

## July 22, 2007 - St. Bernard Lapse Part Of Larger Problem

By Ted Mann, The Day (CT)

Montville — Since authorities charged a former St. Bernard School employee this month with embezzling nearly \$850,000, officials from the Catholic institution have largely rebuffed efforts to learn more about the school's financial controls, and why it took nearly four years to catch on to the scheme.

While Diocese of Norwich officials, including Bishop Michael R. Cote and spokesman Michael Strammello, have said that new accounting controls are in place to prevent future embezzlements, they have refused to say what changes have been made in the wake of former bus coordinator Salvatore R. Licitra's arrest, or to open up the school's books to scrutiny by parishioners or the public.

Yet, amid lingering questions among some of the faithful about church management and in the wake of studies showing a surprising level of financial mismanagement in parishes across the country, a movement toward transparency and accountability may be on the horizon anyway.

“I think it's something we haven't paid enough attention to, there's absolutely no doubt about that,” said Timothy Dwyer of the National Catholic Educational Association. Dwyer runs workshops on accounting procedures for Catholic school administrators intended to help prevent embezzlement and theft, as well as more benign mismanagement of funds raised largely from churchgoers and parents.

Recent academic studies, along with high-profile embezzlement cases in recent years in Greenwich and Darien, suggest that there is far more financial impropriety in Catholic parishes and schools than previously suspected.

In a study published in January that measured internal financial controls in the church, Villanova University professors Robert West and Charles Zech found that 85 percent of dioceses surveyed had detected some form of embezzlement in the past five years.

The professors received questionnaire responses from financial officers in 78 of the country's 174 Catholic dioceses, each of whom rated their respective auditing and accounting procedures.

The study also found that while most of the dioceses that responded employ external auditors to review their books, those auditors rarely are in position to detect embezzlement or theft at the parish or school level, where transactions are more frequently conducted in cash, and where smaller, specialized accounts are not individually examined.

“There's more financial mismanagement than comes to light in most religious groups,” said Dean R. Hoge, professor emeritus of sociology at the Catholic University of America in Washington, D.C. “It's a really embarrassing thing. They just hate to go public with something, and when it does it's always a scandal, and it always damages their credibility.”

But Hoge said transparency, both in accounting and in explaining financial misbehavior to the public, is clearly needed from church leaders.

“I don't see why they wouldn't talk, because the more they hesitate and the more they stonewall, the more the general public says, 'Hey, these guys are hiding something,'” Hoge said. “I just think, for the sake of the credibility of the Catholic leadership, they have got to be more forthcoming than they have been in the past.”

Efforts to infuse the leadership of Catholic institutions with more formal controls and protocols from the world of business and government are already under way.

The nonprofit National Leadership Roundtable on Church Management was formed in 2005 by a group of lay business executives. It arose from a series of conferences that came in the wake of the clergy sex-abuse scandals several years before.

The group seeks to use the expertise of Catholic executives and business leaders to improve management protocols, human resources policies and financial accounting, and to implement more of the best practices of business and government institutions in the church, which has long operated on a more traditional but less transparent model.

There is a “high degree of interest in better financial management in the church,” said Francis Butler, a member of the roundtable's board of directors.

“I think the attitudes of donors out there are a little more hard-nosed than they have been in the past,” Butler said. “They are wanting to be sure there's good stewardship. I think it may be because of the sex-abuse crisis that parishioners are sort of running out of patience with the management side” of the church.

Strammiello, the spokesman for the Norwich diocese, has said that the school's books were audited annually, and auditors never reported serious problems or oversights. He has also repeatedly said that the diocese expects to fully recover the money lost in the embezzlement.

The diocese maintains insurance policies that would cover losses to embezzlement, though it is unclear how much it could recoup from those policies in this case.

Cote commissioned a forensic audit of diocesan finances after Licitra came under suspicion last fall, but the diocese has refused to release the completed report, saying it might interfere with Licitra's prosecution. Police have released little information from the audit — just the amount of money (\$841,104) that Licitra allegedly placed in an account he set up in 2002.

Strammiello would not confirm or deny some of the general accounting procedures that Licitra described in his statements to police.

Licitra describes paying vendors and bus drivers by remitting their children's school tuition, making cash payments to some employees, and supplying much school equipment himself in the form of “donations” — for which he later sought reimbursement from the school's finance director or through the account he says he set up for that purpose.

While the diocese and school will not say whether they challenge that version of events, court records show that school administrators said they received numerous “donations” from Licitra — including furniture, carpeting and computers — and explained that they didn't question how he paid for the gifts because they believed he was independently wealthy.

That raised eyebrows among some of the experts who spoke to The Day, including Dwyer of the National Catholic Educational Association.

If the school actually paid for computers by reducing a business owner's tuition bill — as the owner claims — that would be “really unusual,” Dwyer said.

“I think situations of this magnitude are really unique,” he said. “But I think the Catholic schools need to be pretty transparent in their stewardship of financial resources. ... It's amazing that this situation got to this extreme.”

In an e-mail message last week, Strammiello said that all relevant information about the church's finances and the audit had been “placed in the hands of the State Police,” and church officials would have no further comment on the case until Licitra's prosecution is concluded.

Other dioceses have responded differently.

The Diocese of Bridgeport was hit hard in recent years by allegations of massive embezzlements by priests and has responded by instituting a new diocese-wide online accounting system, which representatives of the church say is the first of its kind in the nation.

Previously, individual parishes had operated largely on their own in balancing ledger sheets and accounting for donations and expenses, said a spokesman for the Bridgeport diocese, Brian Wallace.

“None of them were really connected in a way — they were all doing their books individually,” Wallace said.

And some, allegedly, took advantage: A priest in Darien was accused last year of stealing at least \$200,000 to pay for out-of-town trips with his lover, and another resigned from his post in Greenwich in January after being unable to account for \$500,000 in expenditures.

The new accounting system puts all parishes on the same software and allows greater accountability to central finance offices, Wallace said, as well as offering greater peace of mind to parish contributors worried about the way their donations are being handled.

“The transparency and accountability have been enormously boosted,” he said. “And now, for the first time, parishes can hook up to a level of expertise that really wasn't available in the past. ... We've had profound change, and I would say high-tech change.”

As religious institutions, the Norwich diocese and its schools cannot be forced to follow the protocols legally required of secular institutions like private businesses, public school districts or town governments. And churches, particularly small parish operations, have traditionally been less formal in their accounting than might be expected of tax-paying businesses or school systems whose books must be available by law for public scrutiny.

“They're different cultures, really,” said Butler, of the leadership roundtable. “The church volunteer culture is quite different than in business. But that's all changing. The whole standards-development industry that you see in accounting and so forth are (creating) rules tighter than they have been in generations past.”

Such standards may increasingly be demanded by the people on whom religious organizations and other non-profit charities most depend: the donors who supply most of their resources.

“It's just a transparent society, and people demand a level of transparency,” Butler said. “They're not going to operate the way they have in the past, with a sort of blind confidence.”

“Everyone wants to run a tight ship, but most of the time, school administrators don't have the kind of support personnel in place to assist them,” said Dwyer. “A lot of times, things are delegated to volunteers or individuals like this guy, and there's probably a larger leeway that is more than prudent.”