other hand, is the fabrication of an

organization's financial statements to make the company appear more profitable than otherwise.

Financial statement fraud can include overstatements and understatements of income or

revenues, improper disclosures, improper asset valuations, and more (ACFE Report, 2020).

In the ACFE 2020 Report to the Nations, assets misappropriation schemes were 86% of

the cases, with $100,000 median cases, and financial statement fraud was 10% of the cases, with

a median loss of $954,000.00. The report noted that organizations with fraud awareness training

for employees were more likely to gather tips through formal reporting mechanisms against

fraud; 43% of the schemes were detected by a tip, and half of those tips came from employees. A

telephone hotline and email were used by whistleblowers in 33% of cases (ACFE Report, 2020).

Financial Statement and Accounting Fraud. Financial statement fraud takes the form

of deliberate misrepresentation of the financial condition of an organization accomplished

through the intentional misstatement or omission of amounts or disclosures in the financial

statements to deceive financial statement users, especially investors and creditors (ACFE, 2020;

Beasley et al., 2010). Financial statement fraud is intentionally designed by management to

deceive or mislead users of published financial statements by preparing misstated financial

statements (Ajekwe & Ibiamke, 2017). These altered financial statements are the tools then used

by a company's managers to obtain some reward (Lundelius, 2011). Financial statement fraud

has received considerable attention due to high profile fraud at large companies such as Lucent,

Xerox, Rite Aid, Cendant, Sunbeam, Waste Management, Enron Corporation, Global Crossing,

WorldCom, Adelphia, and Tyco. Rezaee (2005) identified financial statement fraud schemes as

involving but not limited to falsification, alteration, or manipulation of material financial records,

supporting documents, or business transactions; intentional misstatements, omissions, or

misrepresentations of events, transactions, and accounts from which financial statements are

prepared; intentional misapplication and misinterpretation, and wrongfully applying accounting

standards, principles, policies, and methods used to measure, recognize, and report economic

events and business transactions. On the other hand, accounting fraud has wide meaning; it

consists of intentional manipulation of financial statements and is orchestrated by either

employees (such as the accountants) or the top management team and occurs through the

fabrication of numbers in the accounts or the misapplication and willful misinterpretation of

accounting standards (Tutino & Merlo, 2019). Lack of vigilant oversight functions (e.g., the

board of directors, the audit committee); arrogant and greedy management; the improper

business conducts by top executives; ineffective audit functions; lax regulations; inadequate and

less transparent financial disclosures; and inattentive shareholders has been noted to contribute to

accounting fraud. Tutino and Merlo (2019) advocated the use of statistical methods such as

Benford's law, Altman's z-score, Beneish's M-score, and whistleblowing to detect accounting

fraud. Realistically, churches could overcome accounting fraud by instituting regular internal

audits, walkthrough tests, and leadership oversight.

External Fraud. The second type of fraud is external, that is, fraud coming from outside the organization against a company/church and covers a broad range of schemes: when a dishonest vendor engages in bid-rigging schemes, bills the church for goods or services not provided, demands bribes from employees, submit bad checks or falsified account information for payment, or attempts to return stolen or knock-off products for a refund (ACFE, 2013).

Another type of external fraud is fraud against individuals, in which numerous fraudsters have devised schemes to defraud individuals, such as identity theft, Ponzi schemes, phishing schemes, and advanced-fee frauds, etc. A Ponzi scheme is defined as a fraudulent investment scheme claiming high steady returns by paying early investors with later investors' money and claiming it as the 'return.' This swindle earned its name from an Italian man named Charles Ponzi, who first invented it and took millions away from American people in the early 1920s (Azim & Azam, 2016).

Affinity Fraud. Affinity fraud is fraud targeted to an identifiable group. Affinity fraud relies on building trust with the victim based on shared characteristics such as age, race, religion, or ethnicity. Affinity fraud is investment scams that target members of identifiable groups, such as racial, religious, and ethnic communities, the elderly, professional groups, or other types of identifiable groups (Perri & Brody, 2011). A notable affinity fraud case involved a Ponzi scheme of the Bernard Madoff scandal, which was considered as one of the worst white-collar crimes of all time (Henriques, 2012). Madoff exploited the Jewish community he belonged to, as well as individual Jewish investors, who invested all their life savings with Madoff (Azim & Azam, 2016; Rhee, 2009).

In church-based affinity fraud, the fraudster uses specific religious references such as quoting certain verses from religious texts and incorporating some element of their charitable

giving from the return on their investment. An example of this was when Ephren Taylor

victimized over 400 people who invested over $16 million. Taylor told congregations that

biblical principles include investing wisely, responsibly, and for the purpose of furthering the

kingdom and that God wants His hearers to be prosperous (U.S. Attorney's Office Northern

District of Georgia, 2015). Church-based affinity fraud poses special problems because victims

are reluctant to inform law enforcement investigators that they have been scammed due to

feeling of embarrassment and the desire to not want to have a member of their organization

prosecuted, as well as the desire of the defrauded group to have the culprit "repent" from stealing

from the church. Notable church-based affinity fraud includes a Ponzi scheme of over $4 million

orchestrated by Steven B. Heinz (Heinz) and his company S. B. Heinz & Associates, Inc. (S. B.

Heinz), a financial planning and insurance agency located in Provo in 2013, which targeted

members of his church, family members, and friends; an Internet Protocol company (VoIP),

Usee, Inc., et al in 2012 that ran a fraudulent securities offering aimed at Christian investors

(Security & Exchange Commission (SEC), (2013). Another related type of fraud is "white-collar

crime," which is fraud committed by business and government professionals that is characterized

by deceit, concealment, or violation of trust and is not dependent on the application or threat of

physical force or violence (FBI, 2020).

　　　　Minimizing affinity fraud is difficult because of the special trust relationship or belief the

victim shares with the fraudster; there seems to be no research to verify the legitimacy of these

investments. It is important to check out everything—no matter how trustworthy the person who

brings the investment opportunity seems to be; avoid falling for investments that promise

spectacular profits or "guaranteed" returns; be skeptical of any investment opportunity that is not

in writing; do not be pressured or rushed into buying an investment; and be wary of e-mail spam

(SEC, 2013).

      Identity Thefts and Other Scams. Direct interpersonal fraud is fraud committed against

one individual by another in the context of direct face-to-face interaction such as classic "con

games," customer frauds by sales staff, and predatory activities against clients or customers by

fraudulent investment advisers, roof repairers, and others who prey directly on a consumer

(Duffield & Grabosky, 2001). Indirect mass fraud is fraud committed against several individuals

through print or electronic media, or by other indirect means. This includes Nigerian advance fee

fraud e-mail (419) schemes (Dobovšek et al., 2013; Glickman, 2013). Advance fee fraud or

Nigerian e-mail scams initially appeared as handwritten letters in postal mail or faxes in the

1980s and became propagated via e-mail in the early 1990s as individuals around the globe

adopted e-mail technology (Holt & Graves, 2007). Other types of indirect fraud include share

market manipulation and deceptive advertising, or investment solicitations pitched at a relatively

large number of prospective victims (Duffield & Grabosky, 2001).

Fraud in Churches

      The word of God in 2 Peter 3:3 is becoming true, as it warns, "Most importantly, you

must understand that in the last days scoffers will come, scoffing and following their own evil

desires" (Berean Study Bible). The church has been regarded as an institution with good morals

and ethics. Marquette (2010) stated that the church provides a good example of ethics and is

looked upon to speak out against fraud. Unfortunately, the growing scandals reported show that

fraud has found its way to the church. While the early Christians were committed to the Great

Commission, today there is an increasing number of fraud and embezzlement cases in the church

(Thornhill et al., 2016; Wood & Wood, 2014). Fraud in a not-for-profit organization is also on

the rise, and global embezzlement of church funds is projected to be as high as 10%, or $100

billion, by 2025 (Johnson et al., 2015). Gray and Villamarin (2015) posited that two main

contributors to fraud within the church are the lack of church accounting standards and

regulations (e.g., laws) and the concept of trust that is common among church administration.

The Gordon Conwell Center for Global Christianity (2019) reported that ecclesiastical

crime is increasing, with a yearly trend of 5.29%. By 2025, financial fraud will average $70

billion (Gordon Conwell Center for Global Christianity, 2019). Brotherhood Mutual (2018)

noted that they are likelihood that these projections are just a tip in the iceberg as about 80% of

all cases of church fraud were not reported nor included in the statistics. The prevalence of

church frauds is hard to quantify; and study by fraud experts estimate that as much as 95% of

fraud within churches goes undetected or unreported (Pavlo, 2013; Shang, 2017).

A recent report by the Association of Certified Fraud Examiners (ACFE) (2020) in its

2020 Report to the Nations on Occupational Fraud and Abuse showed that on average, an

organization loses 5% of its annual revenue to fraud, with a loss of $3.6 billion from 2, 504 real

cases of occupational fraud investigated in 125 countries. Powers and Roberson (2008)

concluded that the body of Christ (the church) does not always do the will of the divine head and

it would be inaccurate to think that whatever the church did was clearly the same action that

Christ himself would undertake if He were present in person. Powers and Roberson further noted

that the church does not always show love and righteousness and some of its actions are nothing

more than sin expressed in its most sinister form.

The most common fraud identified in churches includes forging checks payable to

oneself and/or personal vendors, pocketing cash receipts meant for deposit into church accounts,

issuing extra paychecks and/or bonus checks through payroll to oneself, submitting fraudulent

expense reports for reimbursement, submitting fraudulent invoices from phony or legitimate

vendors, abusing church credit cards for personal use, the electronic transfer of church funds to

pay for personal accounts and/or vendors, pilfering church equipment and/or inventory, and

stealing money from the offering box and/or during cash count (Marquet, 2011; Snyder, 2012).

Review of Notable Church Fraud

There are many churches and other not-for-profit fraud cases such as the Chris

Oyakhilome's Christ Embassy Ministry, Nigeria fraudulent practices of illegally paying more

than N827 million (£1,767,250) to entities and organizations it shares close relationships with

(Ibekwe, 2019), the Lansing, Michigan United Way theft of $2 million, Connecticut, United

States bishop in 2013 receiving a 46-month prison term for doping church members over

$500,000 with a promise of phony investments, New Jersey church book-keeper's diversion of

over $400,000 discovered in 2011, and a Catholic priest Rev. Michael Jude Fay stealing of $1.3

million from congregation's collections in Darien, Connecticut, United States and two Catholic

nuns skimming of $500,000 over a decade from their Catholic school employer and gambled

away the cash in Las Vegas (Snyder, 2005; Shang, 2017; Pavlo, 2013; Seidel, 2018) and

indictment of Cardinal Angelo Becciu and 9 others of embezzlement, abuse of office, extortion,

and fraud in connection with the Vatican's Secretariat of State's 350 million-euro investment in a

London real estate venture(Time International, 2021) are just few of fraud cases in churches and

ministries.

Fraud Offenders

Fraud offenders in churches cut across spectrums of individuals, including church

leaders, pastors, employees, volunteers, and congregants. Smith and Metts (2013) noted that

normally, church fraud offenders do not fit the stereotypical career criminal profile. AG

Financial (2015) recounted how a church treasurer embezzled $850,000 by distributing funds to

themself through a credit line; a 55-year-old church bookkeeper embezzled $3,000 and was

sentenced to eight years in prison; a church usher collected offerings in the sanctuary balcony

and then pocketed loose bills on the way down; and a church bookkeeper embezzled thousands

by issuing checks to a fictitious company.

In a criminal case held at the U.S. Attorney's Office in the Northern District of Georgia

(2015), the court sentenced Ephren Taylor to nine years in prison for the Ponzi scheme that

victimized over 400 people who invested over $16 million. Taylor traveled around the country

on a "Building Wealth Tour," giving speeches on wealth management seminars to church

congregations. Taylor instructed congregations that biblical principles include investing wisely,

responsibly, and for the purpose of furthering the kingdom, and that God wants His hearers to be

prosperous. Catholic priest Rev. Michael Jude Fay, who stole $1.3 million from the

congregation's collections in Darien, Connecticut, was another case of a trusted man of God

defrauding the church.

Fraud Theories and Models

The knowledge of fraud symptoms and causes is an important factor in preventing and

detecting fraud (Ashraf, 2017). To find reasons why fraud occurs, researchers have advocated

different theories and models. Prominent fraud theories and models discussed in this study

include the fraud triangle, fraud scale theory, fraud diamond theory, fraud pentagon theory, new

fraud theory, and MICE (Money, Ideology, Coercion, and Ego).

Fraud Triangle

The fraud triangle was developed by a 20th-century criminologist, Donald Cressey, in

1953 and has become the most popular model for explaining why people commit fraud. Cressey

(1953) interviewed criminals and found two behaviors common to people that commit fraud. In

Other People's Money: A Study in the Social Psychology of Embezzlement, Cressey (1973)

defined the fraud problem as a "violation of a position of financial trust" that the person

originally took in good faith. Cressey (1973) determined that the trusted person regards themself

as having a financial problem which, for several reasons, the trusted person thinks is not socially

or morally. Cressey stated that for embezzlement to occur, there must be: 1) a non-sharable

problem, 2) an opportunity for trust violation, and 3) a set of rationalizations that define the

behavior as appropriate in a given situation. The fraud triangle is an effective framework for

analyzing an organization's susceptibility to fraud and unethical behavior, and a great tool to

utilize to prevent fraud victimization (Higson & Kassem, 2013).

Research has shown that individuals commit fraud when a combination of three factors

exist: (1) perceived pressure, (2) perceived opportunity to commit and conceal, and (3) a way to

rationalize the behavior as acceptable. These three factors combine to create the fraud triangle

(Albrecht, 2014), as depicted in Figure 2 below.

Figure 2

Fraud Triangle

The pyramid of the triangle is the perceived opportunity. A person's position in an organization can create an opportunity to commit fraud and there is a positive relationship between the opportunity to commit fraud and the means to conceal it (Vona, 2008). The employee must perceive a chance to commit fraud without being detected. This opportunity can arise from several sources, including poor internal controls and especially lack of segregation of duties, poor training, poor supervision, lack of prosecution of perpetrators, ineffective anti-fraud programs and policies and procedures, and weak ethical culture (e.g., poor "tone at the top"), collusion, or management override (Dorminey et al., 2012).

The pressure aspect of the triangle is the financial or emotional force pushing one towards crime. Hooper and Fornelli (2019) noted that fraud occurs when someone is tempted by pressures, enjoys opportunity through few or easy-to-overcome controls, and is encouraged by a culture that enables rationalization of actions. Motivation mostly arises due to financial problems such as gambling addiction, accumulated debt, unexpected expenditures, or just the lure of greed (Buchholz, 2012). Albrecht (2014) also posited that some nonshareable financial pressures that can lead to fraud include sudden financial shortfalls, living beyond one's means, greed, poor credit standing and inability to obtain credit, unexpected significant medical expenditures, large education expenditures, family or peer pressure, gambling losses, lack of productivity due to drugs or alcohol, and cost of extramarital affairs. Day (2010) stressed that motivation is based on personal status and could be determined by either the hunger to achieve or the fear of losing it.

Rationalization is justifying or making excuses for the fraudulent act. Before committing a crime, the perpetrator always tries to find a reason to justify their act as being morally acceptable. In a non-financial motivation, rationalization may be difficult to detect because it is unobservable and psychologically related. A crime could be committed without any

rationalization or excuse (Azim & Azam, 2016). Albrecht (2014) described the fraud triangle as

the fire triangle showing oxygen, heat, and fuel as an element to be present to ignite a fire.

Albrecht (2014) noted that to have a fire, three conditions must exist: There must be oxygen,

heat, and fuel. If any one of these is removed, there will be no fire. Likewise, with fraud: If either

the pressure, opportunity, or rationalization is removed, fraud does not occur.

Limitations

Fraud is a multifaceted phenomenon and cannot fit into a framework, and the fraud

triangle is not a reliable model for antifraud (Lokanan, 2015). The model is also criticized for its

inability to prevent, detect, and investigate fraud (Morales et al., 2014; Free & Murphy, 2015), as

well as lack of proper testing and ability to recognize collusion or other factors that contribute to

crime (Donegan & Ganon, 2008). Pressure and rationalization are two sides of the model and

cannot be easily observed to the fraud problem. (Dorminey et al, 2010).

Fraud Scale Theory (Albrecht et al., 1984)

Fraud scale theory was developed by Albrecht et al. (1984) as an alternative to the fraud

triangle model as shown in Figure 6 below.. The authors believed that fraud is difficult to

predict because a reliable profile of occupational fraud perpetrators does not exist (Dorminey

et al., 2011). Dorminey et al. (2011) suggested that the likelihood of a fraudulent act could be

assessed by evaluating the relative forces of pressure, opportunity, and personal integrity.

Pressure and opportunity are both components of the fraud triangle, but the fraud scale

substitutes personal integrity for rationalization. The fraud scale posited that when pressure,

opportunity, and integrity are considered at the same time, one can determine whether a

situation possesses a higher probability of fraud. Dorminey et al.(2011) noted that the fraud

scale is more applicable to financial statement fraud, in which sources of pressure are more observable.

Fraud Diamond Theory

David T. Wolfe and Dana R. Hermanson presented a four-sided fraud diamond in 2004 that incorporates an individual's capability to the three elements of fraud triangle. The individual capabilities are personal traits and abilities that play a major role in whether fraud will only occur given the presence of pressure, opportunity, and rationalization (Wolfe et al., 2004).

Although perceived pressure or incentive might exist along with an opportunity and a rationalization to commit fraud, fraud is unlikely to take place unless the potential perpetrator has the skills and ability to actually commit fraud. Wolfe and Hermanson (2004) noted that many frauds would not have occurred without the right person with the right ability to carry out the fraud. Ruankaew (2016) showed that a person's position or function in an organization may give them an opportunity not available to others to create or exploit an opportunity to commit fraud. Pastors, bookkeepers, etc. can create the opportunity to commit fraud where an internal control system is weak due to their positions in the church, as long as they have the ego and confidence that fraudulent acts will not be uncovered and have the capability to effectively deal with the stress of being caught. The fraudulent person must effectively and consistently lie to avoid detection and may even have to persuade others to believe that fraud has not taken place (Ruankaew, 2016).

The Fraud Pentagon Theory

The fraud pentagon theory expanded the fraud triangle and fraud diamond models by adding the arrogance of the perpetrator to the equation (Crowe, 2011; Christian et al., 2019). The competence in the fraud pentagon theory bears the same meaning as the capability in the fraud

diamond theory. Competence/capability means an employee's capability to ignore internal

control, develop a concealment strategy, and control the social situation (Kardoyo & Nurkhin,

2018). Arrogance is the superiority attitude regarding having certain rights and the feeling that

the company's internal control or policy do not apply to oneself; it is an attitude of superiority

and entitlement or greed on the part of a person who believes that corporate policies and

procedures simply do not personally apply (Kardoyo & Nurkhin, 2018; Fuad & Lestari, 2020).

The New Fraud Triangle Theory

Kassem and Higson (2012) proposed a new fraud triangle for external auditors on the

premise that Cressey's (1973) fraud triangle is not an adequate tool for deterring, preventing, and

detecting fraud. Kassem and Higson (2012) postulated that limitations in Cressey's fraud triangle

can be overcome by integrating the existing fraud models into one by including motivation,

opportunity, integrity, and fraudster's capabilities. Kassem and Higson (2012) noted that the new

fraud triangle model is particularly important to external auditors, as the model includes all

necessary factors that contribute to fraud and helps in effectively assessing fraud risk.

The MICE Model (Money, Ideology, Coercion, and Ego)

MICE was presented by Kranacher et al. (2010) in their book, *Forensic Accounting and*

Fraud Examination. Kranacher et al.(2010) stated that the motivations of fraud perpetrators

might be more appropriately expanded and identified with money, ideology, coercion, and

ego/entitlement. Dorminey et al. (2011) concurred that with financial reporting fraud, the first leg

of the fraud triangle (perceived financial pressure) is modified to consider alternative motivators

such as monetary incentives, bonuses, or stock options. Dorminey et al.(2011) noted that while

top executives feel pressured to deliver solid financial results, such pressure is not the same as

the nonshareable financial pressure described by Cressey (1973). The model focuses on money,

ideology, coercion, and ego (MICE). These are individuals' motivations in committing fraud.

Money consists of an individual's greed; ideology is their beliefs or convictions; in coercion,

individuals are unwilling to commit fraud, but other employees pressure them to participate in

the fraud scheme, and ego consists of one's power over others. Money and ego are the most

common employee motivations to commit fraud and are useful tools to reduce occupational

fraud (Dorminey et al., 2012).

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Factors That Contribute to Fraud in Churches

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The opportunity to commit fraud is common and very pronounced in churches, and

embezzlement of church funds is on the rise (Ventura & Daniel, 2010; Laue, 2011). One factor

that has enabled fraud in churches is poor financial oversight by church members and

government regulatory authorities. Dimos (2016) noted that fraud common to churches is diverse

and includes pastors and bookkeepers writing checks for personal expenses for their family and

friends; church staff using a church credit card for personal charges; pastors hiding unauthorized

transactions from the board; ministry leaders transferring funds to secret bank accounts, and

churches failing to send payroll taxes to the Internal Revenue Service (IRS) in the United States

or the Federal Inland Revenue Services (FIRS) in Nigeria. Several factors may make churches

more susceptible to fraud.

Poor Internal Control

The opportunity to commit fraud is the absence of internal control. SAS 99 states that

inadequate internal control over assets increases the susceptibility of misappropriation of those

assets. Internal control is an important function for both for-profit and not-for-profit

organizations (Dzomira, 2014). Inadequate or lack of internal control is the key reason for fraud

opportunity to occur. Ventura and Daniel (2010) mentioned an instance where a church had the

offering regularly collected by the ushers, but then left only one usher to put the collection into a

bank deposit bag and then the depository for counting the next day. Unfortunately, churches

often do not create the perception of consequences that are necessary to deter fraud (Cornell,

Johnson, & Hutchinson, 2012).

Concept of Trust

Churches are supposed to be a place of holiness, with every individual exhibiting the

light of Christ. The exhibition of piety and the "holier than thou" attitude exhibited by church

leaders and members results in everyone trusting each other. Raiborn et al. (2015) noted that

trust is the emotional glue that binds a team together and produces confidence, which makes the

lead pastor trust the staff, the staff trust the pastor, and the staff trust one another. Church

members and contributors put their trust in the moral integrity of church leaders, employees, and

volunteers. This level of morality expected of church members is generally more explicit due to

expected adherence to biblical commandments because Christianity discourages members from

judging one another (Ventura & Daniel, 2010). Cornell et al. (2012) agreed that trust among

employees and volunteers fuels church engines but unfortunately, church cultures foster the

belief that trust is an adequate control; however, trust creates fraud opportunities in churches

(Gray & Villamarin, 2015: Wood & Wood, 2014). Lane (2011) concluded that trust is not a

sufficient strategy to protect church assets and that churches owe a duty to their congregations to

safeguard their assets and prevent fraud.

Cover-Up to Protect Reputation

One other factor that has contributed to fraud in churches is the secrecy maintained by the

victims and their reluctance to inform investigators that they have been scammed (Perri &

Brody, 2011). Their reluctance to report crime is often to avoid negative publicity and fear of

losing membership. Smietana (2003) found that many churches that had been the victims of

embezzlement by their members were unwilling to prosecute the perpetrator due to the religious

organization's concept of forgiveness, especially if the person had repented. Generally, churches

want to maintain their reputation and believe that reporting fraud committed by leaders,

employees, or volunteers will tarnish the image of the church.

Employees' and Volunteers' Lack of Knowledge

Knowledge of simple internal control procedures and book-keeping is essential in

preventing fraud. Laue (2011) noted that employees and volunteers lack the basic knowledge to

handle church funds, and this makes them vulnerable as their lack of experience increases the

risk of errors, mistakes, and fraud. Cornell et.al. (2012) stressed that because of the tight-knit

culture, it is common for churches to hire family members and close friends, which increases

opportunities for collusion. Rapid growth churches are especially vulnerable to fraud as new

employees and volunteers may not be properly trained and church leaders may not provide

enough oversight (Laue, 2011). Other factors such as collusion between employees, collusion

between employees and third parties, leadership structure, poor organizational structure, lack of

segregation of duties, poor supervision, ineffective anti-fraud programs, and weak ethical culture

make churches vulnerable to fraud (Dorminey et al., 2012). Churches need to institute a hiring

program that vets the integrity of employees and volunteers, as well as develop training

programs to train employees and volunteers. It is important to develop behavioral standards and

codes of ethical conduct that can help steer ethical behavior by offering a cue or written rule to

remind personnel of the right thing to do. Hill and Rapp (2014) advocated for the development of

a code of ethical conduct from bottom-up and posited that most people are aware of the Ten

Commandments, even if they are unable to recite more than a few of them, and their engagement

in the development of a standard will produce a well-recognized, easily articulated, and simple-to-understand professional ethical standard.

Red Flags of Fraud in Churches

Warning signs are often referred to as red flags. It is undesirable situations or conditions that consistently contribute to fraud, waste, and abuse of resources. Hancox (n.d.) asserted that fraud starts small and gets bigger and bigger until something becomes noticeably different or unusual, and defined red flags as a set of circumstances that are unusual or vary from the normal activity. The ability to recognize red flags is necessary to detect and prevent fraud before it occurs. The Statement on Auditing Standards (SAS) No. 99, Consideration of Fraud in a Financial Statement Audit, requires the auditor to specifically assess the risk of material misstatement due to fraud (AICPA, n.d). Specifically, auditors must look for red flags. The standard advice is that the factor that distinguishes fraud from error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.

Indicators of Red Flags in Churches

The act of fraud is usually concealed but can be discovered. Harvey (2020) identified red flags that could indicate that fraud is occurring in a ministry as follows:

i.   shortages of cash or other assets

ii.   complaints from employees, members, or donors about financial issues

iii.   inaccurate financial reporting

iv.   altered or missing documents

v.   unusual transactions

vi.   luxurious lifestyle

Harvey (2020) further identified some examples of fraud i) as the pastor creating one set of books to show his board and another set, which reflect the money he had embezzled from his church; ii) church bookstore employee who sold himself merchandise after changing the price on the store computer to $.05 for $50.00 books, then changed the price back to $50.00, then sold the 'purchased' books privately to church members for $25.00; iii) church usher caught on a hidden video camera 'palming' offering money in the counting room and then putting it in his coat pocket as he was the last usher to leave the room; iv) church bookstore patron stealing Bible software from the store and selling it on eBay and; v) church bookkeeper who wrote a series of checks to herself over a two-year period, whereby she embezzled more money than the pastor's salary. Korporaal (2019) noted that the key to detection of fraud is knowing what to look for; red flags themselves do not necessarily mean that fraud, stealing, or embezzlement is occurring, but usually there is more than one red flag operating that may indicate that fraud is occurring in a church. Some examples of red flags include evidence of a single person's control over church financial affairs; a person involved with financial aspects of the church being reluctant or refusing to go on vacation, working long hours, refusing a promotion, taking offence at suggestions of work being checked, counting offerings and/or collecting donations, being reluctant to upgrade accounting systems, and not allowing other approved people access to the accounting system. Other examples of red flags include disorganized records, apparent carelessness in filing, unexpected shortages of cash or other assets, duplicate payments to vendors or ad hoc change to vendor details, altered or missing documents including supplier invoices not exactly matching the financial transactions, lack of general corporate governance in the area of financial management and controls, and difficult personal circumstances of those involved with church finances (Korporaal, 2019).

Behavioral Red Flags Displayed by Perpetrators

ACFE (2016) stated that occupational fraudsters exhibit certain behavioral traits or characteristics while committing their schemes and understanding these behavioral clues can help in the early detection of occupational fraud to minimize their costs. In 92% of the fraud cases studied in 2016, perpetrators exhibited at least one behavioral red flag, and in 57% of cases, multiple red flags were present before the fraud was detected. Table 4 below shows the frequency of 17 common behavioral red flags observed in the study the Association of Certified Fraud Examiners in its 2016 Report to Nations on Occupational Fraud and Abuses. As table shows, Moody (2018) noted that living beyond one's means, financial difficulties, unusually close association with a vendor or customer, excessive control issues or unwillingness to share duties, recent divorce or family problems, and general "wheeler-dealer" attitudes involving shrewd or unscrupulous behavior are the six most common behavioral red flags; however, these circumstances and traits do not necessarily imply that fraud is being committed.

Table 3

Behavioral Red Flags Displayed by Perpetrators

Behavioral Reg Flags	Percentage of Cases (%)
Living beyond means	*45.8*
Financial difficulties	*30*
Usual close association with vendors /customers	*20.1*
Wheeler-dealer attitude	*15.3*
Control issues – unwillingness to share duties	*15.3*

Divorce/family problem	*13.4*
Irritability, suspiciousness, or defensiveness	*12.3*
Addiction problems	*10.0*
Complained about inadequate pay	*9.0*
No behavioral red flags	*8.0*
Refused to take vacation	*7.8*
Excessive pressure from within organization	*7.0*
Past employment – related problem	*6.8*
Social isolation	*5.9*
Past legal problem	*5.6*
Others	*5.5*
Excessive family/peer pressure for success	
Complained about lack of authority	*4.4*
Instability in life circumstances	*4.3*

Fraud Prevention and Minimizing Fraud Opportunities in Churches

Snyder et al. (2017) suggested that many incidents of fraud in non-profit organizations could have been mitigated through the application of an effective internal control system. Internal control is an important function in both for-profit and not-for-profit organizations (Dzomira, 2014). Although fraud in churches is becoming a pandemic, implementation of well-designed internal control procedures and other detective and preventive measures are effective in detecting and preventing fraud. The following factors are useful in preventing and minimizing fraud opportunities.

Identifying Fraud Opportunities and Risk Factors

Churches, like every other organization, are vulnerable to fraud and fraud opportunities abound. Any effort to mitigate fraud must first identify the risk factors leading to behaviors and understand who the fraudsters are and their motive/s for committing fraud (Ruankaew, 2013).

Addressing Misconceptions About Internal Control

There is a misconception by most church leaders that implementing internal control is tantamount to lack of trust of church members and employees (Ahiabor & Yaw Mensah, 2014). Many incidents of fraud in non-profit organizations could be prevented through the application of well-known principles of internal control (Snyder et al., 2017).

Adequacy and Effectiveness of Internal Controls

Adequate and effective internal control is the best way to prevent fraud (Hamilton & Gabriel, 2012), especially a lack of segregation of duties, poor training, poor supervision, lack of prosecution of perpetrators, ineffective anti-fraud programs, lack of clear policies and procedures, and weak ethical culture (e.g., poor "tone at the top"), collusion, or management override (Dorminey et al., 2012).

Segregation of Duties

Segregation of duties is a fundamental internal control activity that ensures that the duties of initiation, authorization, and approval are independently performed. The chances of embezzlement are prevalent when one person performs the functions of initiation, authorization, and payments (Murphy, 2015; Laue, 2011). One person should not perform the function of authorization of transactions, custody, or recording of the transaction. Offertory collections, for instance, should be handled by different personnel. The person that handles the offertory box

should be different from the person that sorts the money, takes the depository to the bank, and

records the bookkeeping entry.

   Other fraud prevention measures that are necessary to minimize fraud in churches include

proper communication and training of employees and volunteers in accounting and internal

control basics to understand their obligations in fraud control (Petrașcua & Tieanub, 2014).

Preventing fraud starts with the leadership and an effective governance system can create an

ethical and uncorrupted work environment and a proactive attitude for fraud prevention (Rezaee,

2010). On the contrary, poor leadership and governance create an opportunity for leadership to

perpetrate fraud and conceal it (Brazel et al., 2009). Anti-fraud programs are imperative. The

best anti-fraud programs begin during the hiring process when the employees and volunteers

should undergo thorough background checks (Steinkamp, 2012). Upon hiring, employees should

be trained on church policies and procedures, including the anti-fraud code of conduct.

Refreshers on ethical and anti-fraud training should be held regularly. It is also important to

maintain an anonymous method of providing tips and building awareness of the anti-fraud

culture that gives individuals a way to report suspicions safely and effectively (Steinkamp,

2012). One of the reasons frauds thrive in the church is because the church protects the

perpetrators, and they go unpunished. If church perpetrators are prosecuted and convicted, it will

serve as a deterrent to others. When writing to the Corinthians, St. Paul exhorted that such men

(fraud perpetrators) should be handed over to Satan for the destruction of the flesh, so that their

spirits may be saved on the day of the Lord. Your boasting is not good. Do you not know that a

little leaven works through the whole batch of dough? (BSB, 1 Corinthians 5:5) (emphasis mine).

Internal Control Framework

Internal control is defined in various ways by different authors as a system and a process. DiNapoli (2016) defined internal control as a system that integrates plans, opinions, attitudes, activities, and efforts of the people of an organization working together to help the company achieve objectives and missions. Pfister (2009) showed that internal control is a system to recognize, prevent, and adjust the potential errors during processing information. Shim (2011) defined internal control as part of the corporate governance system, which focuses on achieving corporate objectives by devising the means and methods to protect assets; inspecting the righteousness in performing tasks; assuring the prudence and operational effectiveness; and preventing, seeking, and correcting mistakes. Other authors like King (2011) defined internal control as a process, by which organizations achieve their objectives, results, and operational plan of executives, and organize and monitor the whole operation of the company or each activity. Abbas and Iqbal (2012) suggested that internal control is a process, specifically designed for companies to provide a reasonable assurance of corporate objectives achievement.

The Committee of Sponsoring Organization of the Treadway Commission (COSO) published a report in 1992 and updated it in 2006, 2009, and 2013. This report provided a broadly accepted framework for establishing internal control systems. COSO (2013) defined internal control as the:

> process effected by an entity's board of directors, management, and other personnel—designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations. (Public Company Accounting Oversight Board (PCAOB), 2010)

Components of Internal Control

COSO (2013) issued five components of the internal control framework that works to

support the achievement of any entity's mission, strategies, and objectives. These components

are control environment, risk assessment, control activities, information and communication, and

monitoring. These five components also comprise 17 principles that guide the application of

those five components (COSO, 2013).

Control Environment

The control environment is the foundation of internal control. The control environment

signifies the attitudes of the organization's leadership. The tone set at the top soon permeates the

entire organization. It sets the tone for the company as a whole and also affects the execution of

its staff awareness (Leng & Zhan, 2014); it demonstrates a commitment to integrity and ethical

values and organizational culture rooted in honesty and ethical behaviors (D'Amico, 2018;

Patelli & Pedrini, 2015); ethical leadership, ethical culture, communication and conducive work

environment and trust(Versteeg & Bertrand, 2019). Deloitte (n.d) concluded that the control

environment comprises the integrity and ethical values of the organization, including the

parameters enabling the board of directors to carry out its governance oversight responsibilities;

the organizational structure and assignment of authority and responsibility; the process for

attracting, developing, and retaining competent individuals; and the rigor around performance

measures, incentives, and rewards to drive accountability for performance; and whether the

resulting control environment has a pervasive impact on the overall system of internal control.

Risk Assessment

Risk is the possibility that an event will occur and threaten or otherwise adversely affect

the achievement of the organization's objectives (DiNapoli, 2016). Risk assessment involves a

dynamic and iterative process for identifying and analyzing threats through an organization-wide

effort, forming a basis for determining how risks should be managed. COSO (2013) identified

four basic principles that companies should carry out when performing effective risk assessment

as clearly specifying organizational objectives to facilitate the identification and assessment of

risks related to organizational objectives; identifying and analyzing risks to the achievement of

organizational objectives to determine how they might be managed; considering potential fraud

related to the achievement of objectives; and identifying and assessing changes that could impact

internal control. Al Ouf (2016) stressed that it is important to identify threats in the financial,

operational, and strategic areas; estimate risks involved in each threat; assess the likelihood of

occurrence of risk; manage risk by designing appropriate controls; ensure that all controls

undergo cost/benefit analysis; and initiate method to assess fraud risk and manage fraud.

Control Activities

Control activities are policies, practices, and procedures that help ensure that employees

properly carry out management directives. Management should establish control activities that

are effective and efficient and contribute to the mitigation of risks. These policies and procedures

ensure the ways that management directives will be carried out (Whittington & Delaney, 2016).

COSO (2013) recommended that management select and develop general control activities that

mitigate the risk of achieving organizational objectives to an acceptable level; select and develop

general control activities over technology to support organizational objectives; deploy control

activities through policies that establish what is expected through procedures that put policies

into action; and select policies and procedures that ensure that management directives will be

carried out. Control activities include procedures for background checks and references before

hiring employees and volunteers; require compulsory job rotation and vacation time; conduct

regular internal audits that will help the management to better manage their activities and add

value to their operations (Petraşcu & Tieanu, 2014); and ensure segregation of duties in making

sure the duties of authorization, recording, and custody are independently performed by different

employees and volunteers (Messier et al., 2017).

Information and Communication

The information and communication component make sure that information is identified

and communicated so that the appropriate employee may carry out their responsibilities. It

supports other components of the internal control by making sure that relevant information is

used, and internal and external information is communicated. The organization's code of conduct

needs to be communicated and ethical training provided. Basic principles of effective

communication include obtaining and using relevant information to support the functioning of

other internal control components; communicating internally the information necessary to

support the functioning of other components of internal control; and communicating with

external parties regarding matters affecting the functioning of other components of internal

control (COSO, 2013).

Monitoring

Monitoring is the process of determining whether all components of internal control,

including the principles in each component are in place and functioning as intended (COSO,

2013). Monitoring activities involves conducting ongoing activities such as supervision of

employees, separate monitoring, and evaluation such as conducting an independent verification

and reconciliations, walkthrough, and internal audits.

The Roles of Internal Control in Fraud Prevention

The overall purpose of internal control is to help an organization achieve its mission. DiNapoli (2016) postulated that there are three types of objectives that emphasize different aspects of internal control: operations objectives that serve to safeguard resources against loss due to waste, abuse, mismanagement, errors, and fraud; reporting objectives that relate to internal and external financial and nonfinancial reporting and encompass reliability, timeliness, transparency, or other terms as set forth by regulators, recognized standard setters, or the organization's policies; and compliance objectives that deal with adherence to laws, regulations, contracts, and management directives to which the entity is subject. All organizations need internal control to accomplish their missions; reduce opportunities for fraud; prevent loss of funds or other resources; establish standards of performance; ensure compliance with laws, regulations, policies, and procedures; preserve integrity; avoid bad publicity; ensure public confidence; and protect all employees (DiNapoli, 2016).

Church leaders need to use the internal control framework of COSO to assess employees' and volunteers' fraud risk and design internal control strategies to reduce the vulnerability of fraud. Consequences of internal control deficiency can range from inaccurate or incomplete information to the waste or misuse of assets, and even to embezzlement or theft, all of which creates a lack of accountability. Lack of internal control contributed to nearly one-third of fraud cases in 2019 (ACFE, 2020). Frauds occur primarily due to a lack of internal control and instituting adequate internal control minimizes fraud opportunities in organizations (Shao, 2016). The efficiency of organizational governance and its risk management process provides various mechanisms to prevent fraud (Eulerich et al., 2015; Ahiabor & Mensah, 2013).

The role of internal control can be preventive and detective. Preventive measures are proactive control activities aimed to deter the instance of error or fraud. Fraud prevention controls reduce the opportunity for fraud and deter individuals from committing fraud; fraud detection controls discover the fraud if it does occur and address its remediation (Murphy, 2015). Detective measures are reactive measures designed to identify undesirable "occurrences" after the fact (Kapp & Heslop, 2011; Dzomira, 2014) and include reconciliation and internal audits.

Summary of the Literature Review

The discussion focused on the dynamics of fraud and internal control framework. These concepts are inter-related, and the absence or ineffectiveness of internal control creates an opportunity for fraud, which occurs because of weakness in internal control. Various theories of frauds were discussed, along with ways to detect, prevent, and mitigate fraud. The discussion showed that inadequate and ineffective internal control in churches is one key reason for fraud in churches. This study demonstrated that while there is significant research on fraud in for-profit organizations, there is limited data and research on fraud within the church (Johnson et al., 2015).

Transition and Summary of Section 1

Cases of church fraud are becoming prevalent in Nigeria and the world at large. It is incomprehensible that the house of worship, which should be an embodiment of honesty, transparency, and light to the world, would be beset with all kinds of vices that the church is supposed to preach against and be a positive example of. Fraud negatively impacts the church's ability to carry out its critical mission of the proclamation of the gospel of Jesus Christ and being an agent in meeting human needs and social justice. The reputation of the church is in question, and this requires the regulatory and individual efforts of accounting and fraud professionals.

There is gap in the existing body of knowledge on the dynamic of fraud and prevention measures in churches. This study was primarily conducted to contribute to the body of knowledge in filling this gap. The research questions for this study were addressed by collating data from selected churches in the Enugu area of Nigeria through multiple sources of data collection, such as observation, interview, survey, and data analysis. The data were analyzed to explore the impact of internal control deficiencies on fraud. The study was conducted to provide a framework and useful tool for trusted church members, leaders, employees, and volunteers responsible for church funds and assets to detect, prevent, and mitigate the risk of fraud and guard valuable resources needed for its critical mission.

The next section of this study (Section 2) provides discussions on the study design, data collection, and data analysis. The section also restates the purpose statement discussed in (Section 1) and describes the role of the researcher, the population samples and the participants, and the reliability and validity of research participants.

Section 2: The Project

The creation mandate in Genesis 2: 2-3, 15 did not only give man dominion, fruitfulness, and multiplicity and as a partner in continuing God's creative activity (Duzer et al., n.d), but Christians who have been renewed by the precious blood of Jesus are also expected to be faithful and accountable in managing God's property and resources (Crawley, 2014). Historically, the church has been held in high esteem to infuse integrity and morality in the decaying world (Marquette, 2010), but today churches are susceptible to fraud because trust often replaces basic internal controls and they do not know how to prevent fraud or deal with it when it occurs (Seat, 2015). The primary purpose of this study was to explore the impact of internal control deficiencies on prevalence of fraud on churches, specifically in local churches in Nigeria, and contribute to the body of knowledge on strategies to prevent fraud and waste of resources in local churches.

Section 2 of this study provides discussions on the study design, data collection, and data analysis. This section also restates the purpose statement discussed in Section 1 and describes the role of the researcher, the population samples and participants, and the reliability and validity of research participants.

Purpose Statement

The purpose of this qualitative multiple case study was to add to the body of knowledge by using existing research to expand the understanding of the impact of internal control deficiencies on prevalence of fraud in churches and contribute to strategies for preventing fraud and waste of resources in local churches in Nigeria. This study was designed to explore the impact of internal control deficiencies on fraud in churches and to provide church leaders, trusted church members, employees, and volunteers with necessary tools to guard church funds and

assets from fraud and waste of resources. The general problem was explored through deep

examination and analysis of how ineffective internal control procedures and implementations in

churches have created loopholes that allow fraud and embezzlement to flourish in churches.

Johnson et al. (2015) found that in 2015, about $5 billion of contributions to churches globally

were lost due to fraud, and this number is expected to increase exponentially by 2025. This

estimate is only the tip of the iceberg and is not necessarily accurate, as many religious

organizations fail to report incidence of frauds and settle fraud cases internally (Smith, 2015).

This study was also designed to serve as a guide to church leadership on the importance of

internal control measures for early detection and prevention of fraud.

Role of the Researcher

This qualitative multiple case study was conducted to explore the impacts of internal

control deficiencies on the prevalence of fraud in local churches in Nigeria and to provide

strategies for trusted church members, leaders, employees, and volunteers responsible for church

funds and assets as a tool for the detection and prevention of fraud. The researcher collected

archival data on mega-churches in Nigeria from databases such as Nigerianinfopedia.com.ng and

Leadnet.org (world.mega-churches) for regression analysis and comparison of local churches and

mega-churches. The researcher interviewed church leaders, employees, volunteers, and some

church members in data collection and documentation analysis. Interview remains the most

common method of data gathering in qualitative research. Creswell (2014) noted that traditional

qualitative interviews comprise a face-to-face interview–interviewee dyad (or pairing), but in the

past few years, data have been gathered in increasingly diverse ways, such as focus groups, using

the telephone, e-mail, and internet searches. What makes an interview one of the most valuable

data-gathering tools in qualitative research is that the interviewees can express their viewpoints

privately, without a framework imposed by the researcher (Jamshed, 2014). The researcher also

used observation techniques to observe internal controls in offertory and collections during

church services, online and direct payments, backstage observations of how offertory collections

were handled—counted, recorded, and prepared for deposits, mail-in payments, donations and

pledges, Givelify, tithes, bank deposit procedures, and inspection of books and records. Noor

(2009) stressed that researchers observed phenomena of interest in the environment to draw

information which was not obtainable from other methods. In the observational research design,

multiple study sites are involved. Observational data can be integrated as auxiliary or

confirmatory research (Gray, 2009).

　　The diverse method employed by the researcher ensured that triangulation enabled the

researcher to explore answers to the *how* and *why* developed in the research questions.

Triangulation is not solely to cross-validate data, but rather it is used to capture different

dimensions of the same phenomenon and to ensure a comprehensive and deeper understanding

of the matter (Klein & Olbrecht, 2011).

　　　　To engage in a credible high-quality qualitative research, the researcher must adopt the

concept of "researcher as instrument" (Xu & Storr, 2012). Therefore, the credibility of

qualitative research findings relies to a great extent on the researcher's skills and what they bring

to the research as an individual (Stewart, 2010). Kaczynski et al. (2014) opined that qualitative

inquiry does not end with data collection but entails the researcher staying open to the unknown

while exploring or enhancing a deeper understanding of phenomena being studied. Sutton and

Austin (2015) concluded that qualitative research is about the researcher putting themself in the

participant's world and seeing that world from the participant's perspective. In this study, the

researcher transcribed answers from the respondents and recorded observations during the

church services, as well as online and direct payments, backstage observation of how offertory collections were handled—counted, recorded, and prepared for deposits, mail-in payments, donations and pledges, Givelify, tithes, bank deposits procedures, and inspection of books and records. The transcribed notes were coded, identifying the topics, issues, similarities, and differences that were revealed through the participants' narratives, and these were interpreted by the researcher. The themes were identified, that is the codes were combined from one or more transcript/s to present the findings of this qualitative research in a coherent and meaningful way.

Avoiding bias and subjectivity are not realistic in qualitative research; therefore, it was important that they be articulated earlier in the research in a manner that is clear and coherent for readers (Sutton & Austin, 2015). As Yin (2014) suggested, the researcher was open to alternate evidence and was not rigid in using case study to substantiate a preconceived assumption. The researcher maintained an objective approach in the study, since no personal benefit/s are expected, nor does the researcher have any relationship with the participants.

Research Methodology

The research method for this study was a qualitative case study. The researcher selected this study design to obtain an in-depth analysis of the impact of internal control deficiencies on fraud in local churches in Nigeria. Qualitative research method is used by the researcher to gain an in-depth understanding of a social problem (Bailey, 2014). In this section, the researcher provides a more detailed discussion of the research method and design used for this study.

Discussion of Flexible Design

The research design is the overall strategy or a blueprint that a researcher uses for the collection, measurement, and analysis of data. It ensures that the evidence obtained enable the researcher to effectively address the research problem logically. The research design provides an

appropriate framework for a study and determines how relevant information for a study will be obtained. Makombe (2017) posited that research design determines the type of research carried out, the choice of the data collection and analysis methods, the sample size, and the population. Creswell (2016) identified five qualitative designs as case study, phenomenology, grounded theory, narrative study, and ethnography.

This qualitative case study is an approach to research that facilitates exploration of a phenomenon within its context using a variety of data sources (Baxter & Jack, 2009). Creswell (2014) defined case study research as a "qualitative approach in which the investigator explores a real-life, contemporary bounded system (a case) or multiple bound systems (cases) over time, through detailed, in-depth data collection involving multiple sources of information, and reports a case description and case themes." Alpi and Evans (2019) described case studies as a way to explain, describe, or explore phenomena. The researcher used exploratory case study research design in this study to gain an in-depth understanding of the underlying reasons for fraud in churches and how internal control deficiencies have adversely impacted church finance using a variety of data sources. The qualitative case study design is an empirical inquiry that explores an in-depth phenomenon of a real-life event and supports the deconstruction and the subsequent reconstruction of various phenomena (Yin, 2014; Baxter & Jack, 2009). Case study can be exploratory, descriptive, or explanatory in nature. Yin (2016) advocated for the use of explanatory case studies where the researcher seeks answers to a question that seeks to explain the presumed causal links in real-life interventions that are too complex for a survey or experimental research or use exploratory when the case study is used to explore those situations in which the intervention being evaluated has no clear, single set of outcomes. While descriptive case study is ideal when the study is used to describe an intervention or phenomenon and the

real-life context in which it occurred, multiple case studies explore differences within and

between cases. Yin (2016) also outlined instances when a case study design should be used. Yin

noted that case study should be considered when (a) the focus of the study is to answer "*how"*

and *"why"* questions; (b) when the behavior of those involved in the study cannot be

manipulated; (c) when the researcher wants to cover contextual conditions that are relevant to the

phenomenon under study; or (d) when there are no clear boundaries between the phenomenon

and context.

Other types of qualitative design include phenomenology, ethnography, grounded theory,

and narrative. In a phenomenological study, the researcher focuses on the commonality of a lived

experience within a particular group (Neubauer et al., 2019). In this study design, the researcher

describes an activity, event, or a phenomenon from the participant's point of view. Teherani et

al. (2015) explained phenomenology as a research approach that seeks to describe the essence of

a phenomenon by exploring it from the perspective of those who have experienced it. Its goal is

to describe the experience in terms of *what* was experienced and *how* it was experienced.

Phenomenological study design is more appropriate when the researcher wants to study what an

experience or event means to a particular person or group of people (Snelgrove, 2014); however,

one of its criticism is that it is abstract in nature and maybe too structured, particularly for novice

researchers (Creswell, 2015).

While case study design focuses on the study of a person, program, or event, ethnography

studies social interactions, behaviors, and perceptions that occur within groups, teams,

organizations, and communities (Reeves et al., 2008). The ethnographic method was developed

within the field of social anthropology in the nineteenth and twentieth centuries. Ethnography is

a form of field research that seeks to learn the culture of a particular setting or environment

(Curry et al., 2009). Ethnography studies social and behavioral phenomena in naturalistic settings through participant observation, where the researcher is embedded in a social world and thus, uniquely observes behaviors as they occur and is characterized by long-term participant observation as a central method (where the researcher spends an extended period of time in a social group in order to collect data) (Morgan & Wood, 2016). One concern with ethnographic study is that it involves collection of data from many sources such as fieldwork notes, diary entries, memos, and interview transcripts, which tend to produce voluminous unstructured data (Jones & Smith, 2017). Morgan and Wood (2016) also asserted that ethnography can be time-consuming, and therefore expensive since the researcher has to gain access and then observe a social world with a certain degree of intensity and over a period of time.

Grounded theory approach was originally developed by Glaser and Strauss in the 1960s. This method offers a different form of research that was hypothesis generating as opposed to the accepted norm and the practice of hypothesis-driven theory verification research (Ratnapalan, 2019). In grounded theory (GT), the initial focus is on understanding the elements of experience and the meaning of human actions. From the study of these experiences and interrelationship, a theory is developed that enables the researcher to understand the nature and meanings of an experience of a particular group of people in a particular setting. Grounded theory studies are generally focused on social processes or actions. They ask about what happens and how people interact (Sbaraini et al., 2011). Grounded theory studies begin with open questions, and researchers presume that they know little about the meanings that drive the actions of their participants. Creswell (2013) emphasized that grounded theory avoids researcher's assumptions since it adopts a neutral view of human actions and is most appropriate when a theory is not available to understand or explain the steps in a process.

Charmaz (2014) articulated constructivist grounded theory that assumes that analysis is created from shared experiences and relationships between the researchers and participants. This approach allows researchers to explore how participants' experiences are embedded in a larger context of structural, cultural, temporal, and social situations and relationships and added that a researcher's viewpoint is considered within the theorizing process. According to Charmaz (2014)

> *Theorizing* is both a process and a practice and *theorizing* means "stopping, pondering, and rethinking anew ... establishing connections, and asking questions .....When you theorize, you reach down to fundamentals, up to abstractions, and probe into experience, and avoid importing and imposing prepackaged images and ideas onto the data.

Narrative research is about collecting and analyzing peoples' accounts to describe experiences and offer interpretations. It aims to explore human shared experiences as lived and presents them in textual form. Ford (2020) described narrative inquiry as a type of qualitative research that focuses on human stories. It examines human experience through life story, interviews, oral histories, photo voice projects, biography, autoethnography, or other human experience narrative methods. McAdams and Guo (2015) noted that these narrative descriptions of life events address a diverse array of topics, such as personality. Narrative researchers start by establishing the construct of interest, deciding when coding narratives for this construct are the most effective form of measurement, rather than a questionnaire or some other form of assessment (Grysman & Lodi-Smith, 2019).

Narrative research "invite readers to a sphere of possible contact with a developing, incomplete and evolving situation, allowing them to re-think and re-evaluate their own views, prejudices, and experiences" (Ford, 2020). However, researchers need to have a clear

understanding of the context of individual life experience as presented by the participants that involves filtering several source materials to make up the individual stories (Creswell, 2015).

Although case study research is often criticized for its causal determinism, non-replicability, subjective conclusions, absence of generalizable conclusions, biased case selection, and lack of empirical clout (for example, too many variables and too few cases) (Creswell, 2014), Yin (2014) concluded that the examination of the data in case studies are most often conducted within the context of its use and are necessary in exploring or describing data in a real-life environment or complex real-life situations that are not easily identified in normal experimental study or survey. Since the case study design is used to conduct an in-depth study of contemporary phenomena and answers the questions of *how* and *why*, the researcher concludes that case study design is the most valid and reliable method for this study. Ultimately, case study design was the most appropriate design for this study as it offers the researcher an in-depth exploration of the impact of internal control deficiencies on fraud in local churches and enabled the researcher to draw cross-set conclusions.

Discussion of Method

The research method for this study was a qualitative case study. The researcher selected the research method and design to answer the study's research questions. Yin (2014) noted that researchers use qualitative methods to answer the *how* and *why* questions about the social problem at hand. Qualitative research method involves asking the kinds of questions that focus on the why and how of human interactions (Kaczynski et al., 2013). The questions asked to allow the researcher to uncover individual perspectives of the phenomenon. Agee (2009) posited that in a qualitative study, the researcher inquiries about how people are experiencing phenomenon and the research questions generally seek to uncover the perspectives of an

individual, a group, or different groups. A qualitative method was suitable for this study as the

researcher explored individuals' perceptions and experiences by using observations and

conducting personal interviews of church leaders, employees, volunteers, and congregants with

open-ended questions (Makrakis & Kostoulos-Makrakis, 2016). The researcher sought to gain an

in-depth understanding of the impact of internal control deficiencies on fraud in churches and

provide church leaders, trusted church members, employees, and volunteers with necessary tools

for the detection, mitigation, and prevention of fraud. A qualitative design is fluid rather than

linear. Its flexibility allows the researcher to build on insights and explore increasingly deeper

understandings of the phenomenon (Kaczynski et al., 2013).

In addition to the qualitative research method, researchers use quantitative and mixed

research methods. While qualitative research method use theory as a lens that shapes the research

design or generates new theories from the data, quantitative research generally tests theory.

Quantitative research deals with data that are numerical or can be converted into numbers

to investigate the existence of relationships among variables (Williamson & Johanson, 2018;

Creswell, 2014; Sekaran & Bougie, 2016). Quantitative approaches generally involve deductive

logic; they start off with general arguments of theories and concepts that result in data points,

attempt to generalize findings, and allow researchers to collect evidence of validity and

reliability, maintain objectivity, and favor using large, randomly-generated samples (Wright et

al., 2016).

In mixed method research (MMR), the researcher utilizes the combination of quantitative

and qualitative data within a single study or inquiry. Mixed method research provides a better

understanding of the research problem than using a quantitative or qualitative approach

separately (Creswell, 2013); allows a more complete utilization of data (Wisdom & Creswell,

2013); and uses quantitative and qualitative research methods either concurrently (i.e., independent of each other) or sequentially to understand a phenomenon of interest and to test hypotheses (Venkatesh et al., 2013). One of the problems with mixed method research is that it requires a multidisciplinary team of researchers who must be open to methods that may not be their area of expertise (Wisdom & Creswell, 2013).

Although quantitative method is good at drawing general conclusions about human behavior, it is not best at offering a detailed description of the behavior of certain groups in a defined situation (Chiang, 2015). Alvesson and Kärreman (2011) argued that qualitative researchers struggle to capture and represent complex phenomena partially because they tend to collect a large amount of data. However, it is necessary to do detailed, intensive, microscopic examination of the data to bring out the amazing complexity of what lies in, behind, and beyond those data. Chiang (2015) maintained that qualitative research is very useful in generating new and interesting research questions and hypotheses. Qualitative research also offers a unique in-depth understanding of the phenomena, which is difficult to gain from a closed-question survey. In an interview, respondents are able to freely disclose their experiences, thoughts, and feelings without constraint and the researcher has an opportunity to follow up on answers given by respondents in real time, generating valuable conversation around a subject.

Therefore, a qualitative approach is more suitable for this study than quantitative or mixed method research since this study's primary purpose was to explore the impact of internal control deficiencies on fraud in churches.

Discussion of Method for Triangulation

Triangulation is a method used by qualitative researchers to check and establish validity in their studies by analyzing a research question from multiple perspectives (Guion et al., 2020).

The researcher used multiple sources of data generation such as observation, interviews, document analysis and internet sources to establish validity and credibility of this study.

Participants

While archival data analysis was used for the mega-churches, participants from local churches were selected from various databases such as LocalPrayers.com, CatholicDirectory.com, Enugu.infoisinfo.ng, and Churches in Enugu/Facebook that contained a list of local churches in the Enugu area, Nigeria, which comprises Enugu East, Enugu North, Enugu South, Nkanu East, and Nkanu West local government areas. From the selected churches in Appendix B, 40 churches were randomly selected, and permission letters sought. Research participants were drawn from this pool. The researcher attended a church service in each of the selected churches to observe offertory collections and church procedures. One of the key issues in qualitative research is protection of research participants' right of privacy. Permission letters were obtained from church leadership to participate in the study, and consent was then obtained to interview the church pastor, accountants, volunteers, and employees responsible for church funds, as well as greeters and ushers responsible for offertory collections. The researcher educated the participants on their right to privacy. Kaiser (2009) asserted that qualitative researchers using the interview method of data collection face challenges in maintaining respondent confidentiality in trying to present a rich, detailed account of social life. To avoid inadvertent disclosure of participants' confidentiality, the researcher used anonymization of respondents' information. After completing the informed consent by the participants, the researcher conducted field work recording the interviews, reviewed the internal control systems in operation, financial books and records, relevant church documents and manuals, and compiled notes on observations of church services and activities, online and direct payments, backstage

observation of how offertory collections were handled—counted, recorded, and prepared for

deposits, mail-in payments, donations and pledges, Givelify, tithes, bank deposits procedures,

and inspection of books and records. Thereafter, the researcher transcribed the recorded

interviews and conducted follow-up interviews with the participants to review the transcripts to

confirm that the recorded interviews represented the information conveyed.

Population and Sampling

A population is a complete set of people with a specialized set of characteristics and a

sample is a subset of the population (Banerjee & Chaudhury, 2010). In this study, the researcher

designed this qualitative case study to explore the impact of internal control deficiencies on fraud

in churches in Nigeria. In furtherance of this objective, the researcher defined the population,

defined a sampling strategy, stratified the population, and randomly selected the samples.

Discussion of Population

In selecting a population for study, the research question or purpose of the study were

used to provide suitable definition of the population studied in terms of location and restriction to

a particular age group, sex, or occupation (Banerjee & Chaudhury, 2010). The population for this

study was mega-churches in Nigeria and local churches in the Enugu area, Nigeria, comprising

Enugu East, Enugu North, Enugu South, Nkanu East, and Nkanu West local government areas

selected to have in-depth discussion and explanation of the research questions. The population

for the meg-churches was identified through various websites such Nigerianinfopedia.com.ng

and Leadnet.org (world.mega-churches) and *Pleasures Magazine*. The database for local

churches was obtained from a collection of websites such as LocalPrayers.com,

CatholicDirectory.com, and Enugu.infoisinfo.ng, and churches found via the Enugu Facebook

group and Google searches.

Discussion on Sampling

In selecting the sampling technique, the researcher considered various sampling

strategies. The first important attribute of a sample is that every individual in the population from

which it is drawn must have a known non-zero chance of being included in it. This means that

every unit in the population should have an equal chance of been selected. Suri (2011)

recommended that researchers carefully identify sampling strategies that are conceptually

aligned with the research purpose, that are credible, that sufficiently address the research

purpose, and that are feasible, ethical, and efficient. Robinson (2014) also suggested that

strategies in sampling for qualitative, interview-based research include (a) defining the sample

universe, (b) deciding upon the sample size, (c) selecting the sample size, and (d) sample

sourcing. The researcher used purposive sampling and random sampling methods. Purposeful

sampling is widely used in qualitative research for the identification and selection of

information-rich cases related to the phenomenon of interest (Palinkas et al., 2015). Yin (2014)

also noted that qualitative researchers use purposive sampling to select and gather appropriate

information from the sample population who have relevant experience and are qualified to

answer the research questions. Moss et al. (2014) posited that purposeful sampling is more

appropriate for identifying participants with in-depth knowledge in the research area. A

purposeful sampling approach is more appropriate for this study since it is not meant to be

comprehensive in terms of screening all potentially relevant papers, as the researcher's interest is

not to seek a single 'correct' answer but to examine the complexity of different

conceptualizations (Benoot et al., 2016). The researcher used archival data of mega-churches

obtained from various internet searches such as Evangelical Council for Financial Accountability

(ECFA), Leadership Network-Global Mega Churches and Pleasuresmagazine.com.ng/. The

researcher selected 15 churches, or 50%, of the population from the database as contained in Appendix A and analyzed their financial statements for trends in their income, expenses, compliance, and internal control measures.

It is important to note that researchers use smaller sample size in qualitative studies than for quantitative studies due to data saturation, which supports the validity of research findings (Groenewald, 2011). Data saturation is used in estimating and assessing qualitative sample sizes and refers to the point where new interviews fail to provide new themes and data is redundant (Guest et al., 2020; Groenewald, 2011). Because study designs are not universal, there is no one-size-fits-all method to reach data saturation and what is data saturation for one study is not nearly enough for another (Fusch & Ness, 2015). Burmeister and Aitken (2012) maintained that data saturation is not about the number of a sample size but about the depth of the data. It is imperative to note that if one reaches the point of no new data, one has most likely reached the point of no new themes and has reached data saturation. Morse et al. (2014) concluded that the concept of data saturation has many meanings to researchers; Morse et al. postulated that 10 to 15 participants or research subjects is sufficient to reach saturation as advocated by many researchers. This researcher randomly selected 40 churches, or 40%, of the population from the database of the Enugu area, Nigeria, as shown in Appendix B. The churches in this population were stratified according to denominations and subsequently, 40 churches were randomly selected as a sample for this study.

Data Collection and Organization

Data in qualitative research is the basis on which the findings are derived. The purpose of data collection is to provide evidence for the experience the researcher is investigating, and the researcher draws excerpts from those data to illustrate the findings and show the reader how the

findings were derived from the evidential data (Polkinghorne ,2015). This section discusses the

data collection method utilized, the instruments used, and data collection techniques employed.

Instruments

The primary data collection instrument in a qualitative study is the researcher (Yin, 2014;

Marshall & Rossman, 2016). The researcher used observational methods to understand offertory

collections and internal controls applied in local churches with regards to online and direct

payments, backstage observation of how offertory collections were handled—counted, recorded,

and prepared for deposits, mail-in payments, donations and pledges, Givelify, tithes, bank

deposits procedures, and inspection of books and records.

An observational method is used to understand phenomena by studying people's

accounts and actions in an everyday context. It involves collecting data using one's senses,

especially looking, and listening in a systematic and meaningful way (McKechnie, 2008). While

the researcher used an observational method to get the general understanding of how church

offertories, online and direct payments, backstage observation of how offertory collections were

handled—counted, recorded, and prepared for deposits, mail-in payments, donations and

pledges, Givelify, tithes, bank deposits procedures, and inspection of books and records are

carried out, the primary data collection instrument used for this study was face-to-face semi-

structured interviews.

Semi-structured interviews can be conducted with single participants (in-depth or

individual key informants) or with groups (focus group discussions or key informant groups)

(Wolff et al., 2018). Semi-structured interviews are organized around a set of predetermined,

open-ended questions and other questions emerge from dialogue between the interviewer and

interviewee. Gill et al. (2008) posited that semi-structured interviews consist of several key

questions that help to define the areas to be explored, but also allow the interviewer or

interviewee to diverge to pursue an idea or response in more detail. As the primary data

collection instrument, the researcher developed and used permission letter (Appendix C) to

solicit permission to conduct research in the respective participant's organization, the response to

permission request (Appendix D) addressed to Liberty Institutional Review Board, and the

interview protocol (Appendix E) to conduct an in-depth semi-structured face-to-face/online

interview with the participants. Interviews are useful to explore experiences, views, opinions, or

beliefs on specific matters and to gain an in-depth understanding of a research topic (Green &

Thorogood, 2010; Robinson, 2014; Marshall & Rossman, 2016). With the current coronavirus

pandemic (COVID-19) and changes in technology, virtual or online interviews complemented

conventional onsite interviews. Online interviews could be performed by both synchronous (real-

time) and asynchronous (non-real time). Hooley et al. (2012) noted that changes in technology

have necessitated online interviewing in qualitative inquiry and have reduced the problems

related to face-to-face interviews, and has overcome time and financial constraints, geographical

dispersion, and physical mobility boundaries, which can adversely affect onsite interviews

(Janghorban et al., 2014). Interviews for those participants who want to maintain an abundance

of caution due to COVID-19 opted for virtual interviewing and/or turning in answered interview

questions. The researcher attached a sample of the permission letter to conduct the research study

(Appendix C), response to permission request (Appendix D), interview protocol (Appendix E),

interview questions (Appendix F) and Informed Consent (Appendix G). The researcher used the

Four-Phase Process to Interview Protocol Refinement (IPR) advocated by Castillo-Montoya

(2016) that includes: (1) ensuring interview questions align with research questions, (2)

constructing an inquiry-based conversation, (3) receiving feedback on interview protocols, and

(4) piloting the interview protocol.

The interview lasted for a duration of about 40 minutes to an hour at a date and time that

was convenient for the participants. The interview was complemented with observation as

previously noted and evaluation of church documents and archival records. The semi-structured

interview is a valid data collection instrument in qualitative research to collect data from

participants, and researchers use it to uncover details behind a participant's experience (Doody &

Noonan, 2013; De Massis & Kotlar, 2014). Gill, et al. (2008) also advised that qualitative

interviews should be designed to ask questions that are likely to yield as much information about

the study phenomenon as possible and should also address the aims and objectives of the

research. However, because qualitative research is conversational, it is important for data

collectors to maintain clear boundaries between what they are told by participants and what they

tell participants. Achieving interviewing objectives requires asking open-ended and leading

questions and creating an environment of trust and cordial relationship. Salmons (2012)

maintained that a successful researcher draws on the best of human qualities when conducting an

interview: trust, thoughtful questioning and perceptive probing, empathy, and reflective listening.

The researcher developed relationships with the participants. The cordial relationship with the

participants fostered trust and made the participants respond to interview questions with

openness and sincerity. Mealer and Jones (2014) agreed that establishing cordial relationship

with participants was essential in a face-face interview to foster trust and openness.

The data on megachurches were obtained online from various internet searches such as

Evangelical Council for Financial Accountability (ECFA), Leadership Network-Global Mega

Churches, and Pleasuresmagazine.com.ng/ to analyze their public information and statement to

demonstrate their compliance with established financial standards.

Data Collection Techniques

In this study, the researcher used data collected to answer the research questions. The

researcher employed diverse data collection techniques such as face-to-face/online interviews,

observations, text analysis, and analysis of church records to explore answers to the *how* and *why*

developed in the research questions. Interview questions were aligned with research questions to

get in-depth answers from the participants. Interviews followed a suggested guide rather than a

fixed questionnaire format to facilitate optional probing (Wolff et al., 2018). The researcher

designed the interview protocol with the objective of getting the best of the participants'

experience in exploring the research questions that evaluate the impact of internal control

deficiencies on fraud in local churches. Seidman (2013) advised that:

> the purpose of in-depth interviewing is not to get answers to questions... At the root of in-
>
> depth interviewing is an interest in understanding the lived experiences of other people
>
> and the meaning they make of that experience.... At the heart of interviewing research is
>
> an interest in other individuals' stories because they are of worth. (p. 9)

Onwuegbuzie and Hwang (2014) also posited that a qualitative researcher should ask open-ended

questions rather asking leading and closed questions. This gives the participants the freedom to

express their views and provide reliable, comparable qualitative data.

The use of multiple data collection technique or triangulation approaches effectively

mitigates research biases and increases the confidence in the research findings (Harrison et al.

2017). The researcher attended many church services to obtain firsthand experience of internal

controls employed in church offertory. Marshall and Rossman (2016) postulated that observation

is the systematic description of events, behaviors, and artifacts in the social setting chosen for

study. This approach "involves collecting data using one's senses, especially looking and

listening in a systematic and meaningful way" (McKechnie, 2008).

Using an observational method is useful in collecting data as it enables the researcher to

have a personal experience regarding how things are done. In other words, an observational

method helps to overcome the discrepancy between what people say and what they actually do,

and circumvents the biases inherent in the accounts people give of their actions caused by factors

such as the wish to present themselves in a good light, differences in recall, selectivity, and the

influences of the roles they occupy(Kawulich, 2005). The researcher attended the church services

to observe and experience the entire church services and note how church offerings and

collections were handled.

However, one of the major factors associated with observational studies is ethics. While

observation is generally seen as the least intrusive data collection method, it can also be an abuse

of an individual's privacy (Ameyaw et al., 2018). To maintain certain specific ethical conducts,

Spradley (2016) suggested that study participants' privacy should come first; their rights,

interests, and sensitivities should be safeguarded by the researcher. Participants have the right to

know the aims of the researcher, the privacy of the participants must be protected, the participant

should not be exploited or harmed in any way, and reports should be made available not only to

sponsors but also to the participants and the general public (Spradley, 2016).

Data Organization Plan

The researcher attended Sunday services in the selected churches and observed how

offering baskets were passed, who was involved, the offering methods, and how it was

arranged after the service. It is important to keep track of data collected. The researcher kept a

detailed narrative of the observations. Various authors suggested methods of tracking data in

the form of observed notes, such as the use of research logs or worksheets (Carter, 2013);

reflective journals, double-entry journals, or two-column notetaking (Ballenger, 2015; Evering

& Moorman, 2012), and cataloging systems or reflective search narratives (Bonnet et al., 2013;

Mackey, 2013; Detmering & Johnson, 2012). Johnson et al. (2010) cautioned that qualitative

research, no matter how large or small the project, creates mountains of words but noted that

recent advances in computer technology and software have made it possible to manage these

mountains of words more efficiently. Johnson et al. (2010) advised that a carefully developed

interview schedule that elicit stories and accounts from respondents should be recorded and

transcribed.

    After the interviews, the researcher carefully transcribed the questions and answers into a

Word document that became the data elements and created a Microsoft Word document folder

(database) to track all the data collected to ensure that there were properly kept and also to

maintain the reliability and consistency of the research evidence obtained. The researcher also

maintained a documentary system of research logs, reflective journals, and cataloging or labeling

systems. Archival data obtained from Evangelical Council for Financial Accountability (ECFA),

Leadership Network-Global Mega Churches, and Pleasuresmagazine.com.ng/ on megachurches

were kept in a separate computer folder and all the data elements from the narrative notes

obtained during the observations in the church, notes from data analysis of church records, and

all written and electronic notes on each participant were organized and categorized in

alphabetical order. During the discussion on informed consent the participants were advised that

all evidence obtained during the study would be properly secured. The researcher secured all the

research data containing the participants' signed informed consent forms, the interview

recordings, transcripts, data analysis, and notes in an encrypted file saved on the personal

computer and backed up in external storage. Since the electronic documents are password

protected and the physical documents are locked in a fireproof locker, only the researcher has

access to the research data. This data will be kept for three years from the expected date of the

completion of the research study, when it will be permanently deleted and destroyed.

Data Analysis

Qualitative data analysis is concerned with examination and interpretation of qualitative

data to understand what it represents. It is a systematic collection, organization, and

interpretation of unstructured data and involves examining and interpreting non-numeric

information such as interview transcripts, notes, video and audio recordings, images, and text

documents (Sutton & Austin, 2015). Qualitative data analysis (QDA) is the processes and

procedures of turning qualitative data into a meaningful explanation, understanding, or

interpretation (Medelyan, 2019). Creswell (2013) summarized data analysis strategies as

researching ideas, taking notes, summarizing field notes, working with words, identifying codes,

reducing codes to themes, counting frequency of codes, relating categories, relating categories to

analytic framework in literature, creating a point of view, and displaying the data.

Coding Themes

In data analysis, the importance of methodological triangulation cannot be

overemphasized. A methodological triangulation in a case study design involves at least two

data collection methods (Amerson, 2011; Houghton et al., 2013). In this case study, the

researcher used methodological triangulation to compare multiple data sources, such as

observations, interviews, text analysis, and documents obtained to support research findings.

Methodological triangulation has been found beneficial in providing confirmation of findings,

more comprehensive data, increased validity, and enhanced understanding of studied

phenomena (Yin, 2014; Bekhet & Zauszniewski, 2012).

After the data collection, the researcher analyzed the data using the five steps approach

prescribed by Yin (2014). These steps involve (a) compiling data, (b) dissembling data, (c)

reassembling data, (d) interpreting data, and (e) reaching conclusions. Creswell (2013) also

described the data analysis process as a spiral that comprises organizing the data, reading and

memoing, describing, classifying, and interpreting data into codes and themes, interpreting the

data, representing the data, and visualizing the data. After the compilation and transcription of

the interviews, the researcher coded and categorized the data. Moustakas (1994) noted that at this

stage, the researcher develops clusters of meaning from the coding and categorization into

themes, and these themes are then used to write a description of what the participants

experienced (textural description), as well as the description of the context or setting that

influenced how the participants experienced the phenomenon. In simple terms, coding means

that a selected part of the data is assigned to a code or vice versa—a code is assigned to a data

segment. It is a word or short phrase that symbolically assigns a summative, salient, essence-

capturing, and or evocative attribute for a portion of language-based or visual data (Saldana,

2016). Rädike and Kuckartzi (2019) noted that generally, researchers adopt two different coding

procedures. They could adopt a deductive, concept-driven approach, commonly referred to as

"tagging," where codes are developed before viewing the data and the phenomena discovered

can then be classified and assigned accordingly. In an inductive, data-driven approach, codes are

regarded as condensed descriptions of the phenomena discovered in the data. Rädike and

Kuckartzi (2019) advised that whatever coding procedure is chosen, a distinction should be made

between the creation of categories and the application of categories.

In the coding process, researchers have a choice of using a manual coding approach or automated software. In manual coding, researchers go through the transcribed texts trying to locate words or phrases based on the research questions; next, the researcher goes line-by-line coding similar words and phrases; finally, the coded words or phrases are categorized. This categorization of codes reflects the themes (Yi, 2018). While manual human analysis is considered to be highly accurate, it is prone to bias. Conversely, automated data analysis is more consistent, more accurate, and saves time and money (Medelyan, 2019). In this study, the researcher used automated data analysis rather than manual data analysis. While there are many data analysis software such as Atlas Ti, Nvivo, Taguette, Dedoose, QDA Miner, MaxQDA, Qualcoder, and Qcoder, the researcher used MAXQDA® for this research study. The researcher used MAXQDA® because it allows researchers to systematically organize, evaluate, and interpret textual and multimedia data with the help of many innovative features. After transcribing the interviews and compiling observation notes, the researcher created "projects" (system files or "work units") in MAXQDA® similar to workbooks (.xlsx) in Excel or text documents (.docx) in Word, and uploaded the documents (transcripts of interviews, audio recordings, and observation notes) that were analyzed.

Interpretations

The researcher followed the interactive interface inbuilt in MAXQDA® to code the documents that were converted into HTML to tag and create codes. Subsequently, the researcher categorized and analyzed the coded segments to find thematic topics and patterns. Categories are the grouping of codes into clusters around similar and interrelated ideas or concepts. Categories and codes are usually arranged in a tree diagram structure in the analytical framework (Gale et al., 2013). Researchers usually employ thematic analysis to

identify common themes to analyze data and support research findings (Vaismoradi et al.,

2013). Finally, the researcher developed a summary from the textural descriptions that reveals

the essences of the phenomenon being researched by comparing the identified themes with the

conceptual framework of the study. Gale et al. *(*2013) postulated that the framework method is

appropriate for thematic analysis of textual data, particularly interview transcripts, where it is

important to be able to compare and contrast data by themes across many cases. Also, using a

conceptual framework enables researchers to connect and analyze the study's findings with the

literature (Yin, 2014; Borrego et al., 2014). Lastly, the researcher used the fraud triangle and

internal control conceptual framework and theory developed for this study to analyze and

interpret the meanings of the data collected, and then issued a summary report.

Reliability and Validity

Reliability and validity are central issues in all measurement. Both concerns how

concrete measures are connected to various constructs. While researchers rely on numeric and

empirical data to test hypotheses and validate results in quantitative research studies (Marshall &

Rossman, 2016), researchers rely on non-numeric data to support study's findings in qualitative

research (Yin, 2014; Cope, 2014). Credibility and trustworthiness of research findings

underscores the quality of qualitative research (Birt et al., 2016). Schmidt and Brown (2015)

asserted that trustworthiness refers to quality, authenticity, and truthfulness of qualitative

research findings. It relates to the degree of trust or confidence that readers have in the results.

Leung (2015) posited that the criteria for evaluating the quality of qualitative research includes

reliability, validity, and generalizability (Loh, 2013; Leung, 2015). In quantitative research,

validity refers to the extent to which a concept is accurately measured. The second measure of

quality in a quantitative study is reliability, or the accuracy of an instrument. This section

discusses validity and reliability in qualitative research studies in detail.

Reliability

Reliability is the extent to which results are consistent over time. Reliability means

consistency—the ability to provide reproducible scores. In this context, reliability is analogous to

precision. A test may be precise (results consistent) but inaccurate (the mean result is not the true

mean) (Swanson, 2014). Reliability relates to the consistency of a measure. Price et al. (2015)

noted that psychologists consider three types of consistency: over time (test-retest reliability),

across items (internal consistency), and across different researchers (inter-rater reliability). For

instance, intelligence is generally thought to be consistent across time. A participant completing

an instrument meant to measure intelligence should have approximately the same responses each

time the test is completed (Price et al.; 2015). One problem with reliability is that a measure can

be extremely reliable but have no validity. Test-retest reliability is a measure of consistency over

time. As Price et al. (2015) noted, when researchers measure a construct that they assume to be

consistent across time, the scores they obtain should also be consistent across time because a

measure that produces highly inconsistent scores over time cannot be a very good measure of a

construct that is supposed to be consistent.

In qualitative research, reliability means dependability or consistency and can be

addressed in several ways. Qualitative researchers use a variety of techniques—interviews,

participation, photographs, document studies, etc.—to record the observation consistently.

Qualitative researchers consider a range of data sources, employ multiple measurement methods,

and question the quantitative ideas of replication, equivalence, and subpopulation reliability.

Creswell (2015) noted that reliability refers to the stability of responses to multiple coders of a

data set and can be enhanced if the researcher obtains detailed field notes by employing a good

quality tape in recording and by transcribing the tape.

Dependability

Dependability is important to trustworthiness in the sense that it establishes the research

finding as consistent and repeatable. The concept of dependability in qualitative study infers that

if other researchers were to look over the data, they would arrive at similar findings,

interpretations, and conclusions about the data (Grossoehme, 2014). To ensure dependability in

this study, the researcher used an interview protocol and other independent checking techniques

(inquiry or external audits) (Creswell, 2015) to promote dependability. Yin (2014) advised

researchers to use a rigorous interview protocol so other researchers could replicate the same

processes and obtain similar results. The researcher used the same questions for all the

participants to ensure that other researchers could replicate the same processes and obtain similar

results. Birt et al. (2016) advocated using participants' checking technique, where researchers

provide participants with a summary of findings and request their views of the credibility of the

summaries. This ensures that the participate have the opportunity to review and validate the

accuracy of the researchers' interpretations and findings (Yin, 2014). To ensure the data

reliability of the research findings and interpretations, the researcher used the participant's

checking technique to validate the interpretations and findings.

Validity

Validity addresses the question of how well the social reality being measured through

research matches with the constructs the researchers use to understand it. Validation in

qualitative research means obtaining truthful information. Sullivan (2011) stated that validity in

research refers to how accurately a study answers the study question or the strength of the study

conclusions. Noble and Smith (2015) argued that one of the criticisms of qualitative research is that it lacks scientific rigor and provides poor justification for the methods adopted, lacks transparency in the analytical procedures, and yields findings that are merely a collection of personal opinions subject to researcher bias. However, unlike quantitative researchers who apply statistical methods for establishing validity and reliability of research findings, qualitative researchers aim to design and incorporate methodological strategies to ensure the 'trustworthiness' of the findings. Noble and Smith(2015) identified such strategies to include

Accounting for personal biases that may have influenced findings; acknowledging biases in sampling and ongoing critical reflection of methods to ensure sufficient depth and relevance of data collection and analysis; meticulous record keeping, demonstrating a clear decision trail and ensuring interpretations of data are consistent and transparent; establishing a comparison case/seeking out similarities and differences across accounts to ensure different perspectives are represented; including rich and thick verbatim descriptions of participants' accounts to support findings; demonstrating clarity in terms of thought processes during data analysis and subsequent interpretation; and engaging with other researchers to reduce research bias.

Qualitative researchers are less concerned with trying to match an abstract concept to empirical data and are more concerned with giving a candid portrayal of social life that is true to the experience of the people being studied. Validity has been described in various subtypes, such as face and content, construct, criterion, convergent validity, etc.

Face and Content Validity

Validity can be measured by its face value (face validity) or by its content (content validity). The essential aspect of validity is the extent to which a measure captures what it is

intended to measure (Connell et al., 2018). Face validity, also referred to as logical validity, applies a superficial and subjective assessment of whether or not a study or test measures what it is supposed to measure. Holden (2010) defined face validity "as the degree to which test respondents view the content of a test and its items as relevant to the context in which the test is being administered." Face validity is a more informal and subjective assessment, and since it is a subjective measure, face validity is the weakest form of validity but can be useful in the initial stages of developing a research method.

While face validity measures whether the items of each domain are sensible, appropriate, and relevant to the people who use the measure on a day-to-day basis (Holden, 2010); content validity is the "the degree to which elements of an assessment instrument are relevant to a representative of the targeted construct for a particular assessment purpose" (Rossiter, 2008; Rusticus, 2014). Content validity assesses whether a test is representative of all aspects of the construct. Content validity refers to the degree to which an assessment instrument is relevant to, and representative of, the targeted construct it is designed to measure. For any research to produce valid results, the content of a test, interviews, or measurement method must cover all relevant parts of the subject it aims to measure, or validity is threatened. The researcher designed the interview questions to include all aspects of the subject of study.

Creswell (2015) offered validation strategies that include building strong trust with participants by having prolonged engagement and persistent observation in the field, providing debriefing and peer review, classifying researcher bias from the beginning of the study, making sure that participants views are credible, allowing readers to make decisions about transferability, and allowing for external audit. Houghton et al. (2013) and Loh (2013) advocated that the researcher uses prolonged engagement and persistent observation, triangulation, peer debriefing,

negative case analysis, referential adequacy, and member checking to determine the creditability

of their study. One of the major problems in qualitative research is personal bias. To ensure the

validity of the interviews, the researcher ensured that the interview transcripts were assigned to

individuals not involved in the procedure for review before coding.

Research is only as good as the investigator. Researcher bias and competency may

influence the trustworthiness of data considerably. To ensure the credibility of qualitative

research, all information obtained by the researcher was subjected to reliability and validity

testing. The researcher maintained the methodological approach of ensuring congruence between

the research question and the components of the research method, making sure that the research

questions matched the method, which matches the data and the analytic procedures. Secondly,

provision was made to ensure that the sampling method could be altered, either expanded or

changed, and that the sample was appropriate, consisting of participants who best represent or

have knowledge of the research topic. Thirdly, collecting and analyzing data concurrently

allowed a mutual interaction to form between what is known and what one needs to know.

The researcher also used methodological triangulation as a strategy to attain data

saturation. By using multiple data sources, the researcher was able to validate the study's

conclusions. Pierre and Jackson (2014) as well as Yin (2014) agreed that by using

methodological triangulation, researchers support data saturation and enhance the validity of the

results of the research findings. As discussed in the reliability section, validity can also be

checked by a technique known as respondent validation. This technique involves testing initial

results with participants to see if they still ring true(Davis, 2021). Researchers should also

actively seek alternative explanations to what appear to be research results.

Summary of Section 2 and Transition

Section 2 provided a detailed description of the study design, data collection, and data analysis procedures. The researcher also restated the purpose statement previously discussed in Section 1 and described the role of the researcher, the population samples, and the participants. Finally, the researcher described the reliability and validity of the research participants.

The purpose of this qualitative multiple case study is to add to the body of knowledge by using existing research to expand the understanding of the impact of internal control deficiencies on prevalence of fraud in churches and contribute to strategies for preventing fraud and waste of resources in local churches in Enugu, Nigeria. The researcher conducted this study to explore the impacts of internal control deficiencies on the prevalence of fraud in local churches and to provide strategies and tools helpful for trusted church members, leaders, employees, and volunteers responsible for church funds and assets to detect, mitigate, and prevent fraud. Klein and Olbrecht (2011) stressed that triangulation is not only used to cross-validate data but is useful in gaining a comprehensive and deeper understanding of the subject matter. The researcher collected data from local churches by direct observation of offertory collections; online and direct payments; backstage observation of how offertory collections were handled— counted, recorded, and prepared for deposits; mail-in payments; donations and pledges; Givelify; tithes; bank deposits procedures; inspection of books and records; interviews of church leaders, employees, and volunteers; and documentation analysis and used archival data from mega-churches to gain a deeper understanding and draw comparisons between local churches and mega-churches on their implementation of internal control.

As Kaczynski et al. (2014) noted, qualitative research does not end with data collection. The researcher analyzed data collected using various strategies to develop themes, categorized the themes, and developed a summary from the textural descriptions that reveals the essences of the phenomena.

The next section of this study (Section 3) provides a discussion of the findings from the study and how the findings will be applied to professional practice. It also provides a section on biblical application, reflection, recommendations for action, recommendations for further study, and summary and conclusions.

Section 3: Application to Professional Practice

Section 3 provides a discussion of the findings from the study and how the findings will be applied to professional practice. In this section, the researcher provides a section on biblical application, reflection, recommendations for action, further study, and summary and conclusions.

Overview of the Study

The purpose of this study is to explore the impact of internal control deficiencies on fraud in local churches in Nigeria and provide church leaders, trusted church members, employees, and volunteers with necessary tools to safeguard church funds and assets from fraud and waste of resources. The researcher designed the study to address six research questions with 16 semi-structured interview questions that lasted between 15 – 40 minutes. The study outcome was obtained from 17 church leaders, ministers, employees, and volunteers of local churches in the Enugu area, Nigeria. The findings of each research question are presented in this section. Furthermore, the researcher related the findings to the current body of literature as appropriate, identified the themes discovered, interpreted the themes, and provided a visual representation of the data and the relationship of the themes to the concepts and theories that applied to the study.

The COVID-19 pandemic adversely affected the concept of the field study. The researcher was able to conduct only five of the 17 participant interviews in person; five interviews were conducted through WhatsApp® video conferencing, while data was gathered from seven participants through telephone interviews. Data for the mega-churches were gathered from church websites and other internet sources. All interviews were conducted between December 2010 and March 2021. Fusch and Ness (2015) opined that there is no one common method to reach data saturation because study designs are not universal and what is enough for

one may not be enough for another. However, researchers agreed that data saturation is reached

when there is enough information to replicate the study (O'Reilly & Parker, 2012; Walker,

2012). While most researchers advocated that 10 to 15 participants or research subjects is

sufficient to reach data saturation (Morse, Lowery, & Steury (2014), the researcher reached data

saturation with the conduct of the 17th participant.

While data saturation ensures that enough information is obtained to discover meanings

and uncover multiple realities, data triangulation is a method used to get to data saturation.

Data triangulation involves the employment of multiple external methods to collect data as

well as the analysis of the data (Denzin, 2009). Data triangulation involves using different

sources of information to increase the validity of a study. It enhances objectivity, truth, and

validity of the study. Using multiple external analysis methods concerning the same events and

the validity of the process may be enhanced by multiple sources of data (Holloway et al., 2010;

Fusch, 2008, 2013). The researcher employed multiple data sources such as observation,

documentation, interviews, member-checking, and secondary data analysis to collect data.

Observation included field notes on an observation protocol sheet detailing descriptive and

reflective notes. Documentation included field notes taken during the interviews that

complimented recorded audio.

Participants' Characteristics

COVID-19 restrictions adversely effected observation technique and in-person

interviews. Consent forms and interview questions were personally delivered to all the

churches/pastors that signed permission letters and their telephone numbers and email addresses

were obtained to facilitate communication and scheduling of interviews. The researcher initially

mailed 50 introductory letters and obtained permission letters from 21 participants. Of the 21

participants who signed permission letters, only five participants agreed to in-person interviews

and the rest preferred contactless interviews. Due to COVID-19 restrictions, observation of

church services, internal control procedures over offertory collections and handling, donations,

tithes, and recording procedures were limited. The first part of interview comprised demographic

questions that sought to identify the current position/title, years of service, denomination,

race/tribe, educational level, gender, and age group of the individual.

The participants in the study comprised reverend fathers, reverend ministers, pastors,

evangelists, leaders of groups within the church, a church secretary, volunteers such as greeters

and ushers from Catholic church, Evangelicals, Pentecostals, Anglican Communion, and other

denominations. Four of the participants were female, while 13 were male. Their active years in

service ranged from two-30 years, while the age group ranged from 18-60 years. Two of the

participants have doctoral degrees (PhDs), two have master's degrees (MA/MS), one has a

Higher National Diploma (HND), five have bachelor's degrees (BA/BS), one has a National

Diploma (ND), and six have West African Education Certificate (WAEC)(high school diploma

in the United States).

To ensure confidentiality, all the participants were assigned an identifier of R001,

R002, R003, R004, R005 .... R017.

Table 3 shows the identifier of the participant with their demographic information.

Table 4

Participants' Characteristics

R001	Title: Pastor
	Active years in Service: 6
	Denomination: Evangelical
	Tribe/Race: Igbo
	Educational Level: BS
	Gender: Male

	Age Group: 18-30
R002	Title: Rev. Minister Active years in Service: 27 Denomination: Pentecostal Tribe/Race: Igbo Educational Level: HS Diploma/WAEC Gender: Male Age Group: 41-50
R003	Title: Secretary Active years in Service: 10 Denomination: Evangelical Tribe/Race: Ika Educational Level: HND Gender: Female Age Group: 41-50
R004	Title: Evangelist Active years in Service: 3 Denomination: Evangelical Tribe/Race: Igbo Educational Level: HS Diploma/WAEC Gender: Male Age Group: 41-50
R005	Title: Evangelist Active years in Service: 9 Denomination: Other - Methodist Tribe/Race: Igbo Educational Level: HS Diploma/WAEC Gender: Male Age Group: 18-30
R006	Title: Parish Pastor Active years in Service: 13 Denomination: Pentecostal Tribe/Race: Igbo Educational Level: BS Gender: Male Age Group: 31-40
R007	Title: Rev. Pastor Active years in Service: 25 Denomination: Pentecostal Tribe/Race: Igbo Educational Level: BS

	Gender: Male Age Group: 51-60
R008	Title: Rev. Father Active years in Service: 5 Denomination: Catholic Tribe/Race: Ijaw Educational Level: BS Gender: Male Age Group: 31-40
R009	Title: Pastor Active years in Service: 34 Denomination: Pentecostal Tribe/Race: Igbo Educational Level: PhD Gender: Male Age Group: 50-61
R010	Title: Rev. Father (Senior Priest) Active years in Service: 30 Denomination: Catholic Tribe/Race: Igbo Educational Level: PhD Gender: Male Age Group: 51-60
R011	Title: Pastor Active years in Service: 20 Denomination: Evangelical Tribe/Race: Yoruba Educational Level: MS Gender: Male Age Group: 41-50
R012	Title: Pastor in charge of Parish Active years in Service: 18 Denomination: Pentecostal Tribe/Race: Igbo Educational Level: WAEC Gender: Male Age Group: 51-60
RO13	Title: Church Worker - Volunteer Active years in Service: 10 Denomination: Catholic

	Tribe/Race: Igbo Educational Level: BSN, RN Gender: Female Age Group: 18-30
R014	Title: Former Coordinator, Charismatic/President, St. Vincent De Paul Society Active years in Service: 15 Denomination: Catholic Tribe/Race: Igbo Educational Level: BS Gender: Male Age Group: 51-60
R015	Title: Greeter/Usher Active years in Service: 10 Denomination: Pentecostal Tribe/Race: Igbo Educational Level: MS, LMSW Gender: Female Age Group: 41-50
R016	Title: Evangelist Active years in Service: 2 Denomination: Charismatic Renewal Tribe/Race: Igbo Educational Level: WAEC Gender: Male Age Group: 18-30
R017	Title: Greeter Active years in Service:10 Denomination: Anglican Tribe/Race: Igbo Educational Level: ND Gender: Male Age Group: 18-30

The second part of the interview comprised 16 questions tailored around the following

six research questions:

RQ1. What is the role and importance of internal control systems in churches?

✓ What do you know about internal control systems?

✓ What importance do you think internal control systems should play in safeguarding

church funds and assets?

✓ What systems or strategies do you have in your church to minimize, reduce, or prevent

fraud?

✓ How did you identify and select the strategies for reducing fraud in your church?

✓ What strategies have you used to or has your church used in reducing fraud?

RQ2. How has lack of or ineffectiveness of internal control systems contributed to fraud and

embezzlement of funds in churches?

✓ How has the lack of an internal control system contributed to fraud and embezzlement of
funds in your church?

RQ3. What internal control measures or strategies are needed to prevent fraud in churches?

✓ What systems do you have in your church to support the implementation of internal

control or strategies to reduce the consequences of fraud?

✓ What procedures have you followed when implementing your internal control system or

fraud reduction strategies?

RQ4. What are the barriers or challenges in implementing effective internal control procedures

in churches?

✓ What challenges or barriers have you experienced when implementing fraud reduction
strategies?

RQ5. How can internal control procedures be used as an instrument to prevent fraud in

churches?

✓ How can those internal control measures or strategies be used as an instrument to prevent

fraud in churches?

✓ What are the critical aspects you consider before implementing fraud reduction

strategies?

✓ What factors influence the implementation of strategies to minimize, reduce, or prevent

fraud in churches?

✓ What internal control measures or strategies is your church currently using to prevent or

reduce fraud?

✓ What strategies have you used that are less effective in reducing fraud?

RQ6. What are the roles of church leaders in making sure that effective internal control

procedures are implemented?

✓ What can church leaders do to ensure that effective internal control procedures or

strategies are implemented?

✓ What other information would you like to add regarding strategies to reduce fraud in

local churches?

All the interviews were recorded with a smart phone sound recorder by the interviewer.

These were subsequently uploaded via USB port to the interviewer's personal laptop computer

and backed up with an external USB drive kept securely in a locked cabinet.

After the field study, the researcher transcribed the recorded audio and typed out the

field notes in Microsoft® Word. The trustworthiness of data results is the bedrock of high-

quality qualitative research. The researcher adopted a member checking strategy known as

participant or respondent validation. In member-checking, data or results are returned to

participants to check for accuracy and resonance with their experiences. This technique is used

for exploring the credibility of interview results (Birt et al., 2016). The researcher e-mailed the

transcribed interview to the participants to review and validate that what was transcribed was

the information they conveyed.

After validating all the transcribed notes, the researcher adopted automated coding

rather than manual coding, where researchers manually go through the transcribed texts to

locate words or phrases based on the research questions; coded the phrases; and categorized the

codes into themes (Yi, 2018). Although manual coding is proven to be highly accurate,

automated data analysis is proven to be more accurate and save time as well (Medelyan, 2019).

The researcher used MAXQDA® software by uploading the Microsoft® Word file of

transcribed interview notes into MAXQDA®. The researcher followed the interactive interface

inbuilt into the software, which first converted the transcribed notes into HTML tags to create

codes. Finally, the researcher categorized and analyzed the coded segments to generate the

themes and developed a summary to identify the impact of internal control deficiencies on

fraud and developed a plan and strategies to assist church leaders and the general public in

minimizing the risk of fraud occurrence in local churches.

<div align="center">

Presentation of the Findings

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This section discusses the findings of this research study. The study focused on six

research questions that were designed to explore the impact of internal control deficiencies in

local churches in the Enugu area, Nigeria. It details the themes discovered and their

interpretation, how the findings relate to key areas of the research proposal and research

framework and addressed each research question and the problem studied. It also addressed the

comparison of local churches and mega churches in Nigeria, their sources of funds, governance,

and internal control systems.

The themes that emerged from the study include accountability and stewardship, sound internal control procedures, segregation of duties, disciplinary measures, strong leadership, and control and monitoring. Each of these themes are analyzed below.

Theme 1: Accountability and Stewardship

One theme that resonates with all the participants is the accountability of the leaders and all those who serve the church either as employees or volunteers. Accountability is the process where an organization (individual) is held responsible for decisions and actions, including stewardship of funds, fairness, and all aspects of governance (Aramide & Bashir, 2015). The accountability theme relates to one of the five principles of control environment in the COSO internal control framework used in this study. The COSO internal control framework asserts that organizations must hold individuals accountable for their responsibilities and actions in the pursuit of organizational objectives. Participant R010 stated, "The pastor as a leader is accountable for how the church money and resources are protected and how the church is run." Participants R001, R002, R005, R006, R007, R008, R012, R015, and R017 agreed that pastors as leaders of the church is accountable to God, the congregation, and the community on the how the affairs of the church are conducted and should demonstrate responsible leadership.

All the actors in church administration and services are responsible for ensuring that the church is accountable for its programs and finances to its contributors, members, and public and government regulators, and the development and maintenance of the organization's internal control will help ensure this accountability (Spitzer, 2017). McKeever (2018) noted that unless a minister is accountable and has a strong accountability group with power and authority to checkmate them, then the church is open to abuse.

Analysis of Relationship of the Findings

The theme "accountability" focused on the roles and responsibilities of church leaders and those active in church service. Most church members see their pastor as a model, and some imitate the lifestyle of their leader and look upon them as a symbol of authority. Ten participants—R001, R002, R005, R006, R007, R008, R011, R012, R015, and R017— emphasized that fraud, embezzlement, and waste of resources among rank and file of church members, employees, and volunteers is an outshot of leaders' (ministers, pastors, etc.) behaviors. The control environment principle of the COSO internal control framework maintains that the board of directors and senior management must establish the tone at the top regarding the importance of internal control, including expected standards of conduct. Respondents R003, R009, and R012 emphasized that pastors been a shepherd of the congregations should live an exemplary life in both their behaviors and sermons delivered. The participants R001, R002, R006, R009, and R014 advised that pastors should focus their message on righteousness rather than message of prosperity that are tempting even to those who seems to be born-again Christians to embezzle church funds.

This theme addresses RQ6, which seeks to identify the roles of church leaders in making sure that effective internal control procedures are implemented. There was a consensus among the respondents that the leader's accountability is the key to ensuring that internal control procedures are implemented and monitored (RQ1). While internal control is almost absent or ineffective in local churches (RQ2), mega churches have complex problems in implementing internal control (RQ4). By nature, most mega churches run like a family business (Thumma, n.d). Segregation of duties are near absent and there is no separation between the church and personal activities. Lack of proper segregation of duties could result in errors, misappropriation,

and embezzlement of funds and give an individual an opportunity to commit and conceal

fraudulent activities. The problem in local churches, however, is that they lack the necessary

resources to implement internal control systems. Similar to small businesses, small churches do

not have enough resources to engage the services of specialized employees or volunteers (Bain,

2017).

        The opportunities and rationalization are the aspects of Cressey's (1973) fraud triangle

that resonated with most respondents. Some local pastors in Nigeria went into ministry as a way

of survival due to hard economic situations and are not in the ministry because they were called

by God. The superstitious belief among most Nigerians that all sickness and problems have

spiritual connotations makes them patronize churches and pastors, not necessarily for salvation's

sake, but for a solution to their problems. Most often they spend their hard-earned money buying

materials for spiritual rituals and payments to pastors for prayers. Because most of these pastors

are poor, when they have access to church funds and opportunities they are tempted to embezzle

funds and engage in teeming and lading, a term that describes a practice by which a person who

takes or handles payments uses the money personally for some days and posts the transaction

later. Respondents R003, R006, R007, and R0010 noted that most often teeming and lading goes

on until it is discovered usually when it is already late for the pastor to be able to refund the

money and most often the offender try to rationalize or justify their action. Rationalizing a crime

is one of the components of Cressey's fraud triangle theory. The theory asserts that the

embezzlers rationalize that their behavior was not criminal (e.g., there was no "intent" to steal),

the theft was justified for some reason and the illegal activity was part of a general

"irresponsibility" for which the person is not wholly responsible. May (2015) asserted that

embezzlers feel good about themselves and justify their actions even when (especially when)

they know deep down that they have done something very wrong but cannot admit it. Pastors and those who render services in the house of God have used scripture to rationalize their evil behaviors. The often-quoted scripture that "the laborer is worthy of his wages" (King James Version, 1 Timothy 5:18) has been used out of context and in justification of church fraud. Participant R001 noted a situation in their church where a pastor was caught embezzling church funds over a long period of time and when it was discovered, became aggressive and refused to even appear before the council of elders using scriptural verses to justify the action and saying that they had a plan to pay back the stolen money. Eventually, the pastor was suspended and subsequently left the church, but the stolen funds were never recovered. This is a common story in a country where bribery and corruption are a norm rather than the exception.

Transparency International (2021) rated Nigeria as one of the most corrupt countries in the world in its 2020 corruption perception index, with a CPI score of 25 and rank of 149. Nigerians are very religious, but research has shown no distinction in the level of bribery and corruption in secular organizations, public service, and religious organizations. Preachers of the prosperity gospel in Nigeria criticize politicians' greed and government corruption, yet many church leaders amass great wealth for themselves and their families (Smith, 2021). As most of the participants noted, fraud occurs in various forms, such as skimming, bribery, stealing from the offering box while counting, misappropriation, fraudulent disbursements, excessive pastoral authority and use of church funds for personal use, scamming church members with faking miracles, prayers, fasting, sale of religious materials such as anointed oil, handkerchiefs, holy water, etc., as well as money laundering by big time pastors who serve as agent for other fraudsters.

Theme 2: Sound Internal Control Procedures

It is well-established that effective internal control reduces the risk of fraud and asset loss. An effective system of internal control protects an organization's assets by minimizing opportunities for unintentional errors or intentional fraud (preventive controls), and by discovering small errors before they become big problems (detective controls) (AICPA, 2014).

Participants were asked what roles and importance internal control systems have in churches (RQ1) and internal control measures or strategies that are needed to prevent fraud in churches (RQ3). Although, participants R001, R002, R004, and R013 did not know the operational definition or understand internal control systems, all participants agreed that they have procedures in place to protect and prevent embezzlement of church funds. The measures and strategies the participants adopted to prevent fraud in their churches were emphasized in subthemes, such as offertory and tithes collections, cash disbursements and authorization, book-keeping and recording, segregation of duties, and internal audits.

Offertory and Tithes Collections

All the participants stressed the importance of putting adequate checks over collection of offertory and tithes. Participant R008 stated that, "The offertory baskets are passed through the pew and at the end of the collection, they are put in the transplant bag and left at the table at the back of the church and monitored by the ushers who at the end of the service take it to church office for onward counting. The participant R010 noted that:

> The volunteers comprising the ushers (at least 2 members) and a representative from the finance committee sort and count the money into its various dominations and record them. These are locked in the church office for the chairman of the finance committee to deposit in the bank the following working day.

According to participants R001, R002, R003, R005, R006, R007, R009, and R012 the church offertory boxes are kept in the altar and during offertory time, the congregation's dances from their pew to the altar to drop off their offertory. At the end of the offertory, the greeters take the offertory to the secretary's office and empties it into lock box and where multiple offertories are made during the service, the process goes on again. At the end of the service, the greeters, the treasurer, and financial secretary go to the secretary's office to count and record the offertory money.

Participants R001 and R007 noted that to make sure there is no pilfering of money during offertory, a greeter is assigned to stay close and monitor the offertory box. Participants R007 and R012 stated that, their church does have bank account, but the financial secretary records the amount in the church account book and the secretary prepares deposit slip for onward deposit in the bank account". Participants R001, R002, R005, R006, and R016 echoed that due to small nature of the amount generated, they do not have a bank account and after counting, the financial secretary records the money while the treasurer keeps the money. Participant R007 stated that all congregants are issued with a tithe card, where they enter their tithes and submit it with the tithe envelope to the church secretary who signs and record it in the tithe register and gave back the card to the congregants.

This was echoed by participants R001, R002, R003, R005, R007, R009, and R012 that they have procedure where all congregants are issued with a tithe card and this are used to document and monitor tithes.

Cash Deposits and Authorization

All the participants except R015 and R016, who have no full knowledge of how cash deposits and authorizations are handled in their church, stated that they have procedures for cash

deposits and authorization of expenses. Participants R007, R008, R010, and R012 agreed that all

funds—offertory, donations, tithes, etc. goes to the finance committee while the secretary does

the recording, and the treasurer takes the cash to bank for deposit and all the documentations are

submitted to the church office for the church secretary or clerk to make bookkeeping entry.

Participant R010 stated that "authorization follows an established way where an order to expend

any amount is prepared for pastor's approval and if the amount is more than an established limit,

it need the approval of the finance committee." Participant R008 stated that the pastor have

regular meetings with the finance or development committees to deliberate on any upcoming

project, prepare budget and approve projects to be embarked by the church." Participant R012

noted that:

> Upon approval, authorization is signed by the pastor/reverend father, the chairman of the
>
> finance or development committee and one other member when it involves check
>
> payment and in case of savings account, two of the signatories must be present in the
>
> bank to make withdrawal.
>
> Respondents R001, R002, R005, R006, and R016 agreed that approval to expend any

amount is granted by the pastor, who then authorizes the treasurer to release the fund and the

financial secretary accordingly record the transaction in the book of account.

Book-keeping and Recording

All participants indicated having some method of record keeping. Participants R008 and

R010 indicated that their church maintains a computerized system of record keeping. Due to

COVID restrictions, the researcher was not able to inspect or observe the record keeping and

accounting methods used. Participants R001, R002, R006, R007 and R009 noted that in their

church the financial secretary keeps a hard cover notebook where all income and expenses are

recorded and tallied every month to know much was generated and what was expended.

Participants R001 stated that

> The money generated at the end of the month are taken to the church headquarters where
>
> the overseer (general Administrator) gives the pastor an agreed percentage—basically 35
>
> per cent to run the church affairs. The participant went further to note that because of
>
> poor revenue generation, local pastors in their churches are given opportunities to
>
> organize local programs and offerings collected during these programs belong to the
>
> pastor.

Participant R002 also noted that because of poor membership of their church, if the money

collected fell below a limit necessary to run the church and pastor's up-keep, the district office

supplement the pastor's fund. The participant stated that to meet up with his family needs, he

engages in farming to avoid been tempted from embezzling church funds.

Internal Audit

Internal audits are designed to help the organization reach its objectives. Their function is

mainly to protect an organization against fraud and asset loss. Internal audits assist management

in improving internal controls over operations, reporting, and compliance (Chang et al., 2019).

The Institute of Auditors (2017) defined internal audit as:

> An independent, objective assurance and consulting activity designed to add value and
>
> improve an organization's operations. It helps an organization accomplish its objectives
>
> by bringing a systematic, disciplined approach to evaluate and improve the effectiveness
>
> of risk management, control, and governance processes.

Although local churches lack resources, participant R012 stressed the importance of

internal audits and advocated that it is a good strategy to prevent fraud and embezzlement of

funds. Participant R012 stated, "The consciousness of internal audit and even external audit will deter pastors and all those that work in the house of God to be aware that any act of misappropriation will be detected and consequently be reprimanded." Participants R008 and R010 noted that although they do not have internal audits, but they commissioned external parishioners not involved in financial matters to examine financial records.

Analysis of Relationship of the Findings

The theme "sound internal control procedures" focused on the roles and importance of internal control systems (RQ1) and what internal control measures or strategies are needed to prevent fraud in churches (RQ3). All the participants agreed that implementing a sound internal control system would help in preventing or eliminating fraud in churches and advocated for a number of measures or strategies to prevent, detect, and reduce the occurrence of fraud in churches. R012 stated "that internal and external audit is a good strategy to prevent fraud and embezzlement of funds particularly in churches that have the resources to implement it." Participants R001, R005, R006, R008, R010, and R012 believed that most fraud occur in local churches because of illiteracy as money collected are not properly recorded and those in authority lack the knowledge to spot the red flag indictors of fraud. They advocated education and training of pastors and all those involved in fund collection and management. Participants R008, R0010, and R012 noted that they have started holding seminars to teach volunteers and those involved in church financial affairs basic recording and book-keeping method.

One strategy that resonates with all participants is the teaching of a sound biblical message. The participants believed "if ministers of the gospel teach sound gospel rather than the message of prosperity, there will be a new awakening," and as R008 noted, "Christians will be conscious of sin knowing that 'to him that knoweth to do good, and doeth it not, to him it is sin'"

(King James Version, James 4:17). Although, all the participants stated they had at least one

form of internal control over offertory collections, cash deposits and authorization, and record

keeping, based on the interviews, only the respondents R008, R010, R013, and R014 from the

churches built on autocratic structures seemed to maintain sound internal control procedures. The

conclusion is that sound internal control procedures are not adequate in local churches primarily

due to lack of resources.

Theme 3: Segregation of Duties

Churches, like most small businesses, do not maintain adequate segregation of duties and

are susceptible to misappropriation of assets due to the limited number of employees carrying out

multiple responsibilities. Segregation of duties is key to the implementation of internal control

systems. Its primary purpose is to minimize the occurrence of errors or fraud by ensuring that no

one person can perpetrate and conceal errors or fraud. Essentially, performance of duties is

segregated from the function of authorization or approval, custody of assets, recording

transactions, and reconciliation/control activity

All participants understood the usefulness of segregation of duties and its role in

preventing fraud, particularly in cash receipts and disbursements. The responsibilities for

processing cash receipts and disbursements from start to finish should be handled by different

individuals (Locati, 2017). The Penn Office of Audit-Compliance and Privacy (2021)

recommended that cash handling duties should be divided into four stages: receiving, depositing,

recording, and reconciling and noted that the purpose of segregation of duties is to minimize the

opportunity for an employee to misappropriate funds and avoid detection. However, the Penn

Office maintained that in a smaller department, it may not be feasible to fully segregate all the

cash-related duties. Participants R001, R002, R005, R006, R007, R008, R010, R012, and R016

numerated various efforts to segregate cash handling, including making sure that the

greeters/ushers who pass the offertory baskets or boxes are not involved with sorting and

counting the offertory, recording the counted money, preparing, or depositing the funds in the

bank for those that maintain bank accounts. The theme "segregation of duties" highlighted the

sub-themes of cash collections, authorizations, security, and recording and reconciliation.

Cash Collections

Cash handling is a very sensitive position and policies must be in place to ensure that

cash collections are sufficiently safeguarded. In exploring the barriers or challenges in

implementing effective internal control procedures in churches (RQ4), one of the challenges that

resonated with most of the participants is lack of resources to implement segregation of duties,

particularly the handling of cash. When asked how those who handle cash are recruited, R001,

R002, R004, R005, and R006 noted that those appointed to positions are either by election or

based on the person's commitment in the church and evidence of been 'born again. R008, R010,

R012, and R017 confirmed that appointment is either by volunteering or as a representative of

the group or society one belongs to in the church. The participants R008, R010, R012, and R017

stated that background checks or references are not done since that is not common in Nigeria nor

are they bounded, or surety provided. Petty cash is easily misappropriated where internal

controls are not established and enforced. No participants indicated the use of petty cash in their

church.

Authorization

Authorization of expenses should be based on the adequate business ends. Participant

R008 stated that "church council meets regularly to review business needs to ensure that every

project has a business need to avoid waste of resources." Participant R010 also noted that the

church council meets regularly to review business needs and/or propose new project. All

participants confirmed that no pastor is authorized to single-handedly approve the use of church

fund without consulting other signatories to the account such as the treasurer, the financial

secretary, and the secretary. R001, R002, R007, R014, and R016 concurred that the consequence

of using church fund no matter how valuable the purpose was is very harsh ranging from

suspension from church activities to banning from receiving holy communion. Participant R017

said, "their pastor is not involved in cash collection and disbursement and is not part of

authorization and signatory." Participant R017 further emphasized:

> Embezzlement of fraud is common among local churches because most of the pastor are
>
> not financially well to do unlike their pastor who have a full-time well-paid job and the
>
> wife is a medical doctor and therefore did not want to be involved in church finances.

Security

The security of collected cash is very important. It is advisable that all collected cash be

kept in a lock box until it is deposited into the bank and access should be limited to one

authorized person. Participant R010 stated, "that on occasions where huge cash collections are

expected such as during 'harvest and bazaar' their bank comes with balloon van to deposit cash

as it is collected." This was also echoed by participant R008. Participant R015 confirmed that

cash collections are kept in a locked box after counting before they are deposited to the bank;"

while participants R001, R002, R004, R005, and R006 agreed that the cash collection is counted

immediately after church service and are subsequently recorded by the financial secretary and

handed over to the treasurer for keep.

Recording and Reconciliation

Cash collections must be promptly counted and recorded. Participant R017 stated:

That collection baskets are passed around by the ushers who subsequently hand the

baskets to the head usher, who then hand to it over to the pastor to keep in the lock box

for the church secretary and other church workers to count, record and deposit in the

bank. On monthly basis, those workers who does not involve in cash collection and

recording reconciles deposit slips to books of accounts to ensure that all amounts were

properly deposited.

The researcher found that the procedure between when the pastor keeps the money in the

lock box and the time the secretary and other workers count, record, and deposit the money in

the bank creates a gap that makes fraud possible.

Participants R008, R010, and R017 noted that they collect bank statements on monthly

basis and members of the finance or fund committee who are not involved in the collection and

recording of cash performs bank reconciliation. The Penn Office of Audit-Compliance and

Privacy (2021) advised that reconciliations between book and bank balances must be performed

monthly and documentation that the reconciliation was performed and that reconciling items

were investigated and resolved must be retained.

Analysis of Relationship of the Findings

The theme "segregation of duties" focused on how internal control procedures can be

used as an instrument to prevent fraud in churches (RQ5). Inadequate segregation of accounting

duties among personnel increases the risk that fraud could occur and go undetected (AICPA,

2014). Segregation of duties is designed to prevent error and fraud by ensuring that at least two

individuals are responsible for the separate parts of any task. Not only does separation of duties

reduce fraud but it also reduces errors as the duty of verifying and checking for errors can be

assigned to another employee (Craib, 2019).

All participants indicated measures and strategies put into place to ensure segregation of

duties, such as monitoring of cash collections, counting, and recording of collections, deposits,

and authorization. R017 stated that "the ushers that handle offertory baskets are routinely

changed and different set of ushers are involved in counting of collections." R001 said, "that a

greeter is stationed near the altar to monitor offering and separate set of greeters takes the

offertory box to the office where those who count the money are different from those that

handles the collection."

The theme segregation of duties addresses the key problem of the research study. Various

research studies concluded that lack of segregation of duties and inadequate internal control

systems are the general cause of fraud in local churches (Duncan et al.. 1999). Craib (2019)

stated that misappropriation of church funds (or embezzlement) is of most concern for churches

and nonprofits. Gordon-Floyd (2020) recommended avoiding three high-risk conditions: one

person having too much control and access to church funds; only one person counting and

depositing the money received; and only one person having access and authority to sign checks.

Theme 4: Disciplinary Measures

It is unbelievable that fraud can occur in the house of God and even among ordained

ministers. "Nobody wants to believe that the person they trust, the person they respect, is stealing

from them" (Pavlo, 2013). Taylor (1982) noted that "we as a society are not accustomed to

thinking that our spiritual leaders can commit criminal acts, and we are reluctant to take decisive

action to combat this kind of wrongdoing." Forensic Strategic Solutions, a national financial

investigation firm that specializes in analyzing the interrelationships between people, events, and

data within financial records, reported that each year they receive three to four cases of a church

or nonprofit that has discovered or suspects fraud and typically, when they investigate, find few

if any accounting controls and most financial procedures in place based on "trust" (Pavlo, 2013).

God clearly stated in the Ten commandments, "*Thou shalt not steal" (Translation, Exodus*

10:15). The question that comes to mind is, why should people steal even in the church? The 4th

century Bishop and Doctor of the Church Augustine of Hippo (354–430) answered that question

by noting, "Human beings are corrupt and because mankind is fallen by nature, there is little to

be done about stealing, as long as he avoids committing great sins and lives in accordance with

the civic order (Borg, n.d). Over the centuries, punishment has been used as necessary retribution

for crime and to put criminals out of action. The theme "disciplinary measures" resonated with

all the participants. They noted that "their church does not condone fraud no matter the

magnitude of the crime." This theme generates sub-themes such as suspension, forgiveness, and

unreported crime.

Suspension

No one should be able to convert money for personal use with impunity, whether the

funds belong to a secular corporation or a church (Taylor, 1982). Participants R008, R010, R013,

R014, and R016 agreed that the church does not condone any form of crime and upon discovery

of any crime committed by employees or volunteer, an investigation is conducted while the

offender is placed on suspension. If confirmed that a crime was committed, the offender is

relieved of duty and will be barred from holding any position of trust. If the fraud is committed

by a clergy, the diocese commissions an inquiry and if confirmed of committing a crime a

penance and/or re-assignment of duty is recommended.

Participants R002, R007, R009, and R012 shared that when misappropriation is

discovered to be committed by the pastor; the pastor is summoned by the office of the

superintendent. After preliminary interview, the pastor is suspended while investigation is

carried out. At the end of the investigation, if found guilty, the pastor is removed from office.

The participants also shared that if the misappropriation is carried out by non-clergy, the

offender is suspended and subsequently removed from duty. Participant R001stated that

"embezzlement of money and committing immorality is not expected of any pastor and any

pastor that engages in it know the consequence of such act." Participant R009 said, "A pastor is

supposed to be above board and financial misappropriation is not even supposed to be mentioned

in the church." All the participants except R003, R006, R011, and R017 agreed that they have

not encountered misappropriation and embezzlement of cash or assets in their church.

Participants R002, R007, R009, and R012 noted that after suspension, the offender will be

required to pay back the embezzled money. Participant R011 said, "one offender in their church

left the church when suspended and the money was never recovered." Dean (2020)

recommended that:

> When a fraud is suspected, the employee should not be terminated but should be
>
> suspended and advised that the books are being examined and then issue 'preserve
>
> evidence order' meaning that the church suspends all document destruction until
>
> instructed otherwise.

The author advised that the church should preserve all electronic media without changes and the

computer should not be turned on except by a forensic computer expert.

Forgiveness

Churches trust that fraud will not happen to them and when it does, they tend to forgive

and just move on (Pavlo, 2013). The church believes that just as God has forgiven sinners, the

church should apply the same measure to those that offend her. Participant R003 quoted, "That

when Peter asked 'Lord, how often shall my brother sin against me, and I forgive him? As many

as seven times?' Jesus responded by saying, 'I do not say to you seven times, but seventy times

seven' (New Jerusalem Version, Matthew 18:21, 22) and therefore the church should learn how

to forgive." Participants R007, R008, R010, R012, and R014 concurred that we all sin, therefore,

the offender should be reprimanded, issued with a warning letter and then be forgiven." All other

participants agreed that although the church does not condone crime, the church should practice

what they preach that God is merciful and so should the church.

Unreported Crime

AG Financial (2021) advised that if fraud has occurred, the best response is to involve the

police. They noted that although churches are often reluctant to report to the police, evidence has

shown that once a person has committed a fraud, they hardly stop on their own. Suspending or

taking the job from them does not help because they will likely commit the same crime

somewhere else. Many churches fail to report fraud if it occurs in senior leadership because of

the emotional toll it can take on the church and how it is perceived as a moral failure, the trust

broken between the leadership and members (Gordon-Floyd, 2020). Many churches do not report

fraud when they are discovered because they want to protect the integrity of the church. All the

participants disfavored the idea of reporting church fraud to the police. Participant R012

questioned why the church should report crime to the police. Participant R012 quoted, "1

Corinthians 6:2, 'Do you not know that the Lord's people will judge the world? And if you are to

judge the world, are you not competent to judge trivial cases?'" Participant R007 stated that "the

untrusting nature of Nigerian police and corruption in the judiciary system does not warrant that

the church should waste its effort and money in reporting to the police." Participant R010 said,

"It is not right for the church to open their dirty linen in the public." Participants R003 agreed by

saying, "The church as an institution is supposed to correct an erring member rather than exposing them in public." Participant R015 stated that:

> The believers are not fighting flesh and blood but principalities and powers (Ephesians 6:12) and the church's duty is to treat the victim in love stating that the offender is just a victim—the enemy trying to destroy his/her testimony and drag the integrity of the church to the mud, therefore, the offender should be helped in prayer and deliverance.

> Participant R007 stated that "if any crime is committed in their church, they will not

hesitate to report the case to the police to serve as a deterrent to others and above all, save the soul of the offender." AG Financial (2021) advised that

> If the individual is prosecuted and convicted, the facts of the case become public knowledge and experiencing consequences may help the person stop committing fraud and reporting the crime gives the church an opportunity to recover some of what was stolen.

Analysis of Relationship of the Findings

The theme "disciplinary measures" focused on the roles of church leaders in implementing effective internal control procedures (RQ6). Church leaders are tested when a crime is committed either to report the crime or follow the example of Jesus. According to Smith (2015), the church believes it is against their Christian belief to lay allegation and prosecute a pastor or church member for misconduct. The consensus among the participants is that though a sin is not acceptable, the church has a duty to save a lost soul.

Theme 5: Strong Leadership

Leaders have a tremendous impact in shaping the direction of their organizations. Strong leaders provide a sense of vision, purpose, mentorship, and inspiration to those they lead. London (1996) stated:

> Next to being faithful to God and attentive to spouse and family is the pastor's responsibility as a shepherd—one who knows the flock, listens to the flock, cares for the flock, and spends a great portion of time with the flock. Shepherds endear themselves to the flock. It is a wonderful style of ministry.

Moses modeled a leadership quality for church leaders to follow. If leaders are to be successful in the things that they do, they must be people of integrity and character, and the people they are leading must know that the leaders are people of integrity and character (Terry, 2007). When God gave Moses a command, he not only told the people what God expected, he lived by it (Exod. 16:19-20). Most of the participants emphasized the need for pastors (as leaders) to lead by example and initiate purposeful policies to articulate the overall church vision. Since leaders can control the opportunity component of Cressey's (1973) fraud triangle (Glasbeek, 2014), they can implement programs and policies to ensure strong internal control systems. The leadership theme produced sub-themes such as education and training, governance, and recruitment policy.

Education and Training

One of the problems identified as contributing to internal control deficiencies is lack of understanding of the basic financial processes. Although education and training will not guarantee or eliminate the occurrence of fraud, it helps church leaders, employees, and volunteers understand the application of internal controls and strengthens the church's internal

control procedures. Allowing incompetent and untrained leaders, employees, or volunteers to work within the organization makes the organization vulnerable to increased risk of occurrence of fraud (McNeal, 2006). Although participants R001, R002, R003, and R016 noted that they apply some measures of internal control in their churches, they lacked the basic or operational definition of internal control. Participants R012 and R017 stressed the importance of education and training in basic financial procedures and internal control as the key factor in preventing the occurrence of fraud. Participant R017 noted, "that their pastor been an accountant, the church organizes seminar for every volunteer before assuming any position in the church and the church regularly conduct training sessions."

Governance

*Governance encompasses the system by which an organization is controlled and operates and the mechanisms by which it and its people are held accountable (*Governance Institute of Australia, 2021*).* No matter how robust the rules and policies a leader institutes in any organization, if they are not rigidly adhered to, they serve no purpose. Church leaders should be forceful enough to ensure that policies put in place are complied with. Poor corporate governance contributes to non-compliance. On the other hand, good corporate governance strengthens operational efficiency and reduces the risk of fraud occurrence in organizations. Participant R009 decried what happens in some churches where the leaders at the top hand over policies to the pastors at the local parishes without seeking their input at the initiating stage. The participant noted that "pastors in the village (country-side) are more often abandoned resulting in decrease moral and could pose risk of fraud occurrence."

Recruitment Policy

One problem that is common with every participant is that none of the churches have a recruitment policy in place. Participants revealed that most volunteers are not vetted. Although the application of background and credit checks are not available in Nigeria, references are not conducted, volunteers are not bounded, and educational qualifications are not considered. All the participants indicated that "volunteers are either elected, appointed, and chosen from the small group in the church or society within the church." Participant R005 stated that "they are in the process of adopting educational requirement for filling some volunteer positions." Participants R001, R002, R004, and R016 complained that they are constrained from employing qualified personnel due to the size of the congregation and limited resources and that makes it difficult from putting a policy that restrain members from serving." Participant R007 stated, "God is looking for the available because those whom he called, he qualifies, and it serves no purpose in attaching a string on those who are willing to render service in the house of God."

Written Policies and Procedures

Compliance cannot be expected when there is no code of conduct in place. Fox (2017) noted that in every formulation of best practices, compliance starts with a written code of conduct and each code of conduct should be tailored to the company's culture, its industry, and its corporate identity. The code of conduct should be used as a basis for employee review and evaluation, spell out forms of discipline, and explain the process of dismissal. Participants R008 and R010 noted that their church has a written code of conduct, but these are only given to employees and not volunteers." Participant R017 said that "their church has written code of conduct and conduct seminars and every volunteer receives code of conduct before the commencement of their assignment."

Analysis of Relationship of the Findings

The strength of any organization depends on how effective its leaders are in creating an organizational culture that ensures a conducive working environment. In exploring RQ2 and RQ6, the barriers or challenges of implementing effective internal control systems and the roles of church leaders in implementing effective internal control procedures respectively, the researcher concluded that education and training are lacking, and there are no background checks or references conducted on employees and volunteers. The importance of background checks and reference checks cannot be overemphasized in preventing fraud and embezzlement (Rixon et al., 2014). Participant R012 stated that:

> The problem facing churches in Nigeria is ignorance and illiteracy among both the pastors and volunteers. Training of clergies revolve around theological and doctrinal theories and lacks management and leadership training; thus, clergies lack the basic training to be an effective leader.

Theme 6 – Control and Monitoring

Control activities are one aspect of the COSO internal control framework that focuses on actions established through policies and procedures to ensure that management's directives to mitigate risks and achievement of organizational objectives are carried out. These are preventive or detective in nature and include activities such as authorizations and approvals, verifications, reconciliations, and business performance reviews. Monitoring activities entails performing ongoing monitoring activities, conducting evaluations, and reporting deficiencies found. Internal control performs the three functions of preventive, detective, and corrective control. The preventive controls deter errors and fraud before they occur. Adetiloye et al. (2016) opined that one significant way to prevent fraud is to implement preventative controls. While detective

control discovers errors and frauds quickly when they occur, it does not prevent loss from theft

or fraud from occurring (Lachney, 2018). On the other hand, corrective control remedies errors

and fraud quickly by identifying the cause, correcting errors, and modifying the system to

prevent reoccurrence. Participants R008, R010, and R017 advised that preventing fraud involves

establishing strong control measures around offering collections and tithes procedures.

Participant R017 said, "Part of the control instituted by their church include rotating ushers and

making sure that all collections are immediately handed over to the head usher." Participant 007

stated, "To make sure that tithes are accurately recorded and reported, tithe card are used by the

tither to record the tithes paid and periodically, the tithe card are reconciled with the record book

kept by the secretary." Participant R003 noted that "a parishioner can request to see the tithe

book kept by the secretary at any time." Review of the interviews identified policies and

procedures, oversight and internal review, documentation, checks and balances, and physical

control as subthemes.

Policies and Procedures

Well written and documented policies and procedures ensure that a blueprint is available and

serve as a guide for the clergy, employees, and volunteers. Policies and procedures provide a

roadmap for day-to-day operations and ensure compliance. Participants R008 and R010 noted

that their church has a written policies and procedures designed by the diocese, and these are

implemented across the parishes." Participant R007 noted that "their church operates according

to the policy handed down by the headquarters." Most of the participants agreed that though they

have no written policies and procedures in place but there is an oral procedure which are

followed in every activity within the church.

Oversight and Internal Review

It is the responsibility of the leader to ensure compliance with policies and procedures. If policies are put in place without compliance and the leader does nothing to enforce compliance, the leader has failed in their responsibility. Most of the participants stated that "oversight is achieved by monitoring the implementation of fraud prevention strategies and these covers reviewing the collection method, trend in collections, review of expenses and individual opinions dropped at the suggestion box." Participant R008 said, "If there is a significant variance in amount of collections, questions will be asked, and internal review will be initiated to find the reason for the variance." Internal controls without oversight are not good enough. Participants R011 and R012 concurred that they obtain bank statements from their bank every month and reconcile it with their books and records. Participant R017 noted that "having a pastor who is an accountant has helped the church to institute a best oversight over every of their activities."

Documentation and Checks and Balances

An important part of internal control is documentation and checks and balances, which are both part of oversight. Review of the participants' interviews revealed that all participants maintain one form of document or the other. The problem, however, is that because of the small nature of some of the churches and their limited resources, documentation is very rudimental. Checks and balances in some of the churches are poor, as the pastor has absolute control and dictates the direction of church affairs. Participants R001, R002, R005, R007, and R013 maintained that they keep record of income and expenses, but these are kept in a hard cover notebook. This method of documentation is very rudimental and can very quickly lead to fraud.

Physical Control

Protecting and safeguarding assets and property is important in any organization. Physical control over assets and records helps protect the location of assets. These control activities may include electronic or mechanical controls (such as a safe, employee ID cards, fences, cash boxes, fireproof files, and locks) or computer-related controls dealing with access privileges or established backup and recovery procedures (The Roman Catholic Archbishop of Los Angeles, 2021). Physical control ensures that access to physical assets is controlled and properly restricted to those authorized persons. Participant 008 stated that "their power generator for instance is kept in a special house with locks and keys and only authorized person have access to the location." Participant 010 also noted that "their church employs the services of security guard to ensure that no unauthorized person enters the church or remove any church property." The researcher observed that since the incident of terrorist attacks on churches, most Nigerian churches employ the services of security guards to monitor movement in and out of church premises.

Analysis of Relationship of the Findings

The theme of "control and monitoring" was mirrored in policies and procedures, oversight and internal review, documentation, checks and balances, and physical control. The theme addressed how internal control can be used as an instrument to prevent fraud (RQ 5). It relates to two principles of the COSO internal control framework—control activities and monitoring. All participants stated that control activities and monitoring systems can be used as instruments to prevent fraud in churches. Generally, the most important control activities include segregation of duties, authorization of transactions and activities, adequate documents and records, physical control over assets and records, and checks and balances.

Summary of the Findings

The foundation of the study, Section One, laid the framework that while many church

members find it unbelievable that churches can be a victim of embezzlement and fraud, it has

indeed become a significant cause of concern in the house of God, prompting the need to explore

the impact of internal control systems in preventing, detecting, and reducing and/or eliminating

the occurrence of fraud in local churches. While earlier studies (Thornhill , et al. 2016; Eulerich,

et al. & Afriyie, et al., 2018) have shown that fraud in churches is attributable to lack of internal

control or lapses in implementation of existing control due to common misconception among

most church leaders that implementing internal control make churches look like they are not

trusting their flocks (Ahiabor & Yaw Mensah, 2014), the findings of the study corroborated the

literature that suggests that the culture of trust in churches is an impediment to installing and

implementing internal control. The findings also corroborated earlier studies that claimed that

lack of internal control is the key factor in the increasing incident of fraud in churches. The

researcher found the findings of the study to be consistent with the anticipated themes and

literature. AG Financial (2021) reiterated that churches should proactively develop internal

controls to prevent fraud, just as various literature emphasized strong internal control as a bold

move to minimize, detect, and prevent the increasing incident of fraud in churches (Tazilah &

Hussain, 2015, Thornhill , et al. 2016; & Afriyie, et al., 2018)).

To obtain a better understanding of this problem and profess strategies and tools to better

equip the church in tackling this problem, the researcher conducted 17 interviews with church

leaders, pastors, ministers, reverend fathers, employees, and volunteers from local churches in

the Enugu area, Nigeria. The researcher also obtained data on mega churches in Nigeria from

various internet sources to compare sources of funds, operation, and application of internal control among local and mega churches.

Most research on the prevention of fraud is focused on sizeable for-profit organizations, but research on fraud within the church is lacking. Data collected and analyzed has shown that opportunity exists for occurrence of fraud and embezzlement of funds in local churches in the Enugu area, Nigeria due to lack of segregation of duties, poor leadership and governance, absence of education and training, the culture of trust, and reluctance to prosecute offenders.

The themes identified that corelate to anticipated themes, research questions, the literature, and research problems are depicted in Figures 3 - 9.

Theme 2 – Sound Internal Control Procedures – RQ1

Theme 2, "sound internal control procedures", addresses research RQ1, which aimed to discover the roles and importance of internal control systems. Analysis of data identified that the application of sound internal control is required in offertory and tithes collections, book-keeping and recording, cash disbursement and authorization, application of segregation of duties, and internal audit as depicted in Figure 3 below.

Figure 3

Theme 2 -Sound Internal Control Procedures Sub-themes (RQI)

Theme 1- Accountability - RQ2

Theme 1, "accountability," addresses RQ2, how lack of or ineffectiveness of internal

control systems has contributed to fraud and embezzlement of funds and the role of leaders in

implementing effective internal control systems. Internal control systems were identified to be

based on tmst rather than on basic accounting principles and opens the door to opportunities for

skimming, fraudulent disbursements, waste of resources, and misappropriation as depicted in

Figure 4 below.

Figure 4

Theme I- Accountability - RQ2
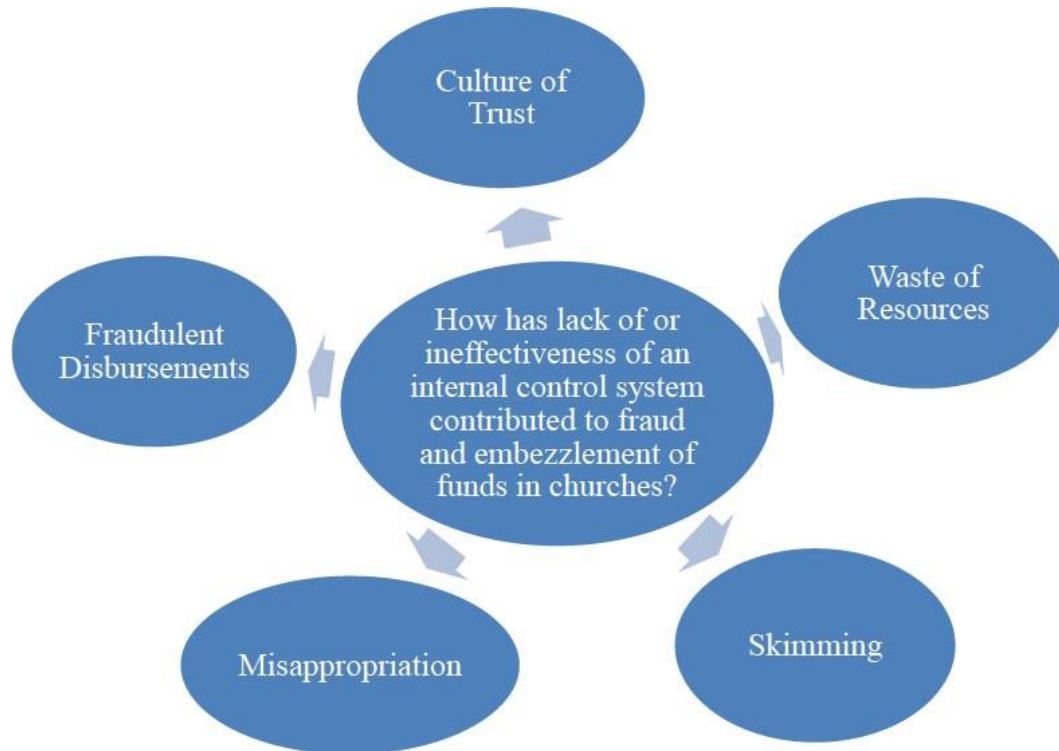
Theme 3 - Segregation of Duties - RQ3

Theme 3, "segregation of duties", addresses RQ3, the internal control measures needed to prevent occurrence of fraud. The key to preventing fraud is adequate segregation of duties between individuals that handle the collection of cash, authorization, recording, reconciliation, and the security of funds and assets.

Figure 5

Theme 3 – Segregation of Duties – RQ3
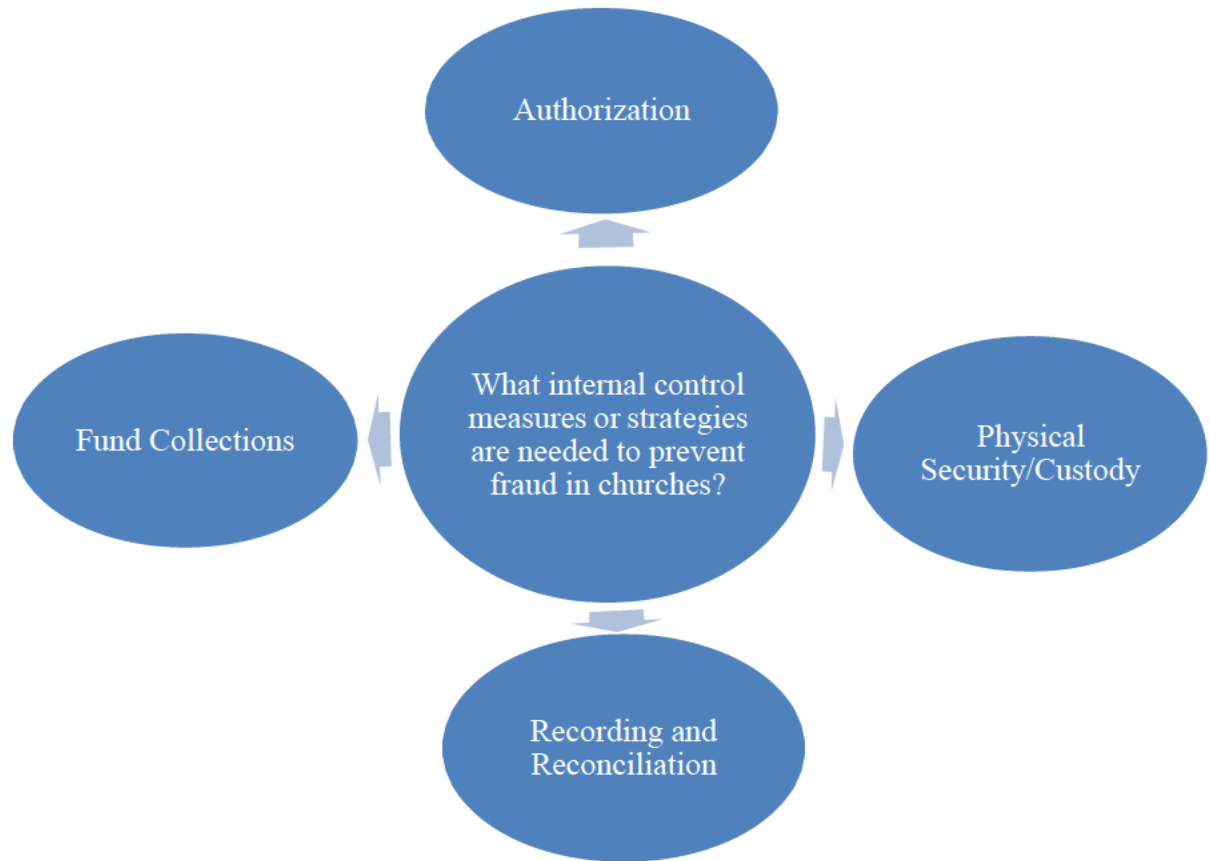
Theme 3 – Segregation of Duties – RQ4

Theme 3, "segregation of duties," addresses RQ4, the barriers and challenges of implementing effective internal control procedures. The major obstacles posing as a challenge to local churches in instituting internal control include management reluctance, limited resources, lack of knowledge of basic accounting and internal control systems, shortage of staff, lack of written policies and procedures, and insufficient and improper documentation as shown in Figure 6

Figure 6

Theme 3 - Segregation of Duties - RQ4

Theme 6 - Control and Monitoring - RQS

Theme 6, "control and monitoring," addressed RQ5, how internal control procedures can be used as an instrument to prevent fraud. Instruments that can be used to prevent fraud include policies and procedures, oversight and internal reviews, documentation, and checks and balances as seen in Figure 7.

Figure 7

Theme 6 – Control and Monitoring – RQ5
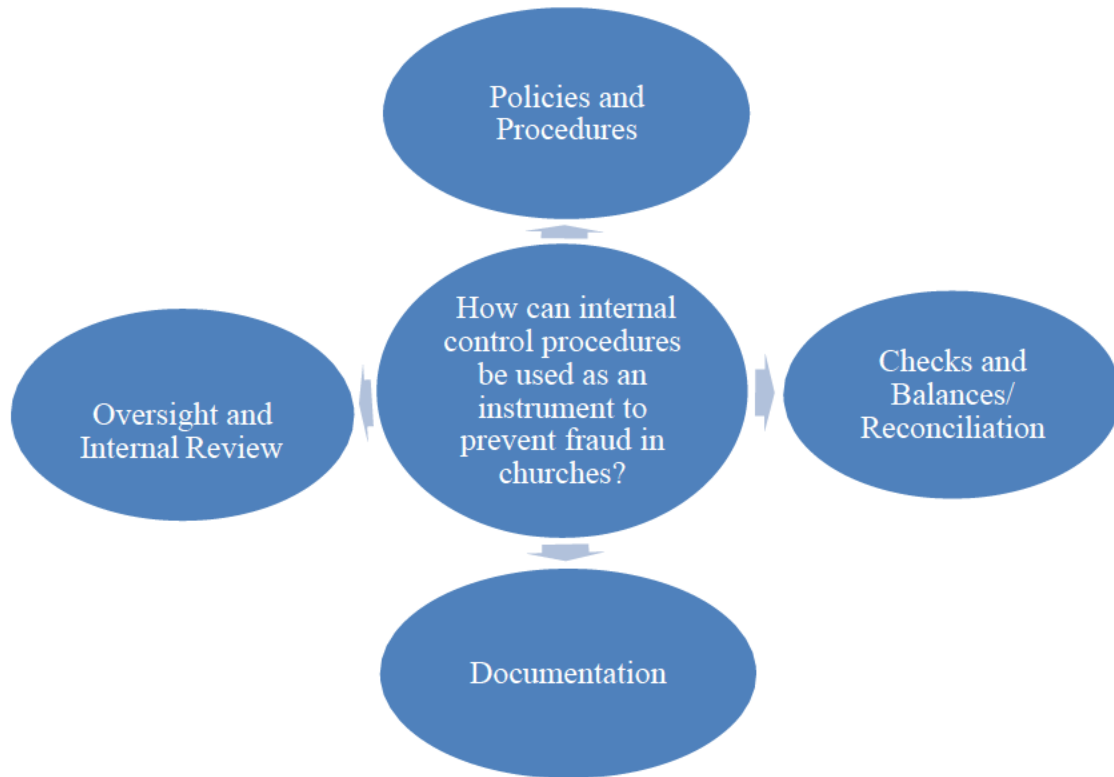
Themes 1 & 5: Accountability and Strong Leadership – RQ6

Themes 1 and 5, "accountability and strong leadership," focused on defining the roles

and responsibilities of church leaders in ensuring that effective internal control procedures are

implemented. Effective internal control begins with well written policies and procedures and

implementation starts with the tone at the top, proper education and training, corporate

governance practice, and recruitment policy as shown in Figure 8.

Figure 8

Themes 1 & 5: Accountability and Strong Leadership – RQ6
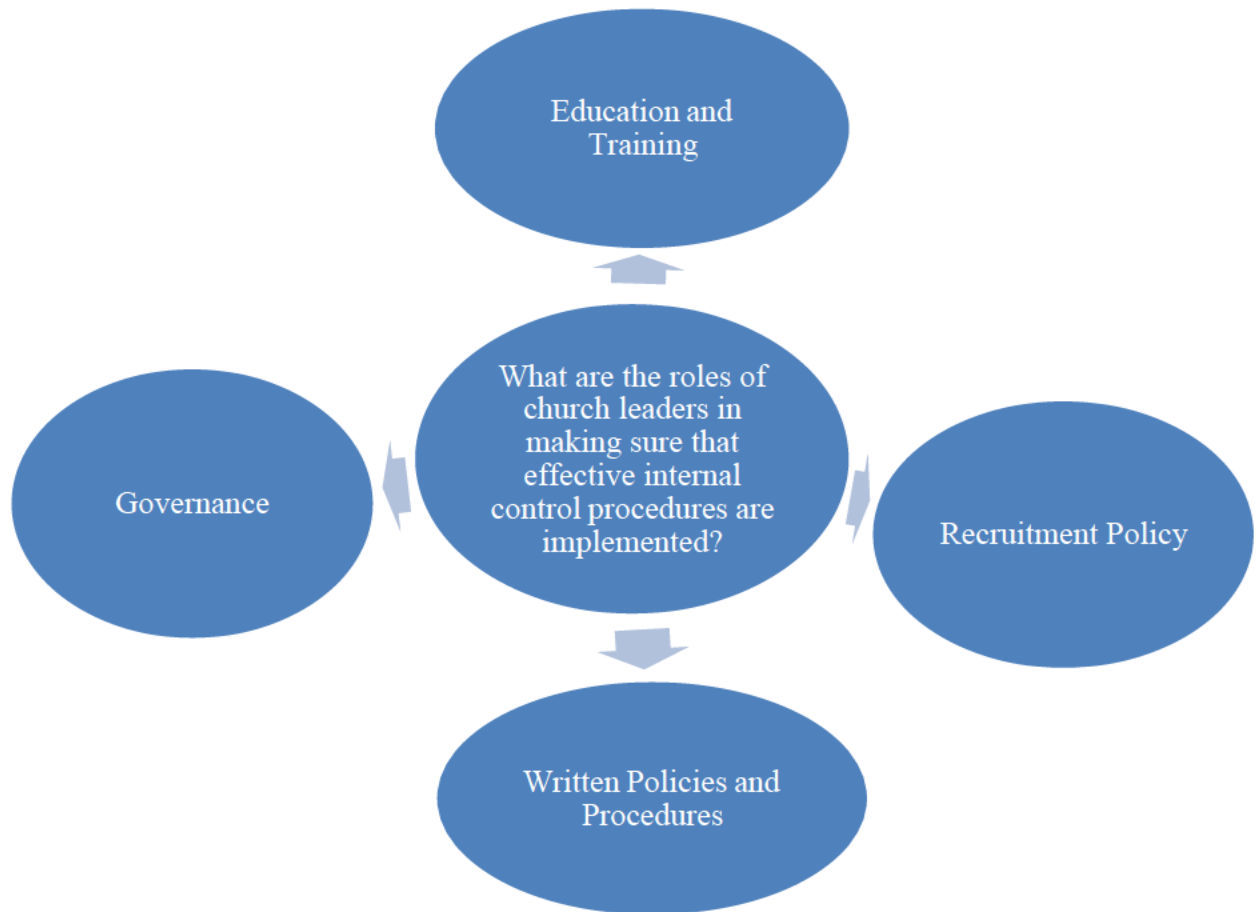
Theme 4: Disciplinary Measures – RQ6

Theme 4, "disciplinary measures," addressed the roles and responsibility of church

leaders in ensuring that effective disciplinary measures exist within the organization. The sub-

themes highlighted measures the leaders can follow when a crime is committed. These include

suspension, termination, forgiveness, recruitment policy, and culture of not reporting crime as

indicated in Figure 9.

Figure 9

Theme 4: Disciplinary Measures - RQ6
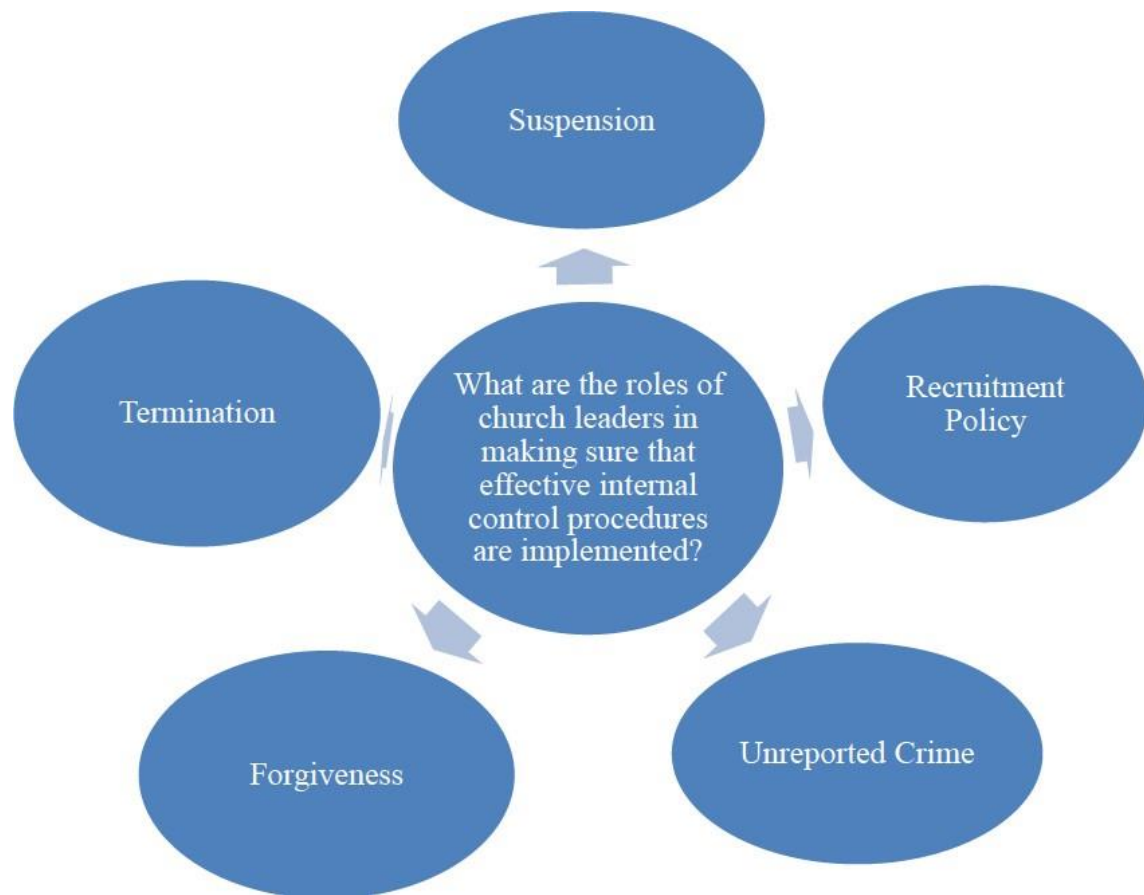
Comparison of Local and Mega Churches in Nigeria and the Application of Internal

Control

Sources of Funds

The sources of funds for local churches as depicted in Figure 18 show that local churches

generate their revenue from offe1to1y collect ions, tithes and seed sowing, donations and pledges,

and special programs. The sources of funds for the church depends on the size of the church.

Regardless of church size, one of the three biggest sources of church income comes through

individual contributions in the form of offerings, pledges, donations, and dues. However, the

larger the size of the congregation, the larger the amount generated. The U.S. Congregational

Life Survey (2011) found that on average, congregations receive about 91% of their yearly funds

from individuals' donations. Catholic parishes received 84% of their funds from individuals'

donations; Protestant churches received 90% of their funds from individuals' gifts; and

conservative Protestant churches received 97% of their funds from individuals' gifts.

As depicted in Figure 19, mega churches earn revenue from a variety of sources such as

the sale of books written by the pastors and CDs and DVDs of the sermons, but the bulk of their

revenue is said to come from donations from the congregation and revenue from their numerous

businesses.

An investigation carried out by the Punch Nigerian Newspapers revealed that these

churches own primary and secondary schools and universities, micro-finance banks, foods and

beverages companies, huge agricultural farms, spas, sports teams, printing firms, etc.

(Olowookere, 2017).

Figure 10

Sources of Fund of Local Churches
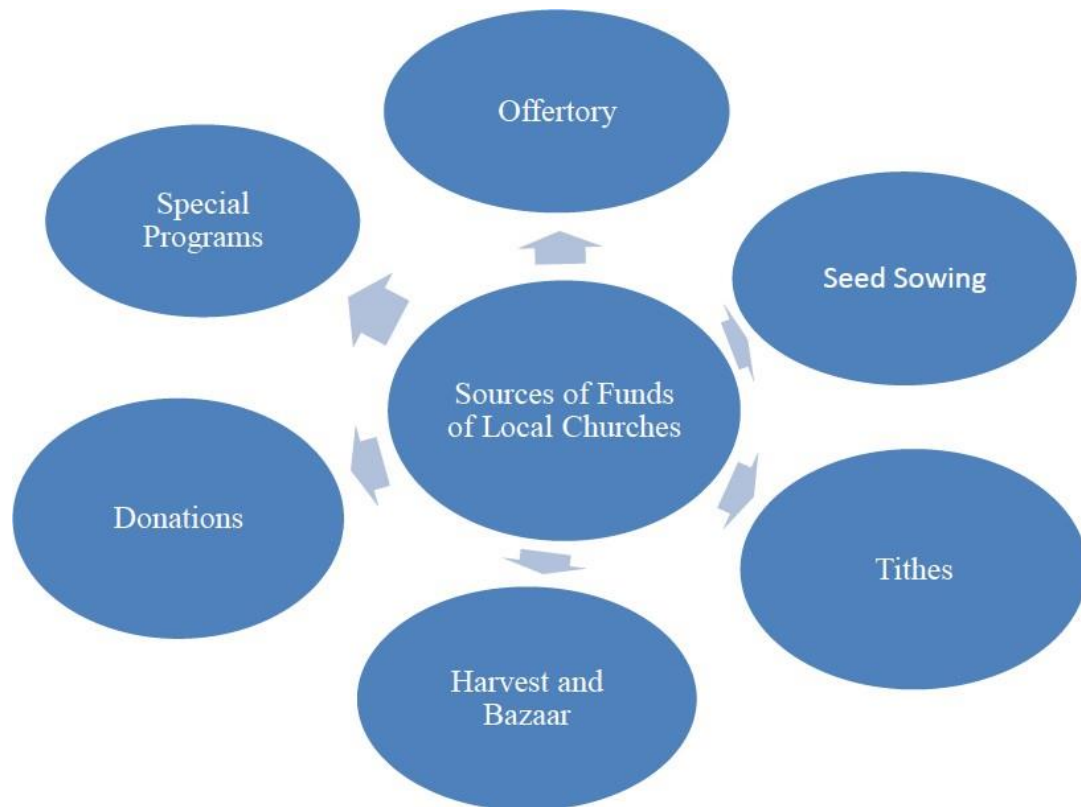
Figure 11

Sources of Funds of Mega Churches
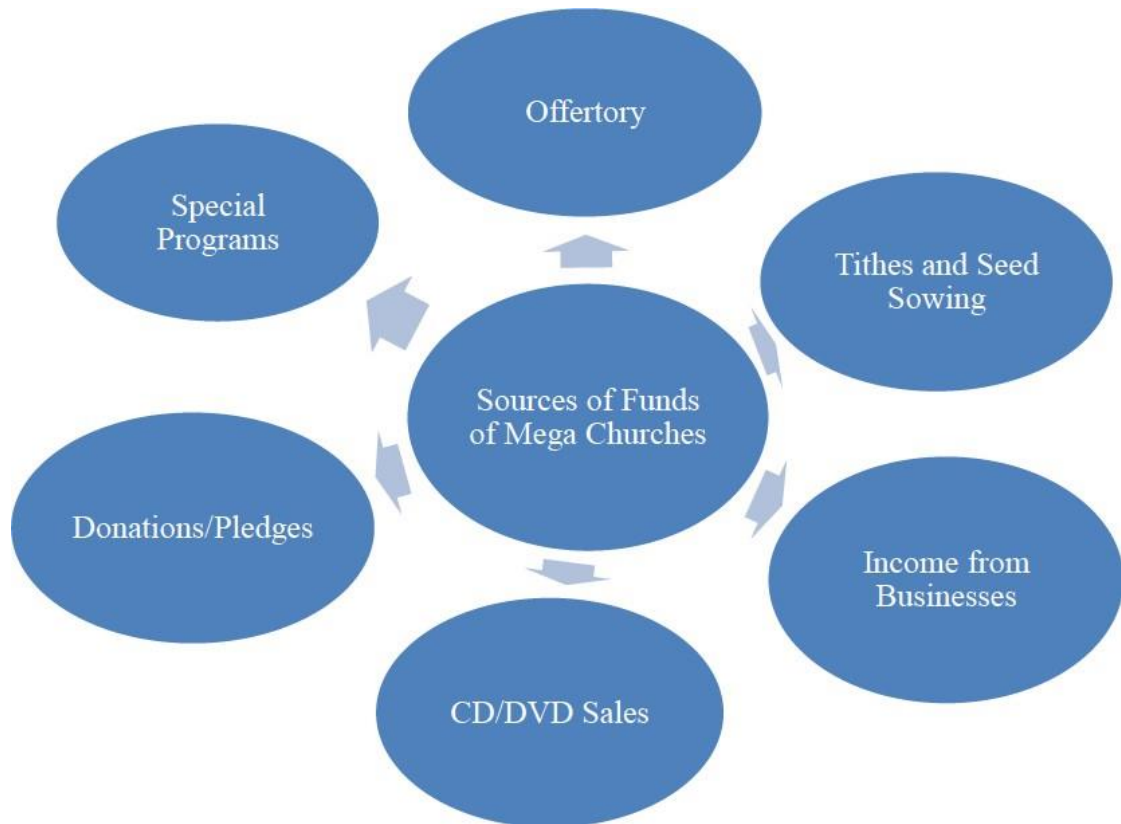
Operation and Internal Control

The histo1yof Christianity in Nigeria can be traced back to the 15th century when the

Portuguese brought Christianity with them on their business explorations. However, it can be

argued that the actual intent of the Portuguese was more an interest in slave business than

missionary intent (Olulana, 2017). Due to their involvement in the slave trade, their attempt to

focus on missionary work failed. In the 17th century , Roman Catholic missionaries attempted again

to establish Christianity but like the Portuguese, they came as merchants. They travelled around

to trade with the locals and preached to them about the new religion. Unfortunately, the

chiefs and kings were more interested in the mirrors and guns they brought with them than embracing the new religion.

After the abolition of the slave trade in the British Empire in 1833, some of the freed slaves had opportunities to acquire education offered by the Church Missionary Society (CMS). They practiced Christianity and preached the gospel to their families and kinsmen and over time, many Nigerians converted to Christianity. One of those regained slaves, Samuel Ajayi Crowther, went on to become the first African to be ordained bishop by the Christian Missionary Society (CMS) (Galadima & Turaki, 2001). Various missionary agencies have spread all over Nigeria. Careful observation shows that the Anglicans and Baptists are concentrated in the southwest of Nigeria, the Methodists in the east and the west, the Roman Catholics in the east, and the evangelicals, who were late on arrival, are spread throughout the northern region (Aigbadumah, 2011).

Over time, churches spread to other parts of the country. In the 1960s and 1970s, a wave of Pentecostal expansion was experienced by the country's youth population, mainly students on college campuses, leading to student revivals. One of the leaders behind these revivals was Benson Idahosa, one of Africa's most influential Pentecostal preachers of the 20th century (Olulana, 2017). Since the emergence of Pentecostalism, there has been proliferation of churches in every corner of the country. As Gaiya (2001) noted, "establishment of churches is one of the most lucrative businesses in Nigeria; while (Oladipo, 2011) echoed that churches have become big-time business opportunities managed by entrepreneurs and because of poverty and social and economic collapse, Nigerians have become desperate and gullible, and these churches service this market"

Recent statistics have shown that Protestant denominations account for 15.84% of the

total Christian population in Nigeria, while independent churches account for 18.25%. The

Anglican Communion (Nigeria) and the Roman Catholic church make up 10.21% and 13.45%

respectively. There are no available statistics on the population of the Pentecostal church (Giya,

2011).

Application of Internal Control

The problem with most smaller churches and mega churches commonly branded "New

Generation Churches" is that they are run like family businesses with no visible internal control

system and succession plans that flow from father – mother – sons/daughters. Kistler (2008) and

Duncan et al. (1999) noted that the level of internal control in churches differs among

denominations. Esivwenughwu (2017) further stated that churches built on autocratic structures

such as Baptist, Anglican, and Catholic churches have succession plans that were in existence

from the foundation of the church. Esivwenughwu (2017) said:

> Churches established under this structure, the inheritance of the church properties does
>
> not rest on the family lineage that is, on the retirement of the Pastor of the church or
>
> death, his wife cannot assume the mantle of leadership of the church. The son and other
>
> children of the Pastor cannot equally take over the control of the church activities. The
>
> author noted that the situation where the position of the founder, leader, general overseer,
>
> accountant, auditor, treasurer rests with the founder and owner of the church create no
>
> room for the existence of internal control.

To ensure a succession plan and adequate internal control system, the Financial

Reporting Council of Nigeria (FRCN) enacted a far-reaching act designed to guarantee financial

accountability. Section 9:3 of the code stipulates that "leaders or founders of nonprofit

organizations—including churches and ministries—must hand over leadership to a non-family member after 70 years of age or 20 years of being in charge of operation." Unfortunately, since the enactment of the Act in 2017, only one Pastor, Dr. Enoch Adeboye of the Redeemed Christian Church of God, has retired. This research study found that sound internal control systems are not applicable in local churches in Nigeria except for the Orthodox churches such as the Catholic church, Anglican church, Baptist church, and a few others. The "New Generation" churches are run like family businesses with no segregation of duties in place and because the law does not require churches to file or publish their financial records, their financial positions are kept secret. There is no doubt that churches are vulnerable to fiscal abuse because neither church members nor the government closely monitors their financial affairs. As Seidel (2018) noted, "churches' tax exemption is a privilege, not a right. Congress can attach strings to that privilege, including financial transparency." Olowookere (2017) noted that while these pastors:

> Own private jets maintain luxury homes in Nigeria and abroad, and send their children to some of the best schools in the world, investigation revealed that a substantial majority of the pastors engaged by the churches, who are polytechnic and university graduates, earn between N25,000 and N45,000 ($53.00 - $95.00) a month.

As one pastor noted:

> The job of a pastor is a sacrificial one, no doubt, but what we are paid cannot ordinarily sustain us. The money is definitely not enough to meet our needs even with our access to loans and free accommodation provided by the church (Olowookere, 2017).

The Scripture in 1 Timothy 4:1-4 and 2 Timothy 4:3 is coming to reality—the message of salvation is no longer preached; it is all about the message of material possessions. As Wilkerson (2017) noted:

Yet, in most churches where this 'other gospel' is preached (prosperity message), the

pews are packed. All the right words are sung and spoken. The theological terms, such as

holiness, Holy Spirit, and the cross, are mentioned. Everything looks good and sounds

right. But the reality of the cross is not presented! The crisis of the cross, the

confrontational aspects, are completely avoided. And if a sermon about the cross does not

include confrontation of sin—if it does not bring you to the crisis of the cross—it is not

the true preaching of the cross!

The researcher concluded that internal control systems in local churches in the

Enugu area, Nigeria, are very rudimental and the risk of fraud is high. The economic crisis and

unstable political systems mean that there are vulnerabilities to fraud occurrence. The message of

prosperity and show of opulence by the men of God makes them set aside the message of Jesus

in Mathew 6:33. Johnson (2017) noted that "the prosperity gospel," a theological message that

implies that God wants you to be rich, has taken root. As one of the participants noted, "The

internal control the church needed to prevent fraud is for the pastors to start preaching the

message of salvation and righteousness and let people be convicted of sin."

In summary, the researcher has presented an overview of the study, presentation of

the research findings, and an analysis of the data exploring the impact of internal control

deficiencies in local churches in the Enugu area, Nigeria. Recommendations for actions and

further study along with personal reflections and study conclusions will be presented in the next

section.

Applications to Professional Practice

In this qualitative case study, the researcher explored the impact of internal control

deficiencies on fraud in local churches in Nigeria. While the Church has been regarded as an

institution that provides a good example of ethics and is looked upon to speak out against fraud

(Marquette, 2010), embezzlement and mismanagement of assets in churches have become a great

concern (Ahiabor & Yaw Mensah, 2014). Fraud is particularly a problem for smaller churches

because they lack the resources to withstand occupational fraud (Drew, 2018); and therefore,

there are no or ineffective internal controls in place, which are critical in preventing fraud and

serve as an effective tool in preventing losses and achieving organizational goals (Afriyie et al.,

2018).

The researcher designed the study to address six research questions composed of 16

semi-structured interview questions tailored toward exploring the roles and importance of

internal control systems in churches; how lack of internal control systems or their ineffectiveness

has contributed to fraud and embezzlement of funds; the internal control measures or strategies

that are needed to prevent fraud in churches; the barriers or challenges in implementing effective

internal control procedures; how internal control procedures can be used as an instrument to

prevent fraud in churches; and the roles of church leaders in making sure that effective internal

control procedures are implemented. Six significant themes representing different categories of

preventing fraud in churches that emerged from the study were (a) accountability and

stewardship, (b) sound internal control procedures, (c) segregation of duties, (d) disciplinary

measures, (e) strong leadership, and (f) control and monitoring. The findings constitute a body of

knowledge with practical applications to provide church leaders, trusted church members,

employees, and volunteers with necessary tools to safeguard church funds and assets from fraud

and waste of resources. These tools can help local churches to limit fraud opportunities and

optimize their operations to achieve their critical mission and organizational goals. The result of

the study will help churches to emphasis on the application of designed procedures and process

in assigning members to the position of authority and management of church funds and resources

rather than relying on trust. Trust is deceptive and as Jeremiah 17:9 declares, "The heart is

deceitful above all things and beyond cure. Who can understand it?" (NIV). The study also

offered churches and their leaders' ways to adopt cultures that discourage fraud, either through

background checks, policies, and procedures, or engaging employees and volunteers in the

implementation of strong internal controls. Above all, the findings in this study are in accord

with the fraud triangle theory (Cressey, 1973) as churches and their leaders can use the theory to

understand key fraud indicators and how to detect and prevent fraudulent activities in their

churches (Free, 2015). The COSO internal control framework used in this study further offered

churches, as well as their leaders, employees, and volunteers the understanding of principles of

internal control systems and their relevance in eliminating fraud and waste of their limited

resources.

Although churches are not business organizations, the management of churches is not

different from business organizations since churches operate like business organizations from the

marketing, financial, operational, and human resources perspectives (Seide, 2013). Therefore, the

findings of the study can serve as a valuable tool to help church organizations in adopting

business-minded approaches and prudent financial management practices to achieve their

mission and organizational goals. The effective administration of local churches requires an

established and effective internal control system. The effective implementation of these

structures and prevention of fraud requires (a) accountability and stewardship and (b) strong

leadership. Marr (2005) defined accountability as the obligation to give a reckoning or

explanation of one's actions and responsibilities. Keathley (2004) found that accountability is

necessary in churches because it is an essential part of a functional society, the prototype for

which is the Triune Godhead itself; helps to promote biblical controls or checks and balances; is necessary because like sheep we tend to go our own way; promotes servant-like leadership in keeping with the pastoral mandate to watch over the flock; and is protective to both leaders and to the flock. Osisioma (2013) agreed:

> The goal of accountability is to help people grow in Christ and learn to find Him as the source, force, and course of life, and accountability is to the church, what tracks are to train: without it, we flounder, lose focus, detract from moral purity, and fail to achieve true unity and cohesion.

The study concluded that churches should promote accountability and stewardship across the board to ensure proper resource management which is necessary to achieve its mission and organizational goals. When the leader takes the led, he becomes an example for the congregation to follow. Participant 002 opined:

> Pastor must be accountable with the church money and be an example to church members. Let them preach the message of righteousness and not prosperity. This message will make people to focus on heaven and not about material things. It is sad that most of the new generation pastors focus on money. Jesus and the early apostles did not focus on what they have here on earth. Today, most Christians focus on what we can acquire which is wrong because those things cannot give us eternal life.

All the participants concurred that prevention of fraud in the church begins with accountability and proven stewardship. Participant 009 advised that the solution to prevention of fraud in churches is to:

Let us fear God and follow what the Bible says. Adam was driven from the garden

simply because God says do not do this and he did it. If our leaders, our pastors should

read their Bible and know the word of God and know what God says about issues, all

these problems will reduce but because the pastors have no time to read their Bible, they

only read the Bible when they want to preach, they just pick out one thing. If they can

read their Bible, follow what the Bible says and preach it, fraud will be prevented in

churches.

Participant 005 noted that "accountability is very important and if there is no

accountability the church money will not be safe." The culture of accountability starts with

leadership. Strong leadership sets the tone at the top. Osisoma (2013) noted that:

Leaders are accountable to God, to parishioners, to themselves, to society at large, and to

the vision and mission of the church. Leaders are to be held accountable, to lead God's

flock by walking personally with God and by working together to help church members

do the same.

Participant 012 agreed that leaders working together to help church members adhere to

accountability and avoid temptation of embezzling church money should start by offering

generous financial and welfare packages to local pastors. Participant 012 noted that:

General Overseers (GOs) should make sure that pastors are well paid and taken care of to

help them minimize the temptation of touching things they shouldn't touch because some

of them out of hunger do certain things. So, there should be better welfare for the pastors.

The study also found reluctance regarding implementing internal control on the part of

the leaders based on religious culture. There is no cohesive and effective internal control in local

churches in the Enugu area, Nigeria, and more in mega churches where there are mostly run like

family businesses. Segregation of duties are not implemented due to lack of resources and an

inability to engage the services of specialized employees or volunteers (Bain, 2017). Segregation

of duties reduces fraud occurrence (Dorminey et al., 2012). Most of the participants decried the

absence of segregation of duties. Churches should deploy compensatory measures such as

instituting physical control, training, and monitoring of employees and volunteers. Reluctance to

prosecute offenders stands as an impediment to deterring fraud. Participant 010 noted that:

> The church preaches forgiveness, and it is not right for the church to send offenders to the
>
> police. First, the church has administrative procedures to handle its matters............when a
>
> crime is committed and the person comes for confession to the priest, the priest cannot
>
> make the matter public, rather he will forgive and recommend penance.

Participant 004 concurred that:

> The way the world handles their thing is different from the way the people of God do
>
> their own things and churches should handle it (fraud) Biblical way. The person should
>
> be suspended, arrangement made to recover the money and ultimately, be removed from
>
> the position.

Participant 012 concluded that:

> What the church do spiritually is more punitive than what the police would have done.
>
> Sometimes, some of them (offenders) will offer to refund it (embezzled amount)
>
> or the person is disciplined—God deals with them, and you see them crying to
>
> the church to pray for God to have mercy on them. We don't report things to the
>
> police, we handle things ourselves as God directs us.
>
> The church stands as the embodiment of social change and shielding fraud offenders runs

contrary to that duty. Micah 6:8 questioned "And what does the Lord require of you? To act

justly and to love mercy and to walk humbly with your God" and Amos 5:24 says, "Let justice

roll down like waters, and righteousness like an ever-flowing stream" (NIV). When a whole

society lives justly and seeks righteousness, the effect will be a compounding, perpetuating river

of blessing from God. It may not be until Jesus returns that we see a society experience the

fullness of this, but prosecuting offenders serves as a deterrent to crime and is one effective

strategy to minimize and prevent fraud occurrence in churches.

Recommendations for Action

The findings of this qualitative case study provided insights and resources that will serve

as a valuable tool for local churches, their leaders, employees, and volunteers to effectively

minimize and/or prevent fraud and optimize their operational efficiency. The fight against fraud

is a combined effort of all the stakeholders in an organization. Both leadership and all

stakeholders are responsible for preventing fraud (Arif & Malek, 2013). The leaders need to "set

the tone at the top" for ethical behavior in an organization. They must show employees,

volunteers, and their congregations through their words, including sound biblical teachings and

actions, that dishonest or unethical behavior will not be tolerated. Leaders have a moral

responsibility to avoid putting undue temptation in front of employees. Opportunity in Cressey's

(1973) fraud triangle theory is the only component of the theory that is within the control of

leadership (Glasbeek, 2014). I Thessalonians 5:22 exhorts the believer to "abstain from all

appearance of evil" (NIV). Leadership should prevent temptation by trying not to place

employees, volunteers, and third parties in a position that would expose them to an opportunity

to compromise their faith. Therefore, internal control procedures should be put in place to reduce

the possibilities of the wrongful use of money.

The findings of the study reflect the strategies embodied in the conceptual framework of fraud triangle theo1yand the COSO Internal Control framewok used in this study and serve as aroad map for churches to strengthen their structures, systems, and processes for organizational efficiency, as well as the prevention of fraud and waste of limited resources. The researcher recommends the following key actions that limit or prevent fraud, including: (a) tone at the top and oversight, (b) segregation of duties, (c) sound internal control, (d) internal and external audits, (e) pre-employment screening, and (f) prosecution of offenders as depicted in Figure 20.

Figure 12

Key Actions for Limiting and Preventing Fraud in Local Churches
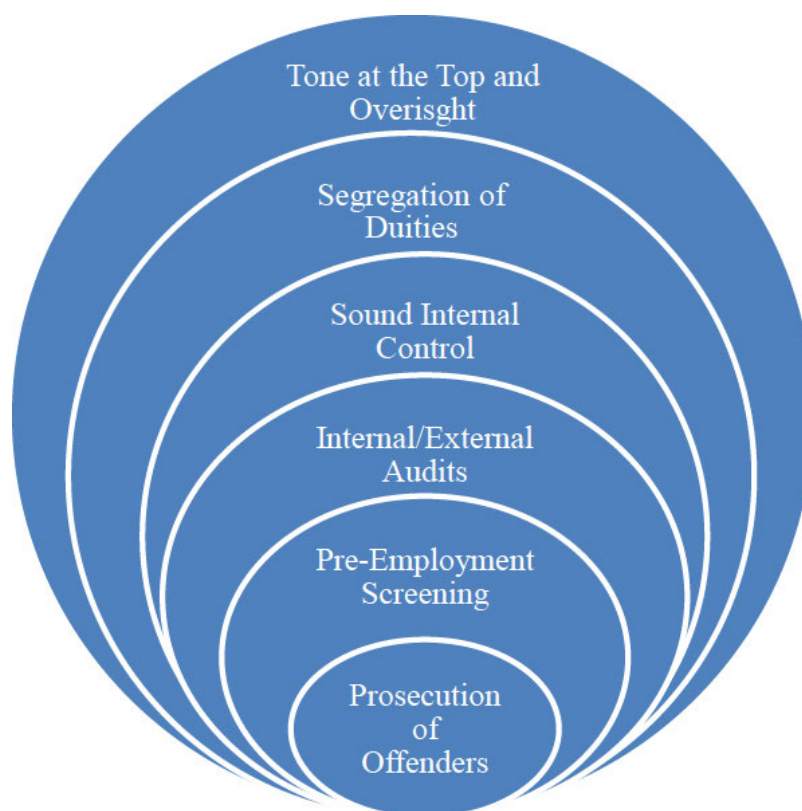
i.   **Tone at the Top and Oversight**

a.   As previously highlighted, leaders should "set the tone at the top" for ethical behavior and must show employees, volunteers, and congregations through their sound biblical

teachings and actions that dishonest or unethical behavior are sinful to be even

mentioned among believers in Christ Jesus.

b. Poor or nonexistent oversight or inadequate internal controls provided the fraudster

with the opportunity to commit fraud. Management should establish control and

monitoring procedures, checks and balances, and internal review of operations,

employees, and volunteers.

ii.   **Segregation of Duties**

a. No one person should authorize transactions, record those transactions in the financial

records, and exercise custody of the related assets and reconciliation of financial

records.

b. Leaders, no matter how highly regarded, and all employees and volunteers must be

accountable for their stewardship.

iii.   **Sound Internal Control**

Sound internal control procedures should be put in place for the following:

a. Offertory Collection

Maintain proper controls during the time the offering is being received and while in

route to the counting room. Keeping collections at the back of the pews waiting for

dedications to the altar should be tightly monitored and/or discouraged. Ushers should

not be tempted, and contributors should be assured that every precaution is being

taken to ensure that their gift is being used correctly.

b. Counting the Offering

One person should never be alone with any part of the offering. There should be at

least three persons assigned to count the offering on a rotational basis. A pre-

numbered receipts form should be filled out in triplicate. One copy should go to the

bookkeeper/financial secretary, one copy to the treasurer, and one copy should be

kept and filed with the priest/pastor or finance committee.

c. Tithing

For churches such as Pentecostal and Evangelical churches that emphasize tithing,

special tithing cards or envelopes should be issued to individual family members. The

tithe card and tithe register or book should be reconciled regularly.

d. Cash and Mailed Donations or Direct Deposits (Transfers)

A receipt must be given for every cash donation. Church members should be

encouraged to ask for and expect a receipt. A copy of the receipt should be given to

the finance committee, deacon, or responsible party with the donation at the next

service and the third copy of the receipt should be kept in the receipt book. Mailed

donations and transfers should be properly documented.

e. Membership Records

Whether manually kept or computerized, records of individual members' offering,

donations, tithes, etc., should be kept. The use of tithe cards and pre-numbered and

personalized individual envelopes should be encouraged. There should be a policy on

how membership contribution records are sent out or how members can see their

contribution records.

f. Recording Procedures

     The ushers, church wardens, elders, or whoever is responsible for counting the

collections should send a summary of receipts form and a copy of the deposit slip (for

churches with a bank account) to the financial secretary for recording.

g. Special Offerings

When special offerings are taken, it is important to keep this offering separate from

the general offering and make sure it is properly counted and recorded.

h. Authorization

All disbursements must be properly authorized. Disbursements for recurring

expenditures such as rent payments and salary may have a standing authorization,

while disbursement that occur irregularly could be paid for through a petty cash fund.

i. Cash Disbursements

The treasurer must not disburse cash arbitrarily. All cash disbursement must

follow established policy of authorization by the designated parties.

j. Petty Cash

A small amount of cash should be kept on hand for small expenses. The purpose of a

petty cash fund is to provide cash for small purchases and payments. One person

should have control of this fund and is accountable for the amount entrusted to them.

k. Budget

Local churches should develop the culture of preparing a budget. The budget is an

important control that churches can use to plan and use resources more efficiently, as

well as monitor income and expenses as an instrument to detect fraud.

l. Physical Control of Properties

Those entrusted with church assets and equipment should be responsible for their

protection and care. Authorized access or use of equipment should be restricted to

those properly authorized and all facilities should be locked when not being used.

iv.   **Internal and External Audit**

  a. Annual or periodic audits should be used to identify weaknesses in internal control

      and detect errors and fraud and take corrective measures.

v.   **Pre-employment Screening**

  a. Written policies and procedures for employment, work ethics, suspension, and

      termination should be provided to all employees and volunteers.

  b. The culture of trust is not a good internal control measure. Pre-employment screening

      such as background checks, police reports, references, and provision of bond or

      surety should be conducted and/or required for every employees and volunteers.

vi.   **Prosecution of Offenders**

  a. Church punitive measures of offenders should go beyond suspension and ex-

      communication to prosecution. In 1 Corinthians 5:7, St. Paul exhorts, "Clean out the

      old leaven so that you may be a new lump, just as you are in fact unleavened" (New

      American Standard Bible). In other words, the church needed to remove the offender

      so that the purity of the church would be restored, and the sin would not spread any

      further. The prosecution of offenders will serve to bring them to repentance and act as

      a deterrent to others from engaging in such an act. Churches should:

      i.   Establish policies and procedures for reporting any alleged fraud.

      ii.   Utilize due process procedures.

      iii.   Exercise punitive measures ranging from warning, suspension, dismissal,

              refund of embezzled amount, and ultimately prosecution.

Recommendations for Further Study

There are vast data on fraud and internal control in large corporations, as well as small and medium sized organizations. While the incident of fraud is increasing in non-profit organizations including churches, research on fraud and internal controls in churches is limited. The findings from this study provide a foundation for researchers to dive deeper into future studies on internal control and fraud in local churches.

Further studies are needed to explore more strategies that church leaders, pastors, and employees can use to significantly reduce and prevent occurrence of fraud and waste of resources in the church. A similar study could focus on local churches in rural areas, cities, mega-churches, and different denominations. While this study focused on local churches, further studies based on the size of the church would be beneficial to identify whether there is a correlation between the size of church and fraud committed, as well as the magnitude of the fraud in each segment. Further research on fraud in larger communities outside of a religious environment would also be beneficial.

Reflections

As an Internal Revenue Agent and Certified Information System Auditor and former Financial Auditor, the researcher understands the importance and impact of internal controls in fraud prevention. As a former member of the Ways and Means committee (finance committee) of a local church in Nigeria, the researcher has knowledge of church fund management and the expectation of church members on the proper usage of the church fund. With corporate fraud such as Wirecard, Luckin Coffee, Wells Fargo (WFC), Volkswagen, Enron, WorldCom, etc., the researcher's focus and research proposal was on corporate fraud. However, as a Christian, the researcher heard the Lord encourage him to redirect his focus on working for the church, and this

prompted the researcher to conduct this study on the impact of internal control deficiencies on

fraud in local churches.

The researcher understood the implications of internal control deficiencies and their

effect on cash collections and the absence of segregation of duties in offertory and tithes

collections, counting, recording, deposits, and disbursements. After the study, the researcher

expanded his knowledge and understanding of church organizations, fraud, and strategies to

prevent fraud and waste of resources. The study enabled the researcher to profuse tools and

strategies that would be useful to churches and their leaders to safeguard church assets and

resources.

The journey of completing this study was not without challenges. The researcher's initial

target population was local churches in Greater Kansas City, comprising Jackson County in

Missouri, and Johnson and Wyandotte County, Kansas, United States. The researcher mailed 70

permission letters and received only three responses from three churches declining to participate

in the study. The unwillingness of churches to participate in the study reenforced the accusation

that most churches and their leaders hide their affairs. As one pastor who declined to participate

in the study noted, "The church does not have money, we only collect tithes and I do not handle

any money collected." The pastors misunderstood the objectives of the study, thinking that by

participating in the study, they are been audited for financial irregularities and abuse. The

researcher subsequently requested permission from the Chair and DBA Administrator to change

the participant's population from local churches in Greater Kansas City, United States to the

Enugu area, Nigeria and obtained approval. The Nigerian situation presented a different kind of

problem, as some pastors that received permission letters demanded to know how much they

would be paid and declined participation when told that no financial benefit will be awarded to them.

The COVID-19 pandemic adversely effected the conduct of the field study. The opportunity to observe offertory collection during church services was missed, as well as the opportunity to have an inside look at the books, records, and accounting systems in place.

Overall, after completing the study, the researcher gained substantial insight on the churches funds administration and the implication of internal control deficiency on fraud in local churches, and offers a challenge to the researcher to work toward publishing a handbook on tools and strategies to prevent fraud in churches.

Biblical Perspective

The creation account in Genesis 2:2-3, 15 beautifully laid out how the one true God created the universe and entrusted the earth to man, whom He created to dominate, be fruitful, and multiply the earth. This creation mandate makes man a partner in continuing God's creative activity (Duzer et al., n.d.). Genesis 2:15 stated that "The Lord God took the man and put him in the garden of Eden to work it and keep it" (English Standard Version) and because "the earth is the LORD's and the fullness thereof, the world and those who dwell therein" (ESV, Psalm 24:1), this divine assignment of responsibility was the bedrock of accounting. St. Paul exhorted the Corinthians Christians and noted that "it is required of stewards that they be found trustworthy" (ESV, 1 Corinthians 4:2). The church and its leaders are accountable to God, to parishioners, to themselves, to society at large, and to the vision and mission of the church (Osisoma, 2013). Church leaders have been entrusted with God's resources and must give account of their stewardship to God, the congregations, and the donors. To safeguard church assets and

resources, leaders should implement internal control measures and necessary policies and

procedures to ensure financial accountability and stewardship.

Leaders should take a cue from Jehoiada, the priest. In 2 Kings 12:9-16 (NIV) during the

reign of King Joash, Jehoiada, the priest, introduced a sound internal control system by

separating the money donated for rebuilding the temple and the money from guilt and sin

offerings. 2 Kings 12:9-10 declared that:

> Jehoiada the priest took a chest and bored a hole in its lid. He placed it beside the altar,
>
> on the right side as one enters the temple of the LORD. The priests who guarded the
>
> entrance put into the chest all the money that was brought to the temple of the LORD.
>
> Whenever they saw that there was a large amount of money in the chest, the royal
>
> secretary and the high priest came, counted the money that had been brought into the
>
> temple of the LORD and put it into bags. When the amount had been determined, they
>
> gave the money to the men appointed to supervise the work on the temple. (NIV)

These are the type of internal control procedures that churches should adopt over the

collection of offerings, tithes, and management of their funds. The scripture offers the principle

of segregation of duties and the importance of internal controls, as 2 Chronicles 24:11-12 gives a

similar account of the repair of the temple by King Joash "when the chest was taken to the royal

office of control, run by the Levites, they would check the amount of money in it, then the king's

secretary would come with a representative of the chief priest; they would take up the chest and

carry it away" (TJB). However, leaders should avoid the repeat of what happened to Jehoiada's

implementation of internal control and ensure accountability and stewardship for "they did not

require an accounting from those to whom they gave the money to pay the workers, because they

acted with complete honesty" (NIV, 2 Kings 12:15). Trust is not a sound internal control

procedure and should be avoided. Accountability is paramount and Jesus emphasized that "everyone will have to give account on the day of judgment for every empty word they have spoken" (New King James Version). While it is good to know that the Jehoiada's appointed craftsman were honest in their conduct and indeed there are many honest and trustworthy members in the church today, it would have been better to eliminate any possibility of mistrust and assure the congregations and donors that the church funds are being properly and judiciously used.

Summary and Conclusion

Most research on the prevention of fraud are focused on sizeable for-profit organizations, but research on fraud within churches are lacking. The researcher conducted 17 interviews with church leaders, pastors, ministers, reverend fathers, employees, and volunteers from local churches in the Enugu area, Nigeria and obtained data on mega churches in Nigeria from various internet sources to compare sources of funds, operation, and application of internal control among local and mega churches. Six significant themes representing different categories of preventing fraud in churches that emerged from the study were (a) accountability and stewardship, (b) sound internal control procedures, (c) segregation of duties, (d) disciplinary measures, (e) strong leadership, and (f) control and monitoring. The findings constitute a body of knowledge with practical applications to provide church leaders, trusted church members, employees, and volunteers with necessary tools to safeguard church funds and assets from fraud and waste of resources. Data collected and analyzed shows that opportunity exists for occurrence of fraud and embezzlement of funds in local churches in the Enugu area, Nigeria due to lack of segregation of duties, poor leadership and governance, absence of education and training, the culture of trust, and reluctance to prosecute offenders.

The findings of the study aligned with the fraud triangle theory and offered churches and

their leaders an opportunity to understand key fraud factors and how to detect and prevent

fraudulent activities in their churches. Also, the COSO internal control framework offered

churches, their leaders, employees, and volunteers an understanding of the principles of internal

control systems and their relevance in reducing and preventing fraud occurrence. Although

churches are not business organizations, the management of churches is like business

organizations in terms of marketing, financial, operational, and human resources perspectives.

One key theme that resonated with all the participants is that prevention of fraud in the

church begins with accountability, proven stewardship, and the pastors returning to preaching the

message of salvation rather than the message of prosperity.

The study found that one of the impediments to leaders in embracing the installation and

implementation of internal control is the culture of trust and reluctance to prosecute. The

researcher recommended key actions for limiting and preventing fraud in the local church that

include (a) setting the tone at the top and oversight by being an example and providing proper

monitoring, (b) segregation of duties, (c) sound internal control, (d) internal and external audits,

(e) pre-employment screening, and (f) prosecution of offenders. Data on the effect of fraud and

internal controls exist for large corporations and small and medium sized organizations, but there

are few studies on fraud in non-profit organizations such as churches. Further studies are needed

to explore the increasing occurrence on fraud, resulting from deficiencies on internal control

systems in local churches. It is expected that this study has laid a foundation for further studies.

As a former member of the Ways and Means committee (finance committee) of a local

church in Nigeria, a Certified Information Systems Auditor, Fraud Examiner and an Internal

Revenue Agent, the researcher has vast knowledge of church fund management and the

importance of internal control on prevention of fraud occurrence. While the study enabled the

researcher to offer valuable tools and strategies that will be useful to churches and their leaders

to safeguard church assets and resources, the journey of completing the study was not without

challenges. Accountability and stewardship are a divine mandate and churches, and their leaders

are accountable not only to God but to their congregations and community. The principle of

internal control and segregation of duties have their root in the Bible, as demonstrated during the

reign of King Joash in 2 King 24:9-16 and 2 Chronicles 24:11-12 during the repair of the temple.

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Appendices

Appendix A - Database of Megachurches in Nigeria*

No	Churches	Pastor	Incorporated
1	Christ Embassy or Believers' Loveworld,	Chris Oyakhilome	1987
2	Deeper Christian Life Ministry	Dr. William Folorunso Kumuyi	1973
3	Faith Tabernacle	Dr. David Oyedepo	1981
4	Living Faith Church Worldwide	Dr. David Oyedepo	1983
5	The Lord's Chosen Charismatic Revival Movement	Lazarus Muoka	1994
6	Mountain of Fire and Miracles Ministries	Daniel Kolawole Olukoya	1989
7	Redeemed Christian Church of God	Dr. Enoch Adeboye	1981
8	The Synagogue, Church of All Nations	TB Joshua	1987
9	Watchman Catholic Charismatic Renewal Movement	Aloysius Ohanebo	19,723
10	Word of Life Bible Church, Warri	Ayo Oritsejafor	1987
12	Omega Power Ministries, Port Harcourt	Chibuzor Chinyere	
13	Daystar Christian Centre, Oregun, Lagos	Sam Adeyemi	1994
14	Dunamis International Gospel Center, Abuja	Paul Enenche	1996
15	Fountain of Life Church, Lagos	Taiwo Odukoya	1992
16	Household of God Church, Lagos	Chris Okotie	1987

17	Christ Apostolic Church Agbala Itura, Ibadan	Emmanuel O. Kolawole	
18	Power City International, Uyo	Dr. Abel Damina	1993
19	House on the Rock Church / Rock Cathedral, Ikoyi, Lagos	Paul Adefarasin	1994
20	The Redeemed Evangelical Mission, International, Lagos	Dr. Mike Okonkwo	1981
21	Family Worship Center, Abuja	Sarah Omakwu	1993
22	Salvation Ministries – Home of Success, Port Harcourt	David Ibiyeomie	1997
23	Christian Pentecostal Mission International, Lagos	Dr. Obiora Ezekiel	1977
24	Champions Royal Assembly Inc., Abuja	Joshua Iginla	
25	Good Tidings Bible Church International, Abuja	Dayo Olutayo	
26	Church of God Mission International, Benin City	Archbishop M. E. Benson-Idahosa.	1962
27	Christian Central Chapel International (CCCI), Calabar	Dr. Emmah Gospel Isong	2008
28	Covenant Christian Centre (Insights for Living), Yaba, Lagos	Poju Oyemade	1994
29	This Present House, Lagos	Tony Rapu	

30	Omega Fire Ministries International, Auchi	Johnson Suleman	2004
31	Trinity House, Victoria Island, Lagos	Ituah Ighodalo	2000
32	New Estate Baptist Church, Lagos	Achi Kunat	2002

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Appendix B: Database of local churches in Enugu Area, Nigeria**

Denomination	Name of Church	Address	Telephone Number
Evangelical	Assemblies of God Church Asata Enugu	8/10 Udi Rd, Asata, Enugu	
Pentecostal	Christ Embassy Enugu	80 Presidential Rd, Asata, Enugu	
Pentecostal	Living Faith Church	12, Winners Way, Off, Presidential Rd, Enugu	+234 809 872 6243
Pentecostal	Dunamis International Gospel Centre	Independence Layout Phase II, Enugu	
Lutheran	Lutheran Church of Nigeria, Enugu	17 Port Harcourt St, Ogui, Enugu	
*Angelican	Church of Transfiguration, Anglican Communion	1 Nnamoha Street, Ogui, Enugu,	
Pentecostal	Dominion City Enugu	Thinkers Corner, Enugu	
	Ebenezer Church Enugu	Independence Layout Phase II, Enugu	

Presbyterian	Presbyterian Church of Nigeria, Alulu Nike, Enugu	Nike Hotel Dr, Enugu,	+234 703 907 1027
Angelican	All Saints church GRA Enugu	Abakaliki Rd, 400001, Enugu	+234 803 505 6640
Methodist	Methodist Church of Nigeria	2 Lumumba St, New Haven, Enugu	+234 803 099 7727
Catholic	St Mary's Catholic Church	Trans-Ekulu, Enugu	+234 803 337 5672
Methodist	Methodist Church of Nigeria	80 Agbani Rd, Uwani, Enugu	+234 807 549 8663
	Salvation Ministries, Enugu	19 Ogui Rd, Achara, Enugu	
	The Apostolic Church	127 Chime Ave, New Haven, Enugu	+234 809 633 7154
Catholic	Holy Trinity Catholic Church	Nachi Street, Independence Layout, Enugu	
Catholic	St. Mary's Catholic Parish, Owo, Enugu	Owo Central, Nkanu East, Enugu	
Church of Christ	Church of Christ Abakpa Nike, Enugu	Abakpa, Enugu	

Anglican	Christ Redemption Anglican Church Enugu	Ogui, Enugu	
Catholic	St Anthony Catholic Parish Mbulu Owo,	Mbulu, Owo, Nkanu East, Enugu	
	The Word Bride Assembly, Enugu	Obinagu, Enugu	+234 806 277 5262
Catholic	Sacred Heart Parish	Off Zik Avenue, Uwani, Achara, Enugu	+234 903 653 7730
Catholic	Adoration Ministry	Umuchigbo Iji-Nike, 400103, Nike, Nigeria	
	Christ Holy Church International	Nwangene close, Abakpa Nike, Enugu	
*Pentecostal	The Censers Church Inc	7 Censers Church Avenue, KlM 9 Enugu PH Expressway, Enugu	+234 703 457 1206
Pentecostal	Mountain of Fire and Miracles Ministries	Marcus Garvey St, New Haven, Enugu	+234 706 867 6152
	GGM, Eagle Center Abakpa, Enugu	Nike Lake Road	

	Chapel of His Resurrection Enugu	ESUT Teaching Hospital Parklane G.R.A. Enugu	
	Okunerere Adoration Ministry - OKAM	Opposite Queen of Rosary Secondary School, Nsukka	
*Non-denominational	Word of Glory International Ministry, Umuchigbo, Enugu	5 Harmony Rd, Umuchigbo, Ijinike Enugu,	
Pentecostal	MFM South East Region 22	No 1 Joe Asogwa Street, Trans-Ekulu, Enugu	
	Divine Will Deliverance and Healing Ministry Enugu	50 Lake Nike road, Ibagwa, Near 2Jay's Restaurant	
*Evangelical	Assemblies of God Chapel Enugu	20-24 Njemanze Street, off 151 Ogui Road, Enugu	
*Pentecostal	Great Ambassadors	66 Chime Avenue New Haven Enugu	
Pentecostal	Wisdom Family Church Worldwide	3, Edward Nnaji park street, off New	

		Nza -Chime Ave. New Heaven, Enugu	
Baptist	New Life Baptist Church, Abakpa, Enugu.	Abakpa, Enugu.	
Pentecostal	Christian Victory Prayer Ministry	M/2 Idaw River Layout (Victory Village) Awkunanaw Agbani Road Enugu	
Pentecostal	C.L.C Int'L ministries	KM 111 Enugu-PH Express Way Amechi, Enugu	
*Anglican	hurch of the Holy Spirit, Obiagu-Ohuani	Obiagu -Ohuani, Owo, Nkanu East, Enugu	
	Holy Angel Church	97 Umuawulu St, Enugu,	
Catholic	St. Patrick Parish, Mt. Zion, Nkerefi, Enugu	Nkerefi, Nkanu, East Enugu	
Methodist	Emmanuel Methodist Church, Mbogodo Agbani	Agbani, Nkanu West, Enugu	
Catholic	Sacred Heart Parish Church Akpugo	Akpugo, Nkanu West, Enugu	

*Ascension	Christ Ascension Church	97 Umuawulu St, Enugu	
Apostolic	Christ Apostolic Church, Aminyi Amakpu, Agbani	Agbani, Nkanu West, Enugu	
	Divine Grace Liberation Assembly - Enugu	102 Agbani Rd, Achara, Enugu	
Pentecostal	Light & Freedom Moving Church Int'l	New Heaven, Enugu	
*Pentecostal	Living Faith Chapel, Independence Layout, Enugu,	27c Winners Road, Off Presidential Road, Independence Layout, Enugu,	
Pentecostal	House of Exploits Church	126 Agbani Rd, Enugu, Nigeria	
*Pentecostal	The Ambassadors Church	20 Agbani Rd, Achara, Enugu, Nigeria	
Evangelical	Zion Life Evangelical Church	237 Agbani Rd, Uwani, Enugu	
Pentecostal	Omnipotent Int'l, Emene, Enugu	Old Rd, Emene, Enugu,	+234 806 054 5575
	Overcomers Christian Mission Enugu	49 Kenneth Rd, Awkunanaw, Enugu	

	Power of Heaven Chapel	128 Agbani Rd, Achara, Enugu	
	Excellent People's Church	86b Agbani Rd, Achara, Enugu	
*Pentecostal	Violent Faith Church World Outreach	22 Zik Ave, Uwani, Enugu	
Pentecostal	Jesus Liberation Ministries	116 Agbani Rd, Uwani, Enugu, Nigeria	
	Pool of Bethsaida Prophetic Church	Nike Lake Rd, beside me&u filling station, Enugu	
Pentecostal	God's Flight Church Inc.	172 Agbani Rd, Achara, Enugu,	
Pentecostal	Abiding Word	1A Chime Ave, New Haven, Enugu,	
Pentecostal	Christian Pentecostal Missions International	Gariki, Enugu	
Pentecostal	Divine Palace Church Int'l	121 Agbani Rd, Uwani, Enugu	+234 803 791 0285
*Pentecostal	Power as Of Old Deliverance and Fire Ministries	187 Agbani Rd, Uwani, Enugu	

Non-denominational	Word of Glory International Ministry, Umuchigbo, Enugu	5 Harmony Rd, Umuchigbo, Ijinike Enugu,	
Pentecostal	The Lords Chosen Ministry - Achara Layout	1 Queen of Peace Drive, Uwani, Enugu,	
*Catholic	St. Theresa Catholic Church. Abakpa-Nike	P. O Box 302, Enugu	
Catholic	Upper Room Ministries, Emene, Enugu	Emene, Enugu	
Pentecostal	The Cornerstone Church Enugu	lot Cp2 Ekulu Avenue, Trans-Ekulu, Enugu,	+234 810 884 8008
*Pentecostal	House of Generals International Church	Plot 450 Off Chief Onukwube Street, Maryland, Enugu	+234 803 328 0784
Ascension	Emmanuel Parish Mainland Emene Enugu	Emene, Enugu	+234 811 089 1649
Evangelical	Assemblies of God Church Uwani	Uwani, Enugu	+234 803 778 5930
Pentecostal	Light & Freedom Moving Church Int'l	New Haven, Enugu	

Baptist	Centre Baptist Church	45 Okpara Ave, GRA, Enugu	+234 803 499 7631
Pentecostal	Foundation Faith Church Enugu	27 Ufuma St, Uwani, Enugu	+234 703 315 0637
*Catholic	St. Francis of Assisi Catholic Parish, Ibefun	Ibefun. P.O Box 326, Ijebu-Ode	
Pentecostal	Church of Transfiguration Ihewuzi Ogui Enugu	80 Presidential Rd, Enugu	+234 803 047 9257
*Pentecostal	Rapture Time Christian Assembly	Eso Bus Stop, Agbani Rd, Enugu	
	Seventh Day Adventist Church	27 Udi Rd, Asata, Enugu,	+234 803 447 4037
Lutheran	Christ Ascension Church Awkunanaw	108 Amechi Rd Top Land, Enugu	
Pentecostal	The Lighthouse Christian Chapel, Enugu	Chijioke, Agu Street, Enugu	+234 703 089 7660
Pentecostal	Church of Resurrection Power	New Haven, Enugu	+234 807 652 3333
Non-Denominational	The Triumphant Christian Church	34 Umuezebi St, New Haven, Enugu	+234 813 051 7546
*Non-Denominational	Watchman Catholic Charismatic Renewal	44 Abia Street, Ugbene 1, Abakpa-	

	Movement, Abakpa-Nike, Enugu	Nike, Enugu, Nigeria	
	Master Builder Global Church Enugu	Shoprite, Kobb Civic Center, Enugu	+234 810 909 2889
Church of Christ	Elect of God Church Enugu	Achara, Enugu	+234 703 026 8569
Pentecostal	Reigning King Mega Parish	38 Chime Ave, New Haven, Enugu	
Pentecostal	Prophetic Word Assembly Int. Enugu	Thinkers Corner, Enugu	
Pentecostal	The Rock Family Church	1 Moore Avenue By, Oba St, Ogui, Enugu	+234 23414614120
Apostolic	Christ Apostolic Church - Emene	16 Old Abakaliki Rd, Emene, Enugu,	
Baptist	Independent Baptist Bible Church	New Haven, Enugu	
Pentecostal	Throne of Grace Church	175 Ogui Rd, Asata, Enugu	
Evangelical	Evangelical Church of West African (ECWA) Church 1	14 Isiuzo Street, Independence Layout, Enugu	

Methodist	Free Methodist Church Enugu	Klm 5/6, Enugu-Onitsha Expy, Way,	+234 810 027 5273
Pentecostal	Riches of Christ Church Inc Nigeria	Ogbete Primary School Rd, Achara, Enugu	+234 816 714 0574
Pentecostal	David Generation Mega	95 Chime Ave, New Haven, Enugu	
*Catholic	St. Mary's Cath. Church, Ijinike, Enugu	I Umuchigbo, Ijinike, Enugu	
Catholic	St Joseph's Catholic Church, Emene	187 Old Abakaliki Rd, Enugu	+234 814 176 2920
Catholic	St. Teresa's Catholic Church Ugbo-Odogwu	Trans-Ekulu, Enugu	
Pentecostal	Victory Pentecostal Ministries Int'l	GRA, Enugu	
*Pentecostal	Zion Life Evangelical Church	237 Agbani Rd, Uwani, Enugu	

**LocalPrayers.com, CatholicDirectory.com; Enugu.infoisinfo.ng, Churches in

Enugu/Facebook and Google searches

Appendix C: Permission to Conduct Research Study

Date ....

Mr. X

Address

Permission to Conduct Research Study

Dear Mr. X

My name is ████████ I am from Enugu State and reside in Kansa City, United States. I am a doctoral candidate at Liberty University, Lynchburg, Virginia, United States, working on completing my Doctor of Business Administration (DBA) degree in Accounting. I am conducting research study titled: "***An Exploration of Internal Control Deficiencies and their Impact on Fraud in Local Churches in Nigeria.***"

The purpose of this study is to explore the impact of internal control deficiencies on fraud in local churches in Nigeria and provide church leaders, trusted church members, employees, and volunteers with necessary tools to guard church funds and assets from fraud and waste of resources.

I am writing to request permission to conduct this research study at your church. The study involves observing offertory collections during church service and conducting interview/s. If you agree to be in this study, I will solicit an official of the church such as the pastor, a church leader, an employee, or a volunteer to participate in an interview session. I plan to be in Nigeria between the month of December 2020 and January 2021 at which time, we will arrange a **date** and **time** that is convenient for us to meet. Due to COVID -19, this interview could be in-person or by phone and the interview session should take between 40 minutes and 1 hour. I would also like your permission to tape record this interview, so I may accurately document the information you convey.

No costs will be incurred by either your church or the individual participants. Your confidentiality will be protected throughout this study. If permission is granted, I will provide you with a consent form when I come to Nigeria that contains additional information about the study and interview questions prior to the interview. Your approval to conduct this study will be greatly appreciated. I will be happy to answer any questions or concerns that you may have at any time. You may contact me on ▮▮▮▮▮▮▮▮▮ or at my email address: ▮▮▮▮▮▮▮

If you agree, kindly complete and sign the enclosed **"Permission to conduct Research"** and return it in the enclosed self-addressed envelope and give it to the bearer of this letter for onward delivery to me or by scanning and sending it to the e-mail address above. Alternatively, kindly submit a signed letter of permission on your church's letterhead acknowledging your consent and permission for me to conduct this research study with your church or stamp the enclose letter to make it look official

Sincerely,

▮▮▮▮▮▮▮

Doctoral Candidate, Liberty University, Lynchburg, VA.

Enclosures:

Permission to Conduct Research

Self-addressed Stamped Envelope

Appendix D: Permission to Conduct Research (Response to Appendix C)

PERMISSION TO CONDUCT RESEARCH

Date: ⸺⸺⸺⸺⸺⸺⸺⸺⸺⸺⸺⸺⸺⸺

Dear Liberty University Institutional Review Board,

The purpose of this letter is to inform you that we give ███████████ permission to conduct the research titled, "**An Exploration of Internal Control Deficiencies and Their Impact on Fraud in Local Churches in Nigeria**" with us.

We have agreed to allow him to conduct research interview/s with an approved member of our church such as the priest, pastor, reverend, church leader, employee, or volunteer and for any information obtained to be classified as anonymous.

Sincerely,

Sign:

Name of Organization: ……………………………………………………………………

Address………………………………………………………………………………………

……………………………………………………………………………………………..

Name of Signatory…………………………………………………………………………

Title of Signatory…………………………………………………………………………...

Appendix E: Interview Protocol

Interview #..........

Date……………

1. **Introduce the researcher to the participant.**

Welcome and thank you for your participation in this interview today. My name is

███████. I am a Doctoral Candidate at Liberty University, Lynchburg, VA. conducting my

doctoral study in partial fulfillment of the requirements for the degree of Doctor of Business

Administration – Accounting Emphasis.

ii. **Thank for participation, verify receipt of consent form, and state the duration of the interview**.

Thank you for completing the consent form and agreeing to participate in this interview

today. The interview will take proximately 40 minutes to 1 hour and will include 7 demographic

questions and 16 questions regarding your experiences on the impact of lack of internal control

on fraud in churches. Internal control systems are about how we can safeguard church funds and

assets and protect it from fraud and embezzlement.

iii. **Acknowledgement that interview is being recorded.**

I would like your permission to tape record this interview, so I may accurately document

the information you present here. If at any time during the interview you wish to discontinue the

use of the recorder or the interview itself, please feel free to let me know.

iv. **Restate the confidentiality of responses**

All of your responses are confidential. Your responses will remain confidential and will be used to develop how to safeguard and protect church funds and assets.

v.   Purpose of the Study

The purpose of this study is to explore the impact of internal control deficiencies on fraud in local churches in, Nigeria and provide church leaders, trusted church members, employees, and volunteers with necessary tools to guard church funds and assets from fraud and waste of resources.

vi.   Remind participant that participation is voluntary

At this time, I would like to remind you of your written consent to participate in this study. I am the responsible researcher, specifying your participation in the research project: An Exploration of Internal Control Deficiencies and its Impact on Fraud in Local Churches in Nigeria. You and I have both signed and dated each copy, certifying that we agree to continue this interview. You will receive one copy and I will keep the other under lock and key, separate from your reported responses. Thank you. Your participation in this interview is completely voluntary. If at any time you need to stop or take a break, please let me know. You may also withdraw your participation at any time without consequence.

vii.   Turn on recording device.

viii.   Start interview with question 1; follow through to final question.

Do you have any questions or concerns before we begin? Then with your permission we will begin the interview. Begin with open-ended, follow with probing and leading and follow-up questions.

ix.   Observe the participant and take notes of non-verbal queues

x.   Paraphrase the interview questions as needed or requested by the participant. Ask

follow-up probing questions

xi.   **End the interview and discuss/schedule follow-up procedures.**

You will be contacted by e-mail within 15 to 20 days business days with my

interpretation of the data collected, so that you will have the opportunity to validate the

accuracy of the information. You will have 10 days to review and confirm the findings or

add any additional information by e-mail if necessary

xii.   Thank the participant for partaking in the study. Confirm the participant has

contact information for follow up questions and concerns.

xiii.   **End protocol ##**

Appendix F: Interview Questions

i. Demographic Question

1. What is current position/title? _____

2. How many years have you served in active role the church?_____years

3. What is your denomination? Catholic

4. What is your race:

5. What is your highest level of education? HS Diploma/GED; AA/AS, BS, MS/MBA,

PhD/DBA

6. What is your gender? Male; Female; Other

7. What is your age group? above 18-30 years; 31-40 years; 41-50 years; 51-60 years;

above 60 years

ii. Interview questions related to Research Questions.

1. What do you know about internal control systems?

2. What systems or strategies do have in your church to minimize, reduce, or prevent fraud?

3. What importance do you think internal control systems should play in safeguarding

   church funds and assets?

4. How did you identify and select the strategies for reducing fraud in your church?

5. What strategies have you used to or have your church used in reducing fraud?

6. What strategies have you used that are less effective in reducing fraud?

7. What internal control measures or strategies are your church currently using to prevent or

   reduce fraud?

8. How can those internal control measures or strategies be used as an instrument to prevent

   fraud in churches?

9. What factors influence the implementation of strategies to minimize, reduce or prevent fraud in churches?

10. How has the lack of internal control system contributed to fraud and embezzlement of funds in your church?

11. What challenges or barriers have you experienced when implementing fraud reduction strategies?

12. What are the critical aspects you consider before implementing fraud reduction strategies?

13. What procedures have you followed when implementing your internal control system or fraud reduction strategies?

14. What systems do you have in your church to support the implementation of internal control or strategies to reduce the consequences fraud?

15. What can the church leaders do to ensure that effective internal control procedures or strategies are implemented?"

16. . What other information would you like to add regarding strategies to reduce fraud in local churches?

<u>**Appendix G: Informed Consent**</u>

Consent

Title of the Project:

AN EXPORATION OF INTERNAL CONTROL DEFICIENCIES AND THEIR

IMPACT ON FRAUD IN LOCAL CHURCHES IN NIGERIA

Principal Investigator:

████████████████████ Liberty University, Lynchburg, VA. School of Business.

Invitation to be Part of a Research Study

You are invited to pa1iicipate in a research study on the impact of internal control

deficiencies on fraud in local churches. You were selected as a possible participant in this study

because of your role in the church as a Pastor, Reverend, Deacon, Church worker, volunteer, or

active church member. In order to principate, you must be 18 years and above.

Taking part in this research project is voluntary.

Please take time to read this entire fo1m and ask questions before deciding whether to

take part in this research project.

What is the study about and why is it being done?

The purpose of this study is to explore the impact of internal control deficiencies on fraud
in local churches in Nigeria and provide church leaders, trusted church members, employees, and
volunteers with necessary tools to guard church funds and assets from fraud and waste of
resources.

What will happen if you take part in this study?

If you agree to be in this study, I will ask you to pa1iicipate in an interview session at a
date and time that is convenient for you. This should take between 40 minutes and 1 hour.

I would also like your permission to tape record this interview, so I may accurately
document the info1mation you convey.

How could you or others benefit from this study?

Participants should not expect to receive a direct benefit from taking pa1i in this study.

What risks might you experience from being in this study?

The risks involved in this study are minimal, which means they are equal to the risks you would encounter in eve1yday life. These minimal risks include:

1. **Time Spent**

The participants are sacrificing 40 -60 minutes of their time to participate in the interview. This risk will be minimized by giving the participants the opportunity to schedule the interview at their free time.

2. **Fatigue.**

Sitting down 40 - 60 minutes for the interview could be tiresome. This risk will be minimized by conducting the interview in a conducive environment devoid of distractions and a short break Inidway into the interview to allow the participates to refresh themselves.

3. **Emotional affects**

Some interview questions could bring back some past negative experience. This will be mitigated by allowing the participants to skip any question/s they feel not comfortable Answering.

4. **Fear of privacy and confidentiality**

The feai· of privacy and confidentiality will be mitigated by assuring the pa1iicipants of the measures taken to protect their privacy and confidentiality.

How will personal information be protected?

The records of this study will be kept private. Research records will be stored securely,and only the researcher will have access to the records.

- Participant responses will be anonymous. Participant responses will be kept confidential through the use of pseudonyms/codes. Interviews will be conducted in a location where others will not easily overhear the conversation.

- Data will be stored on a password-locked computer and may be used in future presentations. After three years, all electronic records will be deleted.
- Interviews will be recorded and transcribed. Recordings will be stored on a password locked computer for three years and then erased. Only the researcher will have access to these recordings.
- To ensure confidentiality, raw data will be coded, and the names will be removed.

How will you be compensated for being part of the study?

Participants will not be compensated for participating in this study.

Does the researcher have any conflicts of interest?

The researcher has no financial interest in the outcome of this study.

Is study participation voluntary?

Participation in this study is voluntary. Your decision whether to participate will not affect your current or future relations with Liberty University. If you decide to participate, you are free to not answer any question or withdraw at any time [without affecting those relationships.

What should you do if you decide to withdraw from the study?

If you choose to withdraw from the study, please contact the researcher at the email address/phone number included in the next paragraph. Should you choose to withdraw, data collected from you be destroyed immediately and will not be included in this study.

Whom do you contact if you have questions or concerns about the study?

The researcher conducting this study ▮▮▮▮▮▮▮▮▮▮▮▮. You may ask any questions you have now. If you have questions later, **you are encouraged** to contact the researcher at ▮▮▮▮▮▮▮▮▮▮▮▮▮▮

You may also contact the researcher's faculty sponsor, ▮▮▮▮▮▮▮▮▮▮ at ▮▮▮▮▮▮▮▮▮▮

Whom do you contact if you have questions about your rights as a research participant?

If you have any questions or concerns regarding this study and would like to talk to

someone other than the researcher, **you are encouraged** to contact the Institutional Review

Board, 1971 University Blvd., Green Hall Ste. 2845, Lynchburg, VA 24515, or email at

irb@liberty.edu

Your Consent

By signing this document, you are agreeing to be in this study. Make sure you understand

what the study is about before you sign. You will be given a copy of this document for your

records. The researcher will keep a copy with the study records. If you have any questions about

the study after you sign this document, you can contact the study team using the information

provided above.

I have read and understood the above information. I have asked questions and have

received answers. I consent to participate in the study.

x☐ The researcher has my permission to audio-record/video-record/photograph me as

part of my participation in this study.

_____

Printed Subject Name

_____

Signature & Date

Appendix H: Observation Protocol

Observation Protocol Sheet

Date:
Time:
Place:

Descriptive Notes	**Reflective Notes**

Comments: