

Vanquishing the Scourge of Church Embezzlement



By Christopher T. Marquet

July 5, 2011

All organizations are subject to fraud, waste and abuse. However, religious organizations seem to be especially susceptible to internal fraud and theft. In fact, based upon our analysis of more than 1,000 major embezzlement cases in the US in the past three years as outlined in our annual [Marquet Report on Embezzlement](#), religious organizations, ranging from small churches and parishes to large religious institutions, together with non-profit organizations, are the third most frequently victimized industry sector (behind financial institutions and government entities, respectively).

While embezzlement occurs daily at all types of organizations, we have tracked a large number of significant misappropriations at religious institutions. This is in spite of the fact that many cases involving religious organizations go unreported and unprosecuted – which is part of the problem. The damage, while significant, is not only financial. Institutional reputation, parishioner relations, future growth and fundraising, can all be negatively affected by a major defalcation.

Conventional wisdom suggests that economic factors, such as economic instability, persistently high rates of unemployment, low consumer confidence and other poor economic indicators, may increase the frequency of many white collar frauds, including employee theft. However, this is certainly not the only factor – as many embezzlers' schemes last for years before they are found out. In fact, they often begin in good economic times, when it is easier to hide their schemes from otherwise more vigilant management. Specifically, our analysis of major embezzlement cases involving religious organizations reveals that the average duration is nearly seven years. This is much longer than the average overall duration we found across all industry sectors of about four and a half years.

We believe that this phenomenon is the result of the trust factor within a given church community or religious order. Nevertheless, while that trust is generally well founded, there are still going to be wayward birds in every flock. A colleague once told me that in every organization, at any given time, there is always someone who is up to no good. Unfortunately, I believe that this axiom is true, based upon my experience investigation fraud cases over a span of nearly 30 years.

The good news is that we found the average sized major church embezzlement case to be about 40 percent smaller than the overall average for all industries. However, this is no-doubt due in part to the fact that most religious organizations are smaller than the typical corporate entity – many small businesses have larger budgets than individual churches and parishes.

Consider the following 21 major embezzlement cases around the US in the news over the past year involving religious organizations, totaling nearly \$11 million in direct losses:

June 2011 - Eun Tae Lee, 50, of Fairfax, Virginia, was sentenced to 1 year in jail and ordered to pay restitution for embezzling more than \$700,000 from **Seed International Inc.**, a missionary company sponsored by the Korean Central Presbyterian Church for which he had served as Chief Administrative Officer. According to authorities, Lee gained control of Seed International's bank account and wrote checks to accounts he had set up in his own name. The thefts are believed to date back to at least 2006. Lee is reported to have used the ill-gotten gains to finance a lavish lifestyle including the purchase of a Porsche Cayenne sport-utility vehicle.

May 2011 - Beth Ann Boger, 44, of Garrett, Indiana, was charged with embezzling more than \$364,000 from the **St. Joseph Catholic Church** where she had served as bookkeeper. According to authorities, over a nearly five year period, from June 2004 to April 2009, Boger wrote checks from church coffers to a business she owned called **Accents By Beth** and used the money for her own benefit. Boger was indicted on six counts of felony wire fraud and four counts of felony tax evasion. Her case is pending.

May 2011 - Louanne Aponte, 52, of Austin, Texas, was sentenced to 25 years in prison for embezzling more than \$1 million from **Family Connections**, a child care

services non-profit, for which she had served as executive director. She also took funds from the **Texas Association of Child Care Resource and Referral Agencies** and the **Hyde Park Christian Church**, where she had served as treasurer, according to prosecutors. When a state audit found that Aponte had falsified records, she reportedly fled to Venezuela in February 2010, but returned six months later when she was arrested. Louanne Aponte, formerly known as Louanne Shetter, was twice convicted on embezzlement charges in the 1980s, according to reports.

May 2011 - Raiffeisen Regalado, 41, last known to reside in Methuen, Massachusetts, was being sought by authorities in connection with his alleged embezzlement of \$106,570 from the **Seventh Day Adventist Church** in Lawrence where he had served as treasurer. The embezzlement occurred in 2006 and 2007, but charges were not brought until recently, after he failed to make restitution as he reportedly agreed to do with church officials. The thefts involved fraudulent transfers of funds from church accounts to Regalado's personal accounts over that two year period.

May 2011 - Kathleen "Kathy" Dake, 58, of Danville, California, and two cohorts were arrested and charged with embezzling nearly \$600,000 from the **St. Isidore's Catholic Church** in Danville, where Dake had served as office manager. According to authorities, Dake was a volunteer with the church's finance committee and together with her accomplices, systematically looted its finances by making unauthorized credit card charges for personal purposes as well as writing church checks for their own benefit. Approximately \$580,000 is believed to have been misappropriated by the trio. Her case is pending.

April 2011 - Jessica Lynn Tramel, 32, of Bristol, Tennessee, was charged with embezzling some \$229,265 from the **Unaka Avenue Baptist Church** where she had served as church secretary. Tramel was charged with 150 counts of forgery, theft of property over \$60,000 and identity theft. Tramel is believed to have issued checks to herself and forging signatories signatures. Her case is pending.

March 2011 - Jon Michael Ruppel, 46, of St. Joseph, Michigan, was charged with embezzling nearly \$300,000 from **Saint Peter's United Church of Christ** where he had served as church treasurer. According to authorities, Ruppel's thefts spanned an 8 year period beginning in or about 2002, by taking cash from the collection plate as well

as fraudulently withdrawing funds from the church's gift account for his own benefit. Ruppel's case is pending and he faces up to 20 years in prison if convicted of the charge of embezzlement of more than \$100,000.

February 2011 - Alan Jonas, 63, formerly of New Britain, Connecticut, was charged with first degree larceny for allegedly embezzling nearly \$400,000 from the **First Baptist Church** in Southington, Connecticut where he had served as head of its finance committee. According to authorities, over a period of six years from 2004 until 2010, Jonas issued at least 111 checks on church accounts to himself or for his own benefit. Ironically, Jonas, a CPA by training, was in prison at the time for embezzling \$38,000 from **Chorale Connecticut**, a non-profit he served as treasurer as well as another \$70,000 from an elderly woman suffering from Alzheimer's disease. Jonas was also previously convicted in 1999 of embezzling \$22,000 from **Middlesex Hospital**, where he had served as chief financial officer. His most recent case, involving the First Baptist Church, is pending.

January 2011 - Kenneth Terrell, 46, of Bloomingdale, Georgia, was indicted on charges he embezzled at least \$200,000 from the **New Harvest International Ministries Church** where he had served as pastor. According to the indictment, Terrell skimmed "hundreds of thousands" of dollars from church coffers to support a "lavish" lifestyle over at least a four year period. Specifically, Terrell was charged with 7 counts of wire fraud for which he faces up to 20 years in prison. He has separately been charged with child molestation and sexual battery against a minor, according to reports. Apparently Terrell has a long criminal history that includes prior child molestation charges and multiple DUIs, burglary, forgery, criminal trespass, obstruction, disorderly conduct and drug charges. In May 2011, Terrell plead guilty to one count of wire fraud in a plea agreement in this case and is awaiting sentencing.

January 2011 - Elyse Marie Kennedy, 37, of Santa Ana, California, was charged with embezzling about \$129,000 from the **St. Paul's Episcopal Church** in Tustin where she had served as bookkeeper. The thefts allegedly spanned a period of 2 years, from 2007 until early 2009 whereby Kennedy issued at least 154 checks to herself or for her own benefit. She has been charged with 154 felony forgery counts. We note that Kennedy has a prior conviction for embezzlement in 2005. Her case is pending.

December 2010 - Sandra "Sandy" Arreola, 51, currently of Palm Desert, California, was charged with embezzling about \$2.1 million from the **Visalia First Assembly Of God** church where she had been employed as accounting manager for nearly 13 years. According to authorities, Arreola skimmed cash from the church over a period of six years, from 2003 until 2009, when the scheme was revealed. She allegedly stole as much as \$7,000 a week from the collections and used the money to enrich herself, purchase luxury property and businesses. She has pleaded not guilty to the charges and her case is pending.

November 2010 - Farrukh Ahmed, 48, of Ontario, California, pleaded no contest to charges he embezzled as much as \$960,000 from the **Calvary Chapel Chino Hills** where he had served as church administrator. Ahmed's cash thefts from the church reportedly span a four year period from January 2006 when he was hired as administrator until December 2009 after he was caught by a parishioner stealing cash from the offering envelopes meant for the church. Ahmed was sentenced to only 9 months in prison.

November 2010 - Barbara D. Whitt, 68, and her son **Michael Dean Whitt**, 42, both of Morristown, Tennessee, were charged with misappropriating more than \$1.5 million from the **First Baptist Church in Morristown** where Barbara had served as church financial secretary for 47 years. According to authorities, Barbara Whitt issued at least 1,650 checks made out to "cash" pocketing the funds. The thefts are believed to have spanned a period of more than 2 years, from January 2008 until April 2010. Michael Whitt is alleged to have participated in the fraud and benefitted from the ill-gotten proceeds. In February 2011, both Barbara Whitt and Michael Whitt pleaded guilty to bank fraud, money laundering and conspiracy charges. They are awaiting sentencing.

November 2010 - Patricia Ladawn Poehls, aka, **Rylie Joe Trish Wilson**, 37, of Bruceville, Texas, pleaded guilty to charges she embezzled more than \$154,000 from **St. Jerome Catholic Church** where she had served as youth coordinator and bookkeeper responsible for payroll. Prosecutors alleged that over the course of about one and a half years, from January 2007 to June 2008, Poehls pilfered from church coffers to pay for personal luxuries by making unauthorized credit card charges and issuing fraudulent church checks made to herself or personal vendors. In January 2011, Poehls was sentenced to six months in prison and ordered to pay restitution.

September 2010 - David A. Thompson, of Canal Winchester, Ohio, believed to be in his late 40s, was found guilty of embezzling more than \$1 million from **The World of Pentecost Church** in Columbus, where he had served as pastor. Prosecutors alleged that Thompson misappropriated funds from the church over a 9 year period from 1998 to 2007. He was charged with the thefts in 20 felony counts in late February 2009 and was alleged to have stolen funds from the church's building and assistance funds. Thompson apparently used the church as his own personal piggy bank and reportedly spent the ill-gotten gains to support a lavish lifestyle, including expenditures on luxury cars, a pool, a boat and hair treatments. Thompson, who became pastor of the church in 1995, was sentenced to 5 years in prison in December 2010.

September 2010 - Robert G. Mathis, 64, formerly of Birch Run, Michigan, was charged with embezzling more than \$100,000 from **Christ Lutheran Church** in Birch Run where he had served as congregation president for the prior 12 years. Authorities allege that Mathis misappropriated the funds by writing checks for his own benefit and forging signatures of authorized church officials. Mathis has since pleaded guilty to the charges and is awaiting sentencing.

August 2010 - Alan Eugene Roland, 55, and his wife, **Linda Guffie Roland**, 55, both of Mount Holly, North Carolina, were charged with embezzling more than \$360,000 from the **Way of the Cross Baptist Church** where they had served as Treasurer and Assistant Treasurer, respectively. According to prosecutors, the Rolands used their positions to write more than 800 checks to themselves over a three-year period between 2007 and 2010. Their case is pending.

August 2010 - Michele Moeser Roberts, 61, of Virginia Beach, Virginia, was charged with embezzling nearly \$300,000 from **King's Grant Baptist Church**, where she had served as financial administrator. According to prosecutors, Roberts misappropriated \$287,678 from church coffers over a six year period beginning in October 2004. The scheme was not uncovered until the church's new financial administrator took over the job. Roberts pleaded guilty to the charges in December 2010 and was sentenced to 4 years in prison in April 2011.

July 2010 - Kathy Koonts Sechriest, 53, of Thomasville, North Carolina, was arrested and charged with embezzling about \$186,000 from the **Zion United Church of Christ**

where she had served as church secretary. According to prosecutors, Sechriest skimmed the funds over a five year period, from January 2005 until January 2010. Her case is pending.

June 2010 - Christine Mae Lorenz, 48, of Okeene, Oklahoma, was charged with embezzling more than \$176,000 from the **First Baptist Church of Okeene** where she had served as treasurer. According to prosecutors, over more than a four year period, between February 2005 and May 2009, Lorenz stole \$127,748 from one of the church's accounts. Over a similar period, Lorenz allegedly stole another \$48,895 from the church's general fund checking account. Lorenz was hired as treasurer of the church in September 2004 and remained in that position until June 2009 when irregularities were discovered. Her case is pending.

June 2010 - Donna M. Rood, 47, of Tyngsborough, Massachusetts, was indicted for skimming "well over" \$100,000 from the collections coffers of the **St. Mary Magdalen** Roman Catholic Church where she had been responsible for counting collections. Prosecutors allege that over a four year period, from about 2005 until 2009, Rood simply kept some of the cash from the collections, in the form of large cash bills and deposited them into her own accounts. The scheme was uncovered by a parish priest who had suspicions and privately counted the collections and found regular discrepancies with Rood's count. Rood pleaded guilty in June 2011 to larceny by embezzlement over \$250 and making false entries in corporate books. For her crime, Rood was sentenced to 5 years probation, plus restitution.

It is noteworthy that in 19 out of the 21 cases outlined above (over ninety percent), the alleged principal perpetrator held bookkeeping, financial or management positions with fiduciary duties within the organization. The other two cases involved the actual pastors of the victimized church. This fact illustrates where in the organization, the problem lies. It is also interesting to note that in 4 of the 21 cases – or nearly 20 percent, the alleged perpetrator had a prior criminal history. This is a much greater percentage than our findings for all industries combined where it is less than 5 percent. This fact may be probably also due to the trusting nature of religious organizations when dealing with members of its own flock, but is also a serious oversight in controls.

Furthermore, we note that in some these cases, prosecution had been delayed in the hope of making a restitution agreement with the perpetrator – which ultimately failed. The natural tendency for a religious organization to forgive and seek redemption for a thief of this sort is admirable. However, should these embezzlers not be prosecuted, future employers are put at risk as noted below.

Our research reveals into this topic reveals that the most common types of embezzlement involve the following types of schemes, in order:

- Forging checks payable to cash, oneself and/or to personal vendors
- Pocketing cash receipts meant for deposit into institutional 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 institutional credit card accounts for personal use
- Electronic transfers of institutional funds to personal accounts and/or vendors
- Pilfering institutional equipment and/or inventory

Clearly the most common risk to religious organizations involve the first two schemes as the 21 cases above demonstrate. So how can religious institutions prevent, detect and respond to this kind of fraud? Preventing embezzlement involves active policies that discourage employee theft, backed up by proactive auditing procedures to reinforce the policies and to detect irregularities. Many churches are small and therefore have limited resources and controls in place or rely on a single bookkeeper. Nevertheless, there are some proactive steps we recommend to mitigate the risk of embezzlement, including, but not limited to:

- Do not allow a single individual access to all aspects of institutional finances in any given department. Make sure there are divisions of duties in the finance department in particular.
- Regularly rotate responsibilities for bookkeeping personnel.
- Require bookkeeping personnel to take vacation time off. Embezzlers often take little or no vacations to safely perpetrate their schemes.
- Do not allow bookkeepers to take work home.

- Require two signatories on outgoing checks above a certain nominal amount. The signatories should be different individuals from the check preparer.
- Examine cancelled checks regularly. One common method of embezzlement involves the forgery of checks. Another is to have them payable to the embezzler or to personal vendors.
- Maintain unused checks in a lockbox. Be sure all checks, purchase orders and invoices are numbered consecutively and reconcile any of those missing.
- Conduct regular as well as random audits. Church trustees/management should take a hands-on approach by physically spending time with the bookkeeping department periodically.
- Audit petty cash regularly.
- Audit credit card charges regularly.
- Audit expense reports regularly.
- Be sure each payment, electronic or otherwise, is backed up with appropriate documentation.
- Backup financial records daily.
- Make and reconcile daily deposits. Use a “for deposit only” stamp for check deposits. The person recording cash receipts should be different from the one making the actual deposits.
- Bank reconciliations should be made by a different person than those that handle cash receipts and cash disbursements.
- Know who your institution’s vendors are. As we can see from the above examples, embezzlers often create phony vendors and submit fraudulent invoices for payment.
- Examine payroll records regularly. Some embezzlers issue themselves extra paychecks and bonuses through the payroll system, as we have also seen.
- Investigate vendor complaints promptly. If vendors are not being paid as expected, it may be a sign that the payment checks are being diverted.
- Conduct pre-employment background checks for all personnel with any fiduciary duties.
- Prosecute perpetrators, creating a permanent record future employers can find.

An institution’s response to the revelation of this type of white collar shenanigans is nearly as important as preventing or detecting them in the first place. A swift investigation, overseen by internal and/or external legal counsel or audit function must

ensue, beginning with a small circle of those who need to know and expanding from there. Such an investigation will involve an analysis of institutional records as well as possibly conducting select interviews and a possible “external” investigation which would focus on lifestyle, conflicts of interest and asset identification.

The most typical records under your control will be financial books and records. And as such, an independent forensic accounting review will almost always be necessary to quantify the loss and to determine how the scheme(s) worked and to where the monies were funneled and from which sources. The accounting analysis will also be necessary for any future claim under a fidelity policy in the form of a “proof of loss” as well as the basis for prosecutorial referral.

Interviews of select individuals may also be part of the process. Again, use the reverse onion peel strategy, working from the innermost circle outward as needed which helps contain and control the investigation. This process might include an interview of the suspected perpetrator him or herself. If strong enough evidence is gathered quickly, such a confrontational interview may be beneficial and even elicit a confession. In our experience, interviews should be conducted in a “two on one” format, particularly with the suspect in question. This allows for corroborating testimony of what was said, which is often necessary.

As soon as enough evidence is gathered to satisfy institutional authorities, the suspected employee should be immediately suspended or terminated, including all computer, banking, communications and other access rights and privileges. In the event, such a decision should be made within hours or a few days at most, but certainly should not be delayed much longer – in order to minimize further losses as well as to preserve crucial potential evidence.

The internal investigation will necessarily continue after the employee is removed. Our research into the embezzlement phenomenon indicates that many perpetrators use more than one scheme – sometimes several – to steal from their employer. Further, their thefts will have invariably spanned a duration longer than originally thought. A thorough investigation will therefore look into all aspects of the suspected perpetrator’s employment responsibilities and venture as far back as the time of their hiring.

Any chance at recovery or restitution may also depend upon your “external” investigation. While it is true that many embezzlers spend their ill-gotten gains in such a way as to make restitution difficult – such as gambling, luxury travel, gifts to others and purchases of consumables, many other types of assets can be identified and attached or seized. Homes, luxury vehicles, watercraft, other business interests and luxury items such as art, jewelry and designer clothing may be worth seizing and auctioning off. Third party beneficiaries of the theft – often family members such as spouses, children, parents and others – are also potential sources for recovery. Bank accounts, retirement accounts, investments accounts, such as brokerage and mutual funds, can be identified through subpoena in either a civil or criminal proceeding. In some cases, a judge can be convinced to issue an order freezing assets and giving a forfeiture order.

Finally, as suggested above, I strongly recommend that embezzlement cases ultimately be referred to authorities for prosecution. Failure to do so 1) does not adequately punish the perpetrator; 2) provides no discouragement for potential future embezzlers; 3) arguably hurts institutional morale and goodwill; and 4) puts future employers of the perpetrator at risk for the same type of theft. In general, the better the internal investigation and “packaging” of the evidence, the swifter the prosecutorial response. If federal or state prosecutors are uninterested due to the size of a given employee theft, civil action is always an option and still achieves some of the above stated goals. In either case, expert legal counsel will be required throughout the process. The timing of a criminal referral must also be considered. Once it is made, any civil action will be stayed pending the outcome of the criminal proceedings – which often take time.

While employee theft at America’s religious institutions is all too common these days, prudent steps, such as those outlined above, can help minimize and mitigate the risk.

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