

10-3-07 - Diocese ex-accountant Zgoznic guilty of fraud

James F. McCarty, Plain Dealer (OH) Reporter

A stretch in federal prison awaits Anton Zgoznic, a former accountant for the Cleveland Catholic Diocese convicted Tuesday of paying kickbacks to a church official and defrauding the diocese.

A jury in U.S. District Court in Cleveland returned guilty verdicts on all 15 counts of conspiracy, money laundering, mail fraud and obstruction of justice. Defense attorneys and prosecutors declined to speculate on the range of prison time that Zgoznic faces when he is sentenced in February.

Zgoznic, 40, of Kirtland Hills, appeared shocked as Deputy Clerk Vicky Kirkpatrick read each of the verdicts.

He remained free on bond, and left the courthouse with his wife, Renee, and brother, Alexander, without speaking to the media.

Zgoznic testified that he paid monthly checks totaling \$784,000 to his boss, Joseph Smith, as a bonus to the former chief financial officer and top lawyer at the diocese. Smith, 50, of Avon, is scheduled to stand trial on similar charges, probably sometime next spring.

Prosecutors argued that the checks were kickback payments in return for \$17.5 million in diocesan business that Smith awarded to Zgoznic and his companies.

"We presented a case of a serious fraud against the Diocese of Cleveland and against the Internal Revenue Service, and we're glad the jury reached a verdict that agreed with us," said Assistant U.S. Attorney John Siegel.

Defense lawyer Robert Rotatori said he was frustrated throughout the five-week trial.

He said he had been blocked from presenting all of the evidence he had hoped to offer, and he vowed to file an appeal.

"The diocese fought us tooth and nail on every request for evidence," Rotatori said on the courthouse steps afterward. "That will be the basis of our appeal, that the jury did not have access to the totality of evidence, that the diocese encouraged this type of activity . . . and that Anton thought he had the approval of his superiors to do this."

The diocese has maintained all along that it was the victim of Zgoznic's and Smith's crimes, and that church officials did nothing wrong.

"While it is difficult to protect against such fraudulent conduct, the diocese has implemented numerous policies and procedures over the past several years to strengthen its financial controls," church spokesman Bob Tayek said. "Catholics and all others who generously support the spiritual and social work of the church can be confident of continued good stewardship by the diocese."

Rotatori said diocesan officials should have been on trial alongside Zgoznic.

"The diocese permitted this type of program to go on," Rotatori said. "They permitted the improper transfer of charitable funds for noncharitable purposes.

They wanted to hide the fact that they were taking money for their own personal purposes."

Siegel said federal investigators found no evidence that the conspiracy went beyond Zgoznic and Smith.