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Money & Mission



Guest Editorial

FRAUD IN THE SALVATION ARMY

By Lt. Colonel Neil Watt

"The man who is honest in a very small matter is honest in a great one...." (Luke 16:10)

As a young corps officer, my library held books written by Lyle E. Schaller. In his day, he was a management and church growth consultant who gave solid advice on issues relating to the daily operations of the church. So you can imagine my surprise when I came across a recent article co-authored by Schaller entitled, "Preventing Church Fraud". Has it come to this? That once a specialist in the growth of the church, Schaller now has to be concerned about stealing in the church?

It struck me that, as a corps officer, I had ample opportunity to break that sacred trust with The Salvation Army and the people I served. It seemed obvious to me that I needed to keep myself accountable. To do that within a corps setting, I had to provide people with financial information on a regular basis. The soldiers and adherents of our corps want that kind of transparency. Not providing it allows them to speculate on the reasons for the omission and may undermines personal and corporate integrity. The perception of fraud can be just as damaging as fraud itself!

When I read the article by Schaller I thought for a moment that he had taken a page from our Salvation Army protocols - never allow one person to control church finances and always use a team approach to handling cash (sound familiar?). The Salvation Army has always had good, solid checks



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DID YOU KNOW?

A recent U.K. study showed that the average office worker spends around 16 hours in meetings each week. That's over 800 hours a year, for a grand total over an entire career of 37,400 hours or more than four years.

Comments, Suggestions?

Do you have comments on any of the topics raised in this issue, or suggestions for a future issue? Write to us at:

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and balances when it comes to the handling of money and they have stood the test of time. Yet, in spite of these controls, we have not avoided fraud.

Fraud takes its toll on any organization, but, when it happens to The Salvation Army, it affects many areas from fundraising to program delivery; all are threatened. Our integrity and our beliefs are undermined. One fraud can jeopardize years of meaningful ministry.

When fraud is discovered, I have observed the following: it takes an emotional toll on the staff in the ministry unit involved; time, energy and resources are diverted to a lengthy investigation; the public loses confidence in our stewardship of resources; and it takes a long time to get back to "normal".

Fraud prevention is up to all of us. We need to ensure that appropriate policies are in place. However policies on their own are not enough. We need checks and balances to ensure they are being followed.

Lt. Colonel Neil Watt is former Territorial Secretary for Business Administration and now serves as Assistant Financial Secretary.

Accounting & Financial Reporting Focus

THE OVERHEAD MYTH

Recently, three organizations in the U.S. (the Better Business Bureau Wise Giving Alliance, GuideStar and Charity Navigator) combined resources to issue a joint letter to explain what donors should look for in charitable organizations. It's a great letter and so we are printing an extract here.

To the Donors of America:

We write to correct a misconception about what matters when deciding which charity to support.

The percent of charity expenses that go to administrative and fundraising costs—commonly referred to as "overhead"—is a poor measure of a charity's performance.

We ask you to pay attention to other factors of nonprofit performance: transparency, governance, leadership, and results. For years, each of our organizations has been working to increase the depth and breadth of the information we provide to donors in these areas so as to provide a much fuller picture of a charity's performance.

That is not to say that overhead has no role in ensuring charity accountability. At the extremes the overhead ratio can offer insight: it can be a valid data point for rooting out fraud and poor financial management. In most cases, however, focusing on overhead without considering other critical

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dimensions of a charity's financial and organizational performance does more damage than good.

In fact, many charities should spend more on overhead. Overhead costs include important investments charities make to improve their work: investments in training, planning, evaluation, and internal systems—as well as their efforts to raise money so they can operate their programs. These expenses allow a charity to sustain itself (the way a family has to pay the electric bill) or to improve itself (the way a family might invest in college tuition).

When we focus solely or predominantly on overhead, we can create what the Stanford Social Innovation Review has called “The Nonprofit Starvation Cycle.” We starve charities of the freedom they need to best serve the people and communities they are trying to serve. . . . So when you are making your charitable giving decisions, please consider the whole picture. The people and communities served by charities don't need low overhead, they need high performance.

Special Feature

CONNECTING THE DOTS: PART II



The purpose of this six-part article is to help connect the dots between some of the recent policy initiatives that call for increased accountability measures and the forces behind them.

In our first article in this series, we introduced the four key reasons for our increased focus on accountability, namely, the theological imperative, societal expectations, fraud & mismanagement and internal audit findings. In this article, we focus on the theological imperative.

We must understand that accountability has its roots in Christian understanding of stewardship. Genesis 2, 2 Kings 12 and Matthew 25 are just three examples of the many Scriptural texts which lay out the principles of stewardship, including our need to be accountable for the resources placed at our disposal.

Many of our readers will instantly relate to a concept of accountability rooted in a biblical understanding of stewardship. Unfortunately, there are some in our ranks who do not appear to accept or perhaps understand this basic Christian belief. Too often, we encounter both officers and employees who behave as though they do not recognize their accountability to anyone or for anything.

Make no mistake, however; accountability is not only desirable, but absolutely essential to our witness as followers of Christ in the world. It is a Scriptural imperative.

If I am not willing to be accountable to others, ultimately I cannot really submit to the Lordship of Jesus. If, within my spirit, I am unwilling to submit to others, how can I have the proper attitude of submission to Christ?

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