

August 9, 2007 - Tape evidence splits trials of 2 charged with Catholic Diocese kickbacks
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Judge orders separate trials

A secretly recorded conversation that surfaced recently has forced separate federal trials for two former Cleveland Catholic Diocese employees.

Co-defendants Joseph Smith and Anton Zgoznic were scheduled to stand trial together next week. But U.S. District Judge Ann Aldrich on Wednesday said the recording implicates Smith in a crime, and is hearsay evidence that may not be used against the diocese's former chief financial officer.

On the recording, Zgoznic, a former diocesan accountant and outside contractor, can be heard discussing an "executive compensation" arrangement he had with Smith.

Court documents indicate that companies owned by Zgoznic and Zrino Jukic received \$17.5 million from the diocese over a seven-year period, and paid Smith more than \$784,000 of that money, purportedly for consulting services.

But the government called it a kickback scheme, and a federal grand jury indicted Smith and Zgoznic on multiple counts of conspiracy, money laundering, mail fraud and obstruction of justice.

Jukic, 36, of Lyndhurst, wasn't indicted. He is expected to testify at Zgoznic's trial, which is scheduled to begin Aug. 20.

In January 2004, Zgoznic called Jukic -- the best man at his wedding -- and asked to meet in a parking lot in Lyndhurst. Jukic brought along a digital recorder, which he tucked into his right sock.

On the 17-minute recording, Zgoznic questioned Smith's claim that he worked as a consultant to their company, ZJ & Associates of Mentor. "Joe was never doing work for us," Zgoznic said in the recording, according to a transcript. "OK. Joe's trying to claim it's a consulting fee for us."

Zgoznic, 40, of Kirtland, said the diocese's attorney, Steve Sozio, pressed him to explain why he had paid Smith the money.

"Obviously, you and I would never give a kickback," Zgoznic told Jukic. "It was executive compensation. . . . Cause that's exactly what we have to say."

Robert Rotatori, Zgoznic's attorney, said the money was additional salary authorized by the Rev. John Wright, the church's former financial and legal secretary. Wright hoped the extra pay would persuade Smith not to take a higher-paying job in the private sector, Rotatori said.

"Anton was merely a pass-through who billed the diocese extra, which he used to pay Joe," Rotatori said.

Wright's attorney, Kevin Spellacy, said Zgoznic and Smith duped the priest, who had no role in or knowledge of their kickback scheme. But in the recording transcript, Zgoznic said, "Father Wright is behind this, you know that as well as I do."

"He is?" Jukic responded. Jukic denied ever discussing the payments with Wright or Smith.

"Zrino, let me tell you something, we're done if you don't say" Wright authorized the payments, Zgoznic said.

Zgoznic told Jukic to compose a document claiming Wright "basically said, I don't want to know, but I know," about the payments.

When he was done recording, Jukic said to himself, "I got enough." He hid the recorder in his dresser for a year until March 2005, when he turned it over to the FBI.