



MEMORANDUM

To: Pastors, Administrators, Presidents, Principals, and Finance Staff

From: Kelly Engelbert, CFO

Subject: Fraud Risk Assessments at Your Location

Date: October 3, 2025

Executive Summary:

The Church is responsible for safeguarding the financial resources which have been entrusted to it. As such, we need to be committed to the highest standards of fiscal integrity and accountability. Strong systems of financial management and internal controls are needed to safeguard assets by reducing the risk of fraud, misuse, waste, or embezzlement.

We, as a diocese, have recommended internal controls and standards of financial practices available in our Accounting and Internal Control Manual as well as our Finance Council Handbook. In addition, the annual completion of the Internal Control Questionnaire is meant to assist you in evaluating your control environment and alert you to changes in process and procedure that may be necessary. We invite you to answer this ICQ honestly – no penalties result from honest “no” or “n/a” answers. It allows us the opportunity to consult with you on areas for improvement to ensure we are doing all we can to educate, improve, and safeguard the assets entrusted to us.

Additionally, we invite you and your staff, finance councils and/or advisory boards to undertake a conversation surrounding the potential for fraud at your location. The goal of such assessment is to understand how fraud could happen and ensuring we have proper controls in place to prevent it to the extent possible. This memo serves as some suggested talking points for you. Please complete **Appendix A** and send it back to the Office of Finance.

Fraud Background

Fraud is the theft or misappropriation of parish or school assets for another’s gain. Examples include:

- Mishandling of cash or assets
- Forgery or alteration of bank documents, checks, or financial reports
- Any other dishonest act involving funds, furniture, fixtures, equipment, supplies, or any other parish assets.

Understanding the Fraud Triangle

To understand how fraud can be perpetrated, we must first understand the “fraud triangle,” or why people commit fraud.

Three key factors must be present for fraud to occur:

1. Motivation – the pressure or incentive for fraud to occur is often rooted in personal financial difficulties, personal problems, debt, addiction, or pressure at work.
2. Opportunity – the circumstances that allow the fraud to be committed without getting caught. Generally this points to weak internal controls, lack of oversight, poor segregation of duties, and inadequate supervision.
3. Rationalization – the individual justifies the fraud to themselves as acceptable – they may tell themselves that they are “borrowing” funds temporarily, that they do not get paid enough, or that the organization won’t notice, miss, or need the money.

Common Fraud Schemes in Churches

In order to consider how fraud might be perpetrated, some examples may be helpful:

- Theft by staff or volunteers such as embezzling money from weekly collections or ticket sales of fundraisers
- Inappropriate credit card usage for personal expenses under the guise of business expenses
- Creation of fictitious vendors whereby funds appear to be paid to a company but the bank account is that of the staff member or volunteer
- Conflict of interest – use of a vendor that is related to a staff member, board member, or key volunteer can result in overcharging, skimming, or kickbacks
- Having “off the books” bank accounts or credit cards can result in funds being redirected and siphoned from parish assets
- Replacement of QR codes in publicly available spaces – someone could replace the QR code published by the parish or school with one that directs money to their bank account instead of the parish/school

Please see **Appendix B** for additional real world cases of fraud in Catholic churches.

Fraud Prevention

Hiring practices

Ensure that you are following procedures to hire individuals through the process set forth by Human Resources. This process is inclusive of:

- Background checks and safe environment screenings, including calling references and credit checks for staff and volunteers with financial oversight roles.
- Maintenance of an organizational chart with clearly defined roles and reporting lines.
- Job descriptions including authorization levels, where necessary.
- Clear communication of the duties and responsibilities of employees and volunteers to report financial discrepancies or suspected fraud. Presently, the recommended approach is to report such allegations to the Pastor, Administrator, or President/Principal.

In your parish or school, are you following appropriate hiring practices? What potential issues could arise if these practices are not followed?

Some thoughts for potential issues include:

- Hiring someone previously accused of fraud or financial crimes, even if not in the workplace
- Without clear limits of authorization, employees committing assets of the parish without the pastor/administrator/president/principal's knowledge

Segregation of Duties

In order to help prevent fraud, it is critical that you maintain a system of checks and balances. Embezzlements most often occur when trusted employees have access to both assets and financial records. A fundamental tenet of internal control is to keep the financial recordkeeping duties separate from those who have access to assets, particularly cash and credit cards. Examples of good segregation of duties include:

- The staff member who handles cash, such as collecting offerings, should not be the same person preparing or recording deposits or reconciling bank statements.
- Collection counting should be performed by at least two unrelated people, often rotated among volunteers or staff.
- The person who prepares checks should not have signing authority for those checks, and dual signatures should be required for transactions over a certain amount.
- Those responsible for recordkeeping (bookkeeping, financial software entries) should not be directly involved in authorizing expenditures or making purchases.
- Bank statements should be opened and reviewed by someone other than those preparing checks or managing accounts.

In your parish or school, do you have appropriate segregation of duties? What limits your ability to do so? If your staff is too small to have segregation of duties, what other controls or procedures do you have in place to compensate?

Some thoughts for compensating controls include:

- Ensuring that the process for extraordinary acts, including those matters over spending limits, is followed without exception – leadership presents the full scope of the matter, including financial cost, to the finance council/advisory board, vota is obtained, permission is sought and granted by the Vicar General prior to any expenditure of parish/school assets.
- Regular financial reviews are conducted by a finance council or advisory board, which itself is not involved in daily financial transactions.
- Annual independent audits or reviews by third-party accountants are recommended, especially in larger parishes.
- Following up on matters identified by the Office of Finance as part of quarterly reviews.
- When staffing is limited, compensating controls such as regular monitoring by someone outside the process, periodic rotation of duties, and transparent reporting can partially fulfill segregation objectives.

Other Financial Controls and Considerations

- Use of technology and software systems
 - How could fraud be perpetrated through online payment platforms, use of QR codes?
 - Who has access to the parishioner database, giving platforms, and other sensitive information?
- Physical security
 - Who has access to the parish/school office?
 - Who has access to the physical safe?
 - Are you using tamper evident bags for onsite cash collections of offertory, cash donated or paid at a location? Is there a numbered log of said bags that is verified as checked out by collectors (ushers, volunteers, etc) and checked back in by those counting and making deposits?
 - Are cash withdrawals prohibited generally?
- Fundraisers
 - If tickets are sold, are they preprinted with a number log and all sold tickets accounted for?
- Bank Statements and Credit Card Statements
 - Does the Pastor review and initial every bank statement prior to reconciliation?
 - Does a member of the finance council/advisory board review every bank statement with check images?

Final Thoughts

The Bishop and the Office of Finance take fraud very seriously as any allegations proven to be true are damaging to the reputation of our parish, schools, and the Diocese. It is vital that we are vigilant in adhering to our established internal controls to prevent fraud.

Any allegations of fraud should be investigated and reported to the Chief Financial Officer without exception and for any dollar amounts. There is no materiality consideration with fraud.

The Office of Finance is working on establishing three new measures to assist with our Diocesan wide efforts to combat fraud:

1. An anti-fraud policy, recommended by the USCCB.
2. A Financial Stewardship policy (also known as a Whistleblower Policy), recommended by the USCCB\
3. A Financial Stewardship hotline, recommended by the USCCB, allowing us to receive both named and anonymous reports of fraud and non-compliance.

Further information will be communicated as soon as it is available.

Appendix A

Fraud Risk Assessment

Location Name:

Location Number:

I confirm that we discussed the elements of fraud, conducted a fraud risk assessment, and clearly communicated expectations of reporting potential fraud with members of:

Our Staff

Meeting Date

Our Finance Council/Advisory Board

Meeting Date

Our conversation resulted in the following items which we would like to discuss with the Office of Finance (if none, note none).

Pastor/Administrator/President/Principal

Date

Appendix B

Here are additional summaries of real-world parish embezzlement cases that illustrate the range and methods of financial fraud within Catholic churches:

- 1. Church Bookkeeper's Theft**

A church bookkeeper embezzled several thousand dollars over many years by issuing checks to a fictitious company that she created, which then deposited the checks into its account. She later withdrew the funds for personal use, including purchasing two cars, which were later ordered to be returned to the church as they were purchased with embezzled funds. She was convicted and sentenced to prison, highlighting the risk of fraudulent schemes involving false entities.
- 2. Large-Scale Internal Embezzlement**

A church bookkeeper managed the financial records but started misappropriating nearly \$560,000 by issuing unauthorized checks and falsifying records over an eight-year period. The theft was uncovered when authorities investigated, and she pled guilty to grand theft, receiving a ten-year prison sentence. This case underscores the importance of internal controls and oversight.
- 3. Priest's Long-Running Fraud**

Father John Mattingly, a priest at St. Francis Xavier in Maryland, deposited over 500 checks totaling \$400,000 into his personal account over six years. His scheme involved depositing checks made out to the church or related charities into his personal account, which he endorsed as "Reverend." His case illustrates how minimal internal checks and reliance on trust can allow long-term embezzlement—he made full restitution before sentencing, and the case emphasizes oversight gaps.
- 4. Case of a Church Employee's Theft**

Kaitlyn Fisher, a former administrative assistant, embezzled over \$330,000 over two years by using parish funds for personal expenses, including credit card bills, cruises, and family needs. Her scheme was uncovered through routine financial review, which revealed unauthorized transactions. This case stresses the importance of dual controls and regular audits.
- 5. Cleric's Embezzlement in Missouri**

Corie Boyer, a parish secretary, embezzled at least \$400,000 since 2017 by misusing parish credit cards, writing checks to herself, and falsifying records. She used parish funds for personal bills, travel, and rent. She was indicted on wire fraud and money laundering charges, illustrating the risks posed by trusted staff with access to financial instruments.
- 6. Embezzling Parish Administrator**

Deborah True, an administrator at Holy Cross Catholic Church, embezzled nearly \$700,000 over several years, primarily by diverting donations to settle her personal debts. She was sentenced to ten years in prison and ordered to pay restitution, demonstrating that internal fraud can involve substantial sums and serious legal consequences.
- 7. Recent Case in Florida**

A 72-year-old woman, a former administrator, accessed church funds over years and was sentenced to ten years in prison for embezzling approximately \$700,000 from Holy Catholic Church. She was ordered to pay restitution, showing that even trusted low- and mid-level staff can perpetrate significant thefts over time.