

THE SECOND GREATEST SCANDAL IN THE CHURCH

Priests & Lay Leaders Stealing From the Sunday Collection

by

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Michael W. Ryan is a retired federal law enforcement official experienced in the conduct of financial audits and security investigations. Following his retirement, Ryan became interested in Church security and developed comprehensive procedures which, when properly implemented and monitored, virtually guarantee that every dollar placed in the collection basket or plate on Saturday evening or Sunday morning is, in fact, deposited in the parish bank account. Those procedures and more can be downloaded free of charge at his website, www.ChurchSecurity.info

In recent years and especially during the past few years, much has been said and written about the highly immoral and destructive activities of an alarming number of Catholic priests who used their positions of respect and authority to lure young children and adolescents into perverted sexual liaisons. In spite of all that has been said and written, however, the question of how those clergymen financed their often lavish lifestyles has never been addressed. This article dares to address that question and, insofar as it relates to the American Catholic Church, reveals a surprisingly clear and shocking connection between the hierarchy's laissez-faire attitude toward revenue protection and the ability of predator-priests to fund their deviant activities.

In August 2002, Robert Burkholder, a retired 83-year-old Catholic priest from the Archdiocese of Detroit, was charged with sexually abusing a 13-year-old boy in 1986 while the pair vacationed in Hawaii. According to prosecutors, the trip was an eighth-grade graduation present to the boy. Wayne County, Michigan, Prosecutor Michael Duggan described Burkholder as being "one of the worst pedophiles we have ever had in this state."

On November 1, 2002, Burkholder, who by then had admitted molesting at least a dozen boys going as far back as the 1940s, pleaded no contest and was sentenced to 30 days in jail and five years probation. One might well ask: How can a modestly salaried priest afford a trip for two to Hawaii? From an inheritance? Perhaps. I don't know, and I'm not accusing Burkholder of embezzlement.

But cases like this do raise questions.

Shortly before he died in September 1998, Walter Benz, 72, confessed to stealing an average of \$50,000 *per year* over a 26-year period. Benz admitted the money was used to fund expensive items such as cars, guns, antiques, a Florida condo, and gambling trips to Atlantic City in the company of his secretary, with whom he had lived for a number of years. As newsworthy as that item was, who would expect it to occupy the local media for weeks and, quite literally,

scandalize thousands of Pittsburgh-area Catholics? But Benz wasn't your average Joe Thief. He was better known as the Rev. Walter J. Benz, Pastor of St. Mary Assumption parish in Hampton, Penn., and previously, Our Lady of the Most Blessed Sacrament parish in Harrison.

The target of Benz's thefts was his parishes' Sunday collections, from which he admitted stealing an average of \$1,000 per week over the course of his 26-year career. In a subsequent meeting with the priests of the Diocese of Pittsburgh, Bishop Donald W. Wuerl of Pittsburgh labeled Benz's thievery "an aberration." Bishop Wuerl went on to point out that the diocese's 218 parishes are audited every three years, and stated the goal is to conduct audits every two years and eventually every year.

Imagine that! The diocese was conducting audits every three years and still didn't discover Benz's 26-year spree. But there's a good reason for that, one that neither Bishop Wuerl nor the U.S. Conference of Catholic Bishops (USCCB) is willing to discuss, let alone address. Benz was stealing the money *before* it was documented or secured in any effective manner. Financial audits, however in-depth, are of limited value in the absence of substantive procedures and detailed documentation which, in a typical Catholic parish, are minimal and essentially ineffective.

Regarding Bishop Wuerl's characterization of the Benz case as an aberration, it is likely he was referring to the exceptionally large amount of money involved, the length of time over which the thefts were committed, and the particularly scandalous nature of Benz's lifestyle - all of which Benz acknowledged as he lay dying in the Vincentian Care Home in McCandless, Penn. The fact is, embezzlements have been a part of the Church's history from Jesus' time. Recall the words of John (12:6) in reference to Judas, who complained that an expensive perfume Mary used to wash Jesus' feet could have been sold and the money given to the poor. John noted, "He said this, not because he cared about the poor, but because he was a thief. He carried the money bag and would help himself from it."

Consider the case of the Rev. David Piroli who, according to a September 8, 1993, article in the *Los Angeles Times*, was arrested in Hollywood in May 1992, after police said they found traces of cocaine and \$10,000 in small bills in his church-owned car. At the time of his arrest, Piroli was an assistant pastor at St. Peter Claver in Simi Valley, where he had been reassigned from Sacred Heart Church in Saticoy. The *Times* story reported that Ventura County officials decided to prosecute after \$50,000 more in allegedly embezzled church funds (some still in collection envelopes) were found by church employees in Piroli's rooms at the St. Peter Claver rectory. A subsequent audit by the Archdiocese of Los Angeles revealed donations at both churches dipped noticeably during Piroli's tenure. Although Piroli was subsequently acquitted at trial, Ventura County Superior Court Judge Allan Steele denied Piroli's request for custody of the monies seized incident to his indictment on one count of grand theft and one count of embezzlement; the judge directed that those monies be turned over to the Archdiocese of Los Angeles.

If the connection between church embezzlements and possible sexual immorality seems tenuous, consider the case of former San Francisco Msgr. Patrick O'Shea, who was named in a 1996 sexual abuse claim brought against the San Francisco Archdiocese which was settled for

\$2.5 million. In June 2000 O'Shea was indicted by a San Francisco County grand jury on 224 counts of child molestation, and served two years in jail before the charges were thrown out due to statute of limitations issues. While sparing readers the sordid details of the alleged molestations, it is relevant to note that, several months prior to his indictment, the San Francisco Archdiocese filed a lawsuit accusing O'Shea of embezzling more than \$250,000 donated by nuns and parishioners during his 16-year tenure as pastor of two San Francisco-area parishes.

Sunday collection embezzlement case histories I have collected over the past 12 years indicate that members of the clergy account for somewhere between one-half and two-thirds of all such cases. I should note, however, that I have access to only a fraction of those cases, i.e., those that received significant publicity in the media; a sizable research staff would be required to keep tabs on every local newspaper. Diocesan files no doubt contain records of many embezzlement cases that were never reported in the media.

Are all priests taking advantage of vulnerable Sunday collection funds? Of course not, but the known instances coupled with the so-called Law of Averages or statistical probability strongly support the belief that an unknown yet significant number are doing just that.

Of course, a substantial number of Sunday collection embezzlers are laymen (employees or volunteers) whose duties give them access to Sunday collection funds that have yet to be documented and deposited. Take, for example, the case of a member of St. Mary Magdalen parish in Oakville, Conn., whom one long-time parishioner described as being "always above reproach." The March 25, 1983, *Boston Globe* reported the arrest of a laywomen whose litany of service for St. Mary Magdalen included Parish Council President, Director of Religious Education, Vice President of the Catholic Women's Club, lector, fundraiser, and "counter and depositor of the Sunday collection."

While this perpetrator bought expensive clothing and traveled extensively, the parish literally reached a point where it could not pay its bills. It was so deeply in debt, the rectory was torn down in an effort to eliminate some expenses. And while she was charged with embezzling only \$47,000 (to which she pleaded no contest), post-embezzlement numbers suggest the actual figure might be much greater. According to the *Boston Globe* article, after the laywoman was removed the pastor reported that Sunday collection receipts jumped from approximately \$4,000 a month, as recorded by the perpetrator, to \$12,000 a month. Add to that the fact that she reportedly admitted skimming from the collections for a period of three years and you're talking real money.

And then there's the case of a man trusted to count daily donations at Cathedral Santuario de Guadalupe in Dallas. He was sentenced to eight years in prison after he admitted pocketing more than \$240,000 from collection plates over a six-year period. Given the job in 1986 by a former pastor at Cathedral Santuario de Guadalupe, he continued to "impress" the next pastor, who made him the church's evening secretary in 1988. The pastor described the individual as being "Extremely nice. Polite. Reserved. Gentle-hearted," and added, "I assumed everything was OK. I was wrong." The scheme was detected in 1991 after another church employee noticed discrepancies between amounts written on donation envelopes and the totals. Based on those observations, the man was told to stay home one day and collections jumped \$5,000. He

subsequently confessed to the pastor in October 1991. After initially returning \$4,300 in cash, he later returned an additional \$158,000 he had hidden away, and gave the church three cars and household furnishings he had bought with the embezzled funds.

So, you might well ask, what's the issue here? At the dawn of the 21st century, in which computers and robotics have made it possible to study the deepest recesses of the universe, we certainly shouldn't have any trouble securing something as uncomplicated as the Sunday collection. And that would be true were it not for the fact that, for a couple of reasons, the hierarchy of the American Catholic Church apparently wants nothing to do with a truly secure Sunday collection system.

You see, we've elaborated upon the matter of outright theft, but there is also the issue of petty cash, which an unknown but significant number of pastors use to supplement their admittedly modest incomes. In many parishes, there is a standing order (unwritten, of course) that a specific amount of cash (up to \$400 or more) be withdrawn from the collection prior to its deposit in the parish bank account. In a genuinely secure system, pre-deposit deductions are strictly prohibited.

While this money is often called "petty cash," neither the manner in which it is obtained nor the uses to which it is put would come anywhere near meeting the accounting profession's definition of petty cash. And while it might not be spent for any immoral purpose, the manner in which it is obtained and expended is, at a minimum, unethical. Can you imagine the rebellion that would ensue if that source of funding were eliminated? Apparently the USCCB can; their longstanding inaction speaks volumes.

For those who might be inclined to dismiss or excuse the above described practice with a wink and a nudge, it might be helpful to consider the case of Rev. Philip Magaldi, former pastor of St. Anthony's Church in North Providence, R.I., who was indicted by a statewide grand jury in November 1990 on charges of stealing (by various means) \$200,000 in parish funds between 1985 and 1988. Magaldi pleaded guilty in 1992 to embezzling \$123,400 from St. Anthony's, resulting in a two-year jail term. In remarks to the media, then Rhode Island Attorney General James E. O'Neil noted that Magaldi obtained a significant portion of the funds by persuading a parishioner involved in the counting process to give him money (about \$400) from each week's collections. According to O'Neil, Magaldi used these and other funds to purchase Massachusetts and Rhode Island lottery tickets and to pay for vacations, including trips to Canada and the Virgin Islands (reportedly accompanied by adolescent boys), and for "other personal expenses."

The same grand jury indicted an employee of Magaldi's parish on a charge of embezzling \$58,000 from the parish. That employee had control during 1987 and 1988 over money bags containing donations collected during Sunday Masses. During that period, bank records showed the church collection was unusually low while the employee deposited unusually large amounts of cash into his personal bank accounts. The employee pleaded no contest to reduced charges as part of a plea bargain that assured his testimony against Magaldi.

In a telling aside (from the standpoint of auditing skills), the Diocese of Providence reportedly conducted an investigation of Magaldi's parish finances in the spring of 1988 after

some “accounting and reporting irregularities” were discovered. Amazingly, the diocese’s “investigation” found no wrongdoing. But someone turned the “evidence” over to the Attorney General’s office, which conducted the in-depth investigation that resulted in the indictment of Magaldi and his employee.

Unfortunately, substandard performance is not limited to the diocesan level. Between 1990 (when the Sunday collection’s extreme vulnerability was first brought to their attention) and today, the USCCB has taken a number of positions, all apparently intended to forestall the need to do the right thing - i.e., to implement genuinely secure Sunday collection procedures *nationwide*. Initially, they feigned interest in the matter, referring it to an in-house group, the Diocesan Fiscal Management Conference. Not only did the DFMC fail to act upon it, but the DFMC didn’t even acknowledge receipt of the file or any of the follow-up communications directed to its chairman.

Some time thereafter, the USCCB took the position that the manner in which Sunday collection funds are handled is solely within the purview of each local bishop, all of whom are then free to declare that their present procedures are adequate, regardless of whether or not any substantive procedures even exist. Finally, in December 1999 an Associate General Secretary played what then USCCB President Joseph A. Fiorenza must have thought was their trump card, declaring that Canon Law prohibits the issuance of Sunday collection guidelines at the Conference level. This claim precipitated a review of Canon Law which disclosed (Book V, Title I, Canon 1265 §2) that Episcopal Conferences such as the USCCB are specifically authorized to “draw up rules regarding collections, which must be observed by all.” **A post-publication note: Canon 455 is, in fact, the section through which conferences may become empowered to enact legislation that will apply conference-wide.**

When that Canon Law citation was incorporated into a letter of rebuttal, it was met with total silence, the USCCB’s favorite method of handling any communication that challenges the veracity of its declarations. That rebuttal notwithstanding, the current President, Bishop Wilton D. Gregory, repeated that erroneous claim two years later. In a letter dated December 10, 2001, Bishop Gregory stated, in pertinent part, “I concur with the expressions of my predecessors and the Conference staff that we are not empowered either canonically or by our Conference statutes and bylaws to address the question of internal controls over offertory collections in such a way as to standardize or require any particular procedures.” Bishop Gregory did not reply to a letter of rebuttal directed to him in January 2002.

From the hierarchy’s perspective, the objective is to keep the laity in its perceived proper place (praying, paying, and obeying) while the hierarchy address (or not) the issue in whatever manner they choose. Can anyone picture The Home Depot or Wal-Mart allowing individual store managers to collect and remit their receipts in whatever manner they prefer? Assuming they did, how long does anyone think their top management would remain in office? The fact that the Church is not a business does not relieve her corporate officers of their obligation to place the good of the Church and her members ahead of all other considerations. Instances of nonfeasance, misfeasance, and malfeasance are (or certainly should be) as unacceptable within the Church as they are within the corporate world.

Regarding the dollar-loss figures mentioned in the various cases cited earlier, it is well to recognize that there is often a significant difference between the amount stolen, as specified in the criminal indictment, and the actual amount of the loss. More often than not, based upon post-theft figures, it is reasonable to conclude the amount actually stolen far exceeds the amount attributed to the thief by the prosecuting authority. This discrepancy is due to the fact that, to obtain convictions or guilty pleas, prosecutors wisely limit charges to amounts they are confident can be proven in court. One need only examine post-theft figures mentioned in the Texas and Connecticut cases to understand that phenomenon.

It thus takes little imagination to recognize that nationwide losses due to *ongoing* Sunday collection thefts must total in the tens of millions *annually*. Add to that the hundreds of millions that have been and are being paid out to the victims of predator-priests (many of whom no doubt financed their evil conduct through Sunday collection thefts) and one can begin to appreciate how immoral, unethical, and irresponsible it is for the hierarchy to knowingly and willfully shun readily available, low-cost security measures which, properly implemented and monitored, would put an end to virtually all such thefts.

In response to a 1993 letter pointing out his Archdiocese's lack of a comprehensive system to deter and/or detect surreptitious theft of Sunday collection funds, Bernard Cardinal Law stated, in pertinent part, "I am quite conscious of fiduciary responsibility, and the fiduciary responsibility of the Church." No doubt he would have responded in much the same vein had someone challenged his handling of predator-priests back then, and we are now all too painfully aware of just how poorly that was handled. To this day, neither the Archdiocese of Boston nor any other diocese or archdiocese I am aware of has implemented *genuinely* secure Sunday collection procedures.

Who can say whether or not a Sunday collection is genuinely secure? Actually, even the most unschooled churchgoer can easily reach one of two conclusions: that the collection system is *definitely not* secure or that it just *might* be secure. All one need do is observe what the ushers do with the contents of their collection baskets. If they empty them into a single container (a closable mail-type sack, for example) which is immediately closed *and* positively locked or sealed (with a numbered, tamperproof plastic seal, for example), one can say the system *might* be secure. If, however, the collection is not secured in a manner *very close* to that just described, it is safe to say the system is *definitely not* secure.

How can we make such a firm determination on that basis alone? It's really quite simple. Before any collection system can be deemed truly secure, the container into which the funds collected for each Mass or service are consolidated must be of a type that can be closed *and* positively secured. Further, the act of securing must be done *immediately* after the funds are consolidated. The device used to secure the container must be of a type that cannot be opened and reclosed without reflecting that act, so that each person in the chain of custody (from the church vestibule to the counting room team) can readily recognize, through simple visual examination, whether anyone (including the pastor) had or could have had direct, unobserved access to the funds.

In addition, detailed *written* operating procedures must be developed for the collection,

consolidation, transport, storage, opening, counting, and banking operations. The counting procedures must provide for the presence of at least three counters *before* any sealed containers are opened, and establish *continuous* observation and control over the funds (especially the currency) by at least two persons, from the moment the storage containers are unsealed and opened until the funds have been counted *independently* by two persons, verified, recorded on a *witnessed* bank deposit slip, *and* locked or sealed in a bank deposit bag.

And, finally, each week's count must be documented via standardized forms. These forms must be designed so that, when completed, they clearly reflect receipt of all sealed containers and whether the required witnessing and verification procedures were followed. The forms must be reviewed and filed each week by someone not otherwise involved in the counting and banking process.

Returning, now, to the question of whether the ushers consolidate the collection funds into a locked/sealed container and why that act is so critical, it is well to take note of standards promulgated by the American Institute of Certified Public Accountants (AICPA), *the* professional association for CPAs throughout the U.S. Back in 1972 the AICPA issued an authoritative guideline entitled *Statement on Auditing Standards: Codification of Auditing Standards and Procedures*. Of particular interest for churches is Section 320.44, which states, in pertinent part: "agreement of a cash count with the recorded balance does not provide evidence that all cash received has been properly recorded. This illustrates an unavoidable distinction between *fiduciary* and *recorded* accountability: *the former arises immediately upon acquisition of an asset; the latter arises only when the initial record of the transaction is prepared*" (emphasis added).

In the case of a church's Sunday collection, fiduciary accountability begins when members of the congregation place their offerings in the collection basket. In a typical parish, however, the number of people (clergy, employees, and volunteers) having lone, unobserved access to the Sunday collection or a portion thereof prior to its tabulation and deposit (recorded accountability) would leave even the greenest of auditors aghast.

For at least the past decade, the USCCB has or should have known of the referenced AICPA section along with other equally applicable standards. The USCCB has steadfastly ignored them, however, as well as repeated calls to bring the Church's revenue protection procedures into the 20th century. As a result of the USCCB's knowing and willful inaction, the Church has entered the 21st century with 19th-century methods still firmly in place! In that regard, the Catholic Church is virtually the only organization in the Free World in which a failing of that magnitude could endure.

Finally and most importantly, it is abundantly clear from the cases cited here that a vulnerable Sunday collection is a great temptation to sin. In light of that, our hierarchy would be well advised to heed the *Catechism*, the one they themselves endorsed: "Anyone who uses the power at his disposal in such a way that it leads others to do wrong becomes guilty of scandal and responsible for the evil that he has directly or indirectly encouraged. 'Temptations to sin are sure to come; but woe to him by whom they come!'" (#2287).

When will our hierarchy act to correct this morally, fiscally, and ethically intolerable situation? Well, if their handling of the predator-priest calamity is representative of their management style, it is likely they will only act after it all comes tumbling out in the mainstream media. Until that happens (or *many* Catholics come forward and *loudly* voice their dismay and displeasure) don't expect to see a change in the status quo. n

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