

June 5, 2012

To: All Insurance Board (IB) Program Participants

Re: Employee Dishonesty Insurance

Dear Friends,

We need your help. As participants in the IB Program, we all share in the benefits of the Program, as well as in the responsibility to do our part to ensure the IB can maintain its superior levels of coverage and limits. During the past few years, the IB Program has seen an increase in the number and size of Employee Dishonesty claims. Perhaps this trend is a sign of the depressed economic environment.

Regardless of the reason, we have been notified by our Carrier that continued claims experience like this will affect the Program's ability to maintain the limit we currently enjoy. The Coverage Limit is \$1M per loss, considerably greater than most other church insurers offer. And while this limit might be more than you think your church needs, consider that, at the time most claims have been reported, the theft has occurred over the course of years by the perpetrator(s). Your church would surely notice a theft of \$250,000 if it was incurred all at once, but maybe not if it spanned over 5 years.

Here is where you can help. Employee Dishonesty claims are generally preventable. The key is to reduce or eliminate opportunity or temptation by following proper financial controls.


On the back of this letter is an in-depth checklist of financial controls excerpted from the IB Program Loss Control Manual. If not already in place, consider forming a committee to go through the checklist and see how your ministry stacks up. Following are some of the more important controls:

- Have two signers on checks.
- Be sure someone other than the Treasurer receives, opens and reviews the bank statement in a timely manner.
- Always have at least two individuals who count offerings. Use preprinted tally sheets that require signatures.
- Deposit offerings in the bank immediately; do not take them home or leave them in the church office.
- Verify deposit slips with bank statements.
- Provide receipts/contribution statements to all donors.
- Secure financial records, software back-ups and sensitive data to prevent loss due to theft, fire or natural disaster.
- Perform an annual audit.

Our goal by sending you this information is to reduce claims. We, as well as our Carrier, will be monitoring this closely. Please do your part to help us!

Thank you for your attention.

Faithfully,



Cathy Green
President and CEO

<i>Financial Management</i>	Y	N	N/A
PROCESS & MANAGEMENT			
Are church by-laws published and up to date?			
Do by-laws contain rules for the following:			
• Purchase and conveyance of property?			
• Approval of and signature to contracts?			
• Signature authority on checks?			
• "Bonding" of those who handle church funds (crime insurance)?			
• Annual audit by certified public accountant?			
• Specification of the church fiscal year?			
• Provision for indemnification of officers?			
Are written procedures published for the following financial transactions?			
• Handling of cash collections & deposits (including team counting, recording and deposits)			
• Donor checks immediately stamped "for deposit only" into the church's account			
• Immediate deposit of cash & checks			
• Defining purchasing authority			
• Use of a "purchase order" system			
• Use of church credit cards			
• Credit card purchases accounted for in "purchase order" system			
• Separating authority to "write/sign checks" and "receive and reconcile bank statements"			
• Annual review of check signing authority			
• Multiple check signers for large purchases			
• Security of signature stamps, if used			
• Reconciliation of bank statements against invoices			
• Required vacation by accounting staff			
• Recording sales transactions for sales operations			
• Annual inventory of valuable property			
• Division of duties to prevent manipulation of accounts			
• Notice to Board of discrepancies			
• Security of records and access to buildings			
• Authority/responsibility to renew insurance policies			
TRAINING			
Do staff and volunteers receive instruction regarding authority levels and required processes and sign off? (all of the above items that apply)			
Are there clear instructions on distribution of mail, especially invoices, bank statements, and legal notices?			

<i>Financial Management</i>	Y	N	N/A
INSPECTION			
Are financial reports routinely provided to the Board?			
Has an annual internal audit of financial records/transactions been conducted by a person(s) not involved in the processes?			
Has an annual audit been conducted by an external CPA?			
REMEDICATION & RESOLUTION			
Is the Board advised of discrepancies found at audit or inventory?			
Have police been informed if a theft has occurred? (required by insurance policies to effect any available coverage.)			
Does the Board direct and document changes to procedures as necessary?			
Are disciplinary steps taken when procedures are not followed? (see Employment)			
Is the Board informed of the final outcomes involving changes in process and employment matters?			
Is the congregation informed by the Board of identified problems and their resolution?			