

INTERNAL CONTROL SYSTEMS IN MODERN AND BIBLICAL PERSPECTIVES: PREVENTING FINANCIAL FRAUD AT THE X CHURCH IN EAST JAVA

Eunike Rhema Yohanna¹

Sri Pujiningsih²

Dodik Juliardi³

ABSTRACT

This study aimed to determine the practice of internal control in modern and biblical perspectives in terms of minimizing irregularities and financial abuse at the X Church in East Java. This study used a qualitative (non-positivistic) approach by the type of case study research. Data collection was carried out by observation and interviews with the church pastor, treasurer, the Treasury Supervisory Agency (BPP) team, and church congregations to get information about the control system in X church. Data analysis in this study used a single site data model. The results of this study indicate that the practice of internal control systems in a modern perspective (COSO) at X church has not fully implemented the five components of the internal control system according to COSO because it assumes that the church is a religious organization that does not have rigid regulations such as profit-seeking organizations. So that it becomes a reproach for the church treasurer to commit fraud against the church. In addition, the internal control system in the Biblical perspective of X church found that church had applied a dual custody system and organizational ethical values taken from the Bible to be used as a foundation in serving God, but in reality, the church treasurers abuse their power or authority and act not in accordance with God's word. The theoretical contribution to this research is to contribute to strengthening and enriching the theory of triangle fraud and the practical contribution of this research can be used as knowledge so that the church can improve the existing internal control system to minimize financial abuse in the church.

Keyword: Internal Control System, Financial Fraud, Biblical

ABSTRAK

Tujuan penelitian ini untuk mengetahui praktik pengendalian internal dalam perspektif modern dan Alkitabiah dalam hal mengurangi penyimpangan dan penyalahgunaan keuangan pada Gereja X di Jawa Timur. Penelitian ini menggunakan pendekatan kualitatif (*non-positivistik*) dengan jenis penelitian studi kasus (*case study*). Pengumpulan data dilakukan dengan teknik observasi dan wawancara kepada gembala gereja, bendahara, tim BPP (Badan Pengawas Perbendaharaan), dan jemaat gereja untuk mendapatkan informasi mengenai sistem pengendalian pada gereja X. Analisis data pada penelitian ini menggunakan model data situs tunggal. Hasil penelitian ini menunjukkan praktik sistem pengendalian internal dalam perspektif modern (COSO) pada gereja X belum sepenuhnya menerapkan kelima komponen sistem pengendalian internal menurut COSO karena beranggapan bahwa gereja merupakan organisasi keagamaan yang tidak memiliki regulasi yang kaku seperti organisasi pencari laba. Sehingga menjadi celah bagi bendahara gereja untuk melakukan *fraud* pada gereja. Selain itu, sistem pengendalian internal dalam perspektif Alkitabiah pada gereja X ditemukan bahwa gereja X telah menerapkan sistem *dual custody* dan nilai-nilai etika berorganisasi yang diambil dari Alkitab untuk dijadikan pondasi dalam melayani Tuhan, namun kenyataannya bendahara gereja menyalahgunakan kekuasaan atau otoritasnya dan bertindak tidak sesuai dengan firman Tuhan. Kontribusi teoritis pada penelitian ini adalah untuk berkontribusi dalam memperkuat dan memperkaya teori *triangle fraud* dan kontribusi praktisnya penelitian ini dapat dijadikan sebagai pengetahuan agar gereja dapat memperbaiki sistem pengendalian internal yang sudah ada untuk meminimalisir penyalahgunaan keuangan pada gereja.

Kata Kunci: Sistem Pengendalian Internal, Kecurangan Keuangan, Alkitabiah

ARTICLE INFO

Article History:

Received 21 January 2021

Accepted 23 April 2021

Available online 31 Mei 2021

Page | 974

Jurnal Riset
Akuntansi dan
Bisnis Airlangga
Vol.6 No.1
2021

¹ Corresponden Author : Magister student at Universitas Negeri Malang, Telp. 08570660775, Email: erhemayohanna@gmail.com

² Second Author : Lecturer at Universitas Negeri Malang, Email: sri.pujiningsih.fe@um.ac.id

³ Third Author : Lecturer at Universitas Negeri Malang, Email: dodikjuliardi.fe@um.ac.id

Introduction

A church is a type of non-profit organization that is not targeted for a profitable purpose. The source of the church's wealth is received legally from offerings, voluntary assistance, and assistance from other parties without any ties (Anggaran Rumah Tangga GKBI, 2012). These offerings of donations can be in the form of money, goods, or services used for the development of the church, as shown in the letter 2 Corinthians 9: 7 that "*Let every man do after the purpose of his heart; not giving with grief, or by force: for God takes pleasure in a ready giver*". The verse explains that the offerings are given voluntarily by the congregation without stipulating the amount that must be submitted to the church.

A large number of church offerings without accountability and transparency in financial management can be the cause of fraud which is very complex and concerning (Simangunsong, 2018). Along with the development, the church as a non-profit organization has a low level of transparency and accountability in managing church finances (Wibowo and Kristanto, 2017). According to Pujiningsih (2013), accountability is a responsibility or state of being accountable for the success or failure to the trustees or those who delegate the authority are satisfied with the performance of the implementation of activities. There are two types of accountability, namely vertical accountability and horizontal accountability. Vertical accountability is an accountability based on stewardship theory (Sukmawati, et al., 2016). Stewardship theory assumes that humans can be trusted or trustworthy. This is done so that the church treasurer has responsibility for the financial management in the church. Therefore, they can be held accountable to the public or the church congregation without prioritizing personal interests. Hence, it can prevent financial abuse (fraud) in the church.

However, fraud (corruption) has taken hold and dangerous or venomous like a "snake" in a church organization. The church must have a high level of transparency and accountability to prevent financial abuse (fraud) in the church. In fact, activities and behavior in the church often show things that are contrary to the word of God. Some churches were trapped and dragged into corruption cases. For example, a corruption case of funds from the Ministry of Youth and Sports by the management of the Indonesian Methodist Church Education Foundation with a total of IDR 6.1 billion (Tribun Medan, 2016). A recent case that happens abroad is that of a Catholic bishop and several priests in Brazil who have been charged with misappropriation of church funds amounting to two million Brazilian real (approximately IDR 8 billion) (Okezonenews, March 24, 2018). These stories are only a small part of the corruption scandal that has occurred in the church organization that appears on the surface. The behavior of a church member on the news when committing deviant actions (fraud) is caused by several factors based on the fraud triangle theory. Cressey in Albrecht (2014) developed a fraud triangle theory which explains that three elements are often needed for fraud to occur, namely pressure, opportunity, and rationalization. Where one or even all of these factors can be the reason for perpetrators to commit acts of fraud in church organizations.

Cheating is very common at church. The church should care about the internal control system within the church to protect from various financial abuse. In this study, there are two perspectives of internal control systems including modern and biblical perspectives. Modern perspective using the concept of the Committee of Sponsoring Organizations (COSO) (2013), where internal control is a system and structure or process designed in an organization that aims to provide adequate assurance that the control objectives are achieved. Likewise, if the church board applies a good control system, the church's goals will be achieved, such as the reliability of the church's financial statements. Meanwhile, the internal control system according to the Bible describes the dual custody system (2 Chronicles 24: 11-12), the ten commandments of God (Exodus 20: 2-17), and the acceptance of professional church administrators (Exodus 18:21). God's words and commands can become a "scourge" and boomerang for the church board so as not to commit irregularities in the church. Thereby, the control system in the church will be effective and efficient so that it can prevent and/or reduce fraud. Because this internal control system aims to detect financial abuse and fraud (Myers, 2012, and Ahiabor and Mensah, 2013). However, in fact, the aspect of internal control in the church is not considered important for church management (Cornell et al., 2013), and therefore it can become an opening for church fraud.

Empirical studies have also been conducted to determine the role of internal control in the church to minimize fraud. A study conducted by Tanui (2016); Omare and Bitange (2016); Ojua (2016) proves that the internal control system can be used as effective financial management in the church. But many churches still have a lack of knowledge of the internal control system, large costs for its implementation, unqualified workers, and congregations feel confident in the church boards, as well as inadequate monitoring or supervision. A study by Mensah and Ahiabor (2013); Mensah (2016); Gachoka et al., (2012) explained that the implementation of an internal control system in the church will encourage the implementation of duties and responsibilities according to existing procedures or regulations to reduce or prevent fraud in the church. Previous research shows that internal control is extremely important in the church. However, internal control in the church is still weak and inadequate and therefore it can lead to fraud in the church.

Based on the explanation above, previous research (Mensah and Ahiabor 2013; Tanui, 2016; Omare and Bitange 2016; Ojua, 2016; Mensah, 2016; Gachoka et al., 2012) is still focused on an effective internal control system in the church from a modern perspective. While this research will also study the practice of internal control from a biblical perspective. It is important to conduct this research because X church is one of the largest churches in East Java with a fairly large offering of approximately IDR 120 million (without including tithe) per month, and it has a good organizational structure and segregation of duties or is also known as separation of duties. However, when the researcher conducted the initial observation, the researcher did not find any financial reports in the congregation's newsletter or oral announcements during worship activities. This condition raises the initial suspicion that X Church as a non-profit organization

had a low level of transparency in financial processing. The low level of transparency and accountability to God and the congregation in financial management is due to the implementation of an inadequate internal control system in the church. Therefore, it is extremely susceptible to fraud (Mensah, 2016, and Wibowo, and Kristanto, 2017). For that reason, the researcher is motivated to carry out this research with the objective to investigate and reveal the practice of internal control in a modern and biblical perspective in terms of reducing financial abuse and irregularities at X Church in East Java. This research also provides theoretical contributions to strengthen and enrich the fraud triangle theory. In this study, the practical contribution is as a source of knowledge for the X church boards and others to improve the internal control system in the church so that there is no irregularity and financial abuse in the church.

Literature review

Stewardship Theory

Stewardship theory explains a situation where management is not motivated by individual goals but rather aimed at their primary outcome goals for the benefit of the organization (Hernandez, 2012, and Segal and Lehrer, 2012). In this context, the theory assumes a strong relationship between church satisfaction and success. The church's success shows the maximization of the utility of the group principals and management of the church. So, the theory, in this case, shows that the church board is not motivated by individual goals but rather prioritize the interests of the church. The church boards have accountability or responsibility in managing the church both in terms of church finances and other church activities.

In this context, accountability to God is essential and this means that there is vertical accountability. Vertical accountability is an accountability based on stewardship theory (Sukmawati et al., 2016). Stewardship theory assumes that humans can be trusted or trustworthy. Stewardship theory explains that management is not motivated by individual goals but rather focused on the primary outcome goals for the benefit of the organization (Hernandez, 2012, and Segal and Lehrer, 2012). The church boards or church management team such as the church treasurer acts as a steward who serves to manage church resources and the congregation as the principal is the owner of these resources. This is carried out so that the church treasurer has responsibility for the management of church finances. Hence, they can be held accountable to the public or the church congregation. Therefore, it can reduce or prevent misuse (fraud) of church finances.

Triangle Fraud Theory

Cressey in Albrecht (2014) developed a fraud triangle theory which explains that fraud is caused by pressure (incentive or motivation), opportunity, and rationalization (justification or attitude). In this case, the pressure is related to the motivation of the perpetrator which leads to unethical behavior. For example, the perpetrator commits the act of stealing money due to financial pressure (Abdullahi et al., 2015). The opportunity factor occurs because of the low internal control system in the church results in the behavior of taking advantage of the

weak system and misappropriation of church money. Meanwhile, rationalization (justification) is related to the knowledge of management (church boards) about the fraud that has been committed. Hence, the perpetrators have justification for their actions (Reskino, and Anshori, 2016).

Modern Perspective Internal Control System

The internal control system in a modern perspective adopts the Committee of Sponsoring Organizations (COSO) (2013). Internal control is a system, structure, or process implemented by the board of commissioners, managers, and employees in the company that aims to provide adequate assurance that the control objectives are achieved including the effectiveness and efficiency of operations and reliability of financial reporting. According to COSO (2013), an effective internal system must fulfill the five main interrelated components. In the context of this study, the five components of internal control include the control environment which is the foundation of all components, risk assessment which is a process for analyzing risks in church organizations, control activities are policies and procedures in terms of reducing risks that occur, information and communication are the formations of the accounting information system in the church, and supervision is the activities of evaluating and ensuring that the five components exist and function. The implementation of internal controls is crucial to reduce the financial irregularities that occur in the church because the church is a non-profit organization that has weak internal control due to a lack of knowledge of the internal control system and an inadequate accounting system (Omare and Bitange, 2015).

Biblical Perspective Internal Control Systems

In this study, the internal control system in the biblical perspective is taken from and based on verses in the Bible. The Bible discusses how Israel practiced an internal control system, namely dual custody assets as a measure of internal control, where a job must be done together or under the responsibility of two people cooperation. This concept is explained in 2 Chronicles 24: 11-12 which reads:

“11 Whenever the chest was brought in by the Levites to the king’s officials and they saw that there was a large amount of money, the royal secretary and the officer of the chief priest would come and empty the chest and carry it back to its place. They did this regularly and collected a great amount of money. 12 The king and Jehoiada gave it to those who carried out the work required for the temple of the Lord. They hired masons and carpenters to restore the Lord’s temple, and also workers in iron and bronze to repair the temple”.

The verse explains that the king’s secretary and the officer of the high priest have dual custody of the funds that have been given. In the verse, it is interesting to note that the Levites were constantly exercising control to ensure that all funds were used properly. The Bible also addresses the fact that people of integrity must hold the funds.

The Apostle Paul knew that assigning responsibility to more than one (several) honest people would reduce the possibility of fraud and would reduce

public concern about fraud. Furthermore, the Bible also emphasizes that the Church must recruit or elect a church worker or church board who has a good and wise attitude. According to the Bible, acts 6: 3, which says, *“Brothers and sisters, choose seven men from among you who are known to be full of the Spirit and wisdom. We will turn this responsibility over to them”*. This is according to the principle of internal control which currently requires employees who are competent and honest in terms of financial accountability of the church.

The church should have a high level of transparency and accountability to reduce or prevent the misuse of church money (fraud) because fraud in the church is against the Word of God which is the foundation of church life as written in Exodus 20 verses 15 and 17 *“you shall not steal”* and *“you shall not covet your neighbor’s house or anything that belongs to your neighbor”*, this verse is part of the Ten Commandments. Morally, the church should be the guardian of honesty, justice, and transparency. The elected leaders and administrators of the church should understand and instill in their hearts the words of God from the Book of Exodus 18:21 which says that *“Moreover, look for able men from all the people, men who fear God, who are trustworthy and hate a bribe”*. Based on the word of God, church members such as the church board should fear God and be honest. Therefore, they are able and have the courage to uphold justice and protect the rights of others. This will reduce the financial irregularities and misappropriation in the church.

Vertical Accountability

Vertical accountability is accountability to a higher authority. In the context of religious entities, vertical accountability is a form of accountability to God (Yuesti, 2013). Where humans are given the mandate to take care and look after the earth based on the word of God. This means that humans have an obligation and must be accountable to God. This form of vertical accountability encourages church boards such as church treasurers to manage church finances in an honest, truthful, fair, and objective manner, as well as to avoid financial embezzlement or abuse in the church (Sukmawati et al., 2016).

In the context of managing church finances, church leaders and church administrators are similar to a church treasurer who expected to have high integrity, such as not stealing money, not tricking people into getting money, not engaging in any form of violence to get money, and will not accept bribes. All church boards are required to keep their hands clean in a financial context and be available at all times to be audited from beginning to end of their ministry.

Research methods

Approach and Type of Research

This study uses a qualitative (non-positivistic) approach and a case study type of research. The researcher chooses qualitative methods and a case study type of research because it is in line with the objectives of the researcher who wants to describe in detail according to the views of the informants regarding the practice of internal control in terms of reducing irregularities and financial abuse of X church in East Java.

Research Sites

The research was conducted at X church in East Java because it has a good organizational structure (board of directors), where there is a clear segregation of duties and transparent church organizational structure. Besides, X church is a large church because it has one central church and six branch churches. X church is the central church that has the authority to carry out the financial management of six branch churches and the central church. X church in East Java also receiving offerings amounting to approximately IDR 120 million each month. This calculation does not include the church's tithing offering.

Data Collection

The data collection procedure in this study used several methods that are useful to assist in obtaining comprehensive research data in terms of the research context. Data collection was conducted using observational techniques (participatory, hidden observation), interviews (semi-structured), and documentation. In this study, the researcher conducted in-depth interviews with the church pastor, treasurer, BPP (Financial Supervisory Agency) team, and church congregations based on the focus of the research. The researcher will go deeper to find out more information from the informants about the role of internal control in terms of reducing financial irregularities and abuse of church X in East Java.

Data Analysis

Data analysis in this study used a single site data model. Qualitative data analysis at a single site according to Miles et al., (2014) consists of interconnected components including data collection, data reduction (simplification), data presentation, and conclusion or verification. The data reduction is conducted because the researcher obtained a considerable amount of data from the field. Hence, the data reduction stage is conducted, namely: 1) making a summary; 2) coding; 3) searching for themes; 4) creating clusters of themes; 5) creating partitions; 6) writing memos for important notes during the research. Further, there are stages of presenting data with narrative text and this will make it easier to understand what happened. The last stage is drawing conclusions or verification. It is a stage of drawing conclusions or strong verification. The researcher can interpret, understand, and draw conclusions as a result of the research. This study also used data triangulation and methods to check the validity of the findings.

Results and Discussion

This study investigates and reveals the practice of internal control in a modern and biblical perspective in terms of reducing irregularities and financial abuse at X Church in East Java. The internal control system in a modern perspective is adopted from the Committee of Sponsoring Organizations (COSO) (2013). There are five components in COSO (2013) that will be associated with the results and discussion, namely the control environment, risk assessment, control activities, information and communication, and supervision. Furthermore,

this study also analyzes the internal control system in the church from a biblical perspective, the word of God which is written in 2 Chronicles 24: 11-12 about the concept of dual custody, Acts 6: 3; Exodus 18:21 about the acceptance of the church boards, and Exodus 20: 2-17 about the ten commandments of God. The following are the results and discussion of the internal control system in a modern and biblical perspective to reduce fraud in church X.

Internal Control Environment of the X Church

Ethical Values of X Church Correspond to the Word of God

According to COSO (2013), the first principle that shapes the internal control environment is a commitment to integrity and ethical values in the organization. Church X has implemented a commitment to integrity and ethical values that are in line with the goals of the church. The church board used biblical values stated in the ten commandments of God found in the Book of Exodus 20: 1-17, where one of the verses says “*you shall not steal*”. This is also the commitment of the treasurer in managing church finances. However, this was not in line with the actions of the church treasurer who did not act ethically. The treasurer sold scrap paper belonging to the church, which should be recorded on the financial statements. However, the money from the sale went to Treasurer I which she considered “extra money”. Treasurer I sold scrap paper of the church for her gain. Treasurer I had a “luxurious” life, therefore, the money from the sale of the paper was used to buy expensive branded bags. The treasurer's actions reflect that the church treasurer had no accountability in managing church finances. In this context, the church treasurer did not have vertical accountability or a form of accountability to God. The church treasurer ignored the ten commandments of God written in the Book of Exodus 20: 1-17, in which one of the verses says “*you shall not steal*”.

Vertical accountability is based on stewardship theory (Sukmawati, et al., 2016). The theory assumes that a person, in this context is a treasurer, is trustworthy or reliable. Stewardship theory explains that management (church boards) are not motivated by individual objectives but more focused on the primary outcome objectives for the benefit of the organization (the church) (Donaldson and Davis, 1991; Davis & Donaldson, 1997; Hernandez, 2012; Segal and Lehrer, 2012). According to the theory of Stewardship, the treasurer should behave according to the common interest or the interests of the church. The treasurer of the X church's behavior contradicted the stewardship theory. The treasurer committed the act of “stealing church money” from the sale of scrap paper of the church, which should go to the church treasury. However, the treasurer took the proceeds from the sale for personal use. Therefore, it is very contrary to the stewardship theory.

In the triangle fraud theory, according to Cressey 1951 in Albrecht (2014), three factors can encourage someone to commit fraud or deviant actions, including the factor of pressure, opportunity, and rationalization. In this context, the church treasurer committed deviant actions because of the opportunity so that the treasurer used the opportunity to commit deviant actions. The treasurer took advantage of the weak internal control system and legal sanctions on the X Church. The opportunity factor was created by an ineffective church control and governance system that

could support someone to commit fraud in organizations, including a religious organization (Abdullahi et al., 2015).

Accountability and Delegations of Authority: Culture of Seniority

In the control environment, there is a principle of the accountability of the governing board in managing the church to achieve the objectives of the organization of the X Church. The accountability of good church boards in church organization is highly necessary for the achievement of the objectives of the organization at the X Church. The accountability of the church board is still less because the Treasury Supervisory Agency (BPP) team that was in charge of auditing the financial statements at the X Church had a theological education background or was a pastor. Besides, the board of the X Church adhered to a “seniority” system. The governing board of the X Church felt “hesitate” and was afraid to reprimand unethical actions by treasurer I because treasurer I was the oldest church worker (senior) and in terms of age, treasurer I was older than other church boards. Seniority greatly affects the attitude of someone who in the end will always feel more than others (Katarina and Siswanto, 2018). It clearly affects the organization in achieving its objectives. In this context, the treasurer felt that she would be respected by the governing board of another church which in the end made the treasurer always felt superior to others. Therefore, she took actions that she thought were right but wrong in God’s eyes.

Motivation Giving from Church Governing Council: Spiritual Recreation

Church X had regular spiritual recreational activities held annually. Spiritual recreation is a fun activity outside the city to motivate church boards physically and spiritually (worship). In worship activities, the pastor provides a sermon about God’s commandments and God’s prohibitions that must be avoided as written in the Book of Exodus 20: 2-17. This activity is intended so that the church board can improve its performance to work for God. As it is written in the Book of Exodus 31: 17 which reads “...for in six days the Lord made the heavens and the earth, and on the seventh day he rested and was refreshed”. The verse explains that it is indeed necessary to rest after a long period of work. Therefore, the spiritual recreational activities conducted by the board of the X Church aimed to achieve the goals of the X Church.

Requirements for admission of Church Board: One faith

Besides, the controlling environment of the X Church also included a process of accepting workers of the X Church. This activity was done to get qualified church workers in faith in God and knowledge to serve God in His church. An absolute requirement in terms of acceptance of the church board is having the same faith, in other words, must be Christians. In addition to being good in science, there are absolute requirements, which must be Christian. As written in the Book of Exodus 18:21 that those who are worthy to be chosen as workers of God must be “Moreover thou shalt provide out of all the people able men, such as fear God, men of truth, hating covetousness” The verse illustrates that people who must be chosen to work in God’s house are those who fear God, can be trusted, and hate bribery or in this context are financial irregularities/abuse (fraud). The Bible also emphasizes

that the church must choose a church administrator with a good and wise attitude. Besides, in the Book of Acts 6: 3 which reads “*Wherefore, brethren, look ye out among you seven men of honest report, full of the Holy Ghost and wisdom, whom we may appoint over this business*”. This verse is very clear in line with the principle of internal control where the system requires employees or in this case, a competent and honest church board (Dzomira, 2014). The presence of church workers who are honest and competent is intended to minimize irregularities or misuse of church finances so that the objectives of church organization can be achieved.

Risk Assessment of the X Church

The BPP Team is Less Professional in Auditing Church Financial Statements

In practice, the Treasury Supervisory Agency (BPP) team was responsible for overseeing the church treasury and auditing the church’s financial reports. It was to consider the potential for fraud in assessing the fraud risk. The BPP team lacked knowledge in auditing financial reports because the BPP team’s educational background was a pastoral graduate. The BPP team’s educational background was highly different from their job as an auditor. The BPP team in charge of auditing the church’s financial reports was less skeptical and less thorough. This attitude was very contrary to the attitude of an auditor who should have a skeptical attitude in carrying out an audit assignment. The auditor should not only be following the audit procedures summarized in the audit program but must also be accompanied by an attitude of professional skepticism (Andriyani, 2016). This can put the church at risk of financial misuse. The head of the BPP team believed that God had a plan to have chosen him as the head of the BPP team, as written in the Book of Deuteronomy 7: 6 which reads “*For thou art a holy people unto the LORD thy God: the LORD thy God hath chosen thee to be a special people unto himself, above all people that are upon the face of the earth*”. The head of the BPP team believed that God always guides the steps in every process of auditing the church’s financial statements. Although the BPP team who served as auditors at the X Church did not know about auditing, they believed that the knowledge that the BPP team now had was far better than that of a reliable auditor.

God as a Fortress of Protection (Insurance)

Besides, the church board believed that God is a stronghold of protection for church assets. The church’s assets are not insured so that in case of political unrest or natural disasters, the physical assets of the church will be damaged. The reason the X Church did not apply for insurance was that the church board believed that God would be a stronghold of protection (insurance) for church assets. As written in Psalm 5: 11-12 which reads.

“But let all those that put their trust in thee rejoice: let them ever shout for joy, because thou defendest them: let them also that love thy name be joyful in thee. For thou, LORD, wilt bless the righteous; with favour wilt thou compass him as with a shield.”

This verse explains that God will spread His protection to those who want to take refuge in Him and will protect His people with His Grace like a shield.

Likewise, at the X Church, the board of the X Church believed and was convinced that God protects all assets owned by the church.

Controlling Activities of the X Church

Church Money Management Systematics: Flexible Rules

The governing board of the X Church had insufficient control activity for systematics of financial management for branch and central churches. Once a week or once biweekly depending on the flexible situation, the branch church treasurer deposited the offering money by transferring it to the central church. Surprisingly, the branch church treasurer did not make financial reports. In other words, the branch church treasurer was only helping the task of the central church treasurer to deposit the offering money of the branch church to the central church without having financial reports or transaction reports made by the branch church as documentation. It is highly unfavorable for the systematics of church financial management with a large enough revenue that can become an opportunity for misuse of church finances (Synder and Clifon, 2005). It contradicts the Word of God written in 1 Peter 5: 8, which reads “*Be sober, be vigilant; because your adversary the devil, as a roaring lion, walketh about, seeking whom he may devour*”. The verse explains that we as humans must always be vigilant and alert in all things so that we do not fall into the devil’s trap (negative things). In this context, it is the need for financial statement documentation for branch churches and patent regulations. These regulations must be obeyed to avoid irregularities or misuse of church finances. In the biblical context, God commands His children to always be vigilant and warned according to what is written in His Word to minimize the risk of misuse of church finances at the X Church so that the internal control system at the X Church can work well.

Church Financial Statements are Incompatible with Nonprofit Accounting Standards

The financial records of the X Church used a computerized system to avoid the risk of miscalculation or misrepresentation. However, the financial statements prepared by the church treasurer were not in accordance with non-profit accounting standards. The church treasurer found it difficult to create records based on non-profit accounting standards. The treasurer felt less knowledgeable about non-profit accounting standards. Therefore, the recording of financial statements made by the church treasurer was a simple format because the treasurer felt technologically illiterate. It is clearly not in line with the non-profit accounting standards contained in PSAK 45. The financial statements of non-profit organizations include the financial position report at the end of the reporting period, activity reports, cash flow reports for the reporting period, and notes to financial statements (Paragraph 09). However, the treasurer of the X Church did not make financial reports that are in accordance with non-profit accounting standards due to a lack of knowledge of these standards and was reluctant to study them (Omare and Bintange, 2016; Ojua, 2016; Tanui, 2016). The treasurer only made simple and easy financial reports.

Church Document Design: Signature Falsification of Church Pastor

The board of the X Church had a document design format of the X Church in terms of letter writing. It aims of having a design or document format that is unique to the X Church to avoid misuse or deviation. But interestingly, signing letters on behalf of the church pastor can be faked. The church pastor's signature can be represented or falsified by the treasurer if the church pastor is unable to attend the church office. It is not appropriate in the case of making church documents and there is a high risk of irregularities or misuse of the permit which will lead to misuse of church money. In the Book of Leviticus 19:11, God says "Ye shall not steal, neither deal falsely, neither lie one to another". This verse is contrary to the signing of a signature by the church treasurer when the church pastor is unable to attend church. The falsification of signatures is also against the law. It is dishonest and acts of fraud and is a matter of lying to fellow church workers.

Anti Fraud Control Program: The Book of Exodus 20: 2-17

Furthermore, the X Church had an anti-fraud control program which was taken from the Bible verses Exodus 20: 2-17 concerning the ten Words of God. Moreover, in the Book of Leviticus 19:11 the Lord says, "Ye shall not steal, neither deal falsely, neither lie one to another". The Word of God taken from the Bible is the anti-fraud control of the X Church. Therefore, the board of the X Church hoped that the anti-fraud control can be a "scourge" for God's workers who commit acts of irregularities. However, as seen from the actions of the treasurer who committed unethical actions, the anti-fraud control program for the X Church is not yet basic and has not been embedded in the hearts of God's servants. Therefore, when people commit deviant actions, they will not be afraid and try to justify themselves. The triangle fraud theory explains that humans commit acts of fraud because of three factors, including opportunity, pressure, and rationalization (Cressey, 1951 in Albert, 2014). In this context, cheating at the X Church occurred because of opportunity and rationalization. The factor of opportunity occurred because the control system in the church was not optimal. Therefore, the perpetrator took advantage of the weak rules and legal sanctions existing at the X Church. Meanwhile, the rationalization factor in this context occurred because the perpetrator felt that the behavior and actions taken were for the good of other church workers. The perpetrator tried to formulate various justifications so that it can be morally acceptable if the perpetrator's less ethical actions were correct (Abdullahi et al., 2015).

Forms of Accountability and Transparency: The Gospel of Matthew 6: 3

Another aspect that occurred to the X Church was the lack of financial transparency for church members. It was proven by the absence of verbal or written notification of church financial statements. Therefore, it proves that the X Church was not yet fully accountable. Accountability is responsible for the success or failure of the trustee or those who delegate the authority to be satisfied with the performance of the implementation of activities (Pujiningsih, 2013). It consists of two types, including vertical and horizontal accountability (Mardiasmo, 2009). Vertical accountability in this context is a form of

accountability by church workers or church financial managers to God, while horizontal accountability is a form of accountability to congregations or donors and other church workers. It shows that the church treasurer did not have horizontal accountability, which is financial accountability with the church congregation. It happened because the church board believed that what was given with the right hand, the left hand should not know. As written in the Gospel of Matthew 6: 3 which reads “*But when thou doest alms, let not thy left hand know what thy right hand doeth*”. The church board had a policy regarding the form of transparency to the congregation that the church did not distribute financial reports to the congregation. In the absence of verbal or written information, the congregation will focus more on worshiping God because they do not see the nominal value of the money of the X Church.

Information and Communication

“Feeling “Hesitate” to Report Misconduct

The X Church did not have an effective communication channel for church workers to report suspected irregularities. The board of the X Church also did not apply disciplinary action to church boards who commit acts of irregularities. The church board explained the absence of effective communication channels and disciplinary action was because the church is a sacred religious organization so it has a personal responsibility with God. As written in the Gospel of Matthew 7: 1-5, Jesus taught about “the matter of judging”, the Lord Jesus clearly forbade his people to judge or blame others who have carried out something wrong because judging is God. As fellow church workers, the board members of the X Church felt that they were also not free from sin. Therefore, judging is God’s business. Besides, the church board had inadvertently applied culture of shyness and seniority to the organization of the X Church. The existence of a clear separation of duties and organizational structure at the X Church did not guarantee that there will be no acts of irregularities in the church. Clear separation of duties and organizational structures can be shaken and defeated by a culture of “hesitant” in the church. Furthermore, the board of the X Church believed that God will punish church workers who commit deviant acts in God’s house.

In essence, the implementation of internal control in church organizations is highly dependent on the personal support of the church boards. No matter how good the division of duties and the organizational structure of the church and how good the design or model of the internal control system in the church, it will not be implemented without the personal support of the church board. Personal support for the implementation of an internal control system in an organization is affected by many factors. The factor found in this study was that the congregation or the church board trust (factor of trust) the treasurer’s job, and they even feel “hesitant” to reprimand if irregularities occur in the church. The factor of trust or the belief patterns of other church boards will affect the mindset of the church congregation (Booth, 1993). Therefore, it makes other church boards and church congregations trust the treasurer (Ojua, 2016).

Sifting Out External Information: Proverbs 17:4

Information is essential for any organization. In this context, information is also highly influential in the growth of God's church. Therefore, a person who believes in God must be able to sort out information. As believers, God does not want His children to swallow up the information. As it is written in the Book of Proverbs 17: 4 which reads "A wicked doer giveth heed to false lips; and a liar giveth ear to a naughty tongue". The verse explains that a person who can grip his tongue in receiving information or news is a person with good knowledge, is understanding, and wise in receiving incoming information. At the X Church, the church board monitored and sorted out external information that came into the church carefully. A Christian like the church board must be able to grip their tongue, sort out the existing information, receive information wisely so as not to damage the good relationship between church workers with one another, even not to destroy God's church. It can make the internal control system better. Because information is required to perform internal control responsibilities in supporting the achievement of financial reporting objectives (COSO, 2013).

Monitoring

Annual Meetings are just a formality

Meetings in an organization are essential activities to do, to evaluate activities in the organization. These evaluation activities are to determine whether all activity programs and internal controls in the organization are running and functioning (COSO, 2013). The X Church had a regular agenda for an annual meeting aiming to review, evaluate, communicate strategies and plans for updating the church activity program for the next year. When the annual meeting was held, interestingly, the board never evaluated the church's financial statements during the one year. The church board believed in the work that was performed by the treasurers. The church board felt that the financial statements that had been produced by the church treasurer were corrected and audited by the BPP team.

During the meeting, the treasurer gave a black and white photocopy of the hard file with a very small writing size so that it made church workers who attended the meeting rarely see the hard file. The treasurer explained that black and white copy is intended to save paper and ink (church supplies) so that it can make the equipment available at the X Church more efficient. It is surely very risky for financial irregularities because although the treasurer was transparent or open by distributing hard files to meeting participants, however, the small font size made people hard to see. Finally, they chose to trust the financial statements produced by the treasurer. Besides, the financial statements of the X Church were only submitted to the church board at the end of each year. With the huge amount of church financial receipts every month, it becomes very risky. It, surely, could be an opportunity to misuse church finances, if the period of the church financial reporting period meeting is held once a year (Tauni, 2016).

God as the Supervision of the Church

The central church pastor and the head of the BPP team had never conducted supervision to monitor and evaluate the performance of church workers, particularly the treasurer (Ojua, 2016). The activity performed by the BPP team to evaluate the church's financial statements only once per year with central church treasurers. This supervisory activity had never been performed because there was a trust in the treasurer of the X Church. The trust mindset is a factor that ultimately affects the mindset of the church congregation (Booth, 1993). The church board had a belief system because all church workers are those who believe in God and people who had been chosen by God, so the church board considered that the treasurer would be accountable for the work to manage the finances of the X Church. The pastor of the church and the head of the BPP team explained that all boards of the X Church are "servants of God" who have the same degree of work position, which is as God's service and their superiors are God, not church pastors or Head of the BPP team. Therefore, God is the supervisor with the right to monitor or supervise church workers in their performance. Hence, it becomes a "scourge" to deviate or commit acts of fraud, as has been written in Proverbs 15: 3 which reads "*The eyes of the LORD are in every place, beholding the evil and the good*". The Bible verse written in the Proverbs explained that God is always watching our every step and deed, both evil and good deeds.

Conclusion

Based on the discussion that has been explained, it can be concluded that the practice of internal control systems in a modern and biblical perspective at X church in East Java is not fully based on the theory of internal control according to COSO. The weak internal control system at X church is proof that the church treasurer can commit irregularities and financial abuse at X church. From a biblical perspective, the internal control system in X church implements a dual custody system and has applied ethical values in an organization based on the words of God in the Bible. This should be a basis for us to organize and serve God in His church. However, in its practice, the treasurer of X church abuses the power or authority that has been given to commit misappropriation of money at X church.

Limitations

Concerning the research that has been conducted, there are limitations to this research including the interviews with the BPP team (Financial Supervisory Agency) are only conducted with one person, namely the Head of the BPP Team because members of the BPP team are not allowed to conduct interviews with researchers. This made it difficult for researchers to obtain information about the church financial statement audit process conducted by members of the BPP team.

Suggestions

For church organizations, it is hoped that they can be firmer and impose penalties or sanctions for church workers who commit irregularities and financial abuse in the church. It is also hoped that the church will form a stronger system of

internal control and publish church financial reports as a form of accountability and transparency to the congregation.

For future researchers, it is hoped that they can examine good governance in church organizations from both a modern and biblical perspective. Besides, further researchers can add research sites (multi-case studies).

Implications

The practical implications of this study can be used as knowledge so that the church can improve the existing internal control system. This is necessary to be done so that there is no irregularity and financial abuse in sacred religious organizations such as churches. Therefore, there is no abuse of power/authority in the church because it is very risky to commit irregularities and financial abuse in the church. Furthermore, there are theoretical implications of strengthening and enriching the fraud triangle theory. The triangle fraud theory explains that fraud is caused by pressure, opportunity, and rationalization.

Reference

Abdullahi, R., Mansor, N., and Nuhu, M.S. 2015. Fraud Triangle Theory and Fraud Diamond Theory: Understanding The Convergent and Divergent for Future Research. *European Journal of Business and Management*. Vol. 7 No.28. Pp.30-37.

Ahiabor, G., and Mensah, C.,C.,Y. 2013. Effectiveness of Internal Control on the Finances of Churches in Greater Accra, Ghana. *Research Journal of Finance and Accounting*. Vol.4 No.13. Pp.115-120.

Albrecht, W. S., Albrecht, C.C., and Albrecht, C.O. 2006. *Fraud Examination*. United States of America: Thomson Business and Professional Publisher.

Albrecht, W.S. 2014. *Iconic Fraud Triangle Endures* : Fraud Magazines, 3-5.

Cornell, R. M., Johnson, C.B., and Schwartz, Jr., W.C. 2013. Influence of Leadership Positions on Internal Controls and Reported Fraud in Religious Organizations. *Journal of Forensic & Investigative Accounting*. Vol.5 No.1. Pp.85-125.

COSO Report. 2013. *Internal Control Integrated Framework*, (Online), (<http://www.coso.org>), diakses pada 17 Juli 2018.

Creswell, J.W. 2015. *Penelitian Kualitatif & Desain Riset Memilih di antara Lima Pendekatan Edisi ke-3*. Yogyakarta: Pustaka Belajar.

Dewan Standart Akuntansi Keuangan. 2011. *PSAK no. 45 (revisi 2011): Pelaporan Keuangan Entitas Nirlaba*. Jakarta: IAI.

- Dzomira. 2014. Internal controls and fraud schemes in nonprofit organizations. A guide for good practice. *Research Journal of Finance and Accounting*. Vol.5 No.2.Pp.118-124.
- Gachoka, N., Aduda, J., Kaijage, E., and Okiro, K. 2018. The Intervening Effect of Internal Controls on the Relationship Between Budgeting Process and Performance of Churches in Kenya. *Journal of Finance and Investment Analysis*. Vol. 7 No.2. Pp.81–107.
- Hernandez, M. 2012. Toward an Understanding of the Psychology of Stewardship. *Academy of Management Review*. Vol. 37 No.2. Pp.172–193.
- Ikatan Akuntansi Indonesia (IAI). 2011. *Standar Akuntansi Keuangan PSAK*. Jakarta: Salemba Empat.
- Isnugroho, Edy. 2012. *Anggaran Rumah Tangga GKBI 2012*. Bandung : GKBI.
- Katarina, dan Siwanto, K. 2018. Keteladanan Kepemimpinan Yesus dan Implikasinya bagi Kempemimpinan Gereja pada Masa Kini. *Evangelikal: Jurnal Teologi Injil dan Pembinaan Warga Jemaat*, 89.
- Lembaga Alkitab Indonesia. 2006. Jakarta: Alkitab Deutrokanonika.
- Mardiasmo. 2018. *Akuntansi Sektor Publik*. Yogyakarta: Andi.
- Mensah, B. K. A. 2016. Accountability and internal control in religious organisations: a study of Methodist church Ghana. *African Journal of Accounting, Auditing and Finance*. Vol. 5 No.2. Pp.95-107.
- Miles, B. M., Huberman, and Michael, S. J. 2014. *Qualitative Data Analysis, A Methods Sourcebook, Edition 3*. USA: Sage Publication. Terjemahan Tjetjcep Rohindi rohidi, UI-Press.
- Myers, D. W. 2012. External stakeholders and internal controls in Churches. *Journal of the XXII. Acoustical Society of America*. Vol.108 No.2. Pp.784–789.
- Ojua, M. O. 2016. Internal Controls and Fraud Prevention in Non-profit Organizations: A Survey of Selected Churches in Lagos, Nigeria. *The International Journal Of Business & Management*. Vol. 4 No.6. Pp.240-247.
- Omare, D., and Bitange, J.,B. 2016. Internal Control System For Financial Management in the Church: A Case of Protesrant Churches in Eldoret Municipality, Kenya. *European Journal of Accounting, Auditing and Finance Research*. Vol.4 No.6. Pp.29-46.

- Okezonenews. 24 Maret 2018. *Curi Dana Gereja Sebesar Rp8 Miliar, Uskup dan Pastur di Brasil Dicidaduk Polisi*, (Online), (<https://news.okezone.com>), diakses 08 Juli 2018.
- Pujiningsih, Sri. 2013. *Buku Ajar Akuntansi Sektor Publik*. Malang: Fakultas Ekonomi Universitas Negeri Malang.
- Reskino dan Anshori, M.F. 2016. Model Pendeteksian Kecurangan Laporan Keuangan dengan Analisis Fraud Triangle. *Jurnal Akuntansi Multiparadigma*. Vol.7 No.2. Pp.156-323.
- Segal, L., and Lehrer, M. 2012. The Institutionalization of Stewardship: Theory, Propositions, and Insights from Change in the Edmonton Public Schools. *Organization Studies*. Vol.33 No.2. Pp.169–201.
- Simangunsong, B. 2018. Gereja Melawan Korupsi: Konstruksi Nilai-Nilai Spiritualitas Anti Korupsi dalam Konteks Masyarakat Batak. *Jurnal Teologi dan pendidikan Kritis Kontekstual*. Vo.1 No.2. Pp.204-219.
- Sukmawati, F., Pujiningsih, S., and Laily, N. 2016. Akuntabilitas Gereja dalam Perspektif Alkitabiah dan Stewardship Theory. *Jurnal Akuntansi Aktual*. Vol.3 No.4. Pp.301-310.
- Tanui1, P. J., Omare, D., and Bitange, J.B. 2016. Internal Control System For Financial Management In The Church: A Case Of Protestant Churches In Eldoret Municipality, Kenya. *European Journal of Accounting, Auditing and Finance Research*. Vol.4 No.6. Pp.29-46.
- Tribun Medan. 2 November 2016. *Pendeta dan Jemaat Gereja Methodist Indonesia Demo ke Mapolda*, (Online), (www.medan.tribunnews.com), diakses 08 Juli 2018.
- Wibowo, E. A., dan Kristanto, H. 2017. Korupsi dalam Pelayanan Gereja: Analisis Potensi Penyimpangan dan Pengendalian Internal. *Jurnal integritas*. Vol.3 No.2. Pp.105-136.
- Yuesti, A. 2013. Akuntansi dan Akuntabilitas pada komunitas Kristen di Bukit Doa Nusa Dua Bali. *Jurnal Manajemen & Akuntansi STIE Triatma Mulya*. Vol.19 No.2. Pp.105-114.