

May 5, 2000

TO: Archpriest Paul Suda, Chairman, Auditing Committee
Mr. Frank Tkacz, Member, Auditing Committee

CC: Archbishop Herman, Acting Treasurer
Fr. Stavros Strikis, Comptroller
Members of the Metropolitan Council

FROM: John Kozey, Member, Auditing Committee

RE: Response to the Request to Submit Written Comments Concerning the 1997
& 1998 Audits

Having been requested by the Metropolitan Council "to submit my comments concerning the 1997 and 1998 audits in writing as part of the audit process" (per the Minutes of the 2000 Spring Session of the Metropolitan Council), I would like to express the following thoughts. Specifically, I have a deep concern about the integrity of both the audit and also the audit process itself.

I believe that it is the role of the Auditing Committee to affirm the highest standards of integrity for the Church. The 1997 and 1998 audits were greatly reduced in scope from what we as an Auditing Committee had expected to review. Specifically, for the first time in the history of the Orthodox Church in America (OCA), the Central Church Administration identified the accounts of the Treasurer *apart* from the finances of the OCA. By limiting the scope of the audits, the 1997 and 1998 financials that were released may be technically correct by the lesser amount of information made available, but it is the *reduction itself* that is most distressing. Let it be clear that the total lack of accounting for publicly acknowledged donations to the OCA by the Andreas Foundation and the Archer Daniels Midland Foundation, totaling millions of dollars in past years, leaves a highly negative impression of the OCA's financial dealings.

The Statute of the Orthodox Church in America in Article III Section 15 defines the duties and role of the Auditing Committee as follows:

An auditing committee (consisting of three members of the All-American Council) shall be elected at the All-American Council. Its duties shall be to audit the accounts of the Treasurer and the funds of all Church-related institutions on a quarterly basis and to report to the Metropolitan Council. Members of the auditing committee attend sessions of the Metropolitan Council only to make their reports. Vacancies in the auditing committee are filled by the Metropolitan.

Unfortunately, since June 1999, the Statute has not been followed. Specifically,

- The OCA's website shows in the November 18, 1999 "Statement of the Metropolitan Council of the Orthodox Church in America" that an action plan existed to handle the Metropolitan's Discretionary Fund.

- The Metropolitan Council Statement reports that “The action plan utilizing an independent CPA firm to perform a summary review to **determine whether all disbursements from the account have been made for the purposes consistent with state and federal law** (emphasis mine).” This has not been done, nor does there appear to be any plan of honoring this.
- Furthermore, “The Primate pledged that the summary review of the discretionary fund would be a regular part of the audit process.”
- While the Statute makes clear that all the accounts of the Treasurer and funds of all Church related institutions (including the offices of the Metropolitan and the Chancellor) should be audited, this has not taken place. In a totally unprecedented move, monies have been deposited directly in the Metropolitan’s Discretionary Account, thereby **bypassing the audited accounts for the OCA.**
- My request as chairman of the Auditing Committee that the Auditing Committee be able to present our report to the November 19, 1999 meeting of the Metropolitan Council, as per Statute, was ignored by the Metropolitan, Chancellor, and the Administrative Committee of the Metropolitan Council.

This denial is significant because:

- a) The Metropolitan repeatedly told our Auditing Committee and our outside auditing firm, recorded in the Statement of November 18, 1999, that all documentation regarding the Metropolitan’s Discretionary Account would be provided for review. Of particular interest to me as an auditor was a statement from a CPA firm that all disbursements made were consistent with state and federal law, as above. **We have no record of any accounting firm asserting the legality of these disbursements, nor even the fact that the account is in conformity with generally accepted accounting principles.**
- b) The OCA’s General Counsel, Mr. Russin, described the procedures that the Administration would follow (without Auditing Committee participation, in spite of repeated requests for us to participate) in order to achieve a level of compliance and closure regarding the Metropolitan’s Discretionary Account. This plan was not followed.

Since the Auditing Committee was not allowed to report, the Metropolitan Council was denied the opportunity to review these facts and their implications. This violation of the Statute has continued. All members of the Auditing Committee were not allowed to address the most recent meeting of the Metropolitan Council, held April 18, 2000.

In addition to these violations of the Statute, I have additional serious concerns. At the Fall 1999 meeting of the Metropolitan Council, the Metropolitan informed the Council that an accounting firm had been selected to provide a “summary review” of the Metropolitan’s Discretionary Account. **A “summary review” is not an audit, nor is it a substitute for an audit, nor even part of standard accounting procedure.** Members of the Metropolitan Council would serve themselves well to see the contents of the letter

produced by the accounting firm, selected outside of the Auditing Committee and the OCA's General Counsel. **Again, no one in the Church seems to be able to produce to the Auditing Committee, a letter from an accredited CPA firm that affirms the legality of the account, or the fact that the account is in compliance with generally accepted accounting principles.**

Therefore, I am requesting that a meeting of the Auditing Committee prior to the planned 1999 Audit, to be held later this year, be held to address the shortcomings and contradictions of the present Central Church Administration. Six areas of concern need to be addressed.

First, that the Church produce a letter from an accredited CPA firm which validates the legality on a state and federal level, the activity of the Metropolitan's Discretionary Account, and that it furthermore follows a process which is in accordance with generally accepted accounting principles.

Second, that it is the sole decision of the Auditing Committee as authorized by the All American Council to determine the scope of what an audit should encompass. This is particularly true of when, until several months ago, the accounts of the Treasurer and those of the OCA were one and the same.

Third, that the Auditing Committee must determine how we fulfill our obligations to the All American Council as defined by Statute. As the All American Council is by Statute "the highest legislative and administrative authority with the Church," and that as audits do not involve: doctrine, canonical order, morals, or liturgical practice, then resolutions by other governing bodies should hold no authority over Auditing Committee decisions. Specifically, this refers to the decision by the Synod of Bishops after the first attempt to audit the 1998 finances, that the Metropolitan's Discretionary Account not be audited.

Fourth, the Auditing Committee should return to the process of better planning our future audits. We must insure that all three members of the Auditing Committee are given reasonable advance notice to appear and execute their duties. Committee members must be given a reasonable time period between the date on which the preliminary financial statements are sent, and the date of the Auditing Committee meeting. (This was not the case in April, 2000, when the date for the meeting was changed with less than a week's notice. As a result, I was unable to attend that meeting. In addition, the financial materials for this meeting did not arrive until the day before the meeting was to be held).

Fifth, the Auditing Committee must determine how to better inform all the members of the OCA when a violation of the Statute exists. It is the role of the Auditing Committee to affirm the true state of funding for the Church, especially when both the Holy Synod of Bishops and Metropolitan Council are being kept in the dark. **A church with a national operating budget of around \$2 million should not have an extra \$1 million in funding per year unaccounted for. These were funds written out to the Orthodox Church in America.**

Sixth, I am saddened but not surprised by the decision of the Primate in his Address to the Metropolitan Council meeting Spring 2000, which contains the following. "I have also decided that, beginning with the 1999 financial records of the Church, the annual audit will be conducted by the Audit Committee elected by the All-American Council, as stipulated in the Statute. I have directed the chairman of the Audit Committee that, should he need additional professional accounting advice beyond that of the CPA engaged by the Church, he may do so." There is no knowledge of who this CPA firm is, nor the extent of their duties. In addition, Fr. Suda as chairman has not been in touch with me as an Auditing Committee member regarding this monumental change in procedure. This places a tremendous personal financial risk and burden on we Auditing Committee members as non-professional auditors.

I would like to close this communication with a quote from His Beatitude's April 20th address, the words of which apply equally to my thought process as **an auditor responsible to our highest governing body, the All-American Council**. "It is with a profound sense of responsibility and with the awareness that Church assets and funds are given to the Church to enable it to fulfill its holy mission and ministry that I approach the role of my stewardship. I take this role seriously and use prudence in carrying out these purposes. I am not so naïve as to believe that everyone will always agree or be satisfied with my decisions... ."

All of information above can be verified.

I invite any Hierarch, priest or lay member of the OCA to contact me for more information at my home address of _____ ' 11791.