

METROPOLITAN COUNCIL REPORT

January 2000

The November 1999 meeting of the Metropolitan Council, began with the Metropolitan confirming the existence of a heretofore undisclosed “Metropolitan’s Discretionary Fund” since at least 1992. According to the Metropolitan, this unreported fund currently includes 3 separate bank accounts.

This unreported Fund was discovered by the OCA’s outside auditor, Mr. Rob Taylor, during the 1998 audit. In 1997 Archer Daniels Midland (ADM) made a large public donation to the OCA for the restoration of St. Catherine’s in Moscow. At the same time a second donation of \$250,000 from the ADM Foundation was made to the “secret” account. The two ADM donations were mistakenly joined together by a clerical error, resulting in a “deficit” of \$250,000 in the OCA’s official books. Mr. Taylor immediately informed the OCA Auditing Committee.

Citing privacy concerns on the part of the Fund donors and Fund recipients, the OCA administration would and will not let the OCA auditors, nor Mr. Taylor (the outside auditor) examine the 3 accounts that make up the “Discretionary Fund”. Mr. Taylor and Mr. John Kozey, then chairman of the audit committee, remain unwilling to sign the 1998 audit until all funds given to the Church had been accounted for as required by law and statute.

An administrative stalemate has ensued.

In July 1999, a method of resolving the stalemate was agreed upon, wherein Mr. Russin, legal counsel of the OCA, was instructed to hire a second outside auditing firm, who would perform not an audit, but a “summary review” of the “Discretionary Fund” and certify to Mr. Russin that all income and expenditures met legal requirements.

Three months later, by September 1999 a) no firm had been hired nor review conducted, b) OCA Treasurer Deacon Eric Wheeler was placed on permanent leave of absence pending the elimination of his position, c) and the amounts under question in the fund had risen dramatically. Specifically, by September, publicly available documents confirmed contributions to the Fund by ADM alone totalled not \$250,000, but at least \$1.25 million in 1996 & 1997. More recently, (January 2000) it has been confirmed that for the years 1992, 1994, 1996 & 1997 ADM contributions totalled at least \$2.25 million. No records have yet been made public concerning donations in 1993, 1995, 1998 or 1999.¹

In late September questions arose concerning the existence of other undocumented accounts as well. On September 26, Mr. Kozey wrote the Metropolitan: “As an audit committee we need information reading various accounts. These include, but are not limited to: the audited Metropolitan Discretionary Account, and any other accounts

NOTES

² ADM Donations ‘92-’99

1992 \$250,000
1993 NA
1994 NA
1995 \$250,000
1996 \$500,000 + \$500,000
1997 \$250,000 + \$500,000
1998 NA
1999 NA

To put this amount in perspective, at its height, the yearly ADM contributions to the Fund amounted to more than 50% of the entire OCA budget (1996). To put this in further perspective, I quote my predecessor’s report to this Council from that same year: “Unfortunately, after years of deficit spending the general account and reserves of the Central Administration are totally depleted. They stand at zero. Quoting Fr. Kondratick: “To use the term ‘crisis’ to describe our current financial situation is legitimate.”)
(Steve Brown - 1996)

*that come under the signatory control of the Chancellor and/or Metropolitan such as the St. Sergius Chapel Account. Other serious concerns to us include continually undocumented American Express charges, and also charges to the Petty cash account.”*²

Mr. Kozey subsequently mailed copies of these and other relevant documents to members of the Metropolitan Council to insure these issues would be discussed at the November meeting.

At that meeting, the Metropolitan stated that a firm had indeed been hired by Mr. Russin, although the Metropolitan declined, despite repeated questioning, to identify the firm by name. Archbishop Herman (OCA Acting Treasurer) assured the Council that this independent “summary review” of the “Discretionary Fund” would be completed within 60 days. The Metropolitan pledged that this summary review would become a regular part of the audit process. No mention was made of the other accounts in question, nor was it made clear that these, too, would be submitted to summary review, let alone audit.

As of this date, the results of the review of the “Discretionary Fund”, if any, have not been announced. The 1998 audit has not been signed by Mr. Kozey, who has been removed as chairman of the audit committee, nor has it been signed by Mr. Taylor. The 1999 audit is, of course, also stalled. Additional questions have surfaced concerning the handling of bequests and the actual amounts forwarded to St. Catherine’s.

By Statute, The Metropolitan Council is charged, among other duties, with:

“c. Establishing the budget for operations of the Church and examining all financial reports of the Church...

f. Providing for the maintenance of the central administrative bodies of the Church and for the allocation of the general Church funds...

h. Maintaining an inventory of all the properties of the Church...

j. Deciding on the purchase, sale or mortgaging of the property of the Church...”³

It is now clear that since 1992 the Metropolitan Council does not establish the budget for the operations of the Church, but rather a budget for the public operations of the Church. A second “budget” - one, in the words of the Metropolitan, “is not bound by the limited financial resources of the Church’s operating budget” is operated by the Metropolitan and the Chancellor.

It is now clear that since 1992 the Metropolitan Council has not been given or examined all the financial reports of the Church.

It is now clear that since 1992 the Metropolitan Council does not provide for the allocation of general Church funds - but only those funds it is allowed to know about.

In addition, it is now clear that since 1992 the Metropolitan Council does not have an inventory of all the properties of the Church,

²The St. Sergius Chapel account appeared as a line item in the OCA budget for many years. It did not appear in the most recent budget,

³(Statute of the OCA, pages 10-11)

nor does not it alone decide on the purchase, sale or mortgaging of all the property of the Church.

In 1992, Mr. Russin, as agent of the OCA, purchased a home in Syosset for \$235,000 for the use of Fr. Robert Kondratick. This transaction has never been reported to the Metropolitan Council as a whole nor does this capital expenditure appear as a line item in any budget. It was, however, disclosed to the Administrative Council of the Metropolitan Council last year, but this disclosure has yet to be reported to the Council as a whole as required by Statute.⁴

By Statute, the Auditing Committee is charged, among other things to: "... audit the accounts of the Treasurer and the funds of all-Church related institutions on a quarterly basis and report to the Metropolitan Council ."⁵

It is now clear that every audit since 1992 has been based on incomplete documents and figures known by the Metropolitan and Chancellor to be false and misleading.

It is now clear that the accounts and funds of all church related institutions of the central administration will no longer be audited by the Church. Unlike the accounts of every parish and diocese and institution of the OCA which must be audited, selected accounts of the central church will now be submitted only to a "summary review of accounts". There is a clear difference between a "summary review of accounts" and an "audit".

Moreover, as is now envisioned, the auditing firm selected to perform this summary review will not be engaged by the Metropolitan Council, but by Mr. Russin; nor will it report its findings to the Metropolitan Council, but to Mr. Russin.

Finally, it should be noted that Mr. Kozey, former chairman of the Audit Committee, was not allowed to report to the Metropolitan Council in person, despite repeated requests by Mr. Kozey and members of the Metropolitan Council that he be allowed to do so. This, too, is a direct violation of the letter and the spirit of the Statute.⁶

Other Matters

While concerns over the "Discretionary Fund" took a great deal of time, the Metropolitan focused on the reorganization presently underway in the central administration. As noted earlier the position of Treasurer has been eliminated, and most of that office's technical functions would be "outsourced" in an effort "to be more efficient in terms of costs and utilization of human resources." No other details were given.

Financially, the operating budget of the OCA in 1999 ended in the red, with a deficit of \$182,000. The majority of the deficit stemmed from unexpected cost overruns for the Preparatory Committee for the All American Council (\$50,000) and legal ex-

⁴Statute of the OCA:

Article V:1 -

"The (administrative) committee shall report back to the Metropolitan Council concerning all actions and decisions."

It is relevant to note that serious questions concerning the financial practices and procedures of the OCA had been under raised as early the 1996 audit. Neither the Metropolitan, Chancellor, Treasurer, Auditing Committee or Administrative Council choose to share these concerns with the full Council.

A second concern arises in the case of Fr. Kondratick's home. According to property records no exemptions are recorded for the property and taxes of almost \$6,000 a year are indicated against it.. If taxes are being paid, who is paying them? Since the Church owns the property, why are taxes being paid?

⁵ Statute of the OCA, page 7.

⁶: According to Article V, Section 4 line m: The Metropolitan Council "...may receive reports from any department in areas within the competence of the Metropolitan Council"

penses related to disclosure the of the Discretionary Fund (\$50,000). A significant amount of FOS income was expected in the last quarter which is expected to reduce this deficit to around \$120,000.

Fr. Fester was questioned why the almost \$100,000 raised in Spring 1999 by a special appeal for emergency relief in Kosovo had still not be released to the IOCC by November 1999. Fr. Fester clarified that it was not uncommon for the OCA to hold such mon-ies for a time as needs continued even after the emergency itself was over.⁸

The All American Council, whose books were not yet complete, was expected to break even.

A balanced operating budget of \$2,630,000 was passed for the year 2000.

The Brooklyn Cathedral court case was successfully defended, but the St. Mary of Egypt (Atlanta) court case continues. A favorable outcome is expected.

Other decisions and reports presented to the Council were published in the most recent issue of the TOC. (See attachment).

Submitted:

Mark Stokoe
Lay Delegate
Metropolitan Council

⁸ The money was transferred two weeks later.

Resolution:

“The Diocesan Council of the Diocese of Chicago and the Midwest, meeting together with the Deans of the Midwest parishes, for the purpose of maintaining the good order, financial integrity and continued administrative confidence in the Orthodox Church in America as it embarks on a new program of “more stewardly giving” announced by the recent All American Council in Pittsburgh:

- Calls on the Metropolitan and all members of his staff to voluntarily give up all discretionary accounts aside from those budgeted for that purpose through the OCA’s general operating funds;
- Calls on the Chancery to insure that, as provided by statute, all OCA accounts , including any heretofore unreported or unaudited accounts under the signatory control of any member of the Chancery administration, be fully audited, not just ”summary reviewed” , and that this process begin no later than the next meeting of the Metropolitan Council in April 2000;
- Calls on the Chancery, to undertake as provided by statute, a full inventory and accounting of Church properties and that this report be presented to the Metropolitan Council by its next meeting in April 2000;
- Calls on the Chancery to make fully known, the full plan of reorganization of the chancery operations, including the elimination of the office of Treasurer, to the Metropolitan Council and that such reorganization be allowed to be reviewed by the Council before it is implemented;
- Calls on the Administrative Committee of the Metropolitan Council to insure, as provided by statute, that its meetings and decisions are fully communicated to the entire Metropolitan Council;
- And calls on the Metropolitan Council, “as the permanent executive body of the Church Administration existing for the purpose of implementing the decision of the All American Council and continuing its work between session” to fulfill its statutory duty “to initiate, prosecute and defend all legal matters affecting the interest of the Church”.