The Sarbanes-Oxley Act and Effective Resource Management: A single case study of the Redeemed Christian Church of God, North America.

Dissertation Manuscript

Submitted to Northcentral University

Graduate Faculty of the School of Business and Technology Management
In Partial Fulfillment of the
Requirements for the Degree of

DOCTOR OF PHILOSOPHY IN BUSINESS

By

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Prescott Valley, Arizona
December 2015

Approval Page

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Abstract

Financial controls have proven to be inadequate and ineffective in nonprofit organizations over the years. Such organizations have been facing the risk of asset misappropriation and mismanagement thereby suggesting the need for government to consider legislating against possible scandals. These and many led to the enactment of the Sarbanes-Oxley Act in July 30, 2002 in direct response to the corporate and accounting scandals of Enron, Tyco, and others of 2001 and 2002. Though publicly quoted companies were mostly affected by the Act, its enactment pointed the public attention to nonprofit organizations, particularly church and religious nonprofits whose financial control procedures are universally acknowledged to be suboptimal.

A qualitative single-case study method was used. To that end, a total of 20 individuals (6 for the pilot test and 14 for the main survey), spread across different parishes of the Redeemed Christian church of God, North America in the states of Arizona, Illinois, Texas, Indiana, Minnesota and California, were interviewed via the telephone.

The problem addressed was on perspectives of church leaders and parishioners with regard to potential benefits and problems of extension of Sarbanes-Oxley Act-like financial controls to improve church financial management. Four research questions were established touching on the effect of lack of appropriate legislation and internal controls on resource management and the major challenges against the implementation of the Sarbanes-Oxley Act (2002).

Interview transcripts were coded and analyzed using NVivo for themes relevant to research questions until saturation was reached. Eight major and two minor themes touching on the central issues of internal control and the Sarbanes-Oxley Act were generated from the analysis of the interview transcripts. It was concluded that church staff are receptive to the introduction of better financial control procedures but will need extensive support in implementing effective and transparent financial control procedures. Existing theories of stewardship, transparency, stakeholders, agency and ethics were explored.

This study will enhance the body of knowledge in internal control and assets management in the nonprofit industry in general and churches in particular.

Further research will be required on church doctrines and a multi-case study situation.

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Chapter 1: Introduction

The late 1990s was witness to a variety of financial scandals in corporate America, thereby causing a fundamental erosion of confidence in the management of assets of publicly quoted companies (Gilkenson, 2007). Newspaper headlines were filled with stories of unethical practices by management of organizations like Enron and WorldCom (Gilkenson, 2007). This and other events that preceded the Sarbanes-Oxley Act helped to put in place procedures and rules governing the conduct and reporting for publicly quoted organizations (Gilkenson, 2007). Sections of the Act address issues relating to publicly quoted organizations; however, focused public attention should be towards the management of resources in the nonprofit community (Gilkenson, 2007).

Due to the fact that the major source of funding for churches is members' contributions, donors are understandably interested in how stewards manage such funds in achieving the mission of the church (Cornell, Johnson, & Schwartz, 2013). Significant attention is also expected to be paid by the government with respect to how churches use the funds donated by parishioners in order to justify the tax exempt status they enjoy (Primoff, 2012). In2004, the IRS issued a fraud alert against corporate scams where promoters offered a tax extension scheme misrepresenting state and federal laws that were available to protect churches and religious organizations after the state of North Carolina reported over 12 serious cases of abuses by church leaders in one year (Parello, 2008).

A review of the history of religious scams and frauds leaves an impression of the lack of accountability of the organizations to their constituents or the taxpaying public (Parello, 2008).However, no significant attention has been paid to this sensitive sector, the American church, which derives a substantial part of its income from public donations and charities (Petrovitz, Shakespeare, & Shih, 2011). The focus needs to be on the activities of managers of churches in America in installing and maintaining effective internal control systems to forestall misappropriation of resources and ensure transparency in the management of such resources (Petrovitz et al., 2011). Sarbanes-Oxley was not originally designed for churches, but certain elements of the law, especially those relating to financial controls, can be adapted to churches (Nezhina & Brudney, 2012). Church organizations, by using best practices recommended by the Act, can better achieve the financial objectives of their stakeholders (Nezhina & Brudney, 2012).

Chapter 1 contains background information on the Sarbanes-Oxley Act (2002), a statement of the problem examined in the study, the purpose of the study, a theoretical framework for the study, the nature of the study, and the significance of the study. The specific research questions and hypotheses analyzed throughout the study are presented, along with definitions of key variables used throughout the study.

Background

Since the events that followed the crisis in corporate America in the wake of the Enron and WorldCom scandals and then the 2008 crash, attention has gradually shifted to the nonprofit sector of the economy (Gilkenson 2007). By nature, nonprofit organizations are expected to show transparency in managing their assets, given the fact that a major part of their income is grants and donations (Gilkenson, 2007). Internal control has been a topic of interest in the nonprofit community because of the peculiar nature of nonprofit organizations (Petrovits et al., 2011). Internal control accounting refers to protocols placed by management to encourage prudent management of organizational resources (Gilkenson, 2007). When controls are not effective, the most generous contributor might become tight-fisted after discovering that the person entrusted to collect contributions to the nonprofit organization is often also the one who takes them to the bank and files the financial statements (Mulligan, 2007).

When managers are entrusted to discharge certain responsibilities on behalf of owners of businesses, there is a natural expectation of utmost good faith from the owners (Abdullah & Valentine, 2009). This is what the concept of stewardship is all about. When stewardship is bad in churches, confidence will be lost by the parishioners and it will affect both their financial contributions and commitment (Abdullah & Valentine, 2009).In the wake of the corporate crisis that led to the enactment of the Sarbanes-Oxley Act, there is a need to establish if the extension of the financial controls provisions of the Act by the U.S.congress (congress limited the Act to publicly quoted companies) to ecclesiastical organizations would reduce or completely solve the problem within the sector (Mulligan, 2007).

A large question is whether ecclesiastical leaders in churches would support or resist extension of financial controls required by Sarbanes-Oxley Act at for-profit organizations. These same individuals would also be able to identify issues related to effective implementation of Sarbanes-Oxley Act-type reforms in church organizations. Twenty individuals from 10 parishes were interviewed. Data collection was spread across 10 parishes of the Redeemed Christian Church of God in order to enhance validity to data collected (Yin, 2009). The parishes were: Redeemed Christian Church of God Glory Tabernacle, Tucson, Arizona; Redeemed Christian Church of God Cornerstone Worship

Center in Chandler, Arizona; Redeemed Christian Church of God House on the Rock in Grand Prairie, Texas; Redeemed Christian Church of God Covenant House in Indianapolis, Indiana; Redeemed Christian Church of God Jesus Assembly, Lancaster, California; Redeemed Christian Church of God King's Court Parish, Covina, California; Redeemed Christian Bible College and Seminary; Redeemed Christian Church of God Church on the Rock, Laveen, Arizona; Redeemed Christian Church of God Schaumberg Community Church, Schaumberg, Illinois; and Redeemed Christian Church of God Strong Tower in Minneapolis, Minnesota. The sample size was not statistically determined, but rather subjective based on the need to have fair and extensive coverage of respondents' opinions as well as the likelihood of reaching data saturation when themes were analyzed across the number of interviewees. There were four sample categories :(a) clergy, (b) church accountant/administrator, (c) trustee member, and (d) church parishioners.

Lack of effective stewardship has been discovered in the management of financial resources of American churches in different ways (McCuddy & Pirie, 2007). There have been reported cases of fraud, misappropriation of assets, outright embezzlement of funds, and false reporting by church administrators, controllers, and clergy men (Enofe & Amaria, 2011). This study focused on three major aspects of financial transparency: (a) responsibility, (b) capability, and (c) integrity. The problem with church financial management is manifested in both lack of leadership commitment to financial principles in bookkeeping and financial reporting, and also not employing professionals in accounting and finance.

The consequences of the lack of effective management in churches are obvious.

First, the growth of the church will be limited because of a shortage of funds as more people will be discouraged from donating to churches (Gilkenson, 2007). Second, there may be erosion of confidence in churches and church leadership to provide spiritual services because of the lack of trust (Mulligan, 2007). This research may contribute to existing research in the area of the relevance of legislative enactments to the transparent management of the resources of nonprofit organizations.

The purpose of this research was to establish how far the extension of financial aspects of the Sarbanes-Oxley Act can help to improve the effectiveness of stewards who manage the financial resources in American churches, according to the perceptions of church administrators, church accountants, board of trustee members, and parishioners. The study allowed the researcher to focus on the issues surrounding effectiveness in the management of the financial resources in churches in America.

The focus here was on churches and not any other organization. First, churches enjoy tax-exempt status from the government because of the expectation that the services they provide are a complement to the efforts of the government to the community (Enofe & Amaria, 2011). In order to reciprocate the gesture from the government, churches need to be accountable for the tax-free incomes they receive (Enofe & Amaria, 2011). Second, due to its ecclesiastical leanings, parishioners have trust in church leaders to do exactly what they teach others in being honest and transparent in the management of funds committed into their care, hence, not so much attention is given to accountability (Enofe & Amaria, 2011). Third, there have been reported instances of misappropriation of church funds by church leaders in the past and if adequate institutional and financial controls are not put in place, many of the contributors might not be encouraged to further give to churches (Kraus & Girasa, 2009)

A growing body of research findings indicates that religious organizations would benefit from standardized financial management protocols. There is a lack of internal controls on management of cash and other assets of the organization(Petrovitz et al., 2011), lack of accountability by the clergy to the board members, manipulation of board of trustees (Arel, Beaudoin, & Cianci, 2012), engagement of unprofessional employees to manage the financial affairs of the church (McGuire, Omar, & Sharp, 2012), and lack of education of the clergy and the board of trustees on the rules governing management of funds by churches as stipulated by the Internal Revenue code.

The consequences of financial mismanagement are several. First, the growth of the church will be limited because of shortage of funds, as more people will be discouraged from donating to churches. Second, there will likely be erosion of confidence in churches and church leadership to provide spiritual services because of lack of trust. Finally, there may be reduction in the ability of churches to embark upon the provision of social services, like shelters for the homeless, counseling for the community, and other charitable acts (Maroney & McDevitt, 2008). The questions that are asked in academic circles regard issues such as what prevents ecclesiastical organizations from perpetrating the same level of financial fraud that were perpetrated in for-profit organizations like Enron and WorldCom and whether these measures are enough to minimize the need for a working internal control system just because the organization is not a for-profit organization.

The Sarbanes-Oxley Act was enacted to compel publicly quoted organizations to adopt high standards of accountability and stem the tide of misappropriation and mismanagement of assets (Mulligan, 2007). The Act puts in place a system of checking the management of a company's finances by external auditors. One would naturally expect that the federal Sarbanes-Oxley Act establishes accounting standards for U.S. company boards that would eventually be expanded to apply to all nonprofit organizations (Nezhina & Brudney, 2012). However, much attention has been placed on events and activities in the publicly quoted organizations with little or no emphasis placed on the nonprofit community (Blake, 2010). When an organization follows a system of checks and balances, it will significantly increase the likelihood that financial information is reliable (McGuire et al., 2012). Management relies on correct information to make crucial decisions and with a control system to ensure equitable oversight over organizational assets and records, and organizational procedures or government regulations are adhered to (McGuire et al., 2012). A number of investigators have assessed the quality and efficacy of internal financial controls in nonprofit organizations (Brammer, Williams, & Zinkin, 2007).

The consensus that emerged from these studies was that researchers' doctrinal and ecclesiastical beliefs can hinder the effectiveness of internal control or even the creation of an internal control environment (McGuire et al., 2012). This conflict had tended to limit academic research or attention on issues relating to transparency in churches in recent years (McGuire et al., 2012).

The basis of this research study was the theory of stewardship. Managers of resources are regarded as stewards. Much of the existing research work has been on theoretical and theological principles of stewardship with less emphasis on how this relates to the church community. In general, stewardship means responsibility for taking care of resources entrusted into one's care. Stewardship refers to the judicious management and use of resources, whether by an individual, a corporation, or the government (Stan, 2007). Stewards are hired to work for the organization; their responsibility is to protect and make profits for the business without excessively focusing on individual interests (Stan, 2007).

Abdullah and Valentine (2009) expected the pursuit of organizational success would be the main source of stewards' satisfaction and motivation. Following the spate of accounting scandals and the attendant enactments, like the Sarbanes-Oxley Act (2002), there has been a renewed global emphasis on stewardship and control, thereby giving greater attention to the stewardship objective in financial reporting (Abdullah & Valentine, 2009). Stewardship has now taken the shape of a partnership between the executives, owners, government, and other stakeholders working together to ensure the protection of all interests and for the benefit of the global economy without reducing shareholders' value (Nordberg, 2008).

The case of religious organizations is very unique in many aspects. Many factors have accounted for the lack of transparency in the management of the financial resources of churches over the years (Cornell et al., 2013). Accounting literature has placed less focus on the inadequacies of internal controls in religious organizations (Cornell et al., 2013). However, leaders of religious organizations generally lack the required financial management background to manage the resources of their various organizations (Molony, 2010). Most of the leaders of such organizations are selected for their spiritual leadership. This has led to serious internal control problems and lapses in the management of the resources of the organizations (Cornell et al., 2013).

Churches by law are not mandated to compile the informational return Form 990 unlike other nonreligious nonprofit organizations. This does not enable the government to have adequate information about the activities of such organizations (Molony, 2010). The peculiarity of churches reporting standards or lack thereof has complicated researchers' efforts to assess the state of governance of such organizations. Churches are 501(c3) organizations, receiving special tax treatments from the government, such as exemption from filing Form 990 and restrictive audits. They are excluded from declaring the names of those who substantially contributed financially to their organizations while the clergy enjoy huge tax benefits.

Churches in most cases do not see the need to engage professionals to manage their affairs. By the nature of their business, more emphasis is placed on pastoral rather than financial management skills of the leaders, thereby making it impossible to attract great financial managers (Blake, 2010). Wooten, Cocker, and Elmore (2008) observed that most churches do not engage the services of professional church administrators. Most of them have never had any annual audit conducted by professional auditors. No empirical evidence exists today to evaluate pastors' weaknesses or strengths in internal control systems (Wooten et al., 2008). Many pastors have deep theological and ministerial training, which does not necessarily translate to knowledge of internal control systems (Wooten et al., 2008). Many pastors tend to believe that knowledge of accounting or internal control is a secular knowledge, which may not be very vital to their ministerial calling (Wooten et al., 2008). This lack of interest in accountability by the clergy eventually generated interest in the research community of how managers in nonprofit communities were paying attention to the issues of transparency in resource management (Hwang & Powell, 2009).

Statement of the Problem

The problem addressed was that perspectives of church leaders and parishioners were unknown with regard to potential benefits and problems of extension of Sarbanes-Oxley Act-like financial controls to church finances and therefore personnel-related barriers to implementation of better financial control procedures remain in place. The financial resources of the American church stand the risk of being mismanaged or misappropriated by stakeholders or stewards due to lack of appropriate legislations like the Sarbanes-Oxley Act (2002).The key question to be answered was if mismanagement of financial resources can be minimized by subjecting churches to financial legislations and ensure that churches install and maintain effective internal controls to safeguard their assets.

A proper understanding of stewardship as it relates to churches was very important to this research work. There are three major aspects of stewardship relevant to resource management in churches that this research focused on. First, responsibility means those in charge know that they have an obligation to carry out specific activities aimed at managing the financial resources of the church properly. Second, capability means those in charge of managing the financial resources of the church have the required skills to do it. Third, integrity means those in charge have the quality of being honest and having strong moral principles: moral uprightness in managing the financial resources of the church.

Purpose of the Study

The purpose of this single case qualitative research was to elicit perceptions of church leaders and church parishioners concerning the soundness of financial management and or stewardship at the church and whether extension of financial accounting provisions of the Sarbanes-Oxley Act (2002) would strengthen financial control procedures at churches. Specifically, the question asked pertained to how the extension of sections 302, 404, 902, and 906 of the Sarbanes-Oxley Act to U.S. churches could help in improving effective management (responsibility, capability, and integrity) of financial resources in American churches. These sections of the Act were chosen because they directly address the three aspects of effective management (i.e. responsibility, capability, and integrity) in this research study. Section 302 of the Act, titled Corporate Responsibility for Financial Reports, specifically states that management is solely responsible for the content and accuracy of the financial reports presented to stakeholders of the organization, while Section 906 addresses criminal penalties for certifying a misleading or fraudulent financial report**.** Section 404clearly addresses the issue of the capability of management in installing and maintaining adequate control measures to protect the assets of the organization while section 902 addresses the issue of integrity and stipulates penalties for acts that are deemed detrimental to the financial well-being and growth of the organization.

Research Questions

A qualitative research method, specifically a single case study design, was used for this study to obtain personal thoughts and suggestions from the ecclesiastical community on financial transparency. During the interview process, different stakeholders in the church were first informed as to how Sarbanes-Oxley (2002) regulations apply to several areas of financial accounting and then these same interviewees were asked to give their opinions as to how these Sarbanes-Oxley (2002) procedures could work in the church setting. This study had been designed to assist the researcher in answering the following research questions:

Q1. According to the perceptions of the church leaders and church parishioners, are there possibilities of mismanagement or misappropriation because of lack of legislations guiding the management of the financial resources of the American church?

Q2. According to the perceptions of the church leaders and parishioners, has the church installed and maintained an effective accounting and internal control system to prevent mismanagement or misappropriation of the resources of the American church?

Q3. According to the perceptions of the church leaders and parishioners, are existing internal controls sufficient to protect the assets of the American church from mismanagement or misappropriation?

Q4. According to church leaders and parishioners, what are key obstacles to implementing Sarbanes-Oxley Act-like financial accounting controls in the church?

Significance of the Study

Nonprofit organizations have many internal control challenges, just like for-profit organizations (Vargo, 1995). Due to the peculiar nature of the church organization and the different doctrinal orientations, the study of controls and management of financial transparency has not attracted a lot of research attention (Enofe & Amaria, 2011). Additionally, literature on churches, especially church accounting, transparency, and internal control, is very limited, therefore, there is a need to build a body of knowledge or extend existing knowledge on internal control issues in churches (Petrovits et al., 2009).

This study was important for several reasons. Firstly, every organization, whether for-profit or nonprofit, is vulnerable to financial manipulations if adequate controls systems are not installed and enforced (Petrovits et al., 2009).Secondly, due to the nature of the work that churches do, much attention has not been paid to the management of financial resources, while enough attention has been paid to the spiritual and community-based activities; there is therefore a possibility of manipulation of financial records or outright commitment of financial crimes if no system exists to forestall such occurrences (Petrovits et al., 2009).Thirdly, the attention of the government should be directed at inherent dangers similar to what happened in the cases of Enron and WorldCom corporations in the 1990s if appropriate legislations are not enacted to protect churches against criminal acts by those who are supposed to prevent the occurrence of such acts (Petrovits et al., 2009).

This study was used to further contribute to the existing work in the field of transparency and corporate governance, but with emphasis on American churches. The study triggered the interest of stakeholders in the church community and motivated them to install adequate and effective structures to protect the assets of churches against abuse and misappropriation. If a study of this nature had not been conducted, potential contributors to churches finances might not be properly motivated to increase their contributions and thereby not enable the churches to properly focus on financing their primary mission to their parishioners, and socially and economically contribute to their various communities (Petrovitz et al., 2011). There could also be a massive loss of confidence in the church community, which in turn would have dire consequences on the spiritual, social, and economic well-being of society (Petrovitz et al., 2011).

Separation of church and state postulates that there should be a clearly defined and distinctively separated relationship between organized religion and government. Religion in the United States is not considered a matter of constitution; it suggests that individual citizens should not be discouraged by the state to hold private beliefs on matters of religion. However, such religious practices should be conducted within the ambit of the law of the land without infringing upon the rights of other citizens to hold or refuse to hold similar or different opinions. In the United States, the phrase "separation of church and state" is not a constitutional concept. Scholars have distinguished between what can be called "friendly" and "hostile" separations of church and state (Maier, 2004).While the former limits the interference of the church in matters of the state, it also limits the interference of the state in church matters (Maier, 2004). The latter, on the other hand, believes that the church should be strictly a home and private affair (Maier, 2004).

America, as a nation, has moved in between the friendly and hostile varieties depending on the moods of the people in authorities at any point in time. The U.S. government is not expected to directly control the ecclesiastical content of church operations and government, however, because churches, like other business organizations, are incorporated and governed under the Internal Revenue code, churches that request tax exemption under the section 501c (3) of the code willingly accept to submit to specific controls on matters relating to financial government without contravening the concept of separation of churches and the state. It should be expected that since churches benefit from tax exemption, they should conduct their activities transparently. This can be done by strengthening the Internal Revenue code with portions of sections 302, 404, 902, and 906 of the Sarbanes-Oxley Act(2002).

Elson, O'Callaghan, and Walker (2007) explained that churches have been involved in a variety of leadership related scandals from sexual crimes to financial crimes. Embezzlements of church finances, abuse, and misapplication of government grants and funds have become regular occurrences in churches. For instance, a church leader was charged with stealing $23,000 and other items from the organization over a 2 year period, the tax-exempt status of an organization controlled by a well-known televangelist was revoked because of illegal politicking by the organization, a Christian charity was accused of using government funds to pay for a job training program that included religious instruction at a local prison (Wilhelm, 2005),and a California TV preacher used church funds to finance a questionable lifestyle and expensive personal acquisitions. Fiscal responsibility to parishioners is an expected goal of church leaders as they rely on contributions from the community to sustain their mission (Elson et al., 2007).

According to Elson et al. (2007), congress has been finding ways to beam the searchlight on accountability in nonprofit organizations. One such efforts is for tax-exempt organizations with $250,000 or more in annual gross receipts to be subject to an annual independent audit of their financial statements (Anft &Williams, 2004). Several states have taken some pragmatic initiatives in this direction. For instance, in California, a proposition that would require charities with annual gross income of $2 million or more to file annual financial statements prepared by independent certified public accountants is being considered. In New York, leaders of big organizations are being saddled with responsibility of confirming that they have conducted a review of the organization's internal controls (Anft &Williams, 2004).

Wolverton (2005) recommends that nonprofit groups voluntarily improve governance by adopting conflict of interest policies; obtaining a financial statement audit if they have $2 million or more in total revenue, including financially literate individuals; and consider establishing a separate board committee to oversee audits of the organization. Nonprofit organizations are expected to be greatly influenced by these developments in order not to jeopardize their status of exemptions under Sec 501(c)(3) of the Internal Revenue code and this will invariably include organizations like churches, temples, and mosques (Runquist, 2005).

Definition of Key Terms

Ethics. Ethics deals with what is regarded as reasonable behavior from man. It is a study that attempts to make a distinction between what is right or wrong (Abdullah & Valentine, 2009). Without ethics, people will do the wrong thing whenever they believe it can be beneficial without consequences (Abdullah & Valentine, 2009). A proper foundation of ethics requires a standard of value to which all goals and actions can be compared (Abdullah & Valentine, 2009). Ethics keep the society alive by helping people to interact and live their daily lives in an appropriate way (Abdullah & Valentine, 2009).

Financial transparency. Financial transparency, in general, refers to a timely, meaningful, and reliable disclosure about the performance of a company (Abdullah & Valentine, 2009). To be financially transparent is to refrain from actively hiding relevant information from the general public. There are three major aspects of financial transparency: first, responsibility (i.e., those in charge know that they have an obligation to carry out specific activities aimed at managing the financial resources of the church properly);second, capability (i.e., those in charge of managing the financial resources of the church have the required skills to do so);and third, integrity (i.e., those in charge have the quality of being honest and having strong moral principles; moral uprightness in managing the financial resources of the church).

Internal controls. Internal control has been broadly defined as a process effected by an entity's board of directors, management, and other personnel and is designed to provide reasonable assurance over the extent to which organizational goals regarding effectiveness of operations, reliability of financial reporting, and compliance with applicable laws and regulations are met (Petrovits et al., 2009). Internal control is a comprehensive term used to define all forms of measures put in place to protect assets from abuse, waste, and inefficient use by promoting accuracy and reliability in the accounting records, encouraging and measuring compliance with company policies, and evaluating the efficiency of operations (Petrovits et al., 2009). Based on the above explanations, one can safely conclude that a system of internal control consists of all measures taken to provide management with assurance that everything is functioning as it should (Petrovits et al., 2009).

Nonprofit organization. When an organization exists for educational or charitable reasons without any expectation that its shareholders or trustees will benefit financially from its operations, such an organization is regarded as a nonprofit organization (Argandonia, 2009). Nonprofit organizations include charities (i.e., charitable organizations), trade unions, trade associations, and public arts organizations (Argandonia, 2009). They also include governments and government agencies that meet this definition, but in many countries, they are considered a separate type of organization and not counted as nonprofit organizations as they are exempt from income and property taxation (Argandonia, 2009).

Sarbanes-Oxley Act. The Sarbanes-Oxley Act was signed into law on July 30, 2002 and the law's purpose is to rebuild public trust in America's corporate sector (Mulligan, 2007). The purpose of the Act is guide against abuse and mismanagement of public investment through accurate and reliable information (Levy, 2008). Several state legislatures have already passed or are considering legislation containing elements of the Sarbanes-Oxley Act to be applied to nonprofit organizations (Argandonia, 2009). In many instances, nonprofit organizations have adopted policies and altered governance practices in response to the Act (Levy, 2008). Some states are not waiting for the federal government and are proposing their own legislation. For instance, a California State proposal would require charities with annual gross income of $2 million or more to file annual financial statements prepared by independent certified public accountants with the state. Among New York State's proposals is one that would demand the verification of the effectiveness of the groups' internal financial controls by organizational leaders (Anft &Williams, 2004).

Stewardship. When managers are entrusted to discharge certain responsibilities on behalf of owners of businesses, there is a natural expectation of utmost good faith from the owners (Abdullah & Valentine, 2009). This, in simple terms, is what stewardship is about. A steward is engaged to protect and manage the shareholder's wealth on his behalf (Abdullah & Valentine, 2009). From this perspective, stewards are corporate managers engaged by business owners and assigned to protect and make profit for the shareholders (Abdullah & Valentine, 2009).

Summary

The scandals that preceded the enactment of the Sarbanes-Oxley Act (2002) created an extensive awareness of the need to direct attention to sectors of the economy that have not attracted so much attention in the past. The goal of the law makers was to stem the tide of corporate irresponsibility in all sectors of the American economy. The Act, however, focused heavily on publicly quoted organizations with few clauses focusing on the nonprofit community.

The purpose of this single case qualitative research was to explore perceptions of church leaders and parishioners concerning benefits and obstacles of extending financial provisions of the Sarbanes-Oxley Act (2002) to church finances. This qualitative study will be applied to possibly further enrich the body of knowledge in financial transparency and internal controls in churches and other nonprofit organizations.

Chapter 2: Literature Review

Most of the existing research work has laid emphasis on the need for tighter controls to be put in place for church organizations, but few have extended their work to the impact of transparency or the relevance of the Sarbanes-Oxley Act on nonprofit organizations (Petrovits et al., 2009). The purpose of this single case qualitative research was to explore the belief by the general public and church parishioners that due to the non-existence of appropriate legislations, like the financial provisions of the Sarbanes-Oxley Act (2002), the financial resources of American churches stand the risk of being mismanaged or misappropriated by their managers (stewards). There are five major subsections within this chapter that indicate more detailed information as related to the research questions. These subsections are stewardship theory, internal control, financial transparency, financial transparency in churches, and the Sarbanes-Oxley Act.

Documentation

In conducting research of relevant literature, extensive emphasis was placed on peer-reviewed literature in the areas of transparency, resource management, and the Sarbanes-Oxley Act. Multiple database searches were conducted to identify recent publications. Most search terms were limited to publication dates ranging from 2006 to 2013. All identified documents were examined and those relevant to the proposed study were retrieved for inclusion in the review. Reference lists of retrieved documents were hand searched to identify additional publications.

Most of the resources were found at the Northcentral University (NCU) online library using the Roadrunner search engine. The following databases were used to retrieve most of the research articles: ProQuest and EBSCOHost. In a few instances, research textbooks, as recommended by NCU were used as additional resources. The search strategy involved a summary of the research topic into one sentence and identification of keywords, which included transparency, nonprofit, Sarbanes-Oxley Act, church management, stewardship, agency theory, and so forth. Synonyms or similar terms and phrases were identified and linked with keywords to locate the relevant information from the databases.

Stewardship Theory

Two major theories were considered with regards to effectiveness in resource management in American churches. First is the stewardship theory (Stan, 2007). Managers of resources are regarded as stewards. Much of the existing research work has been on stewardship with less emphasis on how this relates to the church community. It was believed that an extensive study of stewardship as it relates to churches where doctrinal issues have the tendency to conflict with professionalism would extend further study of the stewardship theory. In general, stewardship means responsibility for taking care of resources entrusted into one's care. Stewardship refers to the judicious management and use of resources, whether by an individual, a corporation, or the government (Stan, 2007). Stewards are hired to work for the organization; their responsibility is to protect and make profits for the business without excessively focusing on individual interests (Stan, 2007).

The stewardship theory adds more understanding to the research topic regarding the management of financial resources in American churches. Managers of the resources are seen in this context as stewards who were engaged to serve the interests of the stakeholders of the church; the parishioners and church leaders. The goal of stewardship is to encourage the efficient management of the resources of the organization by the stewards in such a manner as to get the best value from the investments (Levy, 2008). Stewards should naturally act responsibly as they manage the assets under their care, unlike agents whose main motive is self-interest (Caers, Du Bois, Jeger, & De Gieter, 2006).

According to the stewardship theory, managers, church administrators, financial controllers, and church accountants are stewards and responsible for the management of the assets of the organization in such a way as to protect them from diminution in value. The stewards' personal goals are assimilated into organizational goals as far as organizational progress and value are concerned. Without necessarily swearing to any oath of allegiance, their commitment and allegiance must not be in doubt to the organization (Abdullah & Valentine, 2009). Stewards are only satisfied and motivated when organizational goals are achieved (Abdullah & Valentine, 2009).

Wasserman (2006) believed that under stewardship theory, some executives will focus on organizational interests, even when it is obvious that such interests are conflicting with their self-interests. The stewardship theory is used to try to identify those factors that will make executives to act more like organizational stewards than self-interested agents. Wasserman continued that stewardship can compel executives to create and strongly attach to an organization, thereby giving them what looks like a psychological ownership of the organization.

Miller and Miller (2009) were of the opinion that human beings are seen by the stewardship theorists as having a greater leaning towards needs for fulfillment as compared to agency theorists who see human beings as nothing but opportunistic creatures. Stewards are also motivated by the willingness to serve others and are generous and altruistic. Miller and Miller concluded that aligning stewards' interests with those of the stakeholders still remains an unresolved question. However, Nicholson and Kiel (2007) believed that executives have better insight into the business operations and environment than owners and are in a better position to make business decisions that will maximize shareholders' wealth. The main theory under focus in this research work was the stewardship theory where corporate managers are seen as stewards of the shareholders and are paid to protect the interests of the stakeholders. Stewards should naturally act responsibly as they manage the assets under their care, unlike agents whose main motive is self-interest (Caers et al., 2006).

The stewardship theory is not without its fair share of controversy. Though stewardship theory does not view executives as complete opportunists (Caul, 2009), it cannot be seen as the ultimate solution to the inherent challenges in corporate governance. Agency theory represents the relationship between owners and others engaged to represent their interests (Levy, 2008). Principals often leave the operational management of the organization to managers. Under the agency theory, agents should act in the principal's interests. However, unlike the agency theory, stewardship should be seen as a hindrance because of interests' conflicts between owners and managers. A major concern is that while the agency theory presents the agent as being self-serving, it presents an excessively rosy picture of the steward without any empirical measurement of commitment (Caul, 2009).

A second controversy, which proponents of the stewardship theory have not focused, is the risk of excessive dependence (Caul, 2009). Present-day organizations are characterized by a sharp distinction between control and ownership, but it has the risk of leading skillful managers to hold stakeholders "at ransom" with their knowledge since the stakeholders are not always as involved as the managers in the operational aspects of the business (Gomez & Russel, 2005). When stakeholders or business owners completely divulge ownership from management, there can be consequences (Gomez & Russel, 2005). After a while, stewards might start having a feeling of being more relevant to the sustenance of the organization and because they possess the expertise and knowledge to conduct the daily affairs of the business, there exists a major risk of taking control of the business (Elson et al., 2007).

The stewardship theory was relevant to this study in many ways. First, clergy men, church accountants, and trustee members are stewards who have been employed by the church to oversee the effective management of the resources of the organization. There is an expectation of transparency from the church members that these stewards will protect the assets of the church. However, existing research (Petrovitz et al., 2011) has shown that due to weaknesses in internal control or an outright nonexistence of any internal control system, such stewards have not, in some cases, discharged their responsibilities as expected (Enofe & Amaria, 2011)

The second theory relevant to this research work was the corporate social responsibility theory, which simply states that an organization is obliged to conduct its affairs for the general well-being of the larger society and avoid acts that are detrimental to the society or engaging in acts that will promote the general good of the society (Donaldson & Davis, 1995). Businesses, whether for-profit or not-for-profit, have a responsibility to act in accordance with principles that enhance the progress and health of the society where they conduct their businesses (Kraus & Brtitzelmaier, 2012). The theory focuses on business transparency by shareholders and investors (Carr & Outhwaite, 2011). Areas of focus include environmental protection and the well-being of employees, the community, and civil society in general, both now and in the future. The theory is based on the belief that businesses can no longer act as isolated economic entities operating in detachment from the broader society (Carr & Outhwaite, 2011). Businesses are expected to be conducted in ethical manners in such a way that society will benefit, making sure the interests of the stakeholders synchronize with those of the larger society (Kraus & Brtitzelmaier, 2012). This theory was relevant to this study in the sense that stewards of church organizations are responsible for the protection of the corporate interests of the organization to which they have committed to serve. Doing otherwise will expose the assets of the organization to willful misappropriation (Hui, 2008)

Existing research work has been heavily focused on the relevance of the Sarbanes-Oxley Act on for-profit organizations. Some effort has been made at focusing on the possible relevance of the Act on some nonprofit organizations; however, no evidence existed of the relevance of this Act to transparency in churches in North America (Mulligan, 2009).

Results of this research will be applied to extend stewardship theory by recovering the idea of conscientious management of financial resources of the church as a primary stewardship activity. There are several scriptures that point to the expectations of those who are entrusted with the resources of the church to be transparent, accountable, and diligent. In 1 Corinthians 4:1-2 (King James Version), the Bible says,“Let a man so account of us, as of the ministers of Christ, and stewards of the mysteries of God. Moreover it is required in stewards, that a man be found faithful.” In Luke 2:42-43(King James Version) the Bible says,

> And the Lord said, who then is that faithful and wise steward, whom his lord shall make ruler over his household, to give them their portion of meat in due season? Blessed is that servant, whom his lord when he cometh shall find so doing.

Every organization, both for-profit and nonprofit, desires that those who manage the organization’s resources are above board, proven, and tested.

The stewardship theory adds more understanding to this research topic regarding the management of financial resources in American churches. Managers of the resources are seen in this context as stewards who were engaged to serve the interests of the stakeholders of the church, the parishioners and church leaders. The goal of stewardship is to ensure that organizational resources are efficiently managed by the stewards in such a manner as to get the best value from the investments (Levy, 2006). The stewardship theory does not end with church leadership’s mere acceptance of their role as stewards of church’s financial resources, but also their readiness in terms of technical and professional competence to handle bookkeeping, accounting, and financial management matters in such a way to make their stewardship both meaningful and impactful. Stewardship is also about competence and professionalism. Stewardship has gone beyond mere leadership desire to be good stewards of resources to also include the capacity to install effective accounting systems that will capture and report accurately the financial transactions and activities within the church organization. This will enhance or portray transparency in financial management.

According to the stewardship theory, managers, church administrators, financial controllers, and church accountants are stewards and responsible for the management of the assets of the organization in such a way as to protect them from diminution in value. The stewards' personal goals are assimilated into organizational goals as far as organizational progress and value are concerned. Without necessarily swearing to any oath of allegiance, their commitment and allegiance must not be in doubt to the organization (Abdullah & Valentine, 2009). Stewards are only satisfied and motivated when organizational goals are achieved (Abdullah & Valentine, 2009).

The results of this research contribute to the stewardship theory by having looked at stewardship beyond the protection of mere economic interests of business owners. Stewardship from the spiritual angle imposes long-term sustainability on stewards beyond short-term gains that agents seem to focus upon. McCuddy and Pirie (2007) believed that managers as stewards should base their corporate decisions on deeper internalized values with strong spiritual undertones or else irrationality will govern their decision-making process. They argued that stewards are not just supposed to serve the interests of the shareholders, but also future generations. Stewards should act beyond any contractual arrangement between them and their principals by seeing their responsibility as posterity-driven (McCuddy & Pirie, 2007). Stewards, rather than serve shareholders, must be serving as stakeholders (McCuddy & Pirie, 2007). That was what McCuddy and Pirie referred to as "inter-temporal stewardship" (p. 965), which simply means stewardship that goes beyond temporal gains. With the benefit of hindsight on the financial crisis that engulfed corporations like Enron and WorldCom, one would likely accept the spiritual angle of the application of the stewardship theory as explained by

McCuddy and Pirie.

Stewardship theory adds more understanding to this research topic regarding the management of financial resources in American churches. Managers of the resources are seen in this context as stewards who were engaged to serve the interests of the stakeholders of the church, including the parishioners and church leaders. Stewardship aims at ensuring that organizational assets are efficiently managed by the stewards in such a manner as to get the best value from the investments. Miller and Miller (2009) conducted an extensive study on agency and stewardship theory in relation to family businesses. They believed human beings are seen by the stewardship theorists as having a greater leaning towards greater goals. Stewards are also motivated by the willingness to serve others and are generous and altruistic (Miller & Miller, 2009). Miller and Miller concluded that aligning stewards' interests with those of the stakeholders still remains an unresolved question. The authors made concerted efforts to reconcile the contradictory views of the two contrasting schools of thought without demonstrating specific preference to any by using a social embeddedness approach and concluded that due to the peculiarities of the family system, it is better to seek options that will involve the family less in the affairs of running the business and having outsiders run the business (Miller & Miller, 2009). However, their study had a couple of limitations. Most of their postulations had strong theoretical leanings without a practical approach. No surveys were proffered to support most of the findings, thereby leaving a gap to be filled by future research.

According to stewardship theory, managers, church administrators, financial controllers, and church accountants are stewards and responsible for the management of the assets of the organization in such a way as to protect from diminution in value (Abdullah & Valentine, 2009). The stewards' personal goals are assimilated into organizational goals as far as organizational progress and value are concerned (Abdullah & Valentine, 2009). Without necessarily swearing to any oath of allegiance, a steward's commitment and allegiance must not be in doubt to the organization (Abdullah & Valentine, 2009). Stewards are only satisfied and motivated when organizational goals are achieved (Abdullah & Valentine, 2009). In their review of different research literature of corporate governance and using descriptive analysis, Abdullah and Valentine (2009) distinguished extensively between the relevance of the agency theory and stewardship theory in corporate governance. However, their findings were limited by lack of practical evidence from the marketplace in reinforcing their conclusions.

In general, stewardship means responsibility for taking care of resources entrusted into one's care (Abdullah & Valentine, 2009). Stewardship refers to the judicious management and use of resources, whether by an individual, a corporation, or the government. Stewards are hired to work for the organization and their responsibility is to protect and make profits for the business without excessively focusing on individual interests. Abdullah and Valentine (2009) expected that the pursuit of organizational success would be the main source of stewards' satisfaction and motivation. Stewards should naturally act responsibly as they manage the assets under their care, unlike agents whose main motive is self-interest (Caul, 2009). Executives have better insight into the business operations and environment than owners and are in a better position to make business decisions that will maximize shareholders' wealth (Caul, 2009).

Caul (2009) believed that under stewardship theory some executives would focus on organizational interests even when it is obvious that such interests are conflicting with their self-interests. Stewardship theorists try to identify those factors that will make executives act more like organizational stewards rather than self-interested agents (Caul, 2009). Caul continued that stewardship could compel executives to create and strongly attach to an organization, thereby giving them what looks like psychological ownership of the organization.

Caul (2009) used stewardship theory to explain the relationship that exists between board structure and police independence in Canada. It was his opinion that when the board of the police is constituted with political considerations that are more apparent, the less independent the police service is. He used a confidential survey comprised of 51 questions sent to 110 of 170 police chiefs over a 3-week period. In relation to organization and freedom, there was no correlation or any obvious relationship established (Caul, 2009). There was also no significant relationship established between tenure and political interference from the police board. The majority of the respondents saw the police board as serving as a buffer for the police service from political interference as they insulated the police from direct governance by elected officials. This served to provide some level of freedom for the police service. The findings further indicated the strength of the Canadian police as true stewards of the Canadian society and value systems; good stewardship can only be engendered in an atmosphere that is devoid of political pressure or excessive influence from the political class (Caul, 2009). Caul's research was, however, limited by the different governing structures among the police agencies and dissimilar reporting structure within the police system.

The stewardship theory is not without controversy (Elson et al., 2007). One controversy, which proponents of the stewardship theory have not focused on, is the risk of stakeholders' excessive dependence upon the steward (Caul, 2009). When stakeholders or business owners completely divulge ownership from management, there can be consequences. After a while, stewards might start having a feeling of being more relevant to the sustenance of the organization and since they possess the expertise and knowledge to conduct the daily affairs of the business, there exists a major risk of the stewards taking control of the business (Elson et al., 2007).

Internal Control

Internal control refers to an administrative system placed by the management of any organization to protect its assets. Financially transparent organizations invest by putting a system in place that will guarantee the safety of their assets and maximize the return on investment from such assets (Petrovits et al., 2009). Petrovits et al. (2009) identified the major weaknesses inherent in nonprofit organizations by analyzing the challenges of lapses in controls peculiar to nonprofit sector sampling 6,572 charitable organizations from 1999 to 2003. They found that the smaller the nonprofit organization, the greater the possibility there will be serious internal control problems and the less likelihood of attracting huge financial support because donors react directly or indirectly to the internal control system in place before giving funds. Data on public charities were obtained from the IRS and the Federal Audit Clearinghouse. A correlation between measures of internal control problems and organizational structure was established through the use of descriptive statistics analysis of continuous variables (Petrovits et al., 2009).

Internal control was defined as “the process put in place by management to provide reasonable assurance regarding the achievement of effective and efficient operations, reliable financial reporting, and compliance with laws and regulations” (Petrovits et al., 2009, p. 1). Petrovits et al. (2009) also posited that lack of adequate financial resources might affect organizational investment in internal controls. Larger organizations, in terms of assets, have more capacity and experience working for them when it comes to issues of financial controls. Conducting sporadic reviews will help churches to monitor the internal controls put in place by management (Petrovits et al., 2009). The research was limited in scope with respect to public charities in that there was focus on how the findings could be relevant to other nonprofit organizations, like churches and other foundations.

Parello (2008) proffered more feasible and practical steps than Petrovits et al. (2009). Parello envisioned the challenges nonprofit organizations may face in a world that is less receptive to controls and felt for a study to contribute to the existing body of knowledge, it had to be as practical as possible. Many researchers have not seriously delved into not-for-profit organizations because they are governed by rules that are complex and particularly specific to the nature of the services that a not-for-profit gives to its members (Parello, 2008). The challenge of theorizing control issues and making them as practical as possible was removed by Parello.

Jeffrey (2008) attempted to answer the question, “Should the Sarbanes-Oxley Act (2002) be applied to not-for-profit organizations” (p. 4)? He observed through effective regulation of the market and corporate organizations, a working internal control system and an environment that respects checks and balances that will strengthen any organization or institution. Jeffrey asked a question which is very crucial to the extension of the Act to not-for-profit organizations. The question was, “Why would a private company or nonprofit organization want to endure the pain of Sarbanes-Oxley compliance if it is not required to” (Jeffrey, 2008, p. 2)? Jeffrey provided the answer by concluding that when an organization has a strong internal control system; it becomes easier to respond quicker to events that may portend risks. An effective control environment is important for corporate bodies, regardless of how they operate, for profit or nonprofit, small or large (Jeffrey, 2008).

The discrepancy between the constitutional rights of churches and religious organizations was the focus of Morefield and Ramaswamy’s (2011) study. Religious organizations have for a long time demonstrated a relative lack of accountability when compared to other nonprofit organizations (Morefield & Ramaswamy, 2011). The purpose of their study was to establish the need for investigation and regulation of abuses of tax exemptions by public authorities. The authors observed that the obvious lack of transparency of religious organizations permits fraudulent activities, which both the federal and state governments have been facing obstacles in terms of controlling (Morefield & Ramaswamy, 2011). However, it seems as if internal checks by charitable organizations will be the only way to protect donors as there are people who are comfortable with using religious sentiments to mislead the people and misuse their donations.

Morefield and Ramaswamy (2011) adopted descriptive statistics as their research methodology. Data were obtained from the chief counsel’s office of the IRS and offices of the attorney general of 13 states that require such periodic reports. The major weakness of the research was the lack of statistical evidence of the extent to which the abuses have had an effect on the contribution of parishioners to the churches. A large number of religious organizations have abused the wide-ranging freedoms that tax exemptions afford them (Parello, 2008). In 2004, the IRS issued a fraud alert against corporate scams where promoters offered a tax extension scheme misrepresenting state and federal laws that were available to protect churches and religious organizations after the state of North Carolina reported over 12 serious cases of abuses by church leaders in 1 year (Parello, 2008). A review of the history of religious scams and frauds leaves an impression of the lack of accountability of the organizations to their constituents or the taxpaying public (Parello, 2008).

Parello (2008) dealt extensively with the justification for enacting the Sarbanes-Oxley Act. He argued that it would be improper for the regulatory authorities to watch as scandals of unimaginable magnitudes were being perpetrated by those who were supposed to be the custodians of corporate interests. The goal of the Act was to define higher levels of transparency and accountability expectations (Parello 2008). Parello made a serious case for the extension of the Act to nonprofit organizations. Many are funded through government grants, which invariably come from taxes paid by the general public (Parello, 2008). These organizations also enjoy tax-free financing of their capital projects through bonds, and most of the time they get direct contributions from the general public (Parello, 2008). Parello, however, failed to recognize the structural differences between businesses set up for profit and those whose focus is not necessarily so. The personnel cost of operating an effective internal control system might not be available for most not-for-profit organizations whose funds are heavily tied to project financing, and less for controls.

Following the scandals in big multinational corporations like Enron and the enactment of the Sarbanes-Oxley Act of 2002, the focus began to shift to the nonprofit community and the extent to which nonprofit organizations can avoid what happened to the big multinational corporations (Parello, 2008). Greater emphasis was placed on the organizational and structural conditions that encourage fraud and other malpractices to thrive in nonprofit organizations, which if not addressed, might make the implementation of any control measure very challenging (Parello, 2008). Parello (2008) used a qualitative research study method to conduct the research. He wanted to examine how internal controls can help nonprofit organizations become more transparent. Parello used descriptive analysis of the existing safeguards put in place by the IRS and evaluated the adequacy of such safeguards.

Nonprofit organizations attempting to institute a system of internal controls are faced with several challenges (Parello, 2008). First is the enormous cost of implementing internal controls, which has proven very expensive for even larger organizations. Secondly, with the restrictions put on fund allocations by donors, adequate room has not been created for a system of controls to be in place. The conclusion was that since Form 990 is the only document that the general public can use to gauge the transparency of nonprofit organizations, therefore, the IRS needs to enhance and improve the disclosure requirements on the form with respect to timeliness, accuracy, clarity, and completeness (Parello, 2008). Disclosure should be properly reviewed by board members and top executives of the organization (Parello, 2008). Internal controls should also be established and monitored by those involved and or overseeing the organization. The major limitation of the work was that all nonprofit organizations were lumped together as if there were no peculiarities; this caused Parello's (2008) postulations too general to implement.

Churches. In their work, West and Zech (2007) identified the various financial controls problems that have beleaguered the Catholic organization over the years. Before this study was conducted, it was considered an abomination for the clergy to be involved in any form of fraud or misappropriation, but West and Zech concluded by saying:

> Based on a survey of 78 Catholic diocesan CFOs, we were able to identify those internal accounting controls associated with curbing financial fraud/embezzlement. Some were important because they were effective in detecting fraud and embezzlement; others because they served as a deterrent to fraud and embezzlement. (p.15)

When compared with other authors, West and Zech (2007) narrowed the work to a particular denomination using a qualitative case study method to give the readers a practical insight into issues of transparency and controls in the ecclesiastical community. Much of what was observed might be applicable to other denominations within the ecclesiastical community (West & Zech, 2007). West and Zech, however, indicated that further work needed to be done in this area by remarking that, "appropriate policies and procedures at the other two levels of an internal control system (accounting system, control procedures) should be implemented" (p.17). Similarly, Irvine (2005) said:

> All organizations, even those with a sacred agenda, need to confront the reality of

> money and accounting if they are to achieve success. If they are unable to obtain or account for the resources they need for their mission, their ability to fulfill that mission is likely to be compromised. (p. 211)

Church leaders and parishioners tend to sometimes consider accounting as an unnecessary interference in the main work of the church and its mission (Petrovits et al. 2009). Religion and religious organizations occupy a greater importance in society than academic accounting research would indicate and this work represents a response to that academic blind spot (West & Zech, 2007). Opportunities exist for further research into the contribution accounting makes to other religious organizations and other nonprofit organizations. This work, when compared to others like West and Zech (2007) and Petrovits et al. (2009), appeared to provide more theoretical than practical insight into why churches, and by extension, nonprofit organizations, are struggling with putting effective controls in place to manage their resources.

In recent times, incidences of high profile financial scandals have necessitated the need to introduce strong and effective control systems internal controls in nonprofit companies (Wooten et al., 2008). Nonprofit organizations are driven more by social responsibility than the accumulation of profit and thereby pay less attention to financial control (Wooten et al., 2008). Not much work has been done on financial control for nonprofit organizations, especially those of ecclesiastical orientations (Wooten et al., 2008). Nonprofit organizations, by virtue of their small size, often rely on volunteer support (Wooten et al., 2008). Due to lack of adequate financial resources, they cannot accurately follow-up on how to manage scarce resources or check the conduct of management (Wooten et al., 2008).

There are many striking differences between nonprofit organizations and profit-based organizations and these differences also contribute to the differences in their capacities to install and maintain strong internal control systems (Wooten et al. 2008). First, nonprofit organizations must have some specific and well-defined missions and purposes in order to maintain their tax- exempt status (Wooten et al., 2008). Unlike for-profit businesses, workers of nonprofit organizations cannot distribute their surpluses, as they do not exist for the benefit of individuals, but for the provision of social services (Wooten et al., 2008). Second, nonprofit organizations get the bulk of their personnel support from volunteers and such volunteers see no need to focus their attention on issues like financial control, but prefer to focus on the core mission of the organization (Wooten et al., 2008). The matter is even more pronounced in religious organizations as leaders of religious organizations often lack the management skills to engage in financial oversight as most of them are employed based on their spiritual leadership skills rather than financial management skills (Wooten et al., 2008).

Wooten et al. (2008) conducted a survey of 530 churches of widely varying sizes about specific internal controls they have in place. The authors focused on an exploratory approach to research concerning these churches because of the shortage of literature, noticing the absence of research in church accounting as a reason why many churches do not pay much attention to accounting research methodology. Surveys were mailed to 1,927 churches, mainly within the southern Baptist mission in one state, but only those with more than 100 members responded with a rate of 28% or 548. The results indicated that many churches do not have an existing internal control system over cash receipts, disbursement, and reporting (Wooten et al., 2008). The major weakness in the research work was the fact that the survey was limited to one state and one church organization, thereby limiting the possible generalization of the research findings. These facts align with the first research question, “According to the perceptions of church administrators, church accountants, board of trustee members, and parishioners, how will the extension of sections 302, 404, 902, and 906 of the Sarbanes-Oxley concerning financial controls, bookkeeping best practices, and external audits assist in installing an internal control system that will help in the management of the financial resources of churches in America?”

Wooten et al. (2008) observed that although not much literature exists on internal controls in nonprofit organizations, the principles of internal control are similar for both for-profit and nonprofit organizations. When internal controls are weak or nonexistent, opportunities are created for mismanagement, whether in for-profit or nonprofit organizations (Wooten et al., 2008). During the study, Wooten et al. (2008) observed that less than 3% of responding churches employed a staff member (other than the pastor) who was responsible for church administration. Their studies further revealed that while about 70 % of churches claimed to have some type of annual audit, only about 15% of churches had an audit conducted by an independent certified public accountant (CPA). Although CPAs can inform management of internal control deficiencies, it is the management of an organization that is ultimately responsible for maintaining an adequate internal control structure (Wooten et al., 2008).

Section 302 of the Sarbanes-Oxley Act (2002) requires management and the external auditor to report on the adequacy of the company's internal control on financial reporting. Documenting and testing controls can be very expensive. However, churches can be made to comply with revised and limited portions of this section to minimize the cost of compliance, thereby addressing the second research question, “According to the perceptions of church administrators, church accountants, board of trustee members, and parishioners, how will the implementation of Section 302 of the Sarbanes-Oxley act improve the parishioners’ view on accountability in the management of the financial resources of the church and encourage charitable giving?

No empirical evidence exists today to evaluate pastors’ weaknesses or strengths in internal control systems (Wooten et al., 2008). Many pastors have deep theological and ministerial training, which does not necessarily translate to knowledge of internal control systems (Wooten et al., 2008). Many pastors tend to believe that knowledge of accounting or internal control is a secular knowledge, which may not be very vital to their ministerial calling (Wooten et al., 2008).However, the benefits of implementing a comprehensive internal control system far outweigh the cost as the church community will attract greater respect and recognition from the donors and contributors thereby answering the third research question, “According to the perceptions of church administrators, church accountants, board of trustee members, and parishioners, how will the increased cost of implementing sections 302, 404, 902, and 906 of the Sarbanes-Oxley Act (and other forms of control) in your church match the benefits to be derived from such implementation?”

Financial Transparency in Nonprofit Organizations

Stakeholders and the general public at-large have intensified their calls for accountability and transparency from nonprofit organizations (Kelley &Anderson, 2007). A senate committee on the nonprofit sector had recommended several actions to strengthen controls in nonprofit organizations (Kelley & Anderson, 2007). Transparency can be enhanced when performance can be unambiguously measured (Kelley & Anderson, 2007). Kelley and Anderson (2007) viewed the role that CPAs can play in governance, accountability, and transparency in nonprofit organizations. Victims of hurricane Katrina were directly interviewed and it was found that not all relief efforts from nonprofit organizations eventually got to the intended victims. A survey amongst CPAs at the National Consensus Conference on nonprofit governance revealed that most CPAs agreed that nonprofit organizations must act to affirm their integrity to members, donors, the government, and the whole of society. However, research has shown that there has not been any standard process of assessing performance of nonprofit organizations, apart from the historical external audit, which is viewed only as compliance rather than a performance measurement exercise (Moxham, 2008).

Nonprofit performance measurement has been receiving greater attention in recent years for different reasons (Moxham, 2008). Nonprofit organizations are under pressure to demonstrate their achievement in order to convince donors that their funds are yielding the expected results. Every nonprofit organization had always claimed to provide services for the "public benefit," however, what constitutes public benefit has always remained an ambiguity (Moxham, 2008). Performance measurement is a tool or means of achieving improvements in the delivery of public or social services (Moxham, 2008). Government and nongovernmental contributors, and beneficiaries of social or public services have been demanding performance measurement from nonprofit organizations (Moxham, 2008). In private organizations, performance measurement methods, like the balanced scorecard, have been successfully used to measure organizational performance; this is not difficult to do because assessment of performance is done internally and reported through financial statements (Moxham, 2008). The public sector, however, seems stricter in that there is a high expectation of performance evaluation (Moxham, 2008).

Moxham (2008) conducted a case study research to examine the performance measurement practices used in six United Kingdom nonprofit organizations and their associated funders and regulators. A total of 24 managers from 18 organizations took part in the study. The author found that underdeveloped and resource intensive performance measurement systems were used in the organizations examined and also performance measurement system design principles developed for the private and public sectors were also applicable to the nonprofit sector (Moxham, 2008). The research had its limitations. While a range of stakeholders was included in the research, further work is required to be done to validate the applicability of the findings to other nonprofit organizations. The exploratory nature of the study compelled the use of interviews for data gathering with pilot testing completed within four nonprofit organizations.

Ethics, regulations, and reporting. The issue of ethics cannot be separated from transparency because the need for ethical governance has led to the call for transparency (Argandonia, 2009). According to Argandonia (2009), ethical codes are instruments used to control organizations to "toe the line" of good governance and moral values. For-profit and nonprofit organizations are supposed to be governed by a set of ethical codes, either written or unwritten (Argandonia, 2009). Enforcing codes of conduct has become an issue of contention among stakeholders in the nonprofit community, as codes of conduct are sometimes voluntary and difficult to enforce (Argandonia, 2009).

There were five reasons identified by Argandonia (2009) as to why nongovernmental organizations should be self-regulated. First, such organizations have become key players in the economy, thereby requiring stricter demands for responsibility and accountability. Second, there has been increased controversy over the issue of legitimacy of a nonprofit organization in providing services for the public good by other agencies of government and are viewed as mere intruders into the area of public services provision. Third, the growth of nonprofit organizations has outpaced government's ability to regulate their operations, thus encouraging lack of accountability. Fourth, there is the need to promote higher standards of governance in the nonprofit community. Fifth, there is a need to win the trust of the general public and attract new donors (Argandonia, 2009).

Nonprofit organizations have always faced the challenges of service delivery and professionalism (Smith, 2008). Over the years, there has always been the need for improved training and education of government managers, greater transparency and accountability, and improved citizen engagement (Smith, 2008).Nonprofit organizations have always relied on private philanthropy and fees, and their sizes have always been determined by the funds available to them (Smith, 2008). However, many nonprofit organizations lack professionalism and financial lack (Smith, 2008).

In the past decade there has been a shift towards performance enhancement among nonprofit organizations (Smith, 2008); this has compelled increased attention towards outcome evaluation. Outcome evaluation involves investment in new management information systems and operations monitoring (Smith, 2008). The need to professionalize the ways nonprofit organizations are run administratively has been given better attention; however, many nonprofit organizations have not been able to adjust to the new trends because of the lack of the much-needed financial capacity (Smith, 2008). Policy makers have faced numerous criticisms regarding accountability, transparency, and tax compliance (Smith & Shaver, 2009). Donors and charity oversight agencies called into question potential misallocation of fundraising dollars in the wake of numerous disasters, such as Hurricane Katrina and the Asian tsunami (Smith & Shaver, 2009). There have been several allegations of fiscal mismanagement by many nonprofit organizations over the years and this has been of a huge concern to the government and other stakeholders in the nonprofit community (Smith & Shaver, 2009). The IRS, in recognition of the need to improve transparency in nonprofit organizations, has revised the Form 990, which is a tool to ensure transparent reporting by nonprofit organizations (Smith & Shaver, 2009). Revamping Form 990 represented a move towards greater accountability within the nonprofit sector (Smith & Shaver, 2009). In redesigning Form 990, the IRS was guided by three principles: (a) enhancing transparency, (b) promoting tax compliance, and (c) minimizing the burden on the filing organization (Smith & Shaver, 2009). One of the goals of the IRS in ensuring transparency in the nonprofit community was to avoid as much as possible the occurrence of private inurnment (Smith & Shaver, 2009).

Inurnment is likely to arise where the financial benefit represents a transfer of the organization's financial resources to an individual solely by virtue of the individual's relationship with the organization and without regard to accomplishing exempt purposes (Smith & Shaver, 2009). The Internal Revenue code regards a tax-exempt organization as a trust whose assets must irrevocably be dedicated to achieving charitable purposes

(Smith & Shaver, 2009). The inurnment prohibition serves to prevent anyone from "siphoning off" any of a charity's income or assets for personal use (Smith & Shaver, 2009). There is also the political campaign prohibition clause where tax-exempt organizations are prohibited from using organizational assets to promote a political course (Smith & Shaver, 2009).

Finally, Smith and Shaver (2009) put special emphasis on the public purpose test. The idea behind being a tax-exempt organization is the provision of services that will benefit the general public (Smith & Shaver, 2009). The Internal Revenue code expects organizations requesting for tax exemption to meet certain standards, like serving the public (Smith & Shaver, 2009).

It must be the goal of tax-exempt organizations to balance the needs of their donors and federal regulators (Smith & Shaver, 2009). The efficient and effective use of organizational assets is the main goal of donors, while regulators want to ensure that tax-exempt organizations continue to meet their purposes and mission of serving the common good without injuring their tax-exempt status (Smith & Shaver, 2009). Tax-exempt organizations are, therefore, expected to report community benefits and financial activities on Form 990 as completely as possible (Smith &Shaver, 2009).

Financial Transparency Issues in Churches

The issue of transparency in the area of church finances by church stewards has become a sensitive issue in recent years (Smith & Shaver, 2009). A general question congregation members will naturally ask is, "How much financial transparency does the law require of churches?" It is amazing to note that unlike other nonprofit bodies expected to file Form 990 annually, churches are exempt from such an obligation and transparency is left to be discretionarily determined by church members (Smith &Shaver, 2009). Human beings do not naturally want to subject themselves to controls; hence some form of legislation might help to improve the level of transparency in resource management, thereby answering the first research question regarding the possibilities of mismanagement or misappropriation because of lack of legislations guiding the management of the financial resources of the American church.

Large churches are a bit different from the smaller ones in that they prepare annual budgets, compile and disclose financial reports, and disclose pastors' salaries; however, the same cannot be said of smaller churches, thereby eroding trust. Fiscal oversight includes the existence of an independent board of directors with a financial expert and documented policies and procedures (Smith & Shaver, 2009). Financial management includes the existence and use of a budget, controls over cash receipts and disbursements, financial reporting, and tax reporting and compliance. Religious organizations are also caught in the spotlight because of such issues as the sex-abuse scandals in the Catholic Church, embezzlement of funds in various organizations, and the use of government funds to support social services and other programs in faith-based organizations (McNeal & Michelman, 2007). Section 302 of the Sarbanes-Oxley Act (2002) requires management and the external auditor to report on the adequacy of the company's internal control on financial reporting and compliance will answer the second research question of whether according to the perceptions of the general public and church parishioners, the church has installed and maintained an effective accounting and internal control system to prevent mismanagement or misappropriation of the resources of the American church.

McNeal and Michelman (2007) advocated for more involvement by professionals in the management of the financial resources of nonprofit organizations, even on a volunteer basis, as it will increase awareness for accountability in nonprofit organizations. Nonprofit organizations must sustain the confidence reposed in them in order to continue to attract the funds necessary to pursue their missions (Kelley & Anderson, 2007). This is a huge benefit to churches and an answer to the third research question regarding the perceptions of the general public and church parishioners of the existing internal controls sufficient to protect the assets of the American church from mismanagement or misappropriation.

In recent years however, many nonprofit organizations have been engaging in financial misappropriations, which undermine public expectations (McNeal & Michelman, 2007). Organizations like the Red Cross, United Way of America, and Nature Conservancy have indulged in improper and irresponsible acts of funds diversion (Kelley & Anderson, 2007). These acts are unbecoming of organizations that benefit from the general public's support and goodwill and are a violation of public trust (Kelley & Anderson, 2007). All these acts of impropriety have the tendency to cause a decline in giving to charities (Kelley & Andersen, 2007).

Sarbanes-Oxley Act (2002)

Levy (2008) addressed some issues regarding the impact of the Sarbanes-Oxley Act on nonpublic organizations. The Act has been very beneficial to public organizations (Levy, 2008). The Act's requirements are considered best practices that can result in better corporate governance and transparency (Levy, 2008). With more involvement of audit committees and corporate boards, there are greater chances of improvement of internal controls (Levy, 2008). Private companies which are not presently subject to the Act will incur higher costs if they decide to go public (Levy, 2008). They are, however, voluntarily adopting some of the less-expensive provisions and may be beneficiaries of a renewed look at financial reporting rules for private companies (Levy, 2008). Not-for-profit organizations are not subject to Sarbanes-Oxley, but those that do not hold themselves to the Sarbanes-Oxley standards may be perceived as having betrayed communal expectations (Levy, 2008). Even if federal legislation is not passed, not-for-profits will likely feel the effects of Sarbanes-Oxley (Levy, 2008).

According to Gilkenson (2007), a study by Foley and Lardner LLP indicated that 97% of nonprofit groups reported an impact of Sarbanes-Oxley on their organizations and 80% of for-profit private companies reported the same. States, especially ones that have experienced notorious not-for-profit bankruptcies and other scandals, may pass legislation, and managements and boards may institute some of the Sarbanes-Oxley reforms as a type of best-practice standards. The research problem in Gilkenson's study was to establish if the imposition of the Sarbanes-Oxley Act (2002) would bring financial transparency to nonprofit organizations. Questionnaires and interviews using the random sampling method were conducted amongst lawyers and nonprofit organizations in the State of California and several studies regarding the Nonprofit Integrity Act.

The findings indicated there have been several demands for the adoption of the Sarbanes-Oxley Act (2002) by nonprofit organizations in order to forestall the embarrassing situation of Enron (Gilkenson, 2007). Gilkenson (2007), however, differed from this school of thought because there are unique differences between the for-profit sector and the nonprofit sector. Instead of a wholesale adoption of the Sarbanes-Oxley

Act (2002), Gilkenson suggested that the authorities should use the act as a guide to chart a radical reform course for nonprofit organizations. The work by Gilkenson helps further research into measures that are specific to the nonprofit sector in addressing issues that threaten financial transparency in the sector.

The threat to the validity of Gilkenson's (2007) study was the fact that the survey was issued only in the state of California, therefore, findings cannot be generalized to conclude for the whole nation because of differences in attitude to issues relating to nonprofits. The author did not address the threats to validity adequately as solutions were proffered that had a national outlook for problems that were really local. The Sarbanes-Oxley provisions, if extended to nonprofit organizations, will involve a greater role for the audit committee, the need to certify financial statements, compensate senior executives, instill corporate finance officer (CFO) codes of conduct, and enhance enforcement powers to remove unfit directors (Levy, 2008).

The goal of Harshbarger and Jois (2007) was to review the impact the Sarbanes-Oxley Act has had on corporate governance since its enactment in 2002. There is a huge expectation that corporations will align incentives to foster ethical conduct (Harshbarger & Jois, 2007). Ever since Sarbanes-Oxley was passed, there have been those in the business community who have said that the regulatory response to corporate misconduct went too far and markets should be allowed to work (Harshbarger & Jois, 2007). Others have also commented on it over-tilting towards large quoted corporations at the expense of small, private, and nonprofit organizations (Harshbarger & Jois, 2007).

In order to ascertain how much nonprofits have complied with the provisions of the Sarbanes-Oxley Act, Iyer and Watkins (2008) conducted a survey of over 200 nonprofit organizations. The comprehensive survey was circulated among stakeholders in the nonprofit community and Iyer and Watkins arrived at some known conclusions. First, many nonprofit organizations were local organizations with small staffs, but had boards filled with community-minded people with little or no business and or management background (Iyer &Watkins, 2008). Second, management's burden to comply with the Act might be too much and distract management from their primary objectives (Iyer & Watkins, 2008). Third, nonprofit organizations' supervision is already more severe when compared to for-profit organizations (Iyer & Watkins, 2008). What is unknown in their work however, was the concession that audit firms gave smaller businesses to comply with new enactments (Iyer & Watkins, 2008). There was no information revealed if the industry is moving towards such a concession or not and certain provisions of the Sarbanes-Oxley Act will increase administrative costs and make the organization look less efficient to contributors (Iyer & Watkins, 2008). It was also noted that some organizations had improved on their corporate governance because of the enactment of the law (Iyer & Watkins, 2008).

Gilkenson (2007) provided an in-depth analysis of what led to the enactment of the Sarbanes-Oxley Act and how the nonprofit sector cannot exclude itself from what went wrong with the for-profit corporations in the pre-Enron years. The Act focused on big corporations with the capacity to afford the huge compliance costs (Gilkenson, 2007). Gilkenson explained why it is important for attention to be paid to the nonprofit sector: "The nonprofit sector plays a significant and wide-reaching role in our society. The role of the nonprofit sector in human lives cannot be estimated as the services provided by this sector touch virtually every aspect of human life" (p. 836).

It was a long historical journey to the events preceding the Enron crisis to justify the need for such an elaborate legislation to stem the ugly tide of corporate crisis (Mulligan, 2007). Several states had made serious efforts to introduce bills that were similar to the Act, while others that successfully passed similar bills have used such enactments as the basis for their nonprofit sector reforms (Mulligan, 2007). Koehn and DelVecchio (2007) observed and offered their opinions on consequences of the Act. Contrary to expectations, merger and acquisition activity in the immediate wake of the Sarbanes-Oxley Act did not show a decline (Koehn & DelVecchio, 2007). Koehn and DelVecchio established that deals rose from 7,702 in 2003 to 8,313 in 2004 and the dollar value of those deals rose from $570 billion in 2003 to $833 billion in 2004.

Since the enactment of the Act, audit committees have increased in activities and are meeting more regularly in corporate America. The annual Spencer Stuart Board Index study of corporate governance in S&P 500 corporations found that audit committees met on average, five times per year in 2002 and in 2003, the frequency of meetings increased to seven (Koehn & DelVecchio, 2007). Koehn and DelVecchio (2007) cited an alternate survey of governance practices in 200 corporations by Pearl Meyer & Partners indicated an average frequency of nine meetings for audit committees in 2005.

Though not statutorily expected to comply with major provisions of the Act, many private organizations voluntarily decided to selectively consider complying with part of the provisions of the Act (Koehn & DelVecchio, 2007). A recent PricewaterhouseCoopers survey of 340 corporate executive officers (CEOs) of private companies showed that slightly more than one quarter have adopted Sarbanes-Oxley “best practices" (Koehn & DelVecchio, 2007). Best practices adopted by such private firms include CEO and CFO certifications of financial statements, development of an internal code of ethics, appointment of independent board members and an audit committee, creation of processes for reporting concerns, and splitting audit and non-audit services between separate accounting firms (Koehn & DelVecchio, 2007).

The main objectives of the Sarbanes-Oxley Act as observed by Orin (2010) were to make the market strong, transparent, and trustworthy. Orin reviewed the act from an ethical angle. One of the major provisions of the act was the mandatory rotation of lead auditors for corporations (Orin, 2010). Orin, however, disagreed with the provision stating that what would be more effective is the rotation of audit firms and not the lead auditors within the audit firm. Orin was of the opinion that this is necessary to ensure accountants are independent and thereby enhances the integrity of accountancy as a profession, while making the investing public more confident.

Before the Sarbanes-Oxley Act, names like Enron, WorldCom, and Sunbeam were featured prominently as organizations that were deeply involved in unethical corporate practices (Orin, 2010). Accusations against them ranged from falsified statements on financial statements to failures to comply with generally accepted accounting principles, falsification of accounting records, and other charges. Therefore, development of codes of ethics that would guide corporate behavior seemed imperative as part of the Sarbanes-Oxley Act (Orin, 2010). Orin (2010) reinforced the common criticism against the act, which is the cost of compliance, which he observed had become a major burden to businesses. The gap in Orin’s work is that nothing was focused on the audit partner rotation’s requirement of the Sarbanes-Oxley Act (2002), which was a strong recommendation of the Act. The author recognized the need for further work to be done in this regard.

Steur (2007) observed that though the Sarbanes-Oxley Act was enacted to stem the tide of corporate misconduct in listed corporations, there was an opportunity in the act for nonprofit organizations to improve on their corporate governance. Strengthening governance, ethics, transparency, and awareness was good for all and by voluntarily adopting the principles and best practices of Sarbanes-Oxley, nonprofit organizations could better realize their mission and meet the expectations of stakeholders (Steur, 2007). There are two provisions in the Sarbanes-Oxley Act that now apply to all organizations, for-profit and nonprofit (Steur, 2007). These are record retention and whistleblower provisions (Steur, 2007). Under the record retention provision, no organization can deliberately carry out acts like document destruction, falsification, or alteration in order to prevent documents from being investigated (Steur, 2007). Under the whistleblower protection provision, no negative action that can harm any person who reported acts that are tantamount to illegality or dishonesty within their organization can be pursued (Steur, 2007).

The Sarbanes-Oxley Act was reviewed by Montana (2007) 5 years after its enactment and some far-reaching observations were made. He noted that the main goal of the act was to encourage the institution and documentation of effective control systems and ensure their accuracy(Montana, 2007). The act imposed record keeping requirements on corporate organizations whose purposes were not clear to the realization of the goals of the act (Montana, 2007). Such record keeping requirements were devoid of a retention period, thereby imposing burdensome compliance costs on corporations (Montana, 2007).

Montana concluded that the volumes of compliance rules will not necessarily guarantee sanity in the corporate environment as most of the rules are not clear and the goals they are to serve are not certain to the corporate stakeholders. Montana advocated for a longer period to be able to fairly assess the reasonability of expecting the act to stir a dramatic turnaround in corporate America.

Church Ethics

Ethics had always been considered as a sharp distinction between what is wrong or right and this includes traditional adages such as the Golden Rule ("Do unto others as you would have them do unto you"), a code of professional conduct like the Hippocratic Oath ("First of all, do no harm"), and a religious creed like the Ten Commandments ("Thou Shalt not kill). Ethics can simply be regarded as a set of norms considered appropriate conduct or standard of human behavior. Such norms can be learned in various settings like home, school, church, or the workplace, or better still, learned from childhood or at any stage in life. Ethical norms are so ubiquitous that one might be tempted to regard them as simple commonsense.

Ethics refers to well-founded standards of right and wrong that prescribe what humans ought to do, usually in terms of rights, obligations, benefits to society, fairness, or specific virtues. Ethics impose the reasonable obligations to refrain from rape, stealing, murder, assault, slander, and fraud. Ethical standards expect virtues like honesty and loyalty as well as standards relating to rights, such as the right to life, the right to freedom from injury, and the right to privacy. Such standards are adequate standards of ethics because they are supported by consistent and well-founded reasons.

Secondly, ethics refers to the study and development of one's ethical standards. Feelings, laws, and social norms can deviate from what is ethical; therefore, it is necessary to constantly examine one's standards to ensure they are reasonable and well-founded. Ethics also means the continuous effort of studying one's own moral beliefs and moral conduct, and striving to ensure the institutions that have been shaped live up to standards that are reasonable and solidly-based. Ethics is about protecting people from harm and promoting happiness and health.

The church is also expected to be governed by basic codes of ethics in order to protect both ministers and parishioners. However, unlike other professions, the ministerial work has not has not been able to effectively develop a universally accepted code of ethics that will guide the conduct of ministers and everyone associated with church work. The ministry is a vocation and a commitment to serve and love others in response to God's divine call (Blake, 2010). When a minister accepts ordination or any form of credentialing as a minister, he invariably accepts to be guided by some unwritten ethical codes and a sense of responsibility to the parishioners and the organization he serves under (Blake, 2010).

Regarding such a professional commitment, Blake (2010) identified four "commonly recognized sociological marks" (p.54) for a minister: (a) specialized knowledge and skills, (b) service of fundamental human needs, (c) commitment to the others' best interests, and (d) structures for accountability. In pursuit of transparency and ethical conduct amongst ministers and bishops of the Anglican church of Australia, the General Synod in 2004 passed a resolution adopting "Faithfulness in Service" (Blake, 2010, p.59) as a national code of conduct for its pastoral staff and bishops. The goal was to clarify acceptable personal and practices of pastoral staff in order to ensure faithfulness. The code covered issues like pastoral relationships, children, personal behavior, sexual conduct, and financial integrity (Blake, 2010).

To be a minister suggests the readiness and willingness to be accountable (Blake, 2010). Accountability is a mark of professionalism, which each church organization should be willing to put in place for every minister and staff member. Ministers should regulate themselves by establishing a common set of standards for professional practice and monitoring for compliance (Blake, 2010). Accountability ensures that the tenet of justice to the community is upheld and suggests that there must be a system of discipline for noncompliance. Discipline, however, for ministers must be protective and not punitive (Blake, 2010). Blake (2010) concluded that ministry in the church is a profession and as such requires specialized skills and commitments. Such commitment covers areas like excellence, integrity, selfless dedication, and faith to serve the community and the upholding of public trust (Blake, 2010).

Waalkes (2007) looked at ethics from the perspective of the role of money in modern society. A crisis of confidence as evidenced by the numerous corporate scandals in Enron, WorldCom, and the subprime mortgage crisis have accentuated the calls for corporate governance reforms. The spirit of capitalism, which is represented by the inordinate propensity to acquire more, has given rise to looking at money not as a tool of growth, but as the ultimate measure of success and human worth in both personal and corporate lives (Waalkes, 2007). The pursuit of money without regard to character or morality has made virtues like hard work, diligence, or commitment become less important as life’s worth is continually measured by wealth accumulation (Waalkes, 2007).

The stewardship theory, which is based on spirituality, extends to financial decisions taken by ministers (McCuddy & Pirie, 2007). Spirituality, stewardship, and accountability are all interrelated. Business failures in the past century can be directly and indirectly linked to moral failure in business decision making (McCuddy & Pirie, 2007). Internalized spiritual values can strongly influence the morality of financial decisions (McCuddy & Pirie, 2007). Decision makers, especially those in the financial arena, must see themselves as stewards and as such, must shape their decision making by their moral beliefs (McCuddy & Pirie, 2007).

McCuddy and Pirie (2007) opined that spirituality should not be a concept that is strictly limited to worship places, but rather must be the fabric of decision making in corporate systems. They believed that “spirituality is increasingly recognized as a proper if not necessary element of the workplace” (McCuddy & Pirie, 2007, p.957), though incorporating it into the workplace remains a contentious issue, especially in financial decision making. A spiritual angle to the stewardship theory was introduced and used to explain that there is no way stewardship in its original conception can be detached from higher level spiritual goals (McCuddy & Pirie, 2007).

The application of the stewardship is viewed from deeper reflections about what the steward actually does for the stakeholders and the larger society (McCuddy & Pirie, 2007). Stewardship expects corporate executives to be accountable to owners in the areas of preserving their assets and enhancing their values. Stewardship from the spiritual angle imposes long run sustainability on stewards beyond short term gains that agents seem to focus on. Managers, as stewards, should base their corporate decisions on deeper internalized values with strong spiritual undertones or else irrationality will govern their decision making process (McCuddy & Pirie, 2007).

Stewards are not supposed to just serve the interests of the shareholders, but also for future generations (McCuddy & Pirie, 2007). Stewards should act beyond any contractual arrangement between them and their principals, and see their responsibility as posterity-driven. Stewards, rather than serve shareholders in the true sense, must be serving stakeholders. This was what McCuddy and Pirie (2007) referred to as "inter-temporal stewardship" (p.957), which simply means stewardship that goes beyond temporal gains. With the benefit of hindsight on the financial crisis that engulfed corporations like Enron and WorldCom, one cannot completely neglect the spiritual angle of the application of the stewardship theory as explained by McCuddy and Pirie (2007).

Stakeholders Theory

Religious perspective. God as a managerial stakeholder has been a very ambiguous topic in academic literature when it comes to stakeholder theory (Schwartz, 2006). The concept of God seems to be beyond the norms of stakeholder management theory. For businesses that accept the existence of God and that He can influence events in the world, the acceptance of God as a stakeholder in business might not be a problem (Schwartz, 2006). However, individuals and corporate bodies have different opinions of who God is and His role in their lives, both personal and corporate. Additionally, the increase in corporate scandals in recent years has encouraged the gradual recognition of spirituality in corporate governance. Though this does not in itself indicate that God is a stakeholder, it indicates that moral issues are beginning to have prime attention in corporate governance (Schwartz, 2006).

Two opposing schools of thought have emerged over the years over the question of whether God should be recognized as a stakeholder in corporate businesses. While opponents of God as a stakeholder argued that God and business should not mix and God's existence cannot be logically proven, proponents of God as a stakeholder believe that there is a possible link between one's faith in God and one's business conduct (Schwartz, 2006). The argument is that believers in God are less likely or willing to act unethically while conducting their business. Evidence abounds that in the United States, many people believe in the God factor as a consideration while making crucial business decisions (Schwartz, 2006). Tyson, the owner of Tyson Foods, reaffirmed his strong convictions about the need to incorporate moral values into corporate governance when he hired 87 chaplains to assist emotionally distressed employees in 58 plants (Schwartz, 2006). Wade, the founder of ServiceMaster, insisted that God should form part of the first of their three-pronged corporate objectives, which is "to honor God in all we do" (Schwartz, 2006, p.7).

The God factor has its origin in spirituality, which is the general belief that there is a supreme power, a being or a force that governs the entire universe (Schwartz, 2006). Spirituality, and by extension God, in the workplace has been on the rise in the corporate world (Schwartz, 2006). In the investment community, religion based mutual funds or indexes have appeared over the past decade and have been experiencing increased growth. Examples include Carlisle Social Investment Index for the Catholic Church, MMA Praxis Value Index for the Baptist Church, and the Islamic Market Index for Islam (Schwartz, 2006).

The concepts of God and business are no longer mutually exclusive, but rather widely interconnected though antagonists of this view believe that first, God is not a human being and only human beings can have stakes in a business and second, God and business should not mix (Schwartz, 2006). If God were to be a stakeholder, protagonists argue that there would be far-reaching implications for business asmore socially responsible decisions would be made enhanced ethical decision making would occur, and a healthier bottom-line for the organization would exist (Schwartz, 2006).

Corporate governance perspective. Corporate governance deals with organizational control and direction (Spitzec & Hansen, 2010). Anyone who can affect the accomplishment of a corporate objective is considered as a stakeholder. Such stakeholders include employees, customers, and shareholders and corporate governance must pay close attention to their concerns (Spitzec & Hansen, 2010).

Spitzec and Hansen (2010) identified three main perspectives to the stakeholder theory. First is the instrumental perspective. Under this perspective, corporate governance needs to give a voice to stakeholders who are deemed powerful in order to secure their contribution to the success of the organization. Second is the descriptive perspective where different constituents of the organization are identified and classified without considering their value or their legitimate claim to power. Third is the normative perspective where intrinsic values are granted to stakeholders based on the moral rights of any individual affected by corporate conduct (Spitzec & Hansen, 2010).

Scandals have been common for the past 2 decades in most corporate organizations globally and there have been several legislative responses to control or minimize the scandals (Biot-Paquerot & Hasnaoui, 2009). Corporate governance is now expected to protect propriety information, share information, and secure the integrity of such information with shareholders and the public more widely than hitherto expected (Biot-Paquerot & Hasnaoui, 2009). To ensure compliance with ethics of corporate governance, most organizations have put in place mechanisms that will ensure stakeholders and managers apply and respect them. This can be in form of corporate codes or clichés that everyone can easily remember and made to mandatorily adhere to (Biot-Paquerot & Hasnaoui, 2009). It became necessary to develop such codes in response to both the external and internal environmental challenges facing the organizations (Biot-Paquerot & Hasnaoui, 2009).

In the United States of America for instance, the Sarbanes-Oxley Act of 2002 was adopted in response to the various scandals in the country's corporate community (Biot-Paquerot & Hasnaoui, 2009). Article 302 of the Act obliges a corporation's executive management to establish a responsible accounting and financial internal control structure. External auditors are required to validate the assessment of the effectiveness of such control measures (Biot-Paquerot & Hasnaoui, 2009). The question, however, being asked in corporate circles is with respect to the issue that a corporate code of ethics predates the Sarbanes-Oxley Act and yet, such codes could not protect the corporation against scandals by those who were to ensure that corporate interests are well-protected(Biot-Paquerot & Hasnaoui, 2009). It is obvious that more measures must be put in place to ensure this.

Stakeholders versus stockholders. According to Charron (2007), there has been an age-long battle for corporate control between stockholders and stakeholders. The stakeholder theory has been a weapon in the hands of corporate managers to gain control over the soul of the corporation. Charron believed that until the destructive inroads created by the stakeholder theory are reversed, the conflict between stockholders and stakeholders will continue.

Charron (2007) identified a major flaw in the corporate law and stakeholder theory where directors' loyalty or fiduciary obligation is to the owners without a commensurate obligation to employees and other stakeholders. As legal agents, directors are expected to maximize profits for their principals, the stockholders. However, the history of corporate America is faced with agents or directors who rather than maximize stockholders profits, started diverting stockholders' wealth to stakeholders through high compensation packages and benefits, thereby creating a radical deviation from their primary responsibility of maximizing stockholders' wealth (Charron, 2007).

In a situation where management rewards are attached to corporate performance and return on shareholders' investment, corporate managers are better motivated to conduct activities that will enhance corporate performance and earnings (Charron, 2007). This they do by finding new savings and profit centers for the corporation, introduce new information technology, downsize, outsource, and eliminate middle management and clerical personnel. All these actions result in increased financial performance and profitability and increasing corporate stock prices (Charron, 2007).

In doing all the above, corporate managers pay less attention to the corporate and social responsibilities of the corporation; they emphasize stockholders' returns at the expense of stakeholders' returns and values (Charron, 2007). By so doing, corporate managers indirectly keep much of the corporate gains to themselves in terms of enhanced remunerations packages, which naturally results from better corporate performance (Charron, 2007). The battle lines have become clearly drawn between corporate stockholders and stakeholders and the former seems to be "winning the battle."

Charron (2007) identified the emergence of another group as a result of the above stated conflict. This group consists mainly of academics he referred to as the corporate revisionists. This group developed theories of collective responsibility wherein a corporation is viewed as a productive arm of the society with the sole obligation of providing for the needs of the society (Charron, 2007). As far as this group is concerned, corporations owe their protection to the society and hence, should be concerned more with serving public or special purposes (Charron, 2007).

This proposition has led to the general embracement of the stakeholder theory, especially in the academic community (Charron, 2007). The proposition opposed managers who placed stockholders' returns over stakeholders' interests (Charron, 2007). The argument is that the primary motivation of corporate managers is their own greed and selfishness. According to this group, corporate managers do nothing but attempt to perpetuate the master-slave relationship that has always existed in the corporate world (Charron, 2007).

At a later stage, the corporate revisionists refined their postulations by presenting stockholders as mere investors, rather than joint owners of the corporation (Charron, 2007). They more or less treated stockholders like bondholders who were entitled to receive interest on their invested capital rather than owners of the business. The corporate revisionists argued that the long term interests of the corporation are more vested in managers, employees, suppliers, customers, and the community in which the business operates (Charron, 2007).

The postulation that regards stockholders as investing stakeholders rather than owners became very strong and acceptable, especially in the academic community as stockholders started receiving recognition more as one among many owners of various kinds of input to the firm (Charron, 2007). Those of this school of thought argue that inputs to the firm come from different sources, which include employees, customers, suppliers, and investors. The different stakeholders bring in human resources, goods, materials, and capital, and are in turn, compensated for their inputs through wages, better working conditions, quality goods at reasonable prices, acceptable returns on investment, jobs, taxes, and a better environment (Charron, 2007).

The corporate revisionists opted against any special treatment being given to stockholders as capital is just like any other input for the corporate business and should be treated like labor and management (Charron, 2007). In other words, stockholders should be regarded as investors who are owed a return on investment just as workers are owed their wages and suppliers are owed payment for goods supplied. The revisionists made this clear by referring to stockholders' earnings as corporate residual earnings, which basically refers to earnings after other inputs have been paid (Charron, 2007).

Church Management and Leadership

Churches, like any other business organization, must have sound fiscal oversight and financial management practices over their operations (Elson et al., 2007). Churches are expected to have independent boards of directors with a financial expert and documented policies and procedures. Accounting personnel, if at all they exist, seem to have limited knowledge of nonprofit accounting and generally accepted accounting principles, especially the Statement of Financial Accounting Standards 116, accounting for contributions received and contributions made, and also the Statement of Financial Accounting Standards 117, and financial statements of not-for-profit organizations (Elson et al., 2007).

Shortly after the corporate scandals in Enron and WorldCom, the searchlight shifted towards nonprofit organizations. Excessive salaries paid to executives and board members at some nonprofit organizations have been generating concerns (Elson et al., 2007). The church has also been engulfed with other scandals like sex abuse in the Catholic Church, funds embezzlement, and other indefensible programs involving huge financial outlays capable of jeopardizing the tax exempt status of some faith-based organizations (Elson et al., 2007). These and many more fraudulent practices have eroded the confidence that parishioners have in church leadership. This relates to the second research question with respect to the perceptions of church administrators, church accountants, board of trustee members, and parishioners as to whether the implementation of Section 302 of the Sarbanes-Oxley Act will improve the parishioners' view on transparency in the management of the financial resources of the church and encourage charitable giving.

Religious organizations have a responsibility to be transparent to their members while carrying out their missions as they rely on the public for their funding in terms of tithes, pledges, and donations. Donors are increasingly demanding transparency from the nonprofit organizations in their operations (Elson et al., 2007). Legislations like the Sarbanes-Oxley Act (2002) might be a good starting point for such controls. According to section 302 of the Act, management and the external auditor are expected to report on the adequacy of the company's internal control on financial reporting as indicated in the first research question which states “According to the perceptions of church administrators, church accountants, board of trustee members, and parishioners, how will the extension of sections 302, 404, 902, and 906 of the Sarbanes-Oxley concerning financial controls, bookkeeping best practices, and external audits assist in installing an internal control system that will help in the management of the financial resources of churches in America?”

Churches have always played active roles in the provision of social services as could be seen in relief efforts for victims of hurricanes Katrina and Rita. The government in recognition of this continues to actively fund faith-based organizations to support social services and public health programs, such as youth development and substance abuse treatments (Elson et al., 2007). Such funds have been disbursed by the government with virtually no strings attached and no demand for stringent control measures before and even after disbursement.

Following the enactment of the Sarbanes-Oxley Act (2002), an accounting firm, Grant Thornton, conducted a study of nonprofit organizations and discovered that 48% of the respondents voluntarily made changes to their operations (Elson et al., 2007). Similar changes took place in areas such as the establishment of conflict of interest policies, internal controls procedure, and a code of ethics (Elson et al., 2007). Statistics, however, do not exist for the percentage of the survey respondents that were religious or faith-based (Elson et al., 2007).

Most churches do not have adequate fiscal oversight of their operations and there are no adequate controls in place over financial management (Elson et al., 2007). Most boards of directors are not educated enough on the need to develop internal control measures that can ensure transparency in operations (Elson et al., 2007). In a survey, Elson et al. (2007) used the qualitative case study research method with questionnaires administered to over 221 churches and a response rate of 27% representing 60 usable surveys was achieved.

Churches have not been known to focus on non-theological issues like leadership and administration as they consider such issues secondary to their main mission (Frank, 2006). However, as the church continues to play significant roles in the society, special emphasis needs to be placed on such issues (Frank, 2006). The church is seriously lacking in professionalism when it comes to subjects like finance, law, administration, and leadership, partly because of historical emphasis on issues that border around faith (Frank, 2006). Leaders, who are skilled in such areas and at the same time reasonably trained in theology, are not commonly found in leadership positions as emphasis is always on ordination and understanding of doctrinal issues rather than professionalism (Frank, 2006).

Most church pastors and leaders consider their leadership limited to preaching, teaching, and pastoral care, with less emphasis on administration (Frank, 2006). It is however obvious that the task of managing churches is becoming more complex than ever to areas like law, public relations, finance, communication, community studies, and technology. Church leaders are becoming aware of this gap and therefore becoming more receptive to reforms that will enhance more transparency in financial management as enunciated in the third research question regarding the perceptions of church administrators, church accountants, board of trustee members, and parishioners as to how the increased cost of implementing sections 302, 404, 902, and 906 of the Sarbanes-Oxley Act (and other forms of control) in their church matches the benefits to be derived from such implementation.

Frank (2006) advocated for the establishment of leadership and administration as an academic discipline in order to make church leadership relevant to the contemporary world. The term administration, on the other hand, has become synonymous with running the church business. This covers activities like information technology, finance, accounting, property management, and other non-theological skills necessary for the running of a church organization (Frank, 2006).

The traditional church had always seen leadership as being limited to pastors (Frank, 2006). Modern leadership theorists, however, postulated that leadership should circulate through the community, empowering various persons with different capacities to act for the well-being of the whole (Frank, 2006). Leadership legitimacy should be defined not by ordination, but by skills and relevance. Administrative leadership should be seen as a distinct position within the church organization and should be divorced from doctrinal practices. For instance, some churches oppose the ordination of women, while at the same time most administrative work in the church is accomplished by women (Frank, 2006).

Modern leadership theory, even as effectively as it works in for-profit organizations, cannot be wholly transferred to the church organization. The church cannot simply adopt the modern management culture of performance and control because of its ecclesiastical foundations (Frank, 2006). Doing this will amount to seeing the church as nothing but a self-sustaining economic entity, without paying close attention to its uniqueness as strictly faith-based (Frank, 2006).

Many research findings exist on leadership in the for-profit world, while the same cannot be said of the nonprofit community (McMurray, Pirola-Merlo, Sarros, & Islam, 2010). It is, however, dangerous to assume that all the leadership requirements for a for-profit organization are relevant to the nonprofit organizations in general, and churches in particular. While leaders in the for-profit organizations deal with issues such as access to capital, marketing, personnel management, and profit maximization, challenges facing leadership in nonprofit organizations are limited to ensuring a balance between efficiency, effectiveness, mission, and passion, which are ingredients that drive a nonprofit organization (McMurray et al., 2010).

Powell (2009) attempted to establish a relationship between administrative and managerial competency and ministry satisfaction. Executive pastors, a unique position in big churches, did not start until the 1980s. Executive pastors are also known as CFOs or chiefs of staff. There is enough work done on management processes, but not much on competency development for those involved in leading church organizations (Powell, 2009).

Corporate Social Responsibility

Every organization, whether it is for-profit or nonprofit, must engage corporate social responsibility in order to attain corporate sustainability in its business (Hui, 2008). Corporate social responsibility is always applicable in church organizations as they are involved in corporate philanthropy, environmental preservation, and social reporting(Hui, 2008). Merely complying with accounting principles and rules does not guarantee corporate sustainability as it is not enough to convince the stakeholders of the organization's corporate responsibility (Hui, 2008).

Hui (2008) made a serious attempt to establish a relationship between corporate social responsibility and faith. Organizations are expected to conduct their affairs legally and morally and pay attention to issues that are important to stakeholders. The corporate social responsibility represents an organization's position about its obligation to the society (Hui, 2008). Sometimes business organizations, due to the overriding objective of profit maximization, might down play the need to pay attention to corporate social responsibility.

Many authors have advocated for the integration of spirituality into the corporate decision making process in order for the organization to be considered socially responsible, although they do not portend that only spiritual people can be ethical or that for people to be ethical, they must be spiritual (Hui, 2008). However, there is a general understanding that Christian principles or beliefs tend to influence how corporate managers view their corporate social responsibility as many Christian ethics that demonstrate relevance to the business and secular world (Hui, 2008).

Christian principles have a way of shaping the leadership style of people that lead business, especially on issues like fairness, justice, equity, generosity, righteous judgment in decision making, and the environment (Hui, 2008). Embracing corporate social responsibility and corporate sustainability compels the organization to be accountable for its corporate actions. Such organizations pay attention to issues like accountability, integrity, efficiency, and transparency (Hui, 2008). The values that an organization holds dearly affect the types of activities it gets involved in and in turn, determine the corporate morality of the organization (Hui, 2008). All these will affect all business decisions that are taken by the organization.

Corporate social responsibility also compels the organization to demonstrate a sense of accountability to the government and other stakeholders (Hui, 2008). This involves issues like prompt and accurate determination and payment of corporate taxes, preservation of the environment, and provision of employment. Such organizations must not just know the law; they must also determine to keep the law in order to stay socially responsible (Hui, 2008).

Brammer, Williams, and Zinkin (2007) made an attempt to establish if there exists any relationship between religious beliefs and attitudes to corporate social responsibility. They determined that in some instances, it has been established that religious people have strong beliefs and hence, pay priority attention to social responsibility more than nonreligious people. There is a tendency of organized religion playing a vital role in prescribing ethical rules that are consistent with the religious beliefs of the adherents of the faith, especially those who are in business (Brammer et al., 2007).

A survey was conducting involving the use of an existing database of 17 individuals from 20 different countries (Brammer et al., 2007). The research findings indicated that more religious people tended to exhibit better decision making capabilities and hence, leaned more towards corporate social responsibility. The research was, however, limited by small physical samples and the fact that the definition of religion was limited to Christianity. Brammer et al. (2007) also established that economic strength tends to influence peoples' leaning towards religion. People within the lower rung of the economic ladder tended to be more religious than those who were in the higher economic brackets (Brammer et al., 2007).

Religious people, therefore, tend to hold stronger views of corporate responsibilities than nonreligious people (Brammer et al., 2007). Although, it was established that diversity exists in the religious attitudes of people of different faiths. For example, individuals of the Christian and Judaism faiths lay much emphasis on economic activity as a central issue of their faith. Work is considered to be synonymous with worship (Brammer et al., 2007). In fact, Judaists see the desire for wealth acquisition as a moral and legitimate duty for human existence and wellbeing. Lutherans regard work as a calling, while Islam also provides motivation for its adherents to show positive attitudes and commitment to work and economic activity (Brammer et al., 2007). Buddhists teach that focus on social and environmental responsibility in production, distribution, and exchange is central to the practice of Buddhism (Brammer et al., 2007).

Summary

All the available literature relevant to the subject matter of this research work have centered heavily on governance, internal control, and transparency in other non-church organizations within the nonprofit sector. However, most of the views of the authors and researchers are relevant to what governs churches. An attempt has been made to focus on key subject matters like ethics, transparency, internal controls, and the Sarbanes-Oxley Act as they all relate to churches in the United States. Internal control issues should be expected to be given prime attention in an organization whose main source of revenue is donations from the public. The principle of stewardship and by extension, transparency where organizational managers are expected to be above board in the handling of financial affairs to the satisfaction of the stakeholders, is a major issue confronting the American church.

Under stewardship, stewardship theorists tried to identify those factors that will make executives act more like organizational stewards rather than self-interested agents (Caul, 2009). According to the stewardship theory, managers, church administrators, financial controllers, and church accountants are stewards and responsible for the management of the assets of the organization in such a way as to protect it from diminution in value (Abdullah & Valentine, 2009). The stewards' personal goals are assimilated into organizational goals as far as organizational progress and value are concerned. Proponents of the stewardship theory advocated for more involvement by professionals in the management of the financial resources of nonprofit organizations, even on a volunteer basis, as it will increase awareness for accountability in nonprofit organizations. It is important for such organizations to sustain and retain the confidence of those that contribute to their mission. The opinion was that transparency can be enhanced when performance can be unambiguously measured. It is however important to note two major weaknesses in such postulations. First, churches are not known to be big spenders when it comes to hiring professionals because of board apathy. Second, most professionals, if employed at all, are not given adequate free hand to operate professionally due to the overbearing attitude of church leadership and board members, and unnecessary doctrinal interferences with professional standards.

Cultural nuances that tend to make the general public see churches as “sacred cows” that must not be touched by the oversight authorities might have possibly accounted for the limited controls and reporting expectations from the Internal Revenue Service (IRS). However, to whom much is given, much should be expected. If churches are to continue to enjoy their tax-exempt status, denying the government of the much needed revenue due to the nature of the services they provide to the general public, they in turn should at the barest minimum put in place structures that will portray them as being transparent and accountable.

Human beings by nature do not naturally conform without being obstructed. Adequate and effective legislations have proven in the for-profit community to be capable of minimizing extensive damage to public corporations’ assets. The Act has proven since its inception, to be an effective antidote towards corporate financial abuses. Two recent studies involved examination of the effect of internal control regulations on the quality of financial reporting. Altamuro and Beatty (2010) found that on average, all banks subject to the internal control provisions of the Federal Depository Insurance Corporation Improvement Act of 1991 (FDICIA), regardless of the quality of their internal control systems prior to the Act, improved their earnings quality.

Ashbaugh, Collins, Kinney, and LaFond (2008) examined firms that reported internal control deficiencies (ICDs) under Section 302 of the Sarbanes-Oxley Act. It was established that those firms had a lower quality of accruals and firms whose auditors confirmed remediation of those deficiencies exhibited an increase in their accrual quality. When Sarbanes-Oxley was enacted, the practice of public accounting was divided into audits of publicly held companies and all other entities. The Sarbanes-Oxley Act established the Public Company Accounting Oversight Board (PCAOB), an independent body under the oversight of the U.S. Securities & Exchange Commission (SEC). The PCAOB was given the mission to set and enforce practice standards for a new class of firms “registered” to audit publicly held companies. However, standards for not-for-profit and governmental entities continue to be set by the industry itself.

Generally speaking, Sarbanes-Oxley has been successful in increasing corporate focus on a strong ethical culture in publicly owned companies, but there is room for improvement in audit firm performance as well as the PCAOB’s process for assessing and reporting on it.If well-crafted and executed, the same results as experienced by for-profits can be extended to the nonprofit community, especially churches, to stem the tide of assets misappropriation and outright falsification of financial results.

Religious organizations that once looked untouchable have become the element of public scrutiny. Churches now have to contend with issues relating to integrity (Thoman, 2009). Church goers are beginning to question their leaders. Evidences abound that churches have mismanaged assets over the past 3 decades more than any period in the history of the American church. In 1989, Jim Bakker was convicted of fraud and sentenced to 45 years in prison. In 1994, two executives of the Baptist Foundation of Arizona were convicted and sentenced to jail. In Kentucky, Larry Davis pleaded guilty to stealing $730,000 from his congregation (Kennedy, 1995). In 2000, the director of a Christian community was charged with stealing funds (Wilhelm, 2005). In 2005, a Christian charity was accused of fraud (Wilhelm, 2005). In 2006, the chancellor of an orthodox church diverted millions of cash (Cooperman, 2006). Also in2006, a pastor of a Catholic church in Bridgeport, Connecticut misappropriated over $1.4 million of parish donations. In 2007, there was an investigation into the occupations of Bishop Eddie Long, Benny Hinn, Randy and Paula White, Kenneth and Gloria Copeland, Reverend Creflo and Taffi Dollar, as well as David and Joyce Meyers (Wilhelm, 2005). In 2008, Father Van Vlaenderen was charged with financial fraud and cocaine possession (Coenen, 2008). Even the founder of Scientology, E. Ron Hubbard, was involved in financial misappropriations. One common thread among these churches is that they all had a weak or nonexistent internal control system.

With all the scandals in churches as highlighted above, church leaders have been searching for ways to rebuild trust and attract respect from both the larger community and government. In 1979, an organization called the Evangelical Council for Church Accountability was established by a group of church leaders and transparency experts to address the twin problems of transparency and accountability in American churches. It is dedicated to helping Christian ministries earn the public’s trust through adherence to the seven standards of responsible stewardship, which focus on board governance, financial transparency, integrity in fundraising, and proper use of charity resources. The organization provides accreditation to leading Christian nonprofit organizations that faithfully demonstrate compliance with established standards for financial accountability, transparency, fundraising, and board governance. Members include Christian ministries, denominations, churches, educational institutions, and other tax-exempt 501(c)(3) organizations. Collectively, these organizations represent nearly $20 billion in annual revenue.

Conferences and seminars are being organized on stewardship, accountability, and transparency as it has been discovered that there is a huge knowledge gap among those who govern churches in America. It is expected that such exposure will help to increase the capacity of church leaders to handle issues of accountability.

In the light of the above facts and data, there is a need to establish how certain provisions of the Sarbanes-Oxley Act related to financial controls can help improve financial transparency and accountability in American churches; hence, this research study. In conclusion, the reviewed literature indicated deep insight into the relevant themes of this study through the provision of deep analysis of the contrasting views of the various authors, without losing sight of each author’s unique point of view.

Chapter 3: Research Method

The problem addressed was the perception by the general public and church parishioners that the financial resources of the American church stand the risk of being mismanaged or misappropriated by stakeholders or stewards due to lack of appropriate legislations like the Sarbanes-Oxley Act (2002).The purpose of this single case qualitative research was to explore the belief by the general public and church parishioners that due to the nonexistence of appropriate legislations like the financial provisions of the Sarbanes-Oxley Act(2002), the financial resources of American churches stand the risk of being mismanaged or misappropriated by their managers(stewards). The study was used to focus on the issues surrounding transparency in the management of the financial resources in churches in America with a single case study of the Redeemed Christian Church of God, North America.

This qualitative research study was designed to assist in answering the following research questions:

Q1. According to the perceptions of the church leaders and church parishioners, are there possibilities of mismanagement or misappropriation because of lack of legislations guiding the management of the financial resources of the American church?

Q2. According to the perceptions of the church leaders and parishioners, has the church installed and maintained an effective accounting and internal control system to prevent mismanagement or misappropriation of the resources of the American church?

Q3. According to the perceptions of the church leaders and parishioners, are existing internal controls sufficient to protect the assets of the American church from mismanagement or misappropriation?

Q4. According to church leaders and parishioners, what are key obstacles to implementing Sarbanes-Oxley Act-like financial accounting controls in the church?

Conventionally, each of the parishes under focus has church administrators, church accountants, board of trustee members, and parishioners. Thus, individuals from one of the 10 parishes were interviewed. One parish in Texas, one in Indiana, three in Arizona, one in Minnesota, one in Illinois, two in California, and the Bible College and Seminary were represented in the study. These parishes were chosen because they serve large congregations and employ administrators, accountants, and board members who were able to provide the different types of respondents required for this kind of survey. In the interview, participants were educated about the Act and how the Act has improved transparency in managing the financial resources of publicly quoted companies through regulatory procedures of internal control and then interviewees were asked how they thought the procedures could work in the church setting. Transcripts of the interviews were content analyzed using NVivo, which is a qualitative software that allows collection, organization, and analysis of data content from interviews used in addition to researcher coding.

This chapter primarily addresses the research methodology and design employed in the study. The research population is identified and data gathering, analysis, and reporting are focused on extensively in this chapter.

Research Method and Design

A qualitative case study method was used for this study to obtain personal thoughts and suggestions from the ecclesiastical community on financial transparency.

The purpose of this qualitative study was to explore the extent to which the extension of the financial controls provisions of the Sarbanes-Oxley Act to include church organizations could help in improving the transparency in the management of the financial resources in American churches, according to the perceptions of church administrators, church accountants, board of trustee members, and parishioners. This is important since certain state legislatures are already applying key elements of the Sarbanes-Oxley Act regulatory framework to nonprofit organizations.

According to Yin (2009), case study is defined as a focused study on an event, person, activity, or specific phenomenon. The case study method is a way of conceptualizing human social behavior. The study was an intrinsic case study, which focused on how the lack of transparency in the management of resources in American churches can be curtailed. It involved a comprehensive description and explanation of many components of a given situation. In a case study research method, efforts are made to collect and examine as much data as possible regarding the subject matter of the study (Yin, 2009).

The case study method was best suited for a community-based study, and in this case, the church community in America (Yin, 2009). It was different from other research methods in that while other research methods are aimed at a generalized understanding of a phenomenon, the case study aims at a comprehensive understanding of a case (Yin, 2009). In general, a case study method is best suited for research studies that are poised to answer the “how” and “why” questions where the researcher has little control over events and the focus is on a contemporary phenomenon within a real life context (Yin, 2009).

A qualitative case study method was suitable for this research study for the following reasons. First, the focus of this study was on perception issues from church leadership. On the other hand, logical positivism or quantitative research uses experimental methods and quantitative measures to test hypothetical generalizations (Yin, 2009); this was not appropriate for this type of study. Qualitative research is any kind of research that produces results not only by means of statistical procedures or any form of quantification, but also by logical human reasoning and postulations (Yin, 2009). Second, the church community as an industry does not operate on clearly defined standards like for-profit organizations; doctrinal affiliations and beliefs affect decision-making and procedures. Therefore, a strict quantitative research approach might not have be appropriate in such settings (Yin, 2009). In qualitative research, emphasis is on seeking, illumination, understanding, and extrapolation (Yin, 2009). This type of method was needed for this research to better understand the phenomenon about which little had been known or in order to gain new perspectives on things that were already known (Dovona Ope, 2008). This is why research problems are framed as open-ended questions aimed at discovering new information (Dovona Ope, 2008).

Third, the qualitative approach allows for flexibility based on what the objective of the study is and what occurs in the course of the research work. Qualitative study is emergent in nature; it is not possible to finalize research strategies before data collection begins (Dovona Ope, 2008). The case study method is used to contribute to the knowledge of individual, group, organizational, social, political, and related phenomenon. When issues involved are complex, case study method becomes readily useful (Yin, 2009).

Fourth, this research method was appropriate for this research work because it uses the natural setting of a church community as the source of data. Attempts were made to observe, describe, and interpret the data collected within the framework of the church setting. The justification for the number of respondents in this study was based upon the need to accommodate all possible perceptions and opinions from the different respondents and to validate the conclusions (Yin, 2009). The research design was a single or holistic case study approach with the Redeemed Christian church of God as the unit of analysis (Yin, 2009). This design was suitable because it allowed for aggregation of the experiences and perceptions of church leaders on transparency and how the extension of the Sarbanes-Oxley Act by the U.S. congress to include churches could help alleviate the problems. The research also involved gaining insight into peoples' motivations and actions in a subjective issue like transparency and a subjective environment like the church community where attempts can only be made to describe rather than explain issues as they arise in order to be free from preconceptions and biases (Cozby, 2009).

Population

In research, population may refer to a group of people, a set of organizations, documents, or data (Yin, 2009). The population was comprised of church administrators, clergy, board of trustee members, and parishioners spread across the Redeemed Christian Church of God in North America. The reason for this population size was to obtain direct opinions and views from the relevant stakeholders. This population was representative of what the research study was focused on as decisions taken by these stakeholders were used to determine the extent of compliance with transparency principles in resource management.

Sample

The sample narrows down potential respondents from the chosen population to those who are directly responsible for managing the assets of the churches and parishioners as compared to all stakeholders since not every clergy or administrator is involved in day-to-day management of resources. Further, there are no rules for sample size in a qualitative inquiry, but there are standard conventions that are dependent upon the subject matter in question, the relative usefulness of the study, credibility, and available time and resources (Yin, 2009). The first convention is that the size of the sample is determined by the optimum number necessary to enable valid references to be made about the population. The larger the sample size, the smaller the chance of a sample error. Secondly, the optimum sample size depends upon the parameters of the phenomenon under study. Determining adequate sample size in qualitative research is ultimately a matter of judgment and experience in evaluating the quality of the information collected against the uses to which it will be put, the particular research method and purposeful sampling strategy employed, and the research product intended.

In qualitative research, there is always a point of diminishing return to a qualitative sample; more data does not necessarily lead to more relevant information (Bowen, 2008). Saturation refers to a situation where the collection of new data does not shed any further light on the study (Bowen, 2008). Although the idea of saturation is helpful conceptually, it does not provide practical guidance for estimating sample sizes for research prior to data collection. The sample size for this study is 20, cutting across different parishes of the church and different classes of respondents based on their stake holding in church government. This sample size will give room for the accommodation of different perceptions before arriving at conclusions.

According to Yin (2009), case study research cannot be based on inferential statistics, only for different reasons. First, case studies are not the best method for assessing the prevalence of phenomena; secondly, a case study will have to cover both the phenomenon of interest and its context, thereby generating a large number of variables. The validity, meaningfulness, and insights generated from qualitative inquiry have more to do with the information richness of the cases selected and the observational and analytical capabilities of the researcher than with the sample size.

Specifically, the list of potential respondents will come from different parishes of the church organization. A direct request letter (see Appendix A) was written and sent to the churches detailing the purpose of the research and soliciting support in data gathering. Respondents were informed in a formal letter the purpose of the research and how it would benefit the church community. The study involved stratification of the participants before their selection. Stratification is the process of dividing members of the population into homogeneous subgroups before sampling; this ensured that at least one participant was picked from each of the strata.

For this particular study, the sample size was 20 participants, which included the clergy, church administrators, accountants and controllers, trustee members, volunteer workers, and parishioners. According to Yin (2009), a case study is an empirical inquiry that investigates a contemporary phenomenon within its real life context, especially when the boundaries between the phenomenon and context cannot be drawn clearly or unambiguously. Therefore, this method and diversity of participants were appropriate since the objective of the evaluation was to have a better grasp of the dynamics of what was being studied. The different stakeholders in the church had different perceptions and views about transparency, which the researched intended to capture in arriving at conclusions.

Four respondents were chosen from each group based on their involvement in decisions that were relevant to resource management in their church organizations in order to obtain balanced and comprehensive views. Since this was qualitative research, emphasis was not be on probability sampling or statistical inference and as such, a judgmental sample technique was used. Judgmental sampling is a nonprobability sampling technique where the researcher selects units to be sampled based on his knowledge and professional judgment (Yin, 2009). This type of sampling technique is also known as purposive sampling and authoritative sampling (Yin, 2009).

Because the population was already known, the researcher was able to actively select the most productive sample to answer the research questions. This involved developing a framework of the variables that might influence an individual's contribution and was based on the researcher's practical knowledge of the research area, the available literature, and evidence from the study itself. Respondents were stratified according to the positions they hold in the church related to management of church assets. The positions included national officers, church administrators or accountants, board of trustee members, pastors, and parishioners.

Materials/Instruments

The primary source of data was interviews with stakeholders in the selected parishes of the Redeemed Christian Church of God, North America, comprised of church administrators, clergy, board of trustee members, and parishioners. This was accomplished in order to obtain direct opinions and views from the relevant stakeholders about the issues concerned in the study. The purpose of data collection was to establish the opinions and views of stakeholders about the issues of transparency and accountability with regards to resource management. Validity and reliability are crucial for any research study; hence, the research study involved directly accessing data from actual operational managers and decision makers whose views could be regarded as credible and reliable. The case study research method was employed with data collected from 20 respondents spread across several parishes of the church in the United States of America. Participants were interviewed via telephone conversations.

A pilot test consisting of six participants was conducted. Pilot testing is done to determine if the survey, interview guide, or observation form will work in the real world by trying it out first on a few people. The interview guide and procedures were pilot tested to ensure they would yield reasonably unbiased data. Questions may have needed to be rephrased or procedures revised. Threatening questions, if there had been any, would have needed to be altered. Opening statements and methods of recoding responses were in need to be evaluated to ensure rapport was maintained (Yin, 2009). The pilot test ensured that everyone in the sample understood the questions the same way. Pilot testing helps to know questions that will likely make respondents feel uncomfortable and it also helps to know how long it takes to complete the interview in real time (Yin, 2009). The purpose for the interviews was to ensure the individuals felt more comfortable, "a face" was given to the research work, and the data collection was strengthened. The pilot test was an attempt to answer questions like:

- What is the level of understanding of the research study by the respondents?
- How comfortable are the respondents to answer the questions?
- How clearly worded are the questions?
- Do the respondents understand the time reference?
- What are the respondents' experiences when compared to the choices of answers?
- Will the respondents need to have deep thoughts before responding to the questions? If so, which ones?
- Are there possibilities of irritation, embarrassment, or confusion from the questions?
- Is there any possibility of response bias from the questions? If so, which ones?
- Do the answers collected focus on the purpose of the study?
- How diverse are the answers received?
- What is the length of the research study?
- According to the test audience, have any other important issues been overlooked?

The pilot test was conducted as follows. A total of six respondents were involved. There was one pastor, one church accountant, two trustee members, and two parishioners. Each respondent was asked the five interview questions by phone or by direct interview. The interviews were recorded for analysis and record keeping purposes. Audio recordings were made using an MP3 electronic format and sent to a third party transcription service, Civicom Transcription.

Data Collection, Processing, and Analysis

After the pilot test, a total of 14 additional participants were interviewed from different parishes in the United States through interviews via telephone conversations. An interview guide (see Appendix B) based on the research question concerning key provisions of the Sarbanes-Oxley Act under consideration here had been developed and given to the participants prior to their interview. The purpose of the guide was to prepare their minds for the actual interview and thereby know what to expect at the interview. The questions were simple and utilized to directly address the issues of internal control and transparency. Confidentiality rules were adhered to due to the sensitive nature of the information requested and the peculiarity of the church community as there were questions of extreme confidential nature.

Data classification or coding. This involved identifying, coding, categorizing, classifying, and labeling the primary patterns in the data. A codebook was developed to code all the data from the questions that were asked during the interviews. Nvivo was used not only for coding, but also for data analysis.

Data analysis. Qualitative analysis transforms data into findings. After data collection, the researcher needed to analyze the collected data. Trustworthiness in research means that the study is worthy of attention and is expressed in reliability and validity (Lincoln & Guba, 1985). Reliability measures the consistency of outcomes from repeated tests or experiments (Golafshani, 2003). It can also be seen as the degree to which measures are free from error and yield consistent results (Yin, 2009).

Validity, on the other hand, refers to the degree to which a study accurately reflects or assesses the specific concept the researcher is attempting to measure (Yin, 2009). While reliability is concerned with the accuracy of the actual measuring instrument or procedure, validity is concerned with the study's success at measuring what the researcher set out to measure. While reliability focuses on dependability and transferability of data, validity focuses on credibility and verifiability (Yin, 2009).

Credibility is an evaluation of whether the research findings represent a credible conceptual interpretation of the data drawn from the participants' original data (Lincoln & Guba, 1985). Transferability is the degree to which the findings of this inquiry can be applied to or transferred beyond the bounds of the project (Lincoln & Guba, 1985). Dependability is an assessment of the quality of the integrated processes of data collection, data analysis, and theory generation (Lincoln & Guba, 1985). Verifiability is a measure of how well the inquiry's findings are supported by the data collected (Lincoln & Guba, 1985).

After completing data analysis and parts of chapters four and five, the researcher meticulously reviewed the original transcripts and other relevant documents (field journal, comments from the member checking, and the text of the dissertation manuscript itself). It was expected that through this exercise the researcher would be able to assess the dependability and verifiability of the dissertation process.

For the test of credibility, parishes of the church were spread across the United States and contacted rather than focusing on the state of Arizona where the researcher lives and has influence. This was to avoid bias and undue influence. The technique, while not meeting the technical definition of triangulation (Lincoln & Guba, 1985), nonetheless provided a richer, more multilayered and credible data set than focusing on just one area would have achieved.

Secondly, member checking (Lincoln & Guba, 1985) was completed with four participants. Each of them reviewed a summary of the data analysis procedure and a summary of the final results of the inquiry. They answered several standardized interview questions and offered comments on whether they felt the data were interpreted in a manner congruent with their own experiences.

As far as transferability is concerned, the data analysis documents used to generate the answers to research questions is included in the appendix section (see Appendix C). This will enable future researchers to have access to information that may be useful for their research work.

There can be an overlap between data collection and the analysis processes. If the researcher had discovered gaps or ambiguities during analysis, interviewees would have been contacted to request clarification, deepen responses, or additional questions asked to enrich descriptions. This would have been accomplished after the direct interviews with the major stakeholders. The request for a second interview would have been formally communicated to the participants along with the reason why the second interview was necessary. All personal interpretations were based on participants' responses from the telephone interviews with major stakeholders. Data were presented logically after analysis.

According to Cozby (2009), data analysis in qualitative research is an on-going process that is accomplished through the following stages:

1. Data entry and storage: After getting relevant information from the interviews,

the researcher transcribed the raw data (i.e., typed the text into word documents ready for computerized analysis).

2. Data segmentation: This involved carefully reading the transcribed data line-by-line and dividing them into analytical units ready for coding.

3. Coding: This involved marking the data with symbols, descriptive words, and name categorization. A master list of codes created was maintained and reapplied into new segments of data as they were created.

NVivo, which is qualitative software that allows collection, organization, and analysis of data content from interviews, was used in addition to researcher coding. NVivo is software that helps to easily organize and analyze unstructured information in order to make better decisions. For this research study, it was envisaged that responses from the various stakeholders would be unstructured given the fact that such interview questions are not commonly asked in churches and an interview of this type may have been new to many of the respondents. Interviews were aligned with the research questions and coded, scored, and analyzed using the Nvivo software. Due to the nature of the survey and the interviews conducted, this tool was very useful.

4. Examining open source document: The Sarbanes-Oxley Act (2002) is an Act of the U.S. Congress; it is therefore an open source document. Validity and reliability problems are easily avoidable due to the nature and source of the document. The sections that relate to nonprofit organizations and the main provisions of the Act as relating to transparency were thoroughly examined and participants were led to understand the nature of the Act under research through education and explanation. No data scoring was required for any open source document under this research.

5. Data triangulation: Validity in qualitative research relates to whether the findings of one's study are true and certain. To be true means that findings accurately reflect the real situation. To be certain means findings are backed by evidence and that there are no good grounds for doubting the results (i.e., the weight of evidence supports the conclusions). Triangulation is a method used by qualitative researchers to check and establish validity in their studies.

There are different types of triangulation, but for this research only two were focused upon. The first one refers to using different sources of data and information to validate the findings and conclusions of the research. For this research, different stakeholders like pastors, board of trustee members, church accountants, and parishioners were interviewed to gain insight into what they perceived. Open source documents, like the Sarbanes-Oxley Act (2002) and the church's constitution and by-laws, were also reviewed. Additionally, IRS Form 990 and the Internal Revenue code were critically reviewed as they related to church organizations.

Secondly, environmental triangulation refers to the use of different locations and settings relevant to the research study. After the pilot test, a total of 14 participants were interviewed from different parishes in different states in the United States through interviews via telephone conversations.

6. Results corroboration and validation: In order to present credible and reliable research results to potential readers, results were corroborated and validated.

Assumptions

It was assumed that because the issue of transparency has become a topical issue within the corporate world, stakeholders in the church community would be enthusiastic about a research work with a focus on identifying factors that might be pertinent to finding the root causes of the transparency problem in American churches. Secondly, it was also assumed that because the issue of stewardship is crucial to the main responsibilities of the church, stakeholders would look forward to what could be done to help them become good stewards for their various organizations. Participants' honesty was essential for this type of research in order to give the conclusions validity.

It was also assumed that the response rate to the research questions asked would be high based on the above reasons. The enthusiasm was sustained by making the questions as open and clear as possible and guaranteeing the confidentiality and value of the respective opinions expressed by all the stakeholders. The questions were as brief and direct as possible and the scheduled time of appointments was strictly adhered to. Participants' honesty was ensured by focusing on the value that honest responses would give to the church community in general and individual stewards in particular.

Limitations

Within the topic, an attitudinal issue was examined: the transparency of people charged with managing the financial resources of nonprofit organizations. External validity threats were very relevant to this study in that the same postulations in America might not exactly be the same in other parts of the world. However, because the focus was on America, this was easily manageable and emphasized. Internal validity indicates if there was a relationship between the plan and the outcome.

There might have also been some social threats to the construct validity. For instance, there was a possibility of guessing because church members and leaders who are expected to be active participants in the study might have responded based on what they perceived the researcher intended to achieve. However, this was overcome by direct interview and explanation of the purpose of the survey and its benefits to the church community.

There might also have been an obvious respondents' knowledge or capacity threat since the research was focused on accounting and internal control issues. It was envisaged that not all the respondents would have the knowledge of accounting terms or the capacity to understand the technicalities of internal controls. However, the researcher did attempt to break the questions down as simply as possible and use the interviews to explain in detail what intent of the study was.

Despite the obvious advantages of the case study design method, there are some obvious limitations. According to Yin (2009), many researchers view the case study method as a less desirable form of inquiry than either experiments or surveys. Firstly, it is believed that the case study method does not follow any systematic procedure and hence allows biased views to influence the direction of findings and conclusions. Secondly, the case study method provides little basis for scientific generalizations, especially when it is a single case. Thirdly, case study design method takes too long and results in massive documents that will need to be further sorted and analyzed. Finally, modern research often emphasizes causal relationship between variables. In other words, researchers want to establish whether a particular treatment is effective in producing a particular treatment. However, while the case study design method has obvious limitations in addressing such issues, it can only be used in a how or why form of research questions.

Delimitations

The research study of transparency and resource management is relevant to every organization. Much research work has been done in the wake of the scandals that followed the Enron and WorldCom crisis. The intent of this study was to narrow the scope to a segment of the nonprofit community (i.e., the church), which has attracted little or no attention because of the peculiarity of its operations and its ecclesiastical disposition. The data used in this research work were limited to information gathered from major stakeholders in the church. These included treasurers, pastors, board of trustee members, volunteer workers, and parishioners of the Redeemed Christian Church of God in North America.

Ethical Assurances

Research that involves human subjects or participants will definitely give rise to complex issues. Some of these issues can be legal, moral, social, or cultural (Cozby, 2009). There are three major considerations in research regarding ethics: (a) the protection of human participants, (b) society's interests, and (c) proper conduct of research activities. Researchers should focus on the rights and protection of the study participants; they must also protect the image of the institution they represent through proper conduct and integrity.

Ethical practices involve much more than merely following a set of static guidelines, writers should be able to anticipate issues that can arise in their research. Cozby (2009) identified different areas ethics can affect in research work. These areas include problem identification, purpose identification, and the proper definition of research questions. Others areas were data collection, data analysis and interpretation, research writing, and report dissemination (Cozby, 2009).

This research work was conducted according to ethical rules and guidelines in order to have credibility and contribute to knowledge. Efforts were made to acquire and apply relevant information and knowledge about ethical issues in general as they applied to research and also to the research topic in particular. Due to the unique nature of the research topic, some special issues or questions could have arisen. For example, issues like gender, ethnicity, or social position may have become relevant to those engaged in research. This research work was not, however, affected by issues of gender or ethnicity since the research topic was not suggestive of such insinuations.

The issue of faith may also have become relevant in the research. Therefore, efforts were made to separate academic research from participants' individual faith. This was clearly stated in the consent form (see Appendix D) that was given to all human participants in this study. This was necessary in order to remove the bias of faith from a purely academic exercise.

Participants were educated on the purpose of the research work. The researcher operates at a high level within the ecclesiastical hierarchy in North America, and such positioning granted easy access and consent as well as engendered participants' cooperation in the research work (Cozby, 2009). However, efforts were made not to abuse such privilege, as each participant was approached professionally and with utmost care and respect.

Other informal methods were used in order not to exclude those who may have not been able to actively use formal methods. These included informal interviews and participation in local fellowships. Ethical questions to be asked in any research include:

Does conduct minimize risk to individuals, organizations, and or institutions involved? Is the researcher showing responsible conduct? And what are the contributions and benefits of the research work to society? Despite the informal nature of such interviews, efforts were made to be as ethical as possible through full disclosure of the purpose, completion of the consent form, and adequate feedback to the participants.

Researchers of ethics are specifically interested in the analysis of ethical issues that are raised when people are involved as participants in research. There are three objectives in research ethics. The first and broadest objective is to protect human participants. The second objective is to ensure that research is conducted in a way that serves the interests of individuals, groups, and or society as a whole. Finally, the third objective is to examine specific research activities and project issues, such as the management of information. For this research, efforts were made to comply with ethical standards in the conduct of the study and presentation of research results. Information received from participants was professionally handled and the interests of the participants were adequately protected.

Data handling after the completion of the research work and publication is very important. Due to the unique nature of the data collected, adequate attention was paid to storage and security. The collected data were stored and secured in three ways. First, photocopies of all the pages of the data were made and stored in a safe box. Second, the pages were scanned and stored in an external hard drive and kept in a safe location, and third, the data were placed in cloud storage, an online service that offers Internet-based file storage. It is the intention of the researcher to keep the data for an indefinite period of time because of its significant value to researchers.

The first ethical principle cited by the influential Belmont Report (Cozby, 2009) is autonomy, where the researcher is expected to respect the right of the human participants to make informed decisions about their participation in the research study. The researcher needs to make full disclosure to the participants on the nature of the study, anticipated risks, if any, and benefits if available. All these were expressed in the informed consent document. The rights of the participants were fully respected in order to assist them in making informed decisions about participating in the research study.

Secondly, the researcher is expected to make an attempt to make the research study beneficial to the participants and reduce the inherent risks of participation (Cozby, 2009). Thirdly, participants in the research study should be fairly selected. Efforts should be made to avoid coercion of participants. Benefits, if any, must be fairly distributed among the participants while also sharing burdens equally.

Cozby (2009) identified stress and deception as the two major sources of ethical concern in research. He advised that researchers should protect the privacy of human subjects, especially when conducting studies on sensitive subjects like sex, drug addiction, and divorce. Anonymity of response should be highly protected. This was very relevant to my topic of study in that participants in the research were likely to need to protect their identities from leaders so that it did not amount to whistle blowing.

Other ethical issues that could have greatly affected this research were honesty of the author, reviewers, and all involved in the research work as the must have upheld honesty and integrity at all times, and review of the process required high standards and originality of research work ensured through peer-review. Review was also a way of controlling the quality of the research work. Ethical standards needed to be observed as much as possible with everyone involved in the research work in order to ensure that ethical standards were adhered to as much as possible. Lastly, ethical authorship was upheld in that the authors are listed and other issues related to ownership of research materials were addressed.

A research work is not complete until the researcher pays close attention to issues that affect ethics, morality, and professionalism. Such issues will enhance the integrity of the research work and form the basis for further work in related fields. These issues were given the utmost attention in the study as ethical considerations are inseparable from interactions with study participants in the field (Schram, 2006). Four key considerations were addressed by Schram (2006): (a) posturing and self-presentation, (b) disclosure and exchange, (c) making public the private, and (d) disengaging and staying in touch.

It is ethical to obtain informed consent from research participants. Under this principle, it was assumed that individuals may or may not choose to give their consent to participate in a study. An informed consent letter was prepared by the researcher and signed by the participants. The informed consent letter, according to the American Psychology Association (APA, 2010), serves to inform participants about research purpose, duration, and procedures. The consent letter informed the participants about their right to decline participation or withdraw after the commencement of research and any consequences for withdrawing. The potential risks, benefits, and incentives for participation and whom to contact for questions about the research and research participants' rights were also provided.

In this research, participants included church administrators, parishioners, boards of trustee members, and pastors. They were provided the opportunity to ask questions and receive answers through clearly written consent letters that included, in detail, all the eight issues stated earlier. All effort was made to avoid offering inappropriate financial or other inducements for participation. Obtaining consent is different from gaining access when the purpose of the research work is clearly stated and the benefits to the participating community are clearly identified; getting buy-in by participants should not have been a major challenge. The ecclesiastical community operates by principles and since the purpose of the research was clearly stated, obtaining consent was not difficult.

The population of interest for the study was managers of financial resources in parishes of the Redeemed Christian Church of God; these included church administrators, controllers and accountants, members of boards of trustees, executive pastors, deacons, and parishioners. The managers of financial resources of the church play vital roles in the ecclesiastical community; therefore, once they gave their consent, it influenced other participants or parishioners to feel more comfortable in cooperating.

The researcher had access to names within the population of interest and employed a single-stage sampling method. Contacts were made with some of the organizations in the sample population and access to the staff directory was sought in order to be authorized to make direct contact with the respondents. The ecclesiastical community is the primary constituency of the researcher and as a stakeholder in the community, access problems were greatly minimized.

Privacy and confidentiality. Control and autonomy of research output are two main issues in research ethics (Cozby, 2009). Research participants have a right of privacy and they give or deny researchers access. Individuals have the right to regulate the access of others to themselves, this is called privacy. However, confidentiality refers to access to data. Researchers in the course of attempting to collect data should also pay attention to other peoples' culture. Moreover, researchers have to be careful about how they perceive other people who are culturally different while conducting research. Researchers should be very tactful in dealing with study participants. For this research, privacy and confidentiality rights of the participants were respected. All information given was properly stored in password protected storage devices in order to control access. No information given during the research was or will be divulged to third parties without the participants' knowledge and consent.

Protection of human participants in research is the main focus of the NCU's Institutional Review Board (IRB). No research that involves human participation can be conducted without approval by the IRB. Approval was sought and obtained from the IRB before any data were collected. Efforts were made to uphold all the standards required by the IRB. If there had been any need for a change in what had been approved, an application for change would have been forwarded to the IRB and no further work would have been conducted until the application was approved by the IRB.

Summary

Before now, not much attention had been focused on churches and financial transparency until the events that followed the crisis in corporate America at the wake of the Enron and WorldCom scandals (Iyer & Watkins, 2008). The goal of this study was to explore issues related to governance in the nonprofit community in general and the ecclesiastical sector in particular. The problem addressed was the lack of transparency in the management of financial resources in American churches. The study was conducted to explore the effects of the extension of the Sarbanes-Oxley Act (2002) on church resource management. Specific focus was on the actions that can be taken by church leadership to ensure transparency in the management of financial resources with special emphasis on the possible effect of extending the Sarbanes-Oxley Act to churches.

Research is conducted not only to improve or increase knowledge, but also to benefit humanity (Nagy, 2011). Any researcher who does not consider the people who will be affected by the research work cannot be said to be ethical, but rather self-centered. Many people and groups of people are involved in the research process, such as fellow researchers, human participants, mentors, advisers, reviewers, and the entire academic community and humanity in general. An ethical researcher should therefore be concerned with conducting his or her work with utmost care and due diligence.

A single qualitative case study method was used for this study to obtain personal thoughts and suggestions from the ecclesiastical community on financial transparency. Twenty participants covering different parishes of the Redeemed Christian Church of God in North America were interviewed. The interview data collected were in the subject areas of internal control, frauds, and transparency. A random sampling was employed in order to be able to generalize the findings to a broader population. This study involved stratification of the participants before their selection. Data and information were gathered, organized, coded, and analyzed for meaning. Results are presented in tables, graphs, and figures. Conclusions and recommendations were formulated and documented.

Chapter 4: Findings

The purpose of this single case qualitative research focusing on The Redeemed Christian Church of God, North America, was to elicit perceptions of church leaders and church parishioners concerning the soundness of financial management and stewardship at the church and whether extension of financial accounting provisions of the Sarbanes-Oxley Act (2002) will strengthen financial control procedures in American churches generally. Specifically, the researcher asked how will the extension of sections 302, 404, 902, and 906 of the Sarbanes-Oxley Act to U.S. churches help in improving effective management (responsibility, capability, and integrity) of financial resources in American churches. These sections of the Act were chosen because they directly address the three aspects of effective management (i.e. responsibility, capability, and integrity) in this research study.

Section 302 of the Act titled "Corporate Responsibility for Financial Reports" specifically states that management is solely responsible for the content and accuracy of the financial reports presented to stakeholders of the organization, while Section 906 addresses criminal penalties for certifying a misleading or fraudulent financial report**.** Section 404clearly addresses the issue of capability of management in installing and maintaining adequate control measures to protect the assets of the organization, while section 902 addresses the issue of integrity and stipulating penalties for acts that are deemed detrimental to the financial well-being and growth of the organization.

The perceptions of different stakeholders in the church, including pastors, church administrators, board of trustee members, and parishioners were evaluated by using interviews with stakeholders in selected parishes of the Redeemed Christian Church of

God, North America. The goal was to obtain direct opinions and views from the relevant stakeholders about the issues concerned in this study. The purpose of data collection was to establish the opinions and views of stakeholders about the issues of transparency and accountability with regards to resource management. The results of the study and an evaluation of the findings are discussed in this chapter.

The case study method was best suited for a community-based study, and in this case, the church community in America. Case study is different from other research methods in that while other research methods are aimed at a generalized understanding of a phenomenon, the case study aims at a comprehensive understanding of a case (Yin, 2009). In general, a case study method is best suited for research studies that are poised to answer the “how” and “why” questions where the researcher has little control over events and the focus is on a contemporary phenomenon within a real life context (Yin, 2009).

Participant validation was used with a pilot test consisting of 6 participants to ensure validity and reliability of the interview questions, protocols, and resulting data (Yin, 2011). Pilot study participants offered recommendations to improve the clarity and comprehension of the questions. The feedback from the exercise was then integrated into the interview questions for the final interviews. Solicitation was via e-mail with an approved solicitation letter sent to the potential participants with a consent letter, which they were to sign and send back if they agreed to participate. E-mails were sent to 15 people and 14 of them agreed to participate. All interviews were conducted on the telephone and recorded using the MP3 recorder.

During the telephone interviews, at least eight major themes and two sub-themes were identified with all 14 participants. For the data review, five steps were carefully followed as recommended. The first step is to use an approach called bracketing, which entails creating a reflection on the whole process before each interview in order to be able to aggregate individual experiences, assumptions, and biases before the interview. This was indeed very necessary for this particular study because each category of participants (i.e., pastors, church administrators/accountants, trustee members, and parishioners) had peculiarities in their perceptions of the issues being researched based on their positions and responsibilities. Secondly, the researcher generated statements based on the participants' description of their experiences. Thirdly, the statements were reviewed for similarity and coded into themes and sub-themes. Fourthly, examples were written to describe peculiar experiences and how they related to transparency in resource management. Finally, a summary description was written to capture the essence of what and how the participants described their experiences and perceptions.

The survey questions were simple and directly addressed the issues of internal control and transparency. Confidentiality rules were adhered to and interviews were recorded using the MP3 electronic software and sent to a third party transcription agency, Civicom Transcription.

Coding and data analysis were facilitated by using Nvivo10 software. The software program stores data and provides coding categories as well as assists with data management. No names were used in this document for participants' anonymity and confidentiality. The final versions of the transcripts were used for data analysis of the case study.

The purpose of this chapter is to present the findings of the research. The chapter begins with a brief summary of the research design used. A review of the data collection process follows. The remainder of the chapter is a presentation of the findings of the research. The chapter only captures the results of the telephone interviews, summaries of the participants' perceptions and experiences, analysis and interpretation of the results, and a summary of the findings of the study.

Results

Data analysis consisted of the development of codes using the constructs and interview questions and then relevant passages of the interview transcripts were coded using Yin's (2013) pattern matching to determine emergent themes in Nvivo 10.Pattern matching is one of the most desirable techniques in qualitative research. It involves the comparison of predicted patterns and/or effects with the ones that have been empirically observed, and the identification of any variances or gaps. Detailed records of such predictions and relevant results are essential. Of course, the greater the difference in rival patterns/effects, the easier it is to perform the matching, and the more convincing any resulting findings/conclusions will be. (Yin, 2013). In this research study and using Nvivo 10, participants were largely consistent in their responses to specific questions. This is partly attributable to uniformity in policies across all parishes or lack of existing policies in some areas.

Following are demographic characteristics and the interview process overview, followed by discussion of the specific findings aligned with the research questions and themes.

Demographic characteristics. There were a total of 14 participants. Three(n = 21%) of the participants were parishioners of the church, three(n = 21%) were accountants or church administrators, four(n = 29%) were pastors, and four(n = 29%) were trustee board members. The majority of participants were male (12;n = 86%) and two were females (n = 14%). All the participants had a minimum of a college degree. Ten (n = 71%) of the participants have been members of the Redeemed Christian of God for over 10 years, while the remaining four (n = 29%) have been members of the church for at least 5 years. In total there are about 800 parishes of the Redeemed Christian Church of God in North America. Only 10parishes, representing 1.25% were covered in this research. Their ages ranged from 25 to 55years. Frequency tables of the sample demographic characteristics can be found in Appendix D.

Interviews. Each interview lasted approximately 15 minutes and addressed five questions per participant. The 14 interviews with the participants took places over a 2-month period and generated 30 pages of transcripts. These 30 pages were then read and initially coded by the researcher for themes under each interview question. An average of one theme was initially identified for each interview question. Next, the transcripts were analyzed using Nvivo 10. Once again, analysis proceeded via identification of themes under each interview question. Nvivo 10 assisted the analysis through generation of an average of two themes per question and these coincided with themes identified by hand via the researcher. A total of 10 different themes were identified and then grouped together in terms of relevance for each research question. These themes are discussed next.

Research question 1. According to the perceptions of the church leaders and church parishioners, are there possibilities of mismanagement or misappropriation because of lack of legislations guiding the management of the financial resources of the

American church? The study constructs of internal controls and government legislation were explored in research question 1. Three major themes were found: (a) importance of internal controls, (b) role of government oversight in preventing financial mismanagement (see Table 1 and Figure 1), and (c) separation of operational duties.

Table 1

Major Theme 1 - The Importance of Internal Controls

Theme	Frequency	Percent
Internal control needed	5	45.0
Government legislation needed	6	55.0

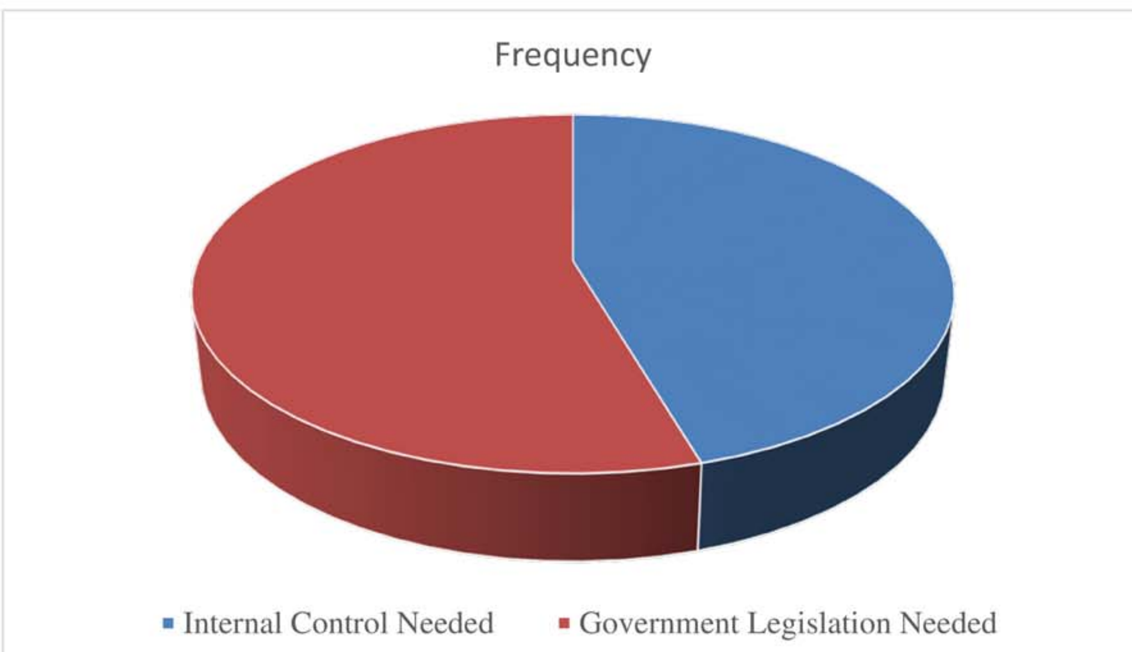

Figure 1. Pie Chart of Internal Control and Government Legislation

Major theme 1: The importance of internal controls. The practical experience of Participant 2, who is a CPA and the accountant and internal auditor of one of the parishes of the church clearly explained the dangers inherent in "tempting" church workers by not putting adequate internal controls in place. In his words, "You cannot know if a worker will be transparent and honest until he is given the opportunity to be corrupt." Putting internal control system in place and ensuring that it works the way it was established is a deterrent to fraud in many organizations. Participant 12, who is a parish pastor and a CPA of one of the participating parishes strongly advocated for segregation of duties for personnel handling sensitive activities like offering collection, offering counting, and recording and offering banking. He commented upon the dangers inherent in allowing the same person handle all these activities together without any check and balance from other staff members. He put it humorously like this, "Even Jesus Christ himself will not try to do all these by himself without expecting his disciples to question him." He said problems like pilfering, misappropriation, and income under-reporting can easily arise when sensitive and related activities are over concentrated in one person.

Participant 3, who is an accountant, believes that an effective internal control system helps with transparency in resource management and reduces misappropriation of funds or stealing. He also believes that volunteers in the church have different talents; church leadership should put people where they are best gifted. Similarly, Participant 13, who is a Trustee, expressed that it is the responsibility of the board of trustees to put in place a system of internal control that works for the organization and ensures that the system works. He thought that proper internal control system helps in efficient allocation of resources, accountability, and transparency. Likewise, Participant 8, who is a parish pastor of one of the participating parishes, remarked that a robust internal control system prevents the temptation to steal. According to him, interrelated duties should be properly segregated and completed by different personnel to avoid misappropriation and strengthen accountability.

Major theme 2: Role of government oversight in preventing financial mismanagement. The direct involvement of government in the form of legislation elicited many mixed responses and opinions from the participants, more than any other theme in this study. While some agreed that a form of control is necessary, others believed outright legislation for churches will be expecting too much from the government. Participant 5, who is a CPA in one of the participating churches, put it bluntly, "Legislating for churches is against the spirit of separation of church and state; though the intention might be good, but the church community will perceive it as undue interference and not cooperate." Somewhat contrarily, Participant 14, who is a parish pastor of one of the participant parishes, opined that the code that gives tax exempt status to the churches is detailed and comprehensive enough to empower the boards of trustees of different churches to have an oversight responsibility over the churches. He posited that the yearly reporting expectations can be reviewed to provide for areas where loopholes might likely exist. However, he thought that it is not necessary for the government to play an oversight role beyond what the Internal Revenue code recommends. In agreement with Participant 5, Participant 7 stated that the government is "involved enough" in the affairs of the state. Government, he believes, should have enough confidence in trustee members to be able to conduct their own oversight functions.

However, Participant 12, who is a trustee member and a CPA, believes that "if churches enjoy tax breaks, it becomes important for the government to get involved in the management of those resources." In other words, if churches are given tax breaks, the government has a right to know what is being done with those tax savings. To the contrary, Participant 2, who is also a CPA with one of the participating parishes, thought that the government should not regulate the financial operations of churches. In his words, "The accounting profession, as represented by the [American Institute of Certified Public Accountants] AICPA, should be the body involved in regulating church accounting because involving government will be against the principle of separation of church and state." He posited that churches can still operate transparently without involving the government in legislation.

Major theme 3: Separation of operational duties. One major theme that was conspicuous in all the interviews was the recognition of the need to separate key operational duties between staff members or volunteers. Such operations include collection of offerings, counting of offerings, banking of offerings, and spending the offerings. Six participants were asked some questions related to separating duties like collection of offerings, counting of offerings, banking, and reporting of offerings and they all gave different reasons as to why it would be appropriate not to concentrate all the these activities or operations in the hands of one person or the same group of persons.

Participant 14,aparish pastor of a medium-sized parish thought that separation of duties creates checks and balance and curbs possible misappropriation of funds. He also believed that if these activities are not separated, the possibility of collusion cannot be ruled out. Participant 3, also a parish pastor as well as an accountant commented that transparency is very critical in the running of a church organization. According to him, "If businesses out there are doing it, why not the church? For transparency and to reduce misappropriation of funds, such sensitive duties must be separated."

Participant 11, another parish pastor said, "It is very important that the church be an example in all aspects, including financial transparency. Errors and misstatement will be reduced if different people are encouraged to handle different functions." He also focused on the expertise of the people handling different sensitive functions in fund management. His thoughts were that it is unlikely that one person would have all the skills required to conduct all these professional duties. When duties are separated, there will be integrity in the management or leadership of the church. Of a like mind, Participant 10, a board of trustees' member, believed there should be order in the ways church business is being handled. He held that accountability must be a watchword in church management. Donors to the churches gave in expectation of transparent management of such funds and according to him, "It [a system of order] reduces the workload in terms of spreading the workload and makes accountability possible and also reduction of errors in recording and reporting."

The parish pastor of a medium-sized church, Participant 8, responded in reference to dividing the responsibility of financial management, "To a large extent that is what we already practice in our church, thereby reducing the possibility of being tempted." The sharing eliminates the possibility of fraud. He nailed it down to specifics that "where you have one person handling both the cash coming in and cash going out is where the misappropriation issue comes up." He said as much as possible, these two key functions of inflow and outflow management should not be handled by the same person.

Participant 2, a CPA with one of the participating parishes, also suggested that segregation of accounting and fund management duties should be given a priority in the internal control system. He focused extensively on cash as a sensitive asset. He believed that most of the fraudulent activities that occur in churches center around cash. Therefore, the control procedures around cash handling and reporting should be the strongest in the church.

Minor theme. One minor theme emerged from the analysis for research question 1;it was with regards to which organization is best placed to handle the issue of transparency for churches and whether it should compulsorily be the government. Apart from Participant 12, who strongly advocated for government direct involvement through the instrumentation of legislation, the other four participants (Participants 2, 7, 5, and 14) introduced another perspective into who is best placed organizationally to handle the issues of internal control and transparency in the resource management of churches (see Table and Figure 2).While Participant 2 strongly advocated for a much stronger involvement of the professional body of CPAs and the AICPA, the others believed that by the powers conferred on them by the Internal Revenue Code 501c 3, boards of various churches are legal and empowered enough to play this role without interference by the government.

Table 2

Minor Theme - Institutional Management of Transparency

Theme	Frequency	Percent
Preference for Professional Bodies and Board of Trustees	4	80
Preference for Government	1	20

Note. *N*=5

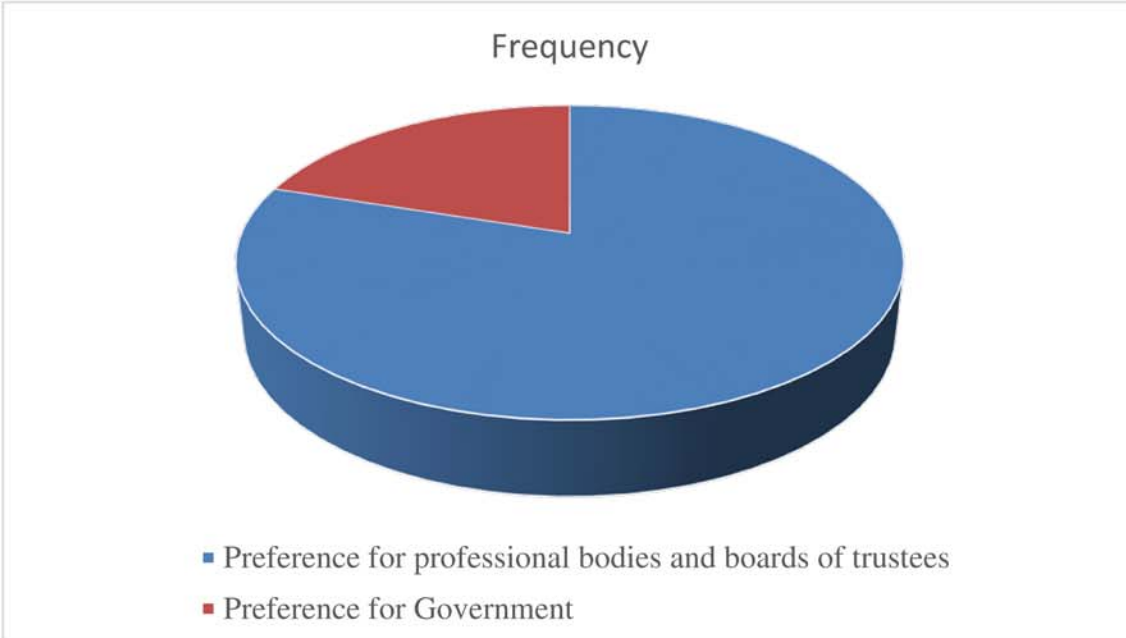

Figure 2. Pie Chart of Preferences for Professional Bodies and Board of Trustees versus Government

Research question 2. According to the perceptions of the church leaders and parishioners, has the church installed and maintained an effective accounting and internal control system to prevent mismanagement or misappropriation of the resources of the American church? The existing culture of internal controls and maintenance of the same by the churches represented in this study was the second study construct explored in research question 2.Three major themes were found: (a) internal control culture, (b) periodic review of financial statements, and (c) budgeting as a tool of control.

Major theme 4: Internal control culture. The experiences of 10 participants with regards to internal control culture in their various organizations were solicited. As shown in Table 3 below, only 3 participants, representing 30% of the population, confirmed the existence of a strong culture of internal controls in their organizations. Strong culture of internal controls means the intentional installation of an effective system of checks and balances on the operations of the church system and adequate maintenance of the system in such a way to protect the assets of the organization. Additionally, four participants, representing 40% of the population, confirmed that they have some form of internal controls on their operations, though strong evidence of their assertions could not be obtained. Three participants, representing 30% of the entire population, claimed either not to have heard about internal controls before or there were not any in place in their organizations.

Table 3

Major Theme - Internal Control Culture

Theme	Frequency	Percent
Strong internal control culture	3	30.0
Some form of internal control culture exists	4	40.0
No internal control culture exists	3	30.0

Note. *N*=10.

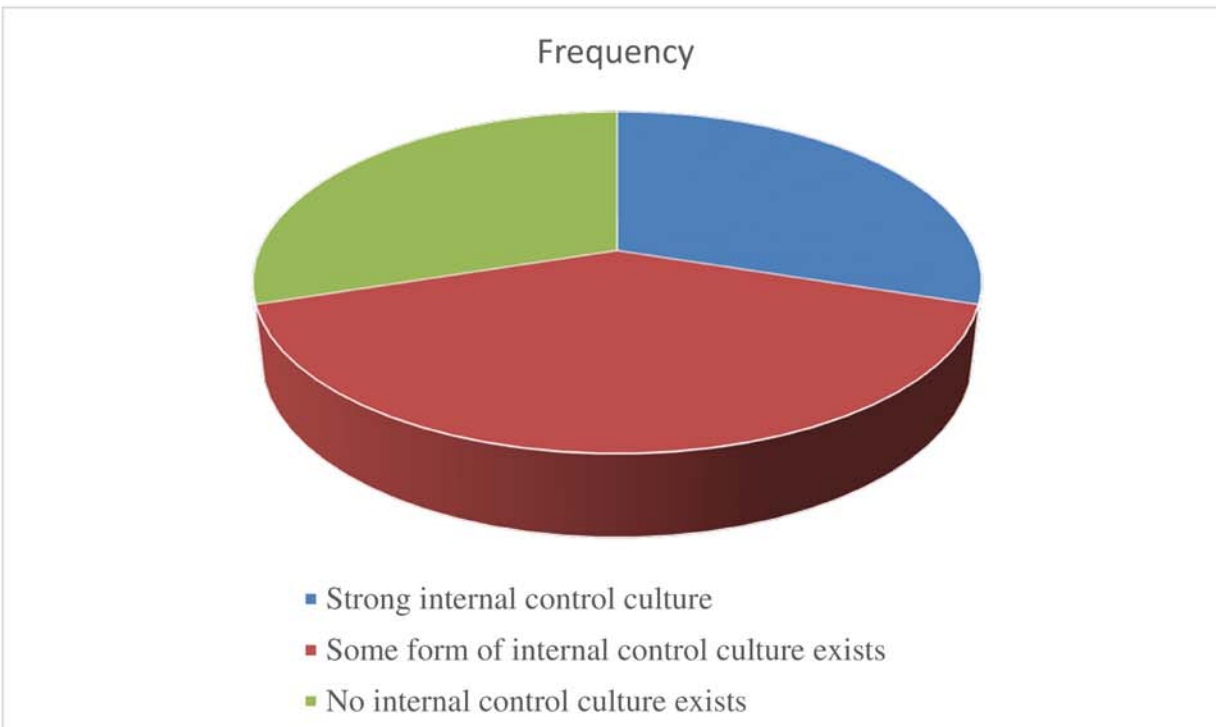

Figure 3. Pie Chart of Internal Control Culture

Participant 8 demonstrated a strong knowledge of internal controls, which was unexpected of a pastor without a professional accounting background. He explained that the system had been put in place since the inauguration of the parish. Having seen the benefits of an effective internal control system, they have been improving on it over the years. He said "I'm surprised any one will claim ignorance of internal controls."

Participant 5 talked about the cost of implementing internal controls as a major deterrent to implementation, especially by small churches. As a CPA, he encouraged all his clients to invest aggressively in installing and maintaining some level of controls over their operations. He said proudly, "The reward is always greater than the cost in the long run." Participant 7 believed the internal control system should begin with the painstaking development of an accounting procedure manual that would show the way the accounting system works, who does what, and the reporting system. He felt that any organization that does not pay attention to internal controls is inviting organizational chaos.

Participant 4,who works at the Head Office of the Redeemed Christian Church of God North America is a strong advocate of strong internal control systems regardless whether an organization is for profit or non-profit. He, however, believed this should be gradually implemented for an organization as big as the one he manages due to cost and personnel constraints.

Participant 13, a parish pastor, confessed that he has some level of knowledge about internal control, but not much. He said, "After all, I am an engineer who stumbled on ministry work." This led to the issue of financial professionals being engaged to develop and maintain internal control systems, especially for organizations that are small in size. It was observed that many of the parishes are just too small to afford the cost of doing so. Similarly, Participant 11 who is a pastor of a small church that is less than 1 year old demonstrated an understanding of the need for an internal control system, but believed it should be for churches that have been in business for a long time. He confessed, “That is surely not a priority for now.” The same goes for Participants 3 and 10 who are pastors of small congregations.

Participant 6, a parishioner who also volunteers for a medium-sized parish, appreciated the value of installing and maintaining a culture of internal control having just endured a painful payroll tax audit by the IRS. She confessed that “ignorance is not an excuse in law” because what led to the audit was strictly a result of ignorance of what to do by herself and the church leadership. She encouraged every church to seek professional assistance when in doubt. According to her, “The cost of ignorance can be very high.”Participant 14 is the pastor of a medium-sized organization. He has a strong knowledge of internal control system, although, he was originally trained as a nurse. He said, “I have two CPAs on my payroll to oversee the entire operations.” When asked further why he thought one CPA was not enough, he replied, “As a church, we don’t want to take chances with the IRS, if one misses something, the other will likely capture it.” He remarked that as a church they presented their financial reports to the church regularly and since that started; the giving units have increased significantly. He spoke glowingly about the benefits of installing and maintaining an effective internal control system.

Major theme 5: Periodic review of financial statements. Financial statements give an up-to-date position of the organization’s financial health. One of the ways to ensure transparency in the management of the resources of churches is the practice of reviewing periodically the financial statements of the church. Such statements include the income and expenditure account, the balance sheet, and the statements of sources and uses of funds. Four participants, including two accountants and two parish pastors were interviewed on the matter of periodic review of financial statements.

Participant 8, a parish pastor, believes that it is a good practice for the church accounts to be audited periodically and financial statements presented to the church periodically, like quarterly. He posited that such a practice will strengthen the confidence of all stakeholders in church leadership and improves the donations to the church. It also gives the parishioners the opportunity to ask critical questions about the finances of the church. Participant 14, also a pastor, said regarding periodic review of financial statements, “For every organization there is need for checks and balances to prevent excessive powers.” He suggested that periodic review or audits should be called by the board of trustees whenever it deems fit. He also explained that when the board calls for such a review, it is not necessarily because of suspicion of misappropriation by the church leadership; it should be seen as a best practice.

Participant 5, who is a CPA of one of the participating churches, while agreeing with the need for periodic review of financial statements of churches, identified a challenge of capacity by both the small and medium-sized churches. As a practitioner, he said the cost of conducting a simple review is very high for churches to bear, let alone a full-fledged audit. He suggested that the boards of trustees of churches be expanded to include people who have some expertise in financial management and some of these people could conduct the internal audit of the financial statements periodically on a pro-bono basis. Somewhat similarly, Participant 2, who is also a CPA, seriously advocated for an independent review of the financial records of churches regardless of whether they have strong internal control systems or not. In his words,

> It is good that churches of medium and large sizes provide audits not only for the church members or trustees itself. It is good to the general public because most or probably all the churches are non-profitable organizations. They are not taxed from any income that they received. Due to that, an independent audit is good so that an independent person can take a look at it and make sure that they follow all the rules that are required by the IRS.

Major theme 6: Budgeting as a tool of control. While all the participants agreed on the necessity to have a sound internal control system in place, this major theme focused on one of the critical tools of internal control for both profit and non-profit making organizations, a budget. Four participants were asked different questions on budgets as a tool of internal control. Participant 7, the parish pastor and a board of trustee chairman of one of the participating churches believes that the preparation and use of a budget as a tool of control should be mandated by the board of every church organization to ensure the proper allocation of resources. He said, "The budget would guide the church for whatever the church programs are trying to accomplish so I totally support that the church should be operating on an annual budget to help them avoid a financial crisis."

Participant 12, who is an accountant and also a parish pastor, talked about the sacredness of the approved budget of the church. He believed that once the budget has been approved by the board of trustees and there is a need to amend the budget based on unforeseen contingencies, such amendment should be approved by the board and recorded in the board minutes book. He said, "I will recommend that all those changes should be authorized and documented just because running a church requires the highest level of transparency, perhaps more than any other organization."Participant 14, also a parish pastor, agreed that preparation and use of an annual budget is very important for the financial health of the church. It gives the church a sense of direction in executing its programs and projects. He remarked,

> For every good organization, I believe if the church is set up properly and is run properly, they should always have a budget, a yearly budget, so that they would know where they are going and what next to do in the following years.

Participant 13, who is a board of trustee member, believes that a church that uses the budget as a tool of control is a stable church. He commented,

> I believe it is very, very important. It helps the church to have a sense of purpose and direction and also it helps the church to be committed to a plan. So in terms of this is what you are planning to do, this is how it’s going to be done, and this is what is needed to get it done. So it will help the church to accomplish their goals in a better way.

Minor theme 2: Cost of control. From the above analysis and based on table 4 below, one minor theme emerged from the above research question; the theme regards the cost of installing and maintaining an effective internal control system. Minor themes are always established when patterns of response showed at least half of the participants in the study sample acknowledging the topic.

Table 4

Minor Theme - Cost of Control

Theme	Frequency	Percent
High Cost deters Internal Control	5	50.0
No cost should deter internal control	5	50.0

Note. *N*=10.

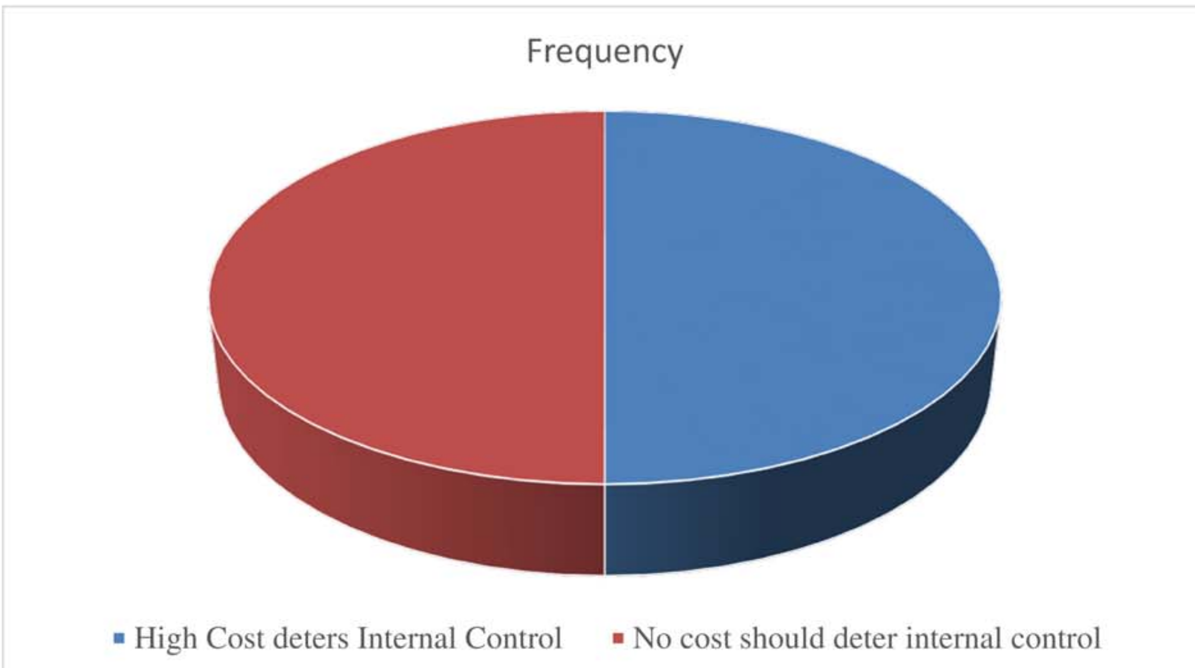

Figure 4. Pie Chart of Cost Deterrent to Internal Control

Participant 5, a CPA in a medium-sized church, had gone through installing several internal control implementation programs for churches of different sizes and financial capacities. He confirmed that even for bigger churches, including cost of implementing internal controls in the annual budgets is always a contentious topic at the board of trustees. Acknowledging this point, Participant 13, an engineer who is also a pastor of a small congregation believes the issue of internal control should completely be left in the hands of financial professionals as the cost can be too exorbitant for small to medium-sized congregations to afford. Similarly, Participants 3, 5, 10, and 11 all related that due to the small-sized nature of their congregations, it would take a long time before they could ever consider implementing any meaningful internal control program.

Research question 3. According to the perceptions of the church leaders and parishioners, are existing internal controls sufficient to protect the assets of the American church from mismanagement or misappropriation? This question led to the third construct, sufficiency of existing internal controls. The sufficiency question became relevant because four of the eight respondents agreed that the internal controls in existence in their organizations were not adequate to prevent any fraud or misappropriation.

Major theme 7: The sufficiency test. One major theme, sufficiency of internal control was found under this research question. The experiences of 8 participants with respect to whether internal controls in their various organizations were adequate to protect the assets of the organization were considered (see Table 5).

Table 5

Major Theme - The Sufficiency Test

Theme	Frequency	Percent
Adequate Internal Control	4	50.0
Inadequate internal control	4	50.0

Note.*N*=8.

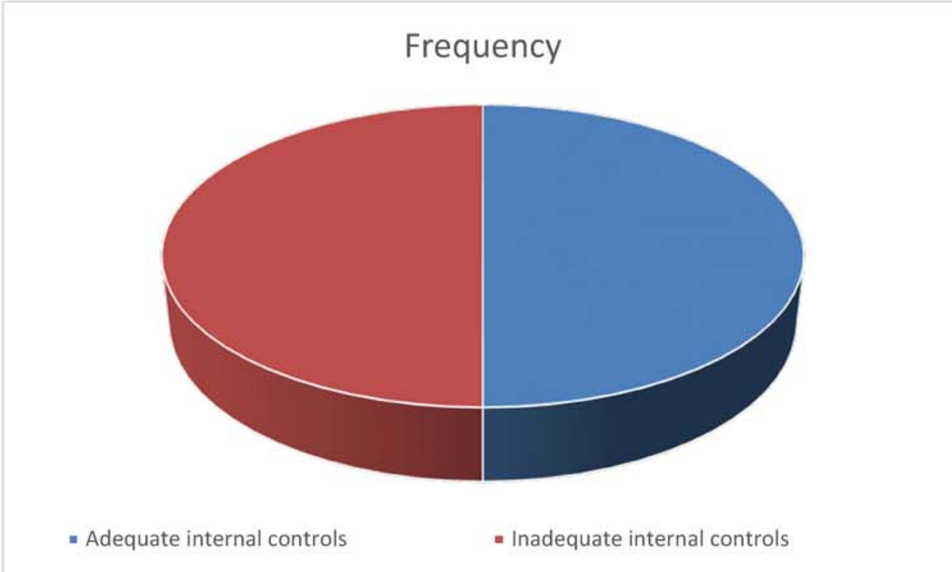

Figure 5. Pie Chart of Adequacy of Internal Controls.

Participant 9, who is the pastor of a small congregation, brought in the issue of people's perception of the purpose and need for internal controls. He said, "No matter how great a control system looks to the leadership, the congregation must be properly educated about its importance and benefits to the organization, or else they will see it as just another unnecessary burden." From his perspective, a control system is as adequate as its acceptance by the stakeholders in the organization.

Participant 8, who is a senior pastor, introduced the concept of the position of the perpetrators of a fraudulent act. He remarked that "if there is collusion between two or three people who are highly and strategically placed in the organization, there may be a gross undermining of the existing internal controls." In other words, a system of internal control might not be adequate enough to prevent highly placed stakeholders from mismanaging or misappropriating the resources of the organization.

Participant 13, a parish pastor of a medium-sized participating parish, believes that the organizational culture can determine whether an existing internal control system is sufficient or adequate to prevent misappropriation. He posited,

> If from the onset, parishioners have a culture of non-ownership of the organization, whatever belongs to the organization actually belongs to no one, hence no desire to protect the assets of the organization. The cultural tone must therefore be set for the organization from the beginning.

The viewpoint of a parishioner (Participant 1) in one of the parishes for over a decade believed that doctrinal problems might hinder the effective working of the internal control system. In a humorous, but stern tone she commented, “Don’t be surprised if a parishioner tells you something like ‘whatever belongs to Caesar should belong to Caesar and whatever belongs to God should belong to God.’” That might mean that some parishioners do not see any reason why the church should be as concerned as for-profit organizations with non-ecclesiastical issues like controls. Different spiritual beliefs might hinder the support or cooperation with leadership in making a system of internal controls operational.

Participants 2, 3,4, and 5, who all happened to be accountants, were satisfied with the existing internal control systems in place in their different organizations. They believed their current system was sufficient to avert any possible fraud or misappropriation.,

Research question 4. According to church leaders and parishioners, what are key obstacles to implementing Sarbanes-Oxley Act (2002), - like financial accounting controls in the church? Like any regulation, there are obvious challenges to implementation. Given the nature of certain provisions of the Sarbanes-Oxley Act (2002), such challenges are obvious in any attempt to extend the implementation of such acts to a non-traditional terrain as churches.

Major theme 8: Obstacles facing Sarbanes-Oxley Act (2002). The central issues of the Sarbanes-Oxley Act (2002) arose in the early part of this century because stakeholders who were entrusted with protecting the assets of for-profit organizations, like Enron, became involved in massive and deliberate falsification and manipulation of financial records and gross misappropriation of the resources of such organizations. The possibility of extending certain provisions of this Act to churches and the potential obstacles to doing so were the central issues discussed with six of the research participants, five of whom were accountants and the remaining one, a pastor.

Participant 2, a CPA, said that there would be massive opposition and resistance against the implementation of the Act by the stakeholders of the church because it will be misconstrued to mean an intrusion against the independence of churches and a gross violation of the separation of church and state philosophy. He believed that the issue of enforcing transparency should not be seen as the sole prerogative of the government, even more so when the laws governing churches have made adequate provisions for the same role to be carried out by the boards of the various churches.

He also hypothesized that the other obstacle to the implementation of such law for churches would be the problem of the cost of implementation as most churches may not have the resources to engage the professional personnel required for such implementation. He concluded that the accounting profession is self-designed to enforce such accountability through the various institutional arrangements like the AICPA.

Participant 4, the CFO of churches, however, does not foresee any major challenge in implementing the Act in the organization as a culture of compliance has been gaining recognition in the organization over the years. He, however, related that such massive implementation will require mass education and retraining of field accountants and the possible engagement of additional professionals.

Participant 14, the sole non-accountant, did not think that the government should be directly involved in controlling the management of the resources of churches. He believed that it should be the sole responsibility of the various boards of trustees of the churches. At best, he suggested that the IRS can look into the possibility of extending the coverage of existing forms and returns for nonprofit organizations like Form 990 to cover churches.

Participant 7, who has an accounting background as well as serves as a pastor, suggested that “since government is already involved so much in the lives of businesses and citizens, it should give the benefit of doubt that church stakeholders can do an excellent job without government interference.” This stand, however, sharply contradicts that of Participant 12 who shares the same background with Participant 7.Participant 12 stated, “If churches are enjoying tax breaks from their income, then he who pays the piper dictates the tune. Why the same government shouldn’t be interested in regulating how the tax savings are being utilized.”

Participant 5, another CPA and an expert in church accounting identified several potential problems with implementing the Sarbanes-Oxley Act (2002) in churches. First, he identified potential resistance from the church community as such interference will be perceived to be against the separation of church and state. Second, it will be a strain on the finances of many churches because there may be a need to replace existing accountants who are mainly providing their services pro-bono as volunteers with competent and compensated personnel. He believes that the cost of implementing such legislation might in the long term outweigh the potential benefits. His comment was, "In resource allocation priorities of many churches, implementing a government-imposed legislation may not rank as high as pointing people to God."

Interaction of themes. Three different types of interaction of themes can be identified in this research. Interaction occurs when there seems to be a conflict of theme messages and objectives. The following interactions were identified: recognition for need for internal controls, but concern regarding costs of installing and maintaining controls.

Major theme 1 extensively focused on the need for effective internal controls to ensure that assets of the organization are properly safeguarded against any misappropriation or fraud. Minor theme 2, however, identified the limitation of cost in implementing such effective controls. Financial cost of installing and maintaining the cost of control was identified as a major constraint.

The importance of internal control as explained in major theme 1 also conflicts with the concept of control culture as explained in major theme 4. If the control culture of an organization is very weak, no matter the intentions of management, the introduction of internal controls will be resisted by those who are expected to maintain it.

Major theme 2 identified the role of government oversight in preventing financial mismanagement. Government as an oversight agency through the IRS acts as the originator and custodian of protective and preventive laws against financial mismanagement in church organizations. However, these conflict with minor theme 1 which indicated the need for other institutions, like the AICPA and the boards of trustees of churches as alternative and preferable bodies that can ensure that appropriate systems and guides are put in place to prevent misappropriation and mismanagement of assets and resources of church organizations.

Evaluation of Findings

The themes that emerged from the analysis of the interview transcripts are interpreted in this section based on the four research constructs in the study. Eight major themes that were generated from the analysis of the interview transcripts were: (a) the importance of internal controls,(b) role of government oversight in preventing financial mismanagement,(c) separation of operational duties,(d) internal control culture, (e) periodic review of financial statements,(f) budgeting as a tool of control, (g) the sufficiency test, and (h) obstacles facing the Sarbanes-Oxley Act (2002). Additionally, the two minor themes generated from the analysis were institutional management of transparency and the cost of controls. The major and minor themes answered the research questions.

Research question 1. The major themes for research question 1 were internal control and resource management and the role of government legislation in resource management. The minor theme was the institutional management of transparency. There is a direct correlation between internal control and resource management. When there are strong internal controls in place, the tendency for stakeholders, employees, and or volunteers to successfully defraud the organization is minimized. This makes it possible for the organization to maximize the potentials of its resources. Therefore, according to the findings of the current study, parishes or churches that have successfully placed strong and effective internal controls have reported fewer cases of assets misappropriation and resource misallocation.

Major theme1: Importance of internal control. The importance of internal control in curbing resource mismanagement was a major theme. It was observed that over 60% of the respondents have little or no internal controls in place to avert or minimize any threat to the assets of the organization. Major theme 1 indicated that while a few of the parishes appreciated the role that strong internal controls play in resource management and assets protection, a lot more do not see any reason why installation and maintenance of an effective internal control should be a major priority to a "busy pastor."

According to Petrovits et al. (2009), lack of adequate financial resources might affect organizational investment in internal controls. Larger organizations, in terms of assets, have more capacity and experience working for them when it comes to issues of financial controls.

With regards to theme 1, Parello (2008) observed that nonprofit organizations attempting to put up a system of internal controls are faced with several challenges. First is the enormous cost of implementing internal controls, which has proven very expensive for even larger organizations. Secondly, with the restrictions put on funds allocation by donors, adequate room has not been created for putting a system of controls in place. Regardless of the cost of implementation, however, Irvine (2005) argued that all organizations, even those with a sacred agenda, need to confront the reality of money and accounting if they are to achieve success. If they are unable to obtain or account for the resources they need for their mission, their ability to fulfill that mission is likely to be compromised (Irvine, 2005).

Major theme 2- Role of government oversight in preventing financial mismanagement. The second major theme for research question 1 was the role of government legislation in the churches' resource management. Major theme 2 reflected a general apathy by the majority of stakeholders to the involvement of the government in the affairs of churches. Most of the respondents believed that there were enough institutional controls in place to ensure that assets of churches are properly protected against mismanagement and misappropriation. With respect to major theme 2, Argandonia (2009) strongly posited that for-profit and nonprofit organizations are supposed to be governed by a set of ethical codes, either written or unwritten. According to him, enforcing codes of conduct has become an issue of contention among stakeholders in the nonprofit community, as codes of conduct are sometimes voluntary and difficult to enforce. He advocated for self-regulation for nonprofit organizations, including churches (Argandonia, 2009). Smith (2008) suggested that the reason why cases of mismanagement are high in nonprofit organizations is due to a lack of proper education and training for managers of resources. If nonprofit organizations can invest heavily in training their personnel and volunteer workers, there will be less need for government intervention (Smith, 2008). Smith and Shaver (2009), however, contrasted the major focus of major theme 2 by concluding that nonprofit organizations should be made to pass through the public purpose test. The argument was that the idea behind being a tax-exempt organization is the provision of services that will benefit the general public, therefore, organizations requesting tax exemption must meet certain standards like serving the public transparently. This could only be enforced by a governmental agency like the IRS (Smith & Shaver, 2009).

Major theme 3: Separation of operational duties. The third major theme for research question 1 was the separation of operational duties. Major theme 3 reflected the need for vital operational activities within the organization to be completed by different personnel or groups of personnel. It was a general consensus among the respondents that collusion to perpetrate fraudulent activities might go undiscovered when critical operational activities are conducted by the same personnel or group of personnel. Petrovits, Shakespeare, and Shih (2009) concurred that effectiveness of operations, reliability of financial reporting, and compliance with applicable laws and regulations will be ensured when operational duties are properly segregated and not concentrated in one person or group of persons. Likewise, better stewards will be made of personnel when they are charged with responsibilities commensurate with their skills and training rather than made to become a "jack of all trade" (Abdullah & Valentine, 2009). This will make the maximization of employee potentials possible and workable (Abdullah & Valentine, 2009). It was further opined by Elson et al. (2007) that when anyone is engaged to complete any duty on behalf of the organization, it is a general assumption that due diligence has been met to ensure that the person has all that it takes to take on such responsibilities and not all of the organizational responsibilities.

Minor theme 1-Institutional management of transparency. The main focus of this minor theme was who should be responsible for the management of transparency in churches. The popular opinion was that the boards of trustees of the various church organizations are capable enough to monitor and ensure transparency. However, according to Smith and Shaver (2009), human beings do not naturally want to subject themselves to controls, hence some form of legislation might help to improve the level of transparency in resource management. With respect to minor theme 1, McNeal and Michelman (2007) advocated for more involvement by professionals through the encouragement of organizations like the AICPA in the management of the financial resources of nonprofit organizations, even on a volunteer basis, as it will increase awareness for accountability in nonprofit organizations. Orin (2010) reinforced this argument by advocating for the development by institutions like AICPA of codes that will guide ethical behaviors in nonprofit organizations.

Research question 2. The major themes for research question 2 were three in number:(a) internal control culture,(b) periodic review of financial statements, and(c) budgeting as a tool of control. The only minor theme was the cost of control.

Major theme 4: Internal control culture. The organizational culture existing in an organization will determine the extent to which a system of internal controls will be effective in the organization. Ten participants were interviewed on their opinions with regards to the existing internal control culture in their various organizations, while three of them representing 30% claimed to have a strong internal control culture, four of them representing 40% claimed to have some sort of internal control culture, and the remaining three representing 30% claimed not to have any existing internal control culture.

According to Kraus and Brtitzelmaier (2012), businesses, whether for-profit or not-for-profit, have a responsibility to act in accordance with principles that enhance the progress and health of the society where they conduct their businesses. It is in the corporate interest of any organization that management must put into place and maintain a system of protecting the assets of the business. Developing a culture of internal control should therefore be seen by every stakeholder in the organization as a priority (Kraus & Brtitzelmaier, 2012). This is what Carr and Outhwaite (2011) referred to as business transparency. Furthermore, Kraus and Brtitzelmaier also reinforced this assertion by concluding that businesses are expected to be conducted in ethical manners in such a way that the society will benefit, making sure that the interests of the stakeholders synchronize with those of the larger society. Part of that ethical manner is creating an atmosphere where internal control thrives within the organization.

Churches are not exempt from this principle of creating and maintaining a culture of control, more so when the bulk of their funding emanates from the goodwill of the general public where they serve. It is therefore expedient that they should develop a control culture from the inception of their organization and grow it from there. Any time finances are involved, it can be a touchy issue, and this is true with regards to church finances. Some of this is understandable. If a person is sacrificially giving to a church, it is good for that person to show an interest in how the finances are managed. If a church's finances are being managed with honesty, integrity, good stewardship, and transparency, then, ultimately, it does not matter *who* has the financial oversight. A committee can misuse finances just as surely as an individual can. A church should be extremely careful regarding the person or persons to whom it gives control of the finances.

Major theme 5: Periodic review of financial statements. It is a good financial practice for church records and accounts to be subjected to periodic review, although this is not mandated by any known law. This practice will put managers and stakeholders in check concerning their stewardship to the church. All of the four respondents who were asked how important it is for the church to subject its books to periodic review answered in the affirmative.

The call for financial transparency in corporate organizations has been deafening in recent years (Kelley &Anderson, 2007). Many people believe that periodic review or audit of the financial statements will go a long way in putting in check any possibility or practicability of fraud or misappropriation. Moxham (2008) suggested that there should be other performance measures review conducted on churches, apart from the seemingly static but statutory annual audit. Smith (2008), however believed that most nonprofit organizations have always lacked the professionalism required to complete such reviews.

Much as desirable as the review practice is, there is a major statutory limitation as contained in the Internal Revenue Code Title 26, Subtitle F, Chapter 78, which limits the extent to which a church can be examined by the IRS. It states expressly, "The Secretary may begin a church tax inquiry only if the reasonable belief requirements of paragraph (2), and the notice requirements have been met."Paragraph 2, however states,

> The requirements of this paragraph are met with respect to any church tax inquiry if an appropriate high-level Treasury official reasonably believes (on the basis of facts and circumstances recorded in writing) that the church may not be exempt by reason of its status as a church, from tax under section 501(a), or may be carrying on an unrelated trade or business (within the meaning of section 513) or otherwise engaged in activities subject to taxation under this title. (IRS, Internal Revenue Code Title 26, Subtitle F, Chapter 78)

The focus here is on unrelated business, but the bulk of the misappropriation related to the core ministry responsibility of the church is excluded. Additionally, the above statutory limitation has a tendency to encourage misappropriation within the church community because any possible whistle-blower action may not be promptly acted upon by the IRS due to the above limitations. However, it is expedient for church leadership to implement such periodic review as a best practice.

Major theme 6: Budgeting as a tool of control. Successful organizations have strategic plans built off their mission and vision statements. For church organizations, there is a sense of obligation that comes from the inherent sense of ownership of the organization's success or failure: ownership of the institution, ownership of the mission and vision, ownership of the strategy and planning, discovering which strategy is decided and by whom will determine if the organization will succeed or not. While many local parishes will have mission and or vision statements, few complete the process through the planning stages of connecting strategic goals and activities, which is what budgeting does.

Financial management includes the existence and use of a budget, controls over cash receipts and disbursements, financial reporting, and tax reporting and compliance. Smith and Shaver (2009) made a distinction between large and small churches when it comes to financial management by stating,

> Large churches are a bit different from the smaller ones in that they prepare annual budgets, compile and disclose financial reports, and disclose pastors' salaries; however, the same cannot be said of smaller churches, thereby eroding trust. Fiscal oversight includes the existence of an independent board of directors with a financial expert and documented policies and procedures. (p. 19)

Budget is a tool of accountability; it forces the church leadership to hold the church personnel responsible for the accomplishment of specific organizational goals. To be a minister suggests the readiness and willingness to be accountable (Blake, 2010).

Accountability is a mark of professionalism, which each church organization should be willing to put in place for every minister and staff member. Ministers should regulate themselves by establishing a common set of standards for professional practice and monitoring for compliance. As a Christian organization, there is a greater expectation from each person, particularly leaders, to demonstrate exemplary behavior in transacting financial matters, ensuring they conform to biblical principles, legal parameters, professional standards, and denominational policies. It is not just important for churches to prepare budgets; parishioners and every stakeholder also deserve to know how such budgets have performed. It is imperative for church leaders to be transparent and accountable in how they report on the activities,which summarize the use of contributed resources. The church members who give a million are equally entitled to proper organizational stewardship from their leaders.

Minor theme 2: Cost of control. The main focus of this theme is on the impact cost of control has on the installation and maintenance of a system of internal control in the church. There was a general consensus amongst the respondents that when the cost of control is high, there is a tendency for management to pay less attention to putting the system in place. Smaller organizations, for obvious financial reasons, struggle with putting a system of control in place within their organizations (Petrovits et al, 2009). However, the cost problem from a cultural perspective explains how the environment in which nonprofit organizations operate has, over the years, become less receptive to control (Parello, 2008).

Research question 3. There is only one major theme for research question 3, the sufficiency test. The sufficiency test is with respect as to whether the controls in place are sufficient and efficient.

Major theme 7: The sufficiency test. There are many stakeholders who will not contest the need for effective internal controls to be put in place to protect the assets of their organizations. The main issue is how sufficient such controls are to forestall any foul play in assets management. Controls, no matter how effectively carved out, can prove insufficient for many reasons. First, if there is no top management support for the controls, they do just as good as not existing. Second, if key officials of an organization collude, they can by-pass any control and defraud the organization.

Financially transparent organizations invest in putting a system in place that will guarantee the safety of their assets and maximize the return on investment from such assets (Petrovits et al., 2009). Another reason for insufficiency of controls might be the size of the organization. According to Petrovits et al. (2009), the smaller the nonprofit organization, the greater the possibility there will be serious internal control problems and the less likelihood of attracting huge financial support because donors react directly or indirectly to the internal control system in place before giving funds. Bigger organizations have bigger capacities to put in place robust and effective systems that will protect the assets of the organizations than smaller ones. Faith -based organizations in general and specifically often avoid the language and best practices of business and organizational development. Churches need to learn, replicate, and deploy business best practices to increase the level of engagement and involvement in the life of the church and the best way to start is to create a system of checks and balances that can work.

Historically, churches have always been seen as self-regulating, but this is far from the truth. It is inconceivable that any regulatory regime that depends upon churches voluntarily submitting to regulation will ever be able to adequately ensure financial transparency and accountability. Compliance has to be drilled down in one form or the other.

Another challenge of insufficiency of control is stakeholders' apathy. Unlike for-profit or large quoted organizations, not all church members care what happens to their donations. Zech (2008) found that church members are frequently too trusting of their pastors. Even in the midst of scandals, some supporters continue to blame negative press on "a liberal media controlled by Satan" (cite with p. 142).

Research question 4. There is only one major theme for research question 3 and that is with respect to obstacles in facing the implementation of Sarbanes-Oxley Act (2002) in churches.

Major theme 8: Obstacles facing Sarbanes-Oxley Act (2002). The Sarbanes-Oxley Act (2002) was a product of circumstance. A variety of financial scandals in corporate America arose, thereby causing a fundamental erosion of confidence in the management of assets of publicly quoted companies (Gilkenson, 2007). Newspaper headlines were filled with stories of unethical practices by management of organizations like Enron and WorldCom (Gilkenson, 2007). Unlike publicly quoted organizations, churches, by virtue of the nature of services provided and laws governing their operations are not favorably disposed to implementing most of the provisions of the Act. Some private organizations are voluntarily adopting some of the less-expensive provisions and may be beneficiaries of a renewed look at financial reporting rules for private companies

(Levy, 2008). Not-for-profit organizations are not subject to Sarbanes-Oxley, but those that do not hold themselves to the Sarbanes-Oxley standards may be perceived as having betrayed communal expectations (Levy, 2008).

Gilkenson (2007) believed that a wholesale adoption of the provisions of the Act by nonprofit organizations might be somewhat challenging because there are unique differences between the for-profit sector and the nonprofit sector. Instead of a wholesale adoption of the Sarbanes-Oxley Act (2002), Gilkenson suggested the authorities use the act as a guide to chart a radical reform course for nonprofit organizations. The work by Gilkenson could help to further research into measures that are specific to the nonprofit sector in addressing issues that threaten financial transparency in the sector. Iyer and Watkins (2008) investigated work on the feasibility or otherwise of nonprofit organizations adopting some provisions of the Sarbanes-Oxley Act (2002) and arrived at some known conclusions. First, many nonprofit organizations were local organizations with small staffs, but had boards filled with community-minded people with little or no business and/or management background (Iyer &Watkins, 2008). Second, management's burden to comply with the Act might be too much and distract management from their primary objectives (Iyer & Watkins, 2008). Third, nonprofit organizations' supervision is already more severe when compared to for-profit organizations (Iyer & Watkins, 2008). What is unknown in their work however, was the concession audit firms gave smaller businesses to comply with new enactments (Iyer & Watkins, 2008). There was no information that revealed if the industry is moving towards such a concession or not and certain provisions of the Sarbanes-Oxley Act will increase administrative costs and make the organization look less efficient to contributors (Iyer & Watkins, 2008)

Summary

This qualitative single-case study was conducted to explore the perceptions of church leaders and church parishioners concerning the soundness of financial management and stewardship at the church and whether extension of financial accounting provisions of the Sarbanes-Oxley Act(2002) will strengthen financial control procedures at churches. Specifically, the question asked was how will the extension of sections 302, 404, 902, and 906 of the Sarbanes-Oxley Act to U.S. churches help in improving effective management (responsibility, capability, and integrity) of financial resources in American churches. NVivo 10 was used to code and categorize relevant themes and patterns that emerged from the data (Yin, 2011, 2013).

The eight major themes for the research questions were as follows: (a) the importance of internal controls, (b) role of government oversight in preventing financial mismanagement, (c) separation of operational duties, (d) internal control culture, (e) periodic review of financial statements, (f) budgeting as a tool of control, (g) the sufficiency test, and (h) obstacles facing Sarbanes-Oxley Act (2002).The two minor themes for research questions 1 and 2 were institutional management of transparency and cost of control.

In the evaluation of findings section, the study themes were compared and contrasted with the literature and major theme 1, the importance of internal control, was consistent with the research of Petrovits et al (2009), Parello (2008), and Irvine (2005). Major theme2, role of government oversight in preventing financial mismanagement, was consistent with the research of Argandonia (2009), Smith (2008), and Smith and Shiver (2009). Major theme 3, separation of operational duties, was consistent with the research of Petrovits et al. (2009), Abdullah and Valentine (2009), and Elson et al (2007). Major theme 4, internal control culture, was consistent with the research of Kraus and Brtitzelmaier (2012) and Carr and Outwaite (2011).Major theme 5, periodic review of financial statements, was consistent with the research of Kelley and Anderson (2007), Moxham (2008), and Smith (2008). Major theme 6, budgeting as a tool of control, was consistent with the research of Smith and Shaver (2009) and Blake (2010). Major theme 7, the sufficiency test, was consistent with the research of Petrovits et al. (2009) and Zech (2008). Major theme 8, obstacles facing Sarbanes-Oxley Act (2002), was consistent with the research of Gilkenson (2007), Levy (2008), and Iyer and Watkins (2008).Minor theme 1, institutional management of transparency, was consistent with the research of Smith and Shaver (2009), Orin (2010), and McNeal and Michelman (2007).Minor theme 2, cost of control, and was in consistent with the research of Petrovits et al. (2009) and Parello (2008).

Chapter 5: Implications, Recommendations and Conclusions

The purpose of this single case qualitative research focusing on the Redeemed Christian Church of God, North America, was to elicit the perceptions of church parishioners concerning the soundness of financial management and stewardship at the church and whether the extension of financial accounting provisions of the Sarbanes-Oxley Act (2002) will strengthen financial control procedures in this case and perhaps in American churches generally. Ten parishes of the church were involved in this study. They were Redeemed Christian Church of God Glory Tabernacle, Tucson, Arizona; Redeemed Christian Church of God Cornerstone Worship Center, Chandler, Arizona; Redeemed Christian Church of God Strong Tower Parish Minneapolis, Minnesota; Redeemed Christian Church of God Covenant House, Indianapolis, Indiana; Redeemed Christian Church of God House on the Rock, Grand Prairie, Texas; Redeemed Christian Church of God Jesus Assembly, Lancaster, California; Redeemed Christian Church of God King's Court Parish, Covina, California; Redeemed Christian Bible College and Seminary; Redeemed Christian Church of God Church on the Rock, Laveen, Arizona; and Redeemed Christian Church of God Schaumburg Community Church, Schaumberg, Illinois.

Pastors and or administrators from each of these parishes and other personnel responsible for financial operations were interviewed. The issues investigated were the importance of internal controls Irvine, 2005; Parello, 2008;Petrovitz et al., 2009),government oversight and financial management (Argandonia, 2009; Smith, 2008; Smith & Shiver, 2009),separation of operational duties, (Abdullah

&Valentine,2009;Elson et al., 2007; Petrovitz et al., 2009), and obstacles facing Sarbanes-Oxley Act (Gilkenson,2007;Iyer & Watkins, 2008; Levy, 2008).

The problem was that perspectives of church leaders and parishioners are unknown with regard to potential benefits and problems of extension of Sarbanes-Oxley Act-like financial controls to church finances (Levy, 2008; Petrovitz et al., 2009) and therefore, barriers to implementation of church accounting reforms remained in force. Approval from the IRB at NCU was obtained prior to data collection to assure the welfare and rights of participants. Informed consent explained the protection of privacy and confidentiality and the right to withdraw at any time was secured.

There were limitations in this research. One was the nature of the study itself. Being a case study method, the views and perspectives of the participants had to be partially based on their personal and professional experiences in handling financial operations of the church. Another limitation was that participants' knowledge of proper financial accounting procedures was limited in some cases and few participants knew the Sarbanes-Oxley Act at all.

Eight major themes emerged for the research questions. The themes were the importance of internal control, role of government oversight in preventing financial mismanagement, separation of operational duties, internal control culture, periodic review of financial statements, budgeting as a tool of control, the sufficiency test, and obstacles facing implementation of relevant provisions of the Sarbanes-Oxley Act (2002) in the church environment. There were two minor themes, institutional management of transparency and cost of control. This chapter provides a summary of the implications of the study results, recommendations, and the conclusions drawn.

Implications

The main objective of this study was to elicit the perceptions of church leaders and parishioners in Redeemed Christian Church of God North America concerning the soundness of financial management and stewardship at the church and whether the extension of financial accounting provisions of the Sarbanes-Oxley Act (2002) would strengthen financial control procedures in American churches, generally for the constructs of the importance of internal controls (Irvine, 2005; Parello, 2008; Petrovitz et al., 2009),government oversight and financial mismanagement (Argandonia 2009, Smith, 2008; Smith & Shaver, 2009),separation of operational duties (Abdullah & Valentine, 2009; Elson et al., 2007; Petrovitz et al., 2009), and obstacles facing Sarbanes-Oxley Act (Gilkenson 2007;Iyer & Watkins, 2008; Levy, 2008). The implications for the research questions are discussed in this section starting with the major themes and then the minor themes.

Research question 1: Importance of internal controls. According to the perceptions of church leaders and parishioners, are there possibilities of mismanagement or misappropriation because of lack of legislations guiding the management of the financial resources of the American church? The experiences and perceptions of accountants, pastors, board of trustees members, and parishioners were addressed by research question 1 based on the research of Petrovitz et al. (2009), Parello (2008), and Irvine (2005). Three major themes were found:(a) importance of internal controls, (b) role of government oversight in preventing financial mismanagement, and (c) separation of operational duties as well as one minor theme, which was institutional management of transparency.

Major theme 1: The importance of internal controls. Internal controls include documentation of internal procedure, approval, and authorizations before expenditures are made, and proper recording of transactions and clear identification of who does what within the organization. Internal control was regarded by most participants as being important, though not all of them have done anything to develop an effective system of controls. An implication of major theme 1, the importance of internal control, was that all stakeholders recognized the critical need for the church to identify, install, and maintain relevant checks and balances in the management of the resources of the organization, but mere knowledge has not translated to execution. Universal recognition of the need for reform, however, implies that attempts to implement reform would be supported by church leadership and rank-and-file members. This is in line with the opinions of Petrovitz et al. (2009) that most organizations are aware of problems and the need for reform and would probably support reform, but the attitude of management towards making it a priority is always the problem.

There was among the participants unanimous agreement that the size of the organization should not preclude adoption of a system of financial controls, procedures, and practices. Organizations that do not pay close attention to internal controls stand the risk of not getting the best return on investment from the assets of the organization. Although cost of installing and maintaining internal controls can be highly prohibitive to small-sized organizations for obvious reasons of shortage of capital and lack of professional workers or volunteers as explained in minor theme 2, cost of control, it was considered imperative for every organization, regardless of size, to consciously put in place some form of financial accounting and control procedures

(Irvine,2005;Parello,2008; Petrovitz et al., 2009).

The implication of theme 1 is that key stakeholders in church management agree that a system of internal financial controls is imperative for managing church resources. Churches that consciously invest in development of an effective internal control system will minimize misappropriation of funds and misallocation of resources. Parello (2008) argued that if leadership had a foreknowledge of what will be the return on investing in putting adequate controls in place for the organization, they would do all within their power to invest in it.

Another implication of theme 1 is that churches that deliberately prioritize putting in place an effective internal control system have the ability to grow faster and attract more funds from the community than the ones that do not consider internal controls as being of any major priority. Argandonia (2009) was of the opinion that donors are generally attracted to giving to organizations that have sound control systems in place than those that do not.

Major theme 2: Role of government oversight in preventing financial mismanagement. Most participants in the study agreed that government oversight was necessary. This implies that key stakeholders in church management appear to believe that government oversight will not encroach on church autonomy as long as oversight is restricted to financial and accounting practices. Most participants believed that the role of government oversight in preventing financial mismanagement was that the government should have limited influence on the operations of churches. Churches, by virtue of their uniqueness and the specialized nature of the services they provide, will do well if government involvement is limited to just providing the necessary legal environment through the Internal Revenue Service and the legal system to enable the churches to independently function as ecclesiastical organizations devoid of political interference or manipulation (Argandonia, 2009; Smith, 2008; Smith & Shiver, 2009). Government can also help to establish the gold standard in accounting practices in order to establish guidelines that church communities can emulate.

The second implication for theme 2 was the perception of the general public and the giving community that the clear separation of church and state as enshrined in the American constitution will be grossly eroded by undue interference without necessarily having much impact on whether the churches are being soundly managed or not. However, whether the government is involved in legislating financial accountability should not prevent the church from putting in place some form of controls.

The other implication for theme 2 is that existing organized institutions, like the boards of trustees of the various churches (members of which are appointed periodically) and the AICPA, will be handicapped from conducting their traditional oversight functions over the churches if government supervision and oversight are overemphasized, thereby confirming the findings of Irvine (2005) and rendering the churches to be nothing but mere extensions of government agencies and eroding the very foundation upon which the churches were originally established. Irvine believed that there must be a clear line drawn between government and churches when it comes to how their ecclesiastical business should be conducted. Church business is not a terrain that government is adequately equipped to regulate (Irvine, 2005).

Most scholars agree that the state should not regulate all aspects of church operations, especially spiritual issues where the government does not have the competence to legislate. However, churches will benefit from some form of involvement through legislation on areas of financial control and accountability since there are established cases of misappropriation of funds in churches in the past 20 years.To prevent government from encroaching into nonfinancial areas of church administration, the church itself must demonstrate enough competence in areas of social relevance in curbing problems like drug trafficking, marriage failures, violent crimes through awareness programs, and outreaches. By so doing, it will reduce the stress on limited government resources to address these problems. Such efforts can be enhanced through collaboration between government and the church in finding lasting solutions to some of these social problems facing society.

Major theme 3: Separation of operational duties. An implication for theme 3, separation of operational duties is that the main avenue through which fraud can easily be perpetrated without detection is when one person or group of persons is being made to conduct different related functions without any check from another person or group of persons (Abdullah & Valentine, 2009; Elson et al., 2007; Petrovitz et a., 2009).Fraudulent practices are easier to discover when persons or group of persons completing different functions are made to provide checks and balances to each other. The implication of theme 3 is that if activities of the church are concentrated in few hands, errors and misstatements become inevitable. This will have an overall effect on the integrity of the financial reports prepared and submitted to the congregation and other bodies outside the church. Confidence can easily be eroded and parishioners' commitment can easily be affected.

An additional implication of theme 3 is the possibility of personnel burnout when too many activities of the church are being handled by the same person or group of persons rather than being shared among more volunteers. This might lead to loss of motivation to continue and replacements might be difficult to find when this happens. Most churches are limited in the caliber of the personnel they can hire to solve professional or business related problems. The cost is just too exorbitant for most of them to afford. They are therefore constrained to use the few volunteers and staff members to do many related tasks, which is against the principle of separation of duties.

Another implication of theme 3 is that accountability and transparency require internal structural support for them to be strong. If duties are not clearly separated among volunteers or staff members, the very basis of accountability and transparency will be grossly eroded. However, it is obvious that most of these churches will find it difficult to include the cost of control in their budget as explained by Argandonia (2009) as churches will rather focus more on their primary business and pay less attention to matters of governance.

Many churches, due to their size and financial capacity, do not have enough capable volunteers. There are few ways they can go about the work without affecting the major operations of the ministry work. First, they can encourage the use of pro-bono service from retired professionals and senior citizens. Many organizations have taken advantage of this pool of retired, but useful manpower. Secondly, two or three churches of the same size and challenges can pool resources together to solve similar problems without necessarily expending so much. Finally, many services have become automated, like treasury and media services wherein machines can effectively replace labor over a short period of time.

Minor theme 1: Institutional management of transparency. An implication of minor theme 1, institutional management of transparency is that issues are better managed internally than through external institutional legislation. Transparency is a culture that can be influenced through internal institutions, like the board of trustees, than by fiat legislation by government bodies, like the IRS. Orin (2010) was of the opinion that government already has its hands full with many unresolved social problems that dabbling into church matters will be an unnecessary burden on its resources. Another implication of minor theme 1 is that fewer organizations want government to be the major determinant of what they do internally. Corporate organizations are becoming increasingly independent of governmental influence and control (McNeal & Michelman, 2007;Orin, 2010; Smith & Shaver, 2009).

Research question 2: Importance of internal control. According to the perceptions of the church leaders and parishioners, has the church installed and maintained an effective accounting and internal control system to prevent mismanagement or misappropriation of the resources of the American church? The experiences and perceptions of accountants, pastors, board of trustee members, and parishioners were addressed by research question 2 based on the research of Kraus and Brtitzelmaier (2012), Carr and Outhwaite (2011), Kelley and Anderson (2007), Moxham (2008), Smith (2008), Smith and Shaver (2009), Blake (2010), Petrovits et al.(2009), and Parello (2008).The major themes for research question 2 were internal control culture, periodic review of financial statements, and budgeting as a tool of control. The only minor theme was the cost of control.

Major theme 4: Internal control culture. An implication for major theme 4, internal control culture, is the general opinion from all stakeholders that transparency and accountability should not be seen as a program or a one-off transaction, but rather as an organizational lifestyle. It was generally agreed that organizations that have engraved within a culture of control, will have grossly reduced incidences of abuse, fraud, misappropriation, and or misallocation of resources (Carr &Outhwaite, 2011; Kelley &Anderson, 2007; Kraus & Brtitzelmaier, 2012).

The other implication of this theme is that creating a culture of control is a top-down exercise. Organizational culture is a deliberate intention of top management that induces the rank-and-file to naturally behave in ways to protect the assets of the organization without any formal coercion. In such organizations, employees are made to believe that they own the organization and are major stakeholders in its growth. They are therefore naturally motivated towards forestalling any move to mismanage or misappropriate the assets of the organization (Blake, 2010; Smith & Shaver, 2009).According to Blake (2010), when a culture of control has not been properly established in an organization, employees and other stakeholders do not see any reason why they have to work in a particular direction to protect the interests of the organization. It was a general consensus among the participants, which was also in line with the work of Petrovits et al. (2009).

The size of a church should not necessarily affect the development of a culture of proper financial controls. Constant education of volunteers by the church leadership has been known to be an effective method of achieving this. Leadership by example is another way of developing such culture of control. When subordinates observe their leaders paying attention to financial accountability, they will do the same and gradually a culture of control will be established.

Major theme 5: Periodic review of financial statements. Most participants interviewed agreed that it is good practice when the records of the organization are periodically reviewed by third parties, like external auditors. An implication of major theme 5, periodic review of financial statements, is that when financial records of the organization are subject to periodic review, it reduces, drastically, incidences of fraud from workers and stakeholders. Kelley and Anderson (2007) actually suggested that at a minimum, there must be an internal system that reviews what key departments have done periodically to ensure compliance with the agreed upon vision of the organization.

Another implication of this theme is that when management of the organization willingly decides to subject the organization's records to periodic examination, it builds a reputation of honesty and accountability in the community (Kelley &Anderson, 2007; Moxham, 2008). It is a good financial practice for church records and accounts to be subjected to periodic review, though this is not mandated by any known law.

Major theme 6: Budgeting as a tool of control. A budget is a quantitative expression of a plan for a defined period of time. All the participants agreed that preparing a budget and making it an essential part of the control process is very critical to effective management of organizational resources. A major implication of the theme, budgeting as a tool of control,is that organizations that use budgets as a tool of control have the tendency to manage the use of their resources better than those that do not (Blake, 2010; Smith & Shaver, 2009). However, not every organization (especially the smaller churches) has made this a priority because of the high personnel cost of preparing such budgets.

Another implication for this theme is that there is a general sense of direction for organizations that run a budgetary system. Modesty, effective management, waste control, and resource maximization are the traits of such organizations. The other implication for this theme is that organizations that use budgets as a tool of financial control tend to attract more funding from the public and stakeholders than those who do not because the system seems to have a built-in system of controls that enhances the confidence of the donors (Blake, 2010).

Minor theme 2: Cost of control. The main focus of this theme is on impact that the cost of control has on the installation and maintenance of a system of internal control in the church. The cost of implementing internal control will determine the willingness of management to put one in place. Cost of control (including the cost of installing and maintaining an effective control system) is a major determinant of whether it will be put in place. Many participants in the research interview were of the opinion that much as they would want to put a system of control in place to safeguard their assets and protect their investment, financial and personnel cost of doing so had always proven to be prohibitive and outside the reach of small and medium-sized parishes of the Redeemed Christian Church of God (Parello, 2008; Petrovits et al., 2009).

The next implication of this theme is that as a result of limited financial capacity, it becomes difficult to identify the churches that have the culture of control, but are just being limited by financial resources and those that do not want to put such system of control in place even if such constraints were non-existent. Continuous and deliberate neglect of matters relating to compliance like filing reports to the IRS or to the headquarters of the church is one of the ways to know that a church is resistant to financial controls. Another way of knowing is when authority for conducting operational functions within the organization is over-concentrated in the lead pastor as it will be obvious that the church is resistant to financial controls.

Research question 3. According to the perceptions of the church leaders and parishioners, are existing internal controls sufficient to protect the assets of the American church from mismanagement or misappropriation? The experiences and perceptions of accountants, pastors, board of trustees members, and parishioners were addressed by research question 3 based on the research of Petrovits et al.(2009) and Zech (2008). The major theme for research question 3 was sufficiency of control.

Major theme 7: The sufficiency test. There are three main implications of major theme 7, the sufficiency test. The first implication is the possibility of non-detection of fraud if the people involved are top management staff. This makes any control, no matter how strong, to be grossly ineffective in practice(Argandonia, 2009; Petrovits et al., 2009; Zech, 2008).

The second implication for major theme 7 is that controls are only sufficient to the extent that management can implement them. Bigger parishes of the church have been able to put some strong and effective controls in place partly because they have the resources to do so.

The third implication is that controls are only sufficient to the extent that major stakeholders have a buy-in. If management perceives that existing control is sufficient for the organization, it will not be willing to invest in further controls. Sufficiency therefore depends on management assessment of need for internal controls (Argandonia, 2009). If

Sarbanes-Oxley is applied, then the federal government will require certain accounting standards and management will need to match those requirements regardless of whether or not they think their current practices are sufficient.

Research question 4. According to church leaders and parishioners, what are key obstacles to implementing Sarbanes-Oxley Act (2002)-like financial accounting controls in the church? The experiences and perceptions of accountants, pastors, board of trustees members, and parishioners were addressed by research question 4 based on the research of Gilkenson (2007), Iyer and Watkins (2008), and Levy (2008).The major theme for research question 4, obstacles facing Sarbanes-Oxley Act (2002).

There were mixed reactions to the extension of the Sarbanes-Oxley Act (2002) among the participants. One major implication of extending the Act to cover the operations of churches is the challenge of separation of church and state. A lot of people in the church community believe that if the state is allowed to legislate on every church matter, it will amount to an encroachment on the independence of the church (Levy, 2008). So the first major obstacle faced by the Sarbanes-Oxley Act (2002) is the lack of acceptance by the church community.

The second implication for major theme 8 is the issue of cost of implementation. The reporting requirements for the Act by the IRS requires significant investment in technically competent professionals, which most small organizations cannot afford (Iyer & Watkins, 2008). The third implication for theme 8 is that the enactment of the Act was a reactionary move based on gross abuse and malpractices in publicly quoted organizations. Proponents of the decree never intended any of the provisions to cover the activities of churches. Therefore, no provision was included in the Act to accommodate the peculiarities of church business (Gilkenson, 2007).

The next implication of the theme is that everyone believes that financial transparency accountability is key to church health. If money is mishandled, the effects can give a bad name to entire sects. Lack of transparency (whether real or perceived) in church finance can generate everything from headaches to disgruntled parishioners, to legal challenges. But no matter who wins this or any other finance-related legal challenge or criminal case, experts say the fallout will land far beyond the sanctuary walls.

However, it was a general consensus of the participants that the twin factors of accountability and transparency are issues that cannot be legislated upon by any arm of government because of their behavioral nature. Stakeholders in American churches can put together standard guidelines to ensure accountability without necessarily expecting government legislation. Inherent in every man is the innate ability to discern what is right or wrong and choose which one to follow. An honest person does not need the enactment of any special law to be honest, while conversely, a person with dishonest intentions will still find ways around the most effective internal controls put in place by management.

Recommendations

The recommendations will be divided into three types. The first is for churches,the second are for institutional bodies, and the third is for future research. The recommendations are supported by the major and minor themes in the research study. Recommendations for practice include valuable information for churches and government agencies and other relevant bodies involved in regulating financial matters. Recommendations for future research indicate areas that researchers could continue to explore regarding transparency and accountability in American churches.

Recommendations for churches. The cases of fraudulent practices in churches are no longer new in America. Zech (2008) reported that in 1989, Jim Bakker was imprisoned after embezzling more than $150 million from his PTL cable network; Ellen F. Cooke, former treasurer of the Episcopal Church, admitted in 2006 to embezzling $1.5 million from the denomination; and the Rev. Henry J. Lyons was ousted as president of the National Baptist Convention in1999 and spent time behind bars for stealing $4 million from the denomination to help support a mistress and buy luxury homes and jewelry. Unlike at other nonprofits, church leaders can exert ostensible religious authority over their members. Some even point to passages in the Bible or other religious texts to argue that God has put them in their positions of authority and that their congregants have a God-appointed duty to submit to them. At the same time, some of these leaders are using charitable gifts to enrich themselves, pushing the legal boundaries of what is considered "reasonable compensation" (Montague, 2013).

As a faith-based organization, there is agreater expectation, particularly for leaders, to demonstrate exemplary behavior in transacting financial matters, ensuring they conform to biblical principles, legal parameters, professional standards, and denominational policies. Most fraudulent practices in churches emanate from incompetence and a lack of diligence, and often the damage is immediate and long lasting (Busby, 2008). The damage can be in the form of donations reducing, members quitting, a church's reputation being tarnished, and sometimes prolonged lawsuits follow (Busby, 2008).However, the most disturbing of all the consequences is that an entire religious tradition can be tarnished by a scandal. Many quit the faith altogether, while the issue provides ammunition to critics of organized religion (Busby, 2008).

The following are recommendations for The Redeemed Christian Church of God North America as a body to consider in stemming the ugly tide. Firstly, prevention is the best medicine and ranges from having church members with book-keeping know-how examine spending to having outside CPAs audit all financial records (Busby, 2008).Most church financial woes result from honest mistakes in an environment where the parishioners excessively trust their religious leaders who are, in turn, usually untrained and uninterested in administration. Financial accountability and transparency is an obligation congregation and churches owe their parishioners. Congregations where temptations and conflicts of interest are minimized usually are in less danger of running into fiscal disasters (Zech, 2008).

Secondly, churches should be professionally run like businesses, which are usually run with boards of directors that have ultimate control over how things are done by the administrators and pastors. In those situations, the clergy can make suggestions on budget priorities, but not set them. Additionally, in-house training, conferences, and seminars should be regularly organized by church leadership for those charged with the responsibility of keeping oversight over church assets and manage organizational resources and members of the boards of trustees. This will expose them to better ways of doing things, create awareness, and an environment that respects transparency and accountability. Furthermore, as much as spiritual qualifications are given prime consideration when ordaining the clergy because of the sensitivity of leadership decisions such people make, they should be encouraged to undergo basic training in leadership, finance, and administration before being allowed to lead any church organization, no matter how small.

Issues of transparency or lack of it should not be treated by church leadership as strictly spiritual matters only. Many religious predators are taking undue advantage of the church in this regard. Stiff disciplinary actions should be taken against erring stakeholders and such disciplinary provisions should be enshrined in the church constitution and by-laws as ethical standards.

Committees like audit and budgetary committees should be created and seen as permanent features of the church governmental structure. The church should be made to inculcate into every stakeholder, a culture of control and compliance. This will instill fear into the minds of anyone who wants to perpetrate financial atrocities against the church. Smaller churches could have members with bookkeeping expertise conduct internal audits.

A quarterly reporting system will compel the leadership of the church to be accountable to the church. Financial reports should be published within the church community and a stewardship day must be established wherein all stakeholders are allowed to ask specific questions on any area of the church management. This must be done at least once a year.

The church should encourage and take advantage of the use of modern technological software to capture its transactions. This minimizes malpractices and enhances transparency in accounting and reporting. Avenues for fraud exist when transactions are not properly tracked, recorded, and reported. The church is then left in the hands of potential fraudsters who will likely capitalize on the inherent weaknesses in the system.

The church should adopt a generally accepted and professionally sound best practices system in conducting its ecclesiastical business. There should be a clear path for organizational development. Strategic plans which will capture where the church wants to be in the foreseeable future should be designed and accepted as a church culture. The mission and vision statements should be clear and unambiguous.

There should be more engagement and involvement of parishioners who are professionals in different fields in different aspects of the ministry work. This will bring fresh ideas to the table and enhance the reach and relevance of the church in the community.

There should be a systematic engagement with other cultures by the church. The Redeemed Christian Church of God North America has its roots in Africa. Conscious efforts should be made by leadership to integrate people from other cultures and orientations into the core leadership of the organization. This brings fresh ideas and dynamism into the government and life of the church. The vibrancy will eventually strengthen the culture of transparency and accountability in the long run.

Each parish should develop and adopt a policies and procedures manual as a minimal standard in governmental documentation. This manual will clearly indicate what needs to be done, who does what, and who has what authority in every transactional engagement of the organization. This will instill order and accountability in the system.

Recommendation for institutional bodies. There are specifically four sub-sections under this section proffered for consideration. First, section is the IRS. The IRS is the watchdog for financial accountability in America. Over the years, it has developed into the Internal Revenue code, different rules and guidelines for compliance by non-profit organizations, including churches. These are meant to protect the church and its stakeholders.

Churches by law are exempt from paying taxes on incomes derived from their primary sacerdotal services. Most tax-exempt organizations are required to file the IRS Form 990, an information return that is open to the public. The Form 990 is used by watchdogs and donors to learn detailed financial information about charities. However, churches are exempt from filing the Form 990 and need not disclose any financial information to the IRS, the public, or their donors. For other nonprofit organizations there is an institutional system represented by the IRS to enforce transparency and accountability, but this is not the case for churches. For other nonexempt organizations, donors can see how charitable organizations spend their contributions by visiting Internet sites that post extensive financial information about these entities. Information like executive pay, disbursement of funds to programs, recurrent and capital expenditure can be found.

Charity watchdogs and the press also use this information to monitor tax-exempt organizations, asking follow-up questions and exposing corruption when they find it(Montague, 2013).These websites have access to this information because nonprofits are required to file publicly available returns with the IRS. The idea that publicity will encourage honest dealing is the chief rationale behind the law that requires each exempt organization to release its Form 990, Return of Organization from Income Tax (Montague, 2013)

Due to the unique nature of religious authority, parishioners are unlikely to challenge leaders because doing so can be seen as an abnormal confrontation. It therefore becomes imperative that transparency be mandated by outside authorities. Churches are on the losing end if they are not subjected to such institutional checks. It has been established that donations to churches increase when there is a general feeling of transparency (Busby, 2008). It is therefore in the best interest of the church to take advantage of the institutional provision though the informational return to the IRS to improve its image on transparency and accountability (Montague, 2013).

According to Montague (2013),

> More than 950, 000 public charities are registered with the IRS, in addition to almost 100,000 private foundations and nearly 500,000 other types of nonprofit organizations. These public charities control $2.71 trillion in assets and have annual revenues of $1.51 trillion. Donors gave $298 billion to nonprofits in 2011.The largest percentage of this giving; thirty-two percent went to religious organizations.…[He continued,] However, there is one giant exception to this financial transparency regime: from the more than 330,000 churches in the United States in 2010, contributions to Christian churches alone were estimated to total more than $34 billion. For the most part, neither the IRS nor the public has any idea what these churches are doing with the donations they receive; because, under Internal Revenue Code section 6033, churches are exempt from the requirement to file a Form 990. In fact, at many churches, donors themselves do not even know what is happening to their money.(pp.206-207)

Restrictions on inquiries. The other aspect concerning the IRS is the provisions under Title 26, subtitle F, Chapter 78, subchapter A of the Internal Revenue Code titled "Examination and Inspection." These provisions provide extensive restrictions on inquiries for examining books of churches by the IRS. Part of the provision states

"In general the Secretary may begin a church tax inquiry only if—

i)The reasonable belief requirements of paragraph (2), and ii). The notice requirements of paragraph (3), have been met.

Reasonable belief requirements. The requirements of this paragraph are met with respect to any church tax inquiry if an appropriate high-level Treasury official reasonably believes (on the basis of facts and circumstances recorded in writing). (IRS, Title 26, subtitle F, Chapter 78, subchapter A, "Examination and Inspection")

The implication of the above provision is that activities of the whistle-blower are not strongly recognized when it comes to examining the records of churches. Any such examination is limited to the sole decisions of the secretary. This on its own creates institutional laxities and encourages the perpetration of financial atrocities against the church. The provisions need to be amended to recognize other bodies, like the board of trustees, to make collaborative efforts with the IRS to call for examination of church records.

American Institute of Certified Public Accountants (AICPA). The AICPA sets ethical standards for the accountancy profession in America and that includes for nonprofit organizations. It is a reputable organization with membership over 400,000 practicing in over 144 countries. Churches should engage the professional services of CPAs who will in turn set the tone for accountability. For smaller organizations, such services can be secured on a pro-bono basis through the state chapters of the AICPA. Better still, the board of trustees can engage the services of members of the church who are also CPAs to serve in the finance, audit, and or budget committees. This will go a long way toward instilling the culture of accountability in the organization.

International Accounting Standards Board (IASB). The mission of the IASB is to develop International Financial Reporting Standards (IFRS) that bring transparency, accountability, and efficiency to financial markets around the world. It serves the public interest by fostering trust, growth, and long-term financial stability in the global economy. The IFRS brings transparency by enhancing the international comparability and quality of financial information, enabling investors and other market participants to make informed economic decisions. IFRS strengthens accountability by reducing the information gap between the providers of capital and the people to whom they have entrusted their money. The standards provide information that is needed to hold management accountable. The board has established upwards of 41 accounting standards covering various areas of accounting since its inception. These standards were developed based on what the board considers the needs of the economy. A closer look at the standards reveals how the accounting world views churches. There is no single standard that addresses the peculiarities of churches, so professionals have no choice but to treat churches the way other nonprofit organizations are being treated. The board will need to engage professionals who work with churches to design accounting standards peculiar to churches. That will help the reporting culture and enhance accountability in churches.

Organizational ombudsman. The organizational ombudsman is a designated neutral body that is appointed or employed by an organization to facilitate the informal resolution of concerns of the organization. The issue of transparency and accountability is of a major concern to churches generally. The most common organization noted for this matter is the Evangelical Council for Financial Accountability (ECFA). ECFA provides accreditation to leading Christian nonprofit organizations that faithfully demonstrate compliance with established standards for financial accountability, transparency, fundraising, and board governance. Members include Christian ministries, denominations, churches, educational institutions, and other tax-exempt 501(c)(3) organizations. Collectively, these organizations represent nearly $25 billion in annual revenue.

The Redeemed Christian Church of God North America will benefit immensely by getting accreditation from such an organization for all its parishes. The organization has established standards of responsible stewardship which cover (a) doctrinal issues, (b) governance, (c) financial oversight, (d) use of resources and compliance with the law, (e) transparency, (f) compensation-setting, and (g) related party transactions and stewardship of charitable gifts. These standards help to guide member organizations on the most ethical steps to take when dealing with a particular issue or transaction based on the law of the land and compliance with the scriptures. When a church is accredited by ECFA, it is a message to the giving community that necessary steps have been taken and appropriate structures and systems installed to make the organization operate transparently as much as possible. Such accreditation instills confidence about the existing government of the church and the credibility of its stakeholders.

Specific provisions of the Sarbanes-Oxley Act (2002) relating to financial governance can be adjusted to accommodate the peculiarities of the church and incorporated into the Form 990 and provisions of the 501c3 before tax exempt status is granted to churches. Section 302 of the Act titled “Corporate Responsibility for Financial Reports” specifically states that management is solely responsible for the content and accuracy of the financial reports presented to stakeholders of the organization, while Section 906 addresses criminal penalties for certifying a misleading or fraudulent financial report**.** Section 404clearly addresses the issue of capability of management in installing and maintaining adequate control measures to protect the assets of the organization, while section 902 addresses the issue of integrity and stipulating penalties for acts that are deemed detrimental to the financial well-being and growth of the organization.

Recommendations for future research. Future research addressing issues of transparency and accountability in the American church vis-à-vis government legislation is highly recommended as this area of study is emerging in research literature. This research has contributed to the base of research concerning the management of the financial resources in American churches. Further research will provide a more comprehensive understanding on how doctrinal issues can have impact the efforts of church leadership in installing internal control systems in churches.

Another critical area recommended for further research study is the impact of mixed culture on effecting change in governance in American churches. Further studies also should be considered on the future of church financing in a changing world. The question is whether churches can diversify their sources of finance from the traditional methods contributions to engaging in profit-oriented businesses without necessarily jeopardizing their tax-exempt status.

Finally, this was a single case study focusing on the Redeemed Christian Church of God North America. The conclusions may have been different if it had been a multiple-case study cutting across different denominations and cultures. This, too, might be an area for future research study.

Conclusions

The purpose of this single case qualitative research focusing on the Redeemed Christian Church of God North America was to elicit perceptions of church leaders and church parishioners concerning the soundness of financial management and stewardship at the church and whether extension of financial accounting provisions of the Sarbanes-Oxley Act (2002) would strengthen financial control procedures in American churches generally.Interviews were conducted with 14 stakeholders in different parishes. Participants included pastors, trustee members, accountants and or administrators, and parishioners. Based on the analysis of their responses, 10 experiences reflected in eight major themes and two minor themes were identified.

Based on the perceptions of the participants, some conclusions were reached concerning internal controls, budgeting, separation of duties, and relevance of the Sarbanes-Oxley Act (2002). Any church that is going to effectively protect its assets and maximize the returns on investment from its assets must pay close attention to issues of transparency and accountability. Effective internal control systems must be placed to ensure that staff members or volunteers do not capitalize on the existing internal control lapses to undermine the efforts of management in getting the best from its investments.

The role of the government in church management should be minimized and existing institutions like the board of trustees, the AICPA, IASB, and ECFA, among others should be more involved to assist the church in entrenching transparency and accountability. Outright legislation on matters of ecclesiastical nature by the government will not be in any way augur well for the spirit of separation of state and church.

Churches, if professionally operated, will attract more funding from a willing donor community and become more relevant in its market place.

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Appendices

Appendix A: Letter to Solicit Participation

Dear Potential Research Participant,

My name is **Ezekiel Ojo** and I am a Researcher calling from the School of Business at the North Central University. The reason for this letter is that I am conducting a study on **transparent resource management in American churches using The Redeemed Christian Church of God as a single case study**. I am currently seeking volunteers as participants in this study and I wonder if you would be interested in participating.This study involves issues surrounding transparency and the management of the financial resources of churches in America. Possible actions will be established that can be taken by managers of financial resources to control practices that are inimical to transparency in American churches. I will be gathering data from stakeholders like parishioners, Accountants, Board of Trustee members and clergy about their perceptions on issues relating to transparency in resource management. This study involves minimal risks and the questions to be asked will not have any personal risk on faith or personal security. Participation in this study will take approximately **15 minutes** of your time. I would like to assure you that this study has been reviewed and approved by the Graduate School of the North central University. However, the final decision about participation is yours.

I want to emphasize the importance of volunteer participants such as you, to research. Many faculty and student researchers rely on **stakeholders** as participants in their studies.

Please take a moment again to think about the date and time for your session in relation to your schedule and communicate same to me in writing as you reply. The day before your session, I will contact you by email as a reminder. However, in the meantime, if you discover you will be unable to make it, please call me at **623-418-4315** and leave a message if I am not available, or email me at **Ezekiel_ojo@yahoo.com.**Please try to provide at least 24 hours notice so that I can book another participant into that time slot and avoid losing research time.

I look forward to reading from you if you will be able to participate in this research study or not. Thank you very much.

Yours Sincerely,

Ezekiel Ojo

Appendix B: Draft of Interview Questions

Interview questions are arranged according to how they are relevant to each research question as follows:

Q1.According to the perceptions of church administrators, church accountants, board of trustee members and parishioners, how will the extension of the Sarbanes-Oxley Act to churches assist in installing an internal control system that will help in the management of the financial resources of churches in America?

a**.** The Sarbanes-Oxley Act holds senior executives personally liable for the correctness of corporate financial requiring executives to append their signatures on tax returns and to certify quarterly financial reports. As a Pastor, how ready are you to comply with such requirements if the law requires you to?

b. Should all changes to the budget be authorized by the church committee and recorded in the minutes of the meetings; if yes why?

c. Are you prepared for an Auditor's examination of your written Policies, Processes and Procedures if this is mandated by law?

d. Why is it necessary for the church to have a written accounting procedure manual?

e. The separation of duties is the keystone of a church's internal control system. Keeping the recordkeeping function distinct from the cash handling function will go a long way in reducing the church's risk of misappropriation of funds. How do you think this separation can improve financial transparency in your church?

f. Why should specific accounting functions be handled by individuals or groups who are assigned these functions in the church's organizational chart, bylaws, or manual of operations?

(i).Offering collection

(ii).Offerings counting

(iii).Taking offering to the bank

Q2. According to the perceptions of church administrators, church accountants, board of trustee members and parishioners, how will the board of a church organization use a bill passed by the U.S.Congress as a tool of checking financial misappropriation and maximizing the use of financial resources in the local church?

a. Why do you think it is necessary for the board of trustees to call for an audit of the church accounting records periodically as required by the Sarbanes-Oxley Act 2002?

b. The Sarbanes-Oxley Act requires companies to adhere to more stringent financial reporting criterion, including reporting off balance sheet transactions. Do you think your church will benefit from such reporting requirements?

c. What is the significance of preparing an annual budget by the church?

d. Should the church reports budgets receipt compared to actual; if yes why?

e. Do you foresee any challenge in complying with the reporting requirements of the Sarbanes-Oxley Act 2002 if required by law that churches should file such reports?If yes, why?

f. Do you have written Policies, Processes & Procedures in the Finance/Accounting?

Department as required by the Sarbanes-Oxley Act 2002?

g. Are you aware of the Quarterly and Annual Reporting requirements of written and tested Policies, Processes and Procedures according to the Sarbanes-Oxley Act - specifically Sections 302, 302 and 906? Do you foresee any compliance problem by your church? If yes, why?

h. The Sarbanes-Oxley Act 2002 requires auditor independence and providing rules to curb conflicts of interest, discouraging Auditors from giving corporate counsel in areas outside their professional expertise. Has your church made provision for any independent audit in the past? If no, do you think this requirement might pose a huge financial burden on your church?

Q3. According to the perceptions of church administrators, church accountants, board of trustee members and parishioners, how does lack of financial transparency justify the extension of the Sarbanes-Oxley Act of 2002 by the U.S.Congress to include church organizations?

a. Have you heard about the Sarbanes-Oxley Act of 2002 before?

b. Do you think government should be involved in regulating the management of financial resources of churches? If no, why?

c.Do you think the problem of financial misappropriation can be solved by the extension of an Act of the U.S.Congress to apply to churches? If yes why?

d.Do you think there can be any doctrinal or faith resistance to any form of government- imposed control of church management? If yes, what are they?

Appendix C: Study DemographicCharacteristics

TableD1-Gender

Characteristic	Frequency	Percent	ValidPercent
Male	12	86	86
Female	2	14	14

Note.*N*=14.

TableD2-Age of

Participants

Characteristic	Frequency	Percent	ValidPercent
18-21	0	0	0
22-25	0	0	0
26-30	0	0	0
31-40	3	21	21
41-50	7	50	50
51-60	4	29	29
60-over	0	0	0

Note.*N*=14.

TableD3-Education

Characteristic	Frequency	Percent	ValidPercent
< HighSchool	0	0	0
HighSchool	0	0	0
SomeCollege	0	0	0
2-Yr CollegeDegree (Associates)	0	0	0
4-Yr CollegeDegree (Bachelor's)	5	36	36
Master's Degree	9	64	64
DoctoralDegree (PhD, DM,DBA)	0	0	0
ProfessionalDegree (MD,JD)	0	0	0

TableD4

Characteristic	Frequency	Percent	ValidPercent
>10years	10	71	71
<6years	4	29	29

Note.*N*=14.

TableD5

Position Occupied in RCCGNA

Characteristic	Frequency	Percent	ValidPercent
Parishioner	3	21	21
Accountant	3	21	21
Pastor	4	29	29
Trustee Member	4	29	29

Note.*N*=14.

Appendix D: Informed Consent

You are being asked to participate in a study exploring the extent to which the extension of the Sarbanes-Oxley Act (2002) can help in improving the transparency in the management of the financial resources of American churches according to the perceptions of church accountants, board of trustee members and parishioners.

In the wake of the corporate scandals that led to the enactment of the Sarbanes-Oxley Act (2002); there is a need to establish if the extension of the Act to ecclesiastical organizations will reduce or completely solve the problem within the church community.

I am interested in establishing if the introduction of the Act will reduce the incidence of misappropriation or mismanagement of the financial resources of churches in America.

As a major stakeholder in your church organization; you are either responsible for the management of the assets of your church or interested in how those put in charge do so.

Your participation in this study would provide a chance for you to provide a feedback which will help understand what it will be like to have an improved oversight by a government agency on how resources of churches in America are being managed.

If you agree to participate, you will be asked a series of open-ended questions that will allow you to provide a feedback regarding your beliefs or views as to how to improve transparency in the management of the assets of your church organization.

At your request, you will be provided a copy of the results of the study once the researcher's university dissertation committee has accepted it.

This activity should take approximately thirty minutes to one hour of your time and would occur at some point removed from your church organization in order to minimize disruption of the data gathering process. The interview may be recorded.

Although all studies have some degree of risk, the potential for risk in this study is minimal. You will remain anonymous and would only be identified as an official of your organization. Your organization would only be identified using a fictitious name such as Church ABC while the location of your church would be identified only according to the US geographical region in which it is located such as Midwest, Southeast and so forth.

Your participation in this research interview is strictly voluntary. If at any time during the process you wish to end your participation; you may do so without prejudice. This is strictly a research work and all efforts will be made to separate it from the individual faith or beliefs of respondents. You may refuse to answer any and all questions. If you have any question prior to your participation or at any time during the research; please do not hesitate to contact me.

AUTHORIZATION: I have read the above statement and understand the nature of this study. I understand that by agreeing to participate in this study, I have not waived any legal or human right and that I may contact the researcher at Northcentral University (Ezekiel Ojo, 623-418-4315) at any time. I understand that I may refuse to participate or withdraw from the study at any time without prejudice.

Participant's name------------------------------ Initials--------------- Date------------

Researcher's name------------------------------- Initials--------------- Date-------------