Study: Embezzlement occurs in 85% of dioceses
By Donna Porstner, Staff Writer, The Stamford Advocate, January 8, 2007

A new Villanova University study found that, in a five-year period, money was embezzled from 85 percent of Roman Catholic dioceses surveyed.

In 11 percent of the cases, the amount stolen exceeded $500,000.

Researchers found police reports were filed in 93 percent of the cases and insurance claims were filed in 91 percent.

The report mentions the Rev. Michael Jude Fay, former pastor of St. John Roman Catholic Church in Darien who left in disgrace last May amid allegations he stole $1.4 million from his parish. But the case was not included in the statistics because the Diocese of Bridgeport did not participate in the survey.

About 45 percent of the 174 dioceses in the United States responded to the survey, which was mailed to the chief financial officer of every diocese in the summer of 2005. The participating dioceses have budgets ranging from less than $5 million to more than $20 million.

Chuck Zech, an economics professor and director of the Villanova's Center for the Study of Church Management who co-authored the study, said money often is taken from parishes in small amounts in hopes no one will notice.

"Typically, it's cash being skimmed from the collection plate," said Zech, who worked on the study with accounting professor Robert West. "It's usually smaller amounts - a thousand here, a thousand there."

The researchers did not ask who stole the money, but they did ask who uncovered the theft. Most often it was the pastor or another priest, they said. Parish bookkeepers, internal auditors and parish finance councils also uncovered some of the thefts.

Thefts rarely were uncovered by external auditors because they are not looking for crimes, Zech said.

"It has to be pretty severe for them to find it," he said.

The U.S. Conference of Catholic Bishops sets guidelines for handling church funds, but there's no way to guarantee they are followed because bishops are virtually autonomous, Zech said.

"The guidelines are there," he said. "All we have to do is implement them."

The researchers recommend annual internal parish audits and external audits at least every three years. They also suggest dioceses disclose the names and professions of every member of the diocesan finance council, which should meet at least quarterly to review financial reports for the diocese, parishes and schools.

Zech said dioceses should allow for anonymous complaints of financial mismanagement so whistleblowers do not fear retribution.

"We have to put in mechanisms for anonymous reporting because if you are a priest reporting on another priest, it's like reporting your brother," he said.

Norm Walker, chief financial officer for the Diocese of Bridgeport, said he agrees with many of the researchers' findings.

"It didn't surprise me too much because parishes are essentially small business, and if you take any small business for a period of time you have these problems," he said.

Walker said the Bridgeport diocese has implemented many of the recommendations, or they are in the works. The diocese is rewriting its parish accounting and procedures manual to make it easier for volunteers without financial backgrounds to understand, and plans to audit all 87 parishes in Fairfield County this year. Diocesan staff will review the financial records of the 27 smallest parishes and outside auditors will be hired for the other 60, Walker said.

"We are going to be reviewing every parish, every year," he said.

Had there been regular audits of St. John's in Darien, Fay's alleged lavish spending on personal items and expenses would have been discovered years earlier, Walker said. All an auditor would have needed to do was look at credit card statements Fay kept hidden to see something was wrong, he said.

But Walker said audits alone, which detect crimes only after they occur, are not a cure-all. It's more important to adhere to financial controls that prevent thefts, he said.

Daniel Sullivan of New Canaan, vice chairman of a Voice of the Faithful chapter that has been hosting seminars on financial accountability in the Catholic church, said the study demonstrates the need to change Canon Law to give parish finance councils more authority.

"Each parish has to have a finance council under Canon Law, but the finance council is purely advisory," he said. "The pastor can completely ignore their recommendations and still be in compliance with Canon Law."

Finance council members often serve at the pleasure of the pastor and those who question his spending risk being removed, Sullivan said.

"Bishop (William) Lori has put in place what I think is a pretty exhaustive policy manual for finances, but he doesn't have anybody at the parish level to enforce that," Sullivan said. "The bishop is relying on his pastor."

If the pastor is embezzling, as is charged in the Darien case, the finance council can do little to stop him, Sullivan said. The finance councils should be more like corporate boards that are held accountable for the organization's finances, he said.

"In many ways I think the Catholic church is living, at best, in the 19th century," Sullivan said. "You almost have monarchy at the diocesan level and at almost a submonarchy at the parish level."

Zech's next step is to survey 3,000 parishes nationwide to probe into the structure of parish councils and their internal controls.

The second study will ask who counts the collection money, who deposits it and who reconciles the checkbook, among other questions, Zech said.

"If they are all the same person, then we have a problem," he said.