

4-1-08 - Church bookkeeper files whistle-blower suit

By Zach Lowe, Staff Writer, Greenwich Time

STAMFORD, CT -- The bookkeeper who exposed a priest's \$1 million embezzlement from his Darien parish filed a whistle-blower lawsuit late Friday, saying the church and the Diocese of Bridgeport harassed her and threatened her job after she hired a private investigator.

The suit, filed late Friday in state Superior Court in Stamford, by Bethany D'Erario, sheds light on the lavish spending of the Rev. Michael Jude Fay, who used church money to buy Waterford crystals, gifts for his gay lover and a Burberry coat for his dog, according to the suit.

Fay was convicted and sentenced to three years in federal prison for the thefts from St. John Roman Catholic Church on the Post Road in Darien.

Fay told D'Erario to "mind her own business" when she questioned his use of a church credit card to pay suspicious bills, the suit states.

When she turned to diocese officials, they allegedly tried to cover up the thefts and warned her against turning to outside investigators. When D'Erario did, church officials threatened her health benefits and accused her of playing a role in the thefts, the suit claims.

D'Erario "used her own money to hire a detective to help her inform the police and FBI" about Fay, said Mark Sherman, her attorney.

"How did the church show their appreciation? She was demoted and they tried to take away her medical benefits," Sherman said. "As a single mom, she had no choice but to resign."

Diocese officials denied all the claims, saying no one harassed or threatened D'Erario, and that they vigorously investigated Fay once they learned of the accusations.

"The claims that she was retaliated against are nonsense," said Daniel Schwartz of Day Pitney LLP, lead attorney for the diocese.

In a statement on the diocese Web site, officials said the suit is "an apparent effort to seek money to which (D'Erario) is not entitled." They hinted that D'Erario needs money because of her ongoing divorce.

They blamed D'Erario in part for Fay's thefts, saying her decision to wait nearly three years before reporting them cost St. John's "in excess of \$1 million."

D'Erario's suit claims that, starting in 2004, she "regularly" voiced concerns about Fay's spending to the church accountant and other officials.

Schwartz said D'Erario does not qualify for whistle-blower protection because she disclosed Fay's conduct to a private investigator, not a public entity.

The thefts nearly bankrupted the church, D'Erario claims in the suit. In mid-2006, Fay directed the bank to wire him \$34,000 of the \$40,000 left in the church accounts, possibly for a down payment on a Philadelphia condominium he intended to share with his lover, the suit claims.

D'Erario claims she first met with diocese officials about Fay's thefts in May 2006 at the home of Bishop William Lori.

Diocese officials immediately suspended Fay for two days after the meeting, but D'Erario worried they would take no further action.

D'Erario and the Rev. Michael Madden, then a priest at St. John, then hired private investigator Vito Colucci Jr. of Stamford to pursue the case.

Diocese officials had started investigating Fay by that time, Schwartz said. The diocese contacted federal prosecutors before Colucci contacted police, he said.

The scandal quickly became public, and church and diocese officials turned to harassing Madden and D'Erario, the suit claims. They threatened to fire Madden if he did not sign a letter to parishioners apologizing for hiring Colucci.

Diocese officials began investigating D'Erario and Madden, accusing them of colluding with Fay to plunder church accounts, the suit claims.

Fay's replacement at St. John's, the Rev. Frank McGrath, accused Madden and D'Erario, who was married at the time, of having an affair, and threatened to take away D'Erario's health insurance, the suit claims.

McGrath mocked the attention the case received in the press by asking for her autograph, the suit claims, and allegedly berated her for hiring Colucci, warning her that "you should never go outside the bishop!"

McGrath denied all the allegations in a statement on the diocese Web site.

"I always did my best to treat her fairly and professionally," McGrath wrote. "I do not know why she has chosen to attack me in her complaint."

D'Erario thanked McGrath in her 2006 resignation letter, diocese officials said.

McGrath criticized D'Erario's decision to sue after Fay's sentencing, saying the suit "threatens to reopen the wounds inflicted upon the parish by Jude Fay's conduct."

The suit seeks an unspecified amount more than \$15,000.

A judge delayed Fay's sentencing until May after he asked for more time to undergo cancer treatment.