

A Call for Accountability

While it would be impossible to put into the space of this post all of the details of the financial corruption perpetrated by Metropolitan Theodosius and Father Kondratick during the years 1988-1999 while I was an employee of the Orthodox Church in America, serving as Secretary to the Metropolitan 1988-1996, Corporate Secretary 1992-1996 and Treasurer 1996-1999, I do know that from my arrival in Syosset in 1988, I was always aware of the funds which existed outside of the normal operating budget of the Orthodox Church in America – funds which existed outside of the financial reports provided the administrative bodies of the church.

My first educated guess as to the source of the off-book funds was the sale of merchandise brought back from Russia. With the frequent travel of OCA delegations to Russia beginning with the celebration of the millennium in 1988, return voyages would yield large caches of liturgical items which in turn would be offered for sale to OCA clergy and parishes. These liturgical items purchased for dollars in Russia were resold by Father Kondratick to our parishes in the USA for hundreds and thousands of dollars. I understood that these “*profits*” were part of the funds used to provide for “*friends in need*”.

The prevailing financial climate at the chancery was always one of concealment. Everything pertaining to money had to be handled in a secretive manner since “*the bishops were not interested in the financial needs of the central church, the Metropolitan Council and church bodies lacked, or rather, could never be given real control over the money and the masses were not spiritually mature enough to handle the truth*”. Funds were needed to safeguard the church from scandal, cover embarrassing credit card debts incurred by the Metropolitan, provide family members who leached off their relatives with a steady stream of assistance, pay blackmail requests and provide the means to entertain with dinners, trips and gifts of cash the visiting foreign dignitaries and “*friends of Syosset*”.

The foundation of these funds during the first part of the 1990’s came from two main sources. One source was the numerous bequests that were: (1) never reported to any church administrative body; (2) not provided to the auditors for review and reporting purposes in the annual financial report; and, (3) deposited into accounts which either the Metropolitan or Chancellor controlled. These bequests were never earmarked by the donors for discretionary purposes, nor was there any discussion by any finance or audit committee as to where these funds should be directed. Father Kondratick would randomly deposit these bequests into either the account he controlled known as the St. Sergius Chapel Account or give them to the Metropolitan for his “*discretionary account*”. As a good estimate, I would state that half of the bequests that came into the chancery during the 1990’s were never placed “*on the books*”.

The second source of the funds needed to support the “*operation*” was the temporarily restricted funds – the Mission, Seminary and Charity Appeals. On a regular basis, petty cash checks were cut from these accounts in the amounts of \$10,000 with the cash being given to Father Kondratick. A review of the financial records of the church during this period will show a deficit in the Charity Appeal Fund of close to \$275,000 dollars; a seminary appeal depleted to a point where no funds could be distributed to any of the three seminaries during one of the years; and, prior to the establishment of the Church Planting Grants, a Mission Fund used not just for funding mission parishes.

During this same period of time, funds were given by the US Department of Chaplains for bibles for Russia in the amount of approximately \$67,000 and the bibles were never purchased and sent. A wealthy donor, interested in assisting the Church of Russia, gave two installments of \$50,000 for Russian assistance -- the first installment was actually used to lift the Charity Fund out of its deficit and never used for Russia support. The second installment was never placed on the books of the church but deposited into the Metropolitan’s discretionary account. Another donor, the Archer Daniels Midland Foundation (*before hitting the big time with support for the representation church*) donated \$25,000 for general purposes which was placed into the Seminary Fund in order to replenish the funds depleted through the petty cash deployment system.

In addition, during this same period of time, the infamous External Affairs line item in the budget was tapped for regular payments to cover Father Kondratick’s personal Platinum AMEX card in the amounts of approximately \$5,000 to \$12,000 per month with little more than comments scratched on the cover sheet of the statements such as “*Help for Russia, Armenian Earthquake Relief, Assistance for Czechoslovakian Seminary Students, etc*”.

During the years 1990-1995, Father Paul Kucynda served as the Treasurer of the church. Unfortunately, being present at the chancery for approximately two days per week did not give Father Kucynda the opportunity to monitor the finances of the Church on a regular basis. The weekly tirades and outbursts when he would discover American Express bills being paid with little or no back-up and petty cash checks signed and cashed (*in the amounts listed above*) without his knowledge and approval fed a great deal of internal tension. Adding to this the looming deficits in the appeal funds and the operating budget, Father Kucynda searched for some way to control the finances. Unfortunately, he lacked a solid foundation in accounting practice and had limited computer skills in the area of financial software programs.

Father Kucynda’s proposed resolution to the financial mismanagement that was taking place was to outsource the finances and computer operations. The popular “*Syosset man of the day*” was Michael T. McKibben of Planning Works Inc from Columbus, Ohio. Michael had extensive computer and financial skills, was loyal to Father Kucynda and was able and willing to be the recipient of the financial outsourcing. Probably my

deepest frustration was knowing that Father Kucynda and I wanted to accomplish the same financial and administrative goals, but the pact between Father Kondratick and myself to maintain secrecy “*to protect the church from scandal*” necessitated that control of the finances remained “*in-house*”.

No one understood the need to keep the finances “*in-house*” more than Father Kondratick and the Metropolitan. The first installment of \$250,000 from the grant from the Archer, Daniels Midland Foundation arrived in June of 1995, and Father Kucynda, with the help of Michael McKibben, was posing to create a segregated account to handle the St. Catherine Embassy Church and Andreas Conference and Communication Center Project. The Metropolitan in turn did not propose the re-appointment of the positions of Secretary (*me*) and Treasurer (*Father Kucynda*) after the 1995 All American Council. The solution derived from Father Kondratick and Metropolitan Theodosius was to have Father Kucynda and I switch positions – I would serve as the Treasurer, and Father Kucynda would serve as the Secretary.

Before agreeing to accept the position of Treasurer, I had Father Kondratick affirm and re-affirm and re-affirm that the current financial practices would stop and that general accounting principles would be followed. Father Kondratick sat in my living room where my wife prophetically informed him that “*Eric and you will not be on speaking terms within 24 months if he is appointed Treasurer*” – it actually took 22 months. The gold mine that was the Andreas Foundation and the Archer Daniels Midland Foundation (*money came from two sources and not one*) was just getting ready to be excavated. And I was responsible to the Church for its financial integrity.

A written grant requesting funds to support the “**Strategic Plan for the (Russian) Orthodox Church in America regarding St. Catherine’s Embassy Church Moscow, Russia**” was submitted to Dwayne Andreas with an initial request of \$1,500,000 – **there was never any mention in the written grant of funding discretionary needs**. The grant was approved by Mr. Andreas and the first \$250,000 arrived in June 1995. By September 1997, \$1,000,000 was received “*on the books*” of the Orthodox Church in America in support of the project and an unknown amount “*off-books*”.

Contrary to any claims made by the Metropolitan and Father Kondratick after 1999 stating that the funds received from the Archer-Daniels Midland Foundation and the Andreas Foundation were for the Metropolitan’s Discretionary account, the original intention, as stipulated in the grant and subsequent requests for funding, was to use the money for the restoration of St. Catherine’s Embassy Church and attached facilities, and the creation of the Andreas Conference and Communications Center (*to be located on the grounds of St. Catherine’s Church*). The response from Dwayne Andreas in 1999 stated that the funds were to be distributed at the personal discretion of the Metropolitan for projects requiring financial attention that the Metropolitan had made him aware of (*there was never any mention of funding a discretionary account*).

Reports were prepared by me for Father Kondratick's signature and submission to Dwayne Andreas, twice a year, for the years 1996-1997 describing the progress of the project, accounting for the funds received and requesting additional funding for ongoing expenses. The reports were quite detailed on paper, but in reality, a good part of the expenses were backed up by the same system of petty cash disbursements, and credit card statement vouchers mentioned above. Actual costs in Moscow for renovations, repairs and church appointments were either cheap, acquired through the barter system or provided through the regular income coming from the parishioners of St. Catherine's Church and rental use of property. The greatest fear was that Mr. Andreas would want to view the conference center and a plan was put into place to present the offices of the law firm renting property within St. Catherine's complex as the Andreas Conference Center – the only thing to be changed was the signs on the outside of the building.

In October 1997 I discovered for the first time that a \$250,000 check from one of the above mentioned foundations was not deposited into the audited bank accounts of the Orthodox Church in America. I consequently refused to prepare any further financial reports on the St. Catherine's Project for Mr. Andreas and prepared a confidential memo for Metropolitan Theodosius, Father Kondratick and Father Strikis – a memo which in hind-site cemented my removal. The memo detailed the consequences of not recording the grant money into the audited accounts of the church, and concluded with the following:

While I overlook a great amount of indiscretion with regard to the accountability of the finances of the Church, I cannot and will not tolerate a blatant disregard for our system of checks and balances. Further, while I recognize that Protopresbyter Robert S. Kondratick is my direct superior, I, as the Treasurer, am still responsible, before the All-American Council, the Holy Synod of Bishops, the Metropolitan Council and the faithful of the Church for reporting on the financial integrity of the Orthodox Church in America. Your action compromises my ability to truthfully report on the financial integrity of the Church.

The tension only continued to grow over the coming year as no improvement was shown in the area of financial transparency. Each requisition for a petty cash check and each American Express statement without adequate back-up turned into a shouting match and door slamming event with Father Kondratick. I further refused to sign off on the financial reports of the Orthodox Church in America for the years 1997 and 1998 and while the audits still took place, only draft reports were submitted to the administrative bodies of the church. I was further forbidden to include in my reports to the Holy Synod and Metropolitan Council any mention of the managerial comments made by the auditors during this period of time. And, I was still driven by the idea that I could solve this problem without taking it “*outside of the family*”.

As the All-American Council neared in 1999 I felt it essential to present an audited financial report for the years 1996-1998. Not to mention the fact that the plenary session devoted to finances was to be four hours in total presentation with 45 minutes of open questions for the Treasurer.

In December 1998 I asked to see the Metropolitan – the first time in 10 years that I actually took an issue impacting the internal administration of the chancery to him. I remember stating that the problem was now one that affected my spiritual life and that I was coming to him not only as my “boss” but as my bishop. He listened, said he would speak with Father Kondratick, and I waited. I spoke to him again in February 1999 and again I waited – and actually waited while absolutely nothing changed.

On June 20, 1999 I finally broke down and explained the entire financial mess to Rob Taylor, a partner of the CPA Firm responsible for auditing the accounts of the Church. Within days, a meeting was convened with Jonathan Russin, the legal counsel for the Church, the Audit Committee and the Officers of the Church. It is ironic that after working for the church for over 20 years, surrounded by priests and bishops, the first real confession of “*everything*” that transpired over my ten years at the chancery is given to a lawyer – Mr. Russin and I actually joked about this in my meeting with him. In subsequent meetings, Mr. Russin worked out a strategy in agreement with Mr. Taylor and the Audit Committee to address the issues of what now had become the Metropolitan’s “*Discretionary Account*”.

It is telling that within a week of this meeting, Metropolitan Theodosius retained the services of a private lawyer, Michael Kennedy, and Father Kondratick retained the services of David Chesnoff, a lawyer from Las Vegas provided through the connections of Richard Rock and William Tarbey of Martinez and Murphy fame (*a google on David Chesnoff is really fun reading*). The resolution signed by the Holy Synod during the All American Council in 1999 calling for the Metropolitan to deny any type of audit of the “*Discretionary Account*” was actually prepared by legal counsel for the Metropolitan.

It should also be noted that during this meeting of the Holy Synod during the All American Council, Metropolitan Theodosius falsely accused me of wanting control over the “*so-called*” private accounts, and the only reason he did not remove me from my position much earlier was because of his compassion for me and my family. For the record, I never, never wanted to see any individual records of the accounts – what I did want was an accounting and audit of the funds by an independent auditor, showing total funds received, total funds expended and balance of account. An independent audit would also make sure that accounting procedures were followed, that no one was utilizing church funds for personal use and the audit would provide the Boards (*Holy Synod/Metropolitan Council*) with management recommendations.

This entire scandal would not be resolved, at least from the standpoint of Metropolitan Theodosius and Father Kondratick, until the Spring of 2000 with the Metropolitan's Report to the Holy Synod. Richard Rock, formerly of Martinez & Murphy, would run the "cover-up" and worked with Father Kondratick to construct an entire paper trail for the "so-called" discretionary account from 1996 to 1999. The discretionary account would end up footing the bill for the personal attorneys for the Metropolitan and the Chancellor and the accounting fees for Heinz and Associates for their review (*not an audit of financial statements*) of the paperwork created "after the fact" by Richard Rock. Since the first concern of the legal counsel for the Orthodox Church in America is the protection of the Church, and not its individual parties, Jonathan Russin was not invited to be involved in the final resolution. And while the focus is on the discretionary account of the Metropolitan, no mention at all is made of a review of the St. Sergius Chapel Account maintained at the Roslyn Savings Bank and controlled by Father Kondratick, where probably half of the "off books" Andreas money was deposited. To this day there is no official record of the total amounts received from the Andreas Foundation and the Archer, Daniels, Midland Foundation estimated to be anywhere between three and five million dollars. The last unqualified audit of the books of the Orthodox Church in America was for the period ending December 31, 1996, and the Metropolitan informed the Holy Synod of Bishops at the 2000 Spring Session that an external audit is not a canonical requirement and is an expensive and unnecessary exercise which causes internal turmoil rather than good order.

My final observations are that too few people had and continue to have too much control over too much money with no overseeing body to affect reform. During my years at the central church, I experienced a total abuse of power with no concern for accounting practice nor aspiration for accountability both internal and external. It is interesting that even though the Sarbanes-Oxley Act applies primarily to public companies, the majority of non-profits today are voluntarily complying with its directives. They are doing so because it provides an instrument to convey financial transparency to its supporters on an annual basis. An audit, conducted by an independent firm, places individual liability on those responsible for being stewards of the church funds. It provides audit observations and recommendations to avoid possible conflict of interest and fraud. An independent audit creates an atmosphere of accountability and trust for those who financially support the organization's mission.

The administrative bodies of the church must make themselves aware of the types of audits made available to companies and non profit corporations. The requirements and objectives of the different types of financial statements are detailed below.

Audit Financial Statements - Audit financial statements are the highest level of financial reporting available. This service is provided by CPAs and is used when owners desire a higher level of assurance in their financial statements. This includes testing transactions, invoices, confirmations to third parties and other

procedures. This service is used for year end reporting, to comply with loan covenants, bonding requirements, to obtain a contractor's license and other reporting requirements. These financial statements require full financial statement presentation and footnote disclosures.

Review Financial Statements - Review financial statements do not involve the testing like the audited financial statements. The focus in a review is analytical procedures, trends and analysis and other procedures. These financial statements require full financial statement presentation and footnote disclosures.

Compiled Financial Statements - Compiled financial statements reflect the representations of management that are. These financial statements can include full financial statement presentation with footnotes, or include only the compilation report, balance sheet and income statement without footnote disclosure.

Management Reporting Financial Statements- Management reporting financial statements are presented for management use only and are not for disclosure to the public or third parties. The financial statement presentation in these reports reflects the reporting requests of the owners and managers of the company. These reports are often used for interim financial reporting since they are typically used internally.

The current size of the budget of the Orthodox Church in America demands an Audit of the Financial Statements – not a review, not a complied statement and not a managerial report, but a real audit conducted by a real accounting firm preferably not associated with the firm of Dewey, Cheetum & Howe. An in depth audit includes a managerial report that would be presented to the Holy Synod and Metropolitan Council, who has the fiduciary responsibility for the finances of the church. The managerial report will recommend systems of checks and balances to lessen the possibility of fraud and enhance the organizations accountability among its constituents. It would be hoped that the administration would begin to put into place the audit recommendations and would report back to the Metropolitan Council and Holy Synod on its progress. It would begin building a level of financial trust and integrity between the various church administrative bodies. Integrity, disclosure, accountability, procedures, transparency are by-products of working with independent auditors. As this culture of accountability begins to resonate throughout the central church administration so too would other bodies be affected -- dioceses, institutions and parishes. And, so too would all other aspects of church administration be affected.

I conclude as I concluded my Report of the Treasurer to the All American Council in 1999:

For a brief time in history, those of us placed in positions of administrative leadership are given the awesome responsibility of being wise stewards of the material resources of the Church. We will be held accountable before God for this. But we are also accountable to you, the clergy and faithful who provide us with the prayerful support and material resources to carry out the work of the Church. I hope our work is found well pleasing to God and to each and every one of you.

I hope by conveying my side of the story, and by attempting to explain the financial abuse that has taken place over the years, we can affect a change in the approach to financial stewardship and accountability in the Orthodox Church in America. I have always stated that when the administration works well, it is invisible. I give the example of walking into a clean church on Sunday mornings -- no one really stops to say "*my, this is a clean church*" -- they just set about beginning to pray. Now, if the church is cluttered and messy -- everyone has something to say, and even when the service begins, everyone is still fussing about the messy church. Given our current approach to finances, it is no wonder that we just can't seem to settle down and pray in The Orthodox Church in America.

Protodeacon Eric A. Wheeler

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