

Orthodox Church in America

September 3, 2008

Preliminary Report
of the
Special Investigating Committee
as Appointed by
His Beatitude Metropolitan HERMAN

Committee Members

His Grace Bishop BENJAMIN, Chair
Archpriest John Tkachuk
Archpriest Philip Reese
Dr. Faith Skordinski
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This is a preliminary report because footnotes are not included. That work is in progress.

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Preface

“Watch, therefore, for you do not know on what day your Lord is coming. But know this, that if the householder had known in what part of the night the thief was coming, he would have watched and would not have let his house be broken into. Therefore, you also must be ready for the Son of man is coming at an hour you do not expect.”¹



FROM THE ORDER OF ELECTING AND CONSECRATING A BISHOP²

“I promise also to preserve the peace of the Church...”

“And I promise to rule the flock committed unto me in the fear of God and in devoutness of life...”

“And all those things, my bounden duty, which I have this day promised in word, I also promise to perform in deed unto my uttermost breath, for the sake of the covenanted good things to come. And may God, who seeth my heart, be the witness to my vow.”

¹ Matthew 24: 42-44

² Hapgood, Isabel Florence. *Service Book of the Orthodox-Catholic Apostolic Church*, 6th Ed. New Jersey: Antiochian Orthodox Christian Archdiocese of North America, 1983

I. EXECUTIVE SUMMARY

A. Introduction

The Special Investigating Committee (“SIC”) established by a joint resolution of the Holy Synod (“HS”) and the Metropolitan Council (“MC”) in October 2007 concluded its sevenfold charge concerning the financial affairs of the Orthodox Church in America (“OCA”). The SIC’s work resulted in specific conclusions concerning the financial affairs of the OCA, specific recommendations to correct the mistakes, and specific recommendations to help protect financial affairs of the OCA from wrongdoing.

The body of the report provides the detail that lead to the SIC’s conclusions regarding Metropolitans Theodosius (“+MT”) and Herman (“+MH”), the HS, the MC, the OCA Treasurers, the OCA Comptroller, and the former OCA Chancellor Robert Kondratick (Kondratick). In addition, this report contains specific recommendations concerning actions that should be taken by the HS as “*the supreme canonical authority in the Church*”³ and the MC as “*the permanent executive body of the Church Administration.*”⁴

The SIC’s work is based upon 44 interviews, more than 10,000 pages of documents, and more than 4,000 hours of collective work. Additionally, the SIC acknowledges the groundbreaking work of the former Special Commission (SC). The SC’s work provided the SIC a foundation from which to begin and this in turn assisted the SIC in completing its work in a timely manner. The SIC’s executive summary of conclusions and recommendations concerning the financial affairs of the OCA from 1988 to 2008 follow:

1. Metropolitan Theodosius (Lazor)

- (a) failed to exercise his moral, financial, and fiduciary responsibilities
- (b) abdicated his management responsibilities, thus allowing Kondratick to assume control;
- (c) created and used “discretionary accounts” from external funds donated for other purposes and failed to provide documentation;
- (d) withheld the magnitude of the “discretionary accounts” from the HS;
- (e) actively prevented the auditing of the “discretionary accounts;”
- (f) permitted and participated in the extra-statutory use of the Administrative Committee;
- (g) allowed Kondratick to live rent-free in a house owned by the OCA while approving paying him an annual housing allowance; and
- (h) entered into an unauthorized agreement reimbursing the Kondraticks for \$250,000 for alleged expenses plus interest they incurred on the OCA-owned Chancellor's residence.

³ *The Statute of the Orthodox Church in America*, Article II, Section 1

⁴ *The Statute of the Orthodox Church in America*, Article V, Section 1

2. Metropolitan Herman (Swaiko)

- (a) failed to exercise his moral, financial, and fiduciary responsibilities as Acting Treasurer and Metropolitan by not taking action in response to evidence provided to him of financial improprieties at the Chancery and by the Chancellor as early as September 1999;
- (b) appointed Kondratick as Chancellor in 2002 and again in 2005 with no investigation of allegations made against him for wrongdoing;
- (c) attempted, with initial success, to suppress any investigation into these reported improprieties;
- (d) actively silenced priests and condemned laity seeking to learn the truth of these allegations;
- (e) specifically denied allegations which he knew to be true; and
- (f) blocked the release of the SC report, supposedly on the advice of legal counsel.

3. The HS

- (a) acceded to +MT's position that the "discretionary accounts" did not need to be audited, without apparent inquiry into the size, nature, and sources of those accounts;
- (b) failed to demand of the former Chancellor timely, full, and accurate financial reports and audits, and accepted compilation reports in their stead;
- (c) failed in their fiduciary responsibilities to demand an investigation into reports of financial and other improprieties at the Chancery of which they were made aware;
- (d) failed to hold each other mutually accountable on issues pertaining to the entire Church; and
- (e) shortly before the release of this report, "*affirmed their confidence in the leadership of +MH*" and thanked him for his "*perseverance,*" thereby giving the impression to some of pre-judging their response to this report.

4. The MC

- (a) failed in its fiduciary responsibilities to demand timely, full, and accurate financial reports and audits, and accepted compilation reports instead;
- (b) permitted the exclusion of John Kozey ("Kozey"), Chair of the OCA Audit Committee, from reporting his concerns about financial improprieties to the MC;
- (c) allowed critical responsibilities to be usurped by the Administrative Committee, and failed to require regular reports on Administrative Committee decisions; and
- (d) allowed certain MC members to enforce and encourage a culture of silence and loyalty to the former Chancellor by failing to investigate the emerging grievances raised by some MC members and others.

5. The Treasurers

- (a) In the years between Lee Galiotis ("Galiotis") and Father Michael Tassos ("Tassos"), 1989 through 2007, all Treasurers were clergy who lacked requisite financial education and experience, and were all part-time, with the exception of Protodeacon Eric A. Wheeler ("Wheeler");
- (b) none instituted written policies, procedures, processes, and practices; and

(c) after 1989 until Father Tassos took office, Treasurers followed the unwise policy of pre-signing up to 50 checks at a time, which facilitated financial abuse.

6. The Comptroller

(a) Fr. Steven Strikis (“Strikis”) lacked the competencies required of a professional Comptroller. The SIC received testimony that he took pride in his idiosyncratic accounting system which stymied others who relied upon his performance. While Strikis tried, from time to time, to obtain documentation of expenses from Kondratick, he met with overall failure during his tenure as Comptroller.

(b) Kondratick typically failed to provide Strikis with receipts of his spending. He sometimes presented his personal expenses, passing them off as “charity” or “external affairs.” Strikis failed to report Kondratick’s fiscal wrongdoings and questionable, improper monetary disbursements.

7. The Former Chancellor Robert Kondratick

- (a) misused hundreds of thousands of dollars from OCA accounts;
- (b) created unauthorized and unaudited “discretionary accounts,” funds from which are either undocumented or untraceable and apparently were used for the payment of personal expenses;
- (c) submitted and received reimbursement for unauthorized personal and family expenses from the OCA;
- (d) lived rent-free in a home owned by the OCA while receiving a housing allowance;
- (e) willfully ignored OCA procedures by seeking and receiving reimbursement for undocumented credit card expenses;
- (f) created a culture of deception, deceit, and covertness, which permeated the Chancery;
- (g) used OCA resources to develop personal loyalty, dependence, and silence on the part of the hierarchy, clergy, and laity through gifts, which included cash, jewelry, meals, travel, lodging, and incidentals;
- (h) authorized numerous undocumented cash withdrawals just under the \$10,000 United States Treasury reporting limit; and
- (i) imported religious and other articles for resale without proper documentation and accounting.

B. Recommendations

The SIC’s recommendations resulting from the conclusions reached about the financial affairs of the OCA are categorized as immediate and long-term. The immediate recommendations are made to begin the process of holding accountable those responsible for wrongdoing. The responsible individuals **must be held accountable**. The long-term recommendations are to help protect the financial affairs of the OCA.

Immediate Recommendations

1. The retirement, resignation, or removal of +MH and his referral to the HS for discipline prior to the 15th All-American Council (AAC).
2. The referral of +MT to the HS for discipline prior to the 15th AAC.
3. The referral of the former part-time Treasurers Father Paul Kucynda (“Kucynda”), and Father Dimitri Oselinsky (“Oselinsky”) and the former Comptroller Strikis to the HS for discipline prior to the 15th AAC. Given his role in bringing the financial improprieties to the attention of the Church and his dedication in bringing them to an end, the SIC makes no recommendation regarding Wheeler.
4. A joint HS and MC resolution of apology and repentance to the Church prior to the 15th AAC and a joint resolution of apology to and commendation for John Kozey acknowledging his vigilance and dedication to his fiduciary responsibilities in light of the opposition he encountered.
5. A joint HS and MC resolution of commitment to implement the SIC’s recommendations prior to the 15th AAC.
6. To seek the recovery of funds from +MT and Kondratick immediately after receiving this report during the HS and MC joint session, September 3-5, 2008.
7. The OCA Legal Committee and legal counsel to review this report for possible referral to the Nassau County District Attorney and other appropriate authorities no later than September 30, 2008, and report back to the HS and MC on that date.
8. The publication of the unabridged 13-page SC report on the OCA’s website no later than September 5, 2008.
9. A report by the OCA’s external auditors to the HS and the MC regarding the adequacy of the newly established internal financial controls and the release of the same on the OCA’s website at the 15th AAC.
10. The establishment by the HS and MC of a committee to oversee and report on the progress of the SIC’s recommendations. This committee shall consist of one hierarch chosen by the HS, the three OCA corporate officers, and three MC members selected by the MC during their meeting of September 3-5, 2008.
11. The designation of the MC’s Ethics Committee as the OCA’s ombudsman, a place for whistle-blowers and others to bring concerns without fear of retribution, beginning at the joint session, September 3-5, 2008.
12. The establishment of a presentation by the OCA’s legal counsel to the HS and MC concerning their fiduciary and other legal responsibilities as members of their respective bodies during the 15th AAC and annually thereafter.

13. The MC's selection of a committee during its September 3-5, 2008 meeting to develop a comprehensive crisis management plan, developing and adopting a policy of immediate action within the Church, and a commitment to provide effective communications with members of the Church, while problems, issues, and crises are being addressed. The committee will present a progress report to the HS and MC no later than the Spring 2009 HS and MC sessions.

Long-Term Recommendations

1. Beginning with calendar year 2008, annual external audits of all OCA bodies and institutions (including Stavropegial institutions) are to be mandated. Additionally, the financial records of the former Diocese of New York/New Jersey shall be audited. The results of these audits will be presented to the HS and MC and published on the OCA's website within 30 days of their presentation.

2. The establishment of qualifications for election as a member of the OCA's Audit Committee during the 15th AAC.

3. The OCA's Annual Audit Committee reports shall be presented to the HS and MC and published on the OCA's website within 30 days of their presentation.

4. The publication of the OCA's annual budget and monthly financial reports on the OCA's website, beginning October 1, 2008.

5. Implement changes to ensure the OCA's website is current with the goal of its becoming a reliable source of Church information, and one to which answers readers' questions submitted to the OCA, beginning no later than January 1, 2009.

6. The establishment at the 15th AAC of a long-term strategic planning committee to review: (a) the relationship of the dioceses to the Central Church; (b) the appropriate division of responsibilities and funding between the dioceses and the Central Church; (c) the separate and joint roles and responsibilities of the HS and MC in the governance of the Church; (d) the role, functions, structure, and funding of the Central Church Administration and its geographic location; and (e) the development, documentation, and implementation of sound business policies, procedures, processes, and practices. The committee will conduct a comprehensive review of *The Statute of the Orthodox Church in America* and all HS, MC, and Chancery policies to ensure accountability, openness, and communication to the Church-at-large. The committee will report to the HS and MC during their Spring and Fall sessions, beginning no later than the Spring 2009 sessions, and semi-annually thereafter.

II. BACKGROUND

A. Introduction

The SIC was established by a joint resolution of the HS and the MC at their October 2007 joint meeting. The SIC succeeded a prior SC. The investigatory charge to the SIC was sevenfold:

1. Determine what tasks need to be concluded in order to determine what happened in the financial affairs from 1998 to 2007, what were the root causes that allowed inappropriate financial transactions, and what corrective actions are necessary to prevent recurrence of such inappropriate financial transactions;
2. Conduct all necessary interviews of persons that in the committee's judgment may have information germane to the matters in issue, considering no witnesses off limits;
3. Make written recommendations to the MC and HS regarding implementation of the corrective actions necessary to prevent recurrence of inappropriate transactions;
4. Recommend such other actions as the committee may feel appropriate;
5. Provide quarterly reports to the MC and the HS regarding the progress of the committee;
6. Make decisions within the committee by majority vote of the committee, with the Chair voting to resolve tie votes; and
7. Conclude the investigation and provide a written report to the MC and HS of the SIC's complete findings.

These charges will be discussed in a logical order for the reader. Preliminarily, the SIC provided reports to the HS and MC as required and issued periodic press reports through the OCA's website (Charge #5), decisions were made by majority vote (Charge #6), and this report comprises the findings and recommendations of the SIC to the HS and the MC (Charge #7).

B. Members of the SIC

+MH appointed Bishop Benjamin ("Benjamin") as Chair of the SIC. +Benjamin invited Father John Tkachuk, Father Philip Reese, Dr. Faith Skordinski, and Dr. Dmitri Solodow to serve as members. The SIC selected Bernard J. Wilson, the retired Chief of the Los Angeles Airport Police Department, to assist as its investigative consultant. They selected Julia Azrael, Esq., as legal consultant.

C. Interviews

The SIC met 20 times, with seven meetings in person and 13 conference calls. The in-person meetings were held in East Norwich, New York; North Hollywood, California; and Bethesda, Maryland. The SIC conducted 44 interviews both in person and by conference call. A list of the interviewees is attached at Appendix A. Of all interviewees, only Archimandrite Zacchaeus Wood (“Zacchaeus”) was represented by counsel. The SIC found it useful to tape record the interviews after obtaining the agreement of the interviewee. Only Zacchaeus requested the interview not be recorded. All but three individuals asked to testify did so: Dr. Alice Woog and Mrs. Ann Fulares Speraw declined; Kondratick also declined after three invitations.

D. Other Investigative Sources

In addition to interviews, the SIC utilized minutes of the HS, MC, and Administrative Committee; Treasurers' reports; materials from the Kondratick spiritual court trial; a variety of financial records from Saint Catherine's Representation Church in Moscow; the OCA's general ledger from 1989 to 2006, and related expense accounts. The SIC received and reviewed analyses of checking accounts and credit cards as well as investigative records from the law firm of Proskauer Rose LLP. Additionally, the SIC received and reviewed the full report of the prior SC and a copy of the videotape made by Zacchaeus of a conversation between himself and Kondratick. Despite its efforts to obtain access to the original videotape, the SIC was unsuccessful in doing so. The SIC also used on-line data bases, a private investigator, reviewed four bankers boxes of credit card invoices, and contacted third parties such as the International Orthodox Christian Charities and Armenian Relief. The SIC had limited contact with Special Agent Charles Butruch, the FBI agent assigned to investigating the OCA. The SIC received documents from witnesses, from its own research, and from OCA Archivist Alexis Liberovsky.

E. Investigative Methodology

This investigation was conducted as an administrative investigation and was not intended to serve as a forensic audit or as the sole foundation for criminal prosecution. Instead, it was intended to produce information that could be used internally by the OCA to determine the potential existence of misconduct, malfeasance, and organizational failures.

While actions could have potential for criminal prosecution and civil legal actions, the SIC's focus was on administrative violations: Violation of internal policies, procedures, and sound business processes and practices. For reporting purposes, the standard of proof used by the SIC was the “*preponderance of the evidence.*” The SIC did not have subpoena power to compel the production of documents or witnesses.

Major challenges of this investigative work included: The number of people, potential malefactors, and witnesses involved; the length of time needed; the amount of money involved; the impact upon the confidence of OCA membership; legal privilege issues and inter-relationships with on-going OCA legal concerns; and priest-penitent issues. Additionally, several people who could have been logical focal points in the investigation were no longer in the employ of the OCA, while others remained in positions where they

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could have perceived influence over certain witnesses. Consequently, the SIC had to rely upon the cooperation of the interviewees because, with the exception of one interviewee, individuals could not be compelled to be interviewed.

Interviews initially were not recorded. After the first three interviews, however, the SIC determined recordings would be beneficial for accurate note-taking purposes. With only one exception thereafter, all in-person and most telephonic interviews were recorded and transcribed with the consent of the interviewees. All parties were assured the recordings and transcripts were memory aids only and would not be submitted in this report as exhibits.

F. Predecessor Special Commission (SC)

The SIC is grateful for, and relied upon, the work of the former SC. Its report is attached at Appendix B.

III. DETAILS

A. Introduction

The OCA is both a hierarchical religious body and a 501(c)3 corporation. As such, two major guidelines must be rigorously followed:

1. *"You shall not steal."* (RSV: Exodus 20:15)
2. *"A Director shall perform his duties as a Director ... in good faith and with that degree of care which an ordinarily prudent person in a like position would use under similar circumstances..."* (New York State Business and Corporation Law, Chapter 4, Article 7, Section 717)

The SIC found that neither of the above guidelines was followed throughout this scandal. This section answers the SIC's third charge presenting a chronological timeline and a discussion of institutional structures and key personnel.

B. Chronology

Late 1980's-1990's. The OCA was confronted by two financial problems, which were to plague it throughout the years. First, income from assessments was reported to be insufficient to cover proposed expenditures. Secondly, the receipt of monthly assessments was inadequate to cover the OCA's monthly cash flow. To deal with these, the OCA demanded that parishes compile accurate membership numbers, sought to raise the per-member assessment, tried to cover income short-falls by budgeting unrealistic contributions to the Fellowship of Orthodox Stewards (FOS) income, and occasionally reduced or temporarily suspended proposed expenditures.

Despite the apparent OCA budget problems and cash-flow needs, beginning in the late 1980's and continuing for almost two decades, unknown amounts of cash – some withdrawn from Church accounts – were taken to Russia to purchase vestments and liturgical items as well as gifts. These cash purchases were not budgeted expenditures, and the cash was carried by delegation members to Russia. The cash typically was given to Kondratick, and reportedly the purchased goods were shipped back as personal luggage. Under this arrangement, the OCA certified the goods were for church use. In fact, sometimes the goods were sold at profit as described by interviewees. One interviewee testified that, in one case, a chalice purchased in Russia for \$500 was sold for \$2,000 to a priest in the United States. Of the \$1,500 profit, \$500 was given to a Chancery employee, and how the remaining \$1,000 was used is unknown.

It is believed that many orders were simply placed by OCA clergy and filled, perhaps at direct cost. Numerous liturgical items were just given away, such as *panagias* and jeweled crosses. It is unknown what kind of profit, if any, the OCA or individuals at the Chancery made on these sales because no records were kept. Obviously, this does not meet accounting standards and is indicative of a disregard of financial propriety.

1988. OCA Treasurer Galiotos wrote a memorandum to +MT strongly urging the segregation of charitable funds and bequests from operating accounts and demanding that borrowing from appeals be stopped. The OCA sometimes solved financial shortfalls by borrowing appeal funds and then replacing the funds. Galiotos observed that what started as a short-term financial fix was becoming a habit and was concerned that it be curtailed. This advice was not followed. Galiotos resigned in 1989.

1989-1990. Based upon a review of the OCA's general ledgers (the SIC had access from 1989 onward), the OCA continued to use restricted funds for other purposes while budgets were ignored or unrealistic. The practice of withdrawing appeal funds in cash began in 1989. There were times when cash withdrawals were legitimate and correctly expensed, and there were times when they were not.

Early 1990's. Tens of thousands of dollars in cash were taken into Russia. The reason given was that the Russian banking system was unreliable. While that may have been true in the early 1990's, that did not excuse not documenting gifts. Witnesses described Kondratick giving gifts of thousands of dollars to the Patriarchate and cash gifts to clergy, altar servers, and others. The SIC is not aware of any documentation concerning any of these gifts.

1991: In 1991, +MT introduced Kondratick to Dwayne Andreas as a possible source of funds to help the OCA pay for the 1991 visit of Patriarch Alexei II of Moscow to the United States.

The same year, +MT, without MC approval, directed that a property at 216 Martin Drive in Syosset be purchased as the Chancellor's residence using OCA funds. This was in contravention of the OCA Statute.

August 1993. The three-person OCA Audit Committee chaired by Kozey sent an internal memo to Kondratick, Treasurer Kucynda, and Secretary Wheeler addressing shortcomings in OCA financial procedures, inaccurate financial data, untimely reports, problems with the documentation of disbursements, and a lack of separation of duties. The OCA Audit Committee stated that this threatened the financial integrity of the Church and noted that some of these failings date back to 1990. The OCA Audit Committee warned that the "*lack of accounting policies cannot continue.*" No action was taken by Kondratick, Kucynda, and Wheeler.

1994. The OCA submitted a grant proposal for \$1.5 million to the Archer Daniels Midland Foundation and the Andreas Foundation (hereinafter collectively referred to as "ADM") to fund restoration work at Saint Catherine's Church in Moscow, which was to include a "Dwayne Andreas Conference Center."

June 1995. The ADM proposal was funded for its stated purposes.

1996-1997. +MT and Kondratick asked Wheeler to sign a quitclaim deed⁵ transferring ownership of Martin Drive to the Kondraticks for no consideration. Wheeler refused.

January 1997. Wheeler discovered that the bulk of the ADM funds had been deposited into three “discretionary accounts.” He thus refused to sign off on the OCA financial reports for that year and reportedly was forbidden by Kondratick to discuss the existence of these accounts with the Administrative Committee, the MC, or anyone else.

June 1997. The OCA Audit Committee sent a memo to +MT, Kondratick, Wheeler, and Secretary Paul Hunchak warning that the documentation of certain OCA American Express accounts controlled by individuals “*are outside of good business practice and accounting principles.*” They urged that this be rectified. No action was taken.

December 1998. Wheeler spoke to +MT about improprieties in OCA finances and the need to end them. No action was taken.

June 1999. Wheeler revealed the existence of the secret “discretionary account” to Taylor and Kozey that was controlled by +MT. The 1998 audit was put on hold pending an audit of this heretofore unknown account.

July 1999. Due to the alleged confidential nature of the “discretionary account,” the OCA attorney, Jonathan Russin (“Russin”), proposed that a second accounting firm audit the “discretionary account” and report to the OCA auditors, Lambrides, Lamos, Moulthrop, L.L.P (Lambrides). Although this was acceptable to Lambrides, they never received this audit.

At the 12th AAC in Pittsburgh, Pennsylvania, the OCA Audit Committee reported it would not present a final 1998 report because it was unable to audit the “discretionary accounts.” The HS passed a resolution affirming the right of the Metropolitan to maintain a “discretionary account,” so as to protect his privacy, the confidentiality of the donors, and the anonymity of the beneficiaries. No member of the HS asked how much money was involved, who the donors were, and why the need for anonymity. There were no discussions of whether this complied with an audit. No one at that AAC explained or discussed this stalemate or the root causes of the conflict. +MT and Kondratick considered the matter of the “discretionary account” closed.

July 1999. +MT reappointed Kondratick for another three-year term as Chancellor, but he did not appoint anyone else for a full triennium.

⁵ A **quitclaim deed** is a term used to describe a document by which a person (the “grantor”) disclaims any interest the grantor may have in a piece of real property and passes that claim to another person (the grantee). A quitclaim deed neither warrants nor professes that the grantor's claim is actually valid. By contrast, the deeds normally used for real estate sales (called grant deeds or warranty deeds) contain guarantees from the grantor to the grantee that the title is clear. Quitclaim deeds are sometimes used for transfers between family members, gifts, placing personal property into a business entity, or to eliminate clouds on title, or in other special or unusual circumstances.

September 21, 1999. Kozey wrote to +MT noting that a review of the “discretionary accounts” have yet to be undertaken, even though a separate review by a another CPA firm was to have been concluded. Kozey requested access to all accounts.

Kondratick arranged a meeting with Wheeler and +MH (then Archbishop) in South Canaan, Pennsylvania. In this nearly four-hour meeting with +MH, Wheeler revealed the wide-ranging financial improprieties prevalent at the Chancery. The meeting ended without resolution. Both Wheeler and +MH recalled Kondratick saying he could be criminally punished for his role in these events. From this point on, if not before, +MH could not deny and was fully aware of the existence of and Kondratick’s role in financial improprieties at the Chancery.

September 22, 1999. Rob Taylor (“Taylor”), a CPA at Lambrides wrote to +MH informing him of the incomplete audit, advised +MH specifically that the financial statements did not include, as they must, all assets and liabilities under the OCA’s control; the Church had not made all financial records and relevant data available; and there were material transactions that had not been properly recorded.

September 28, 1999. Taylor wrote to Father Paul Suda (“Suda”), newly elected Audit Committee member, informing him of the difficulties concluding the 1998 audit. Taylor again wrote to +MH seeking resolution, but no resolution was forthcoming.

The same day, Kozey informed the MC of the existence of at least one unaudited “discretionary account,” and that, since 1992, significant amounts of money were not listed on the OCA’s accounting records.

September 29, 1999. +MT removed Wheeler as the Treasurer and appointed +MH as Acting Treasurer. Wheeler was offered salary and health insurance through the end of the year on the condition of his silence about financial issues. This was a verbal agreement.

October 1, 1999. Wheeler refused to comment to the MC on his dismissal or on the “discretionary accounts,” citing “*an ecclesiastical gag order.*” Wheeler feared the loss of severance pay and health insurance.

October 8, 1999. Kozey wrote to all MC members, confirming that he would be available to discuss this crisis during the upcoming MC meeting in November.

October 18, 1999. +MT removed Kozey as Chair of the OCA Audit Committee and appointed Suda in his stead, citing a joint HS/MC meeting.

November 18, 1999. At a very tense November MC meeting, +MT and +MH confirmed a “*special review*” was underway, yet they refused to discuss any details, including who was performing the special review, what it entailed, and when it would be completed. The SIC could find no record that “*special review*” ever took place.

January 17, 2000. Kondratick received an e-mail from Richard Rock, a personal friend and attorney, encouraging Kondratick to remain silent and promising that he would work with Michael Kennedy (“Kennedy”), a criminal defense attorney personally retained by +MT, to create a statement for +MH. Subsequently, +MH received a post-dated letter from Kennedy informing him an accounting firm reviewed the “discretionary accounts” from 1996 through 1998, and that the accounts required no modification. There was no evidence that either +MT or +MH ever questioned the contents of the letter. The SIC saw only Kennedy’s letter, but not the underlying statement, if one existed.

March 9, 2000. Lambrides submitted the 1997 and 1998 audits, which were limited to the accounts of the Treasurer and did not cover all of the accounts of the OCA. Consequently, Lambrides withdrew as the OCA auditors because they could not render a clean opinion without full access to all accounts.

March 29, 2000. The 1997 and 1998 OCA audits were released with two signatures. Kozey refused to sign the audits, which he knew were incomplete and inaccurate.

Spring 2000. The HS received a report from +MH that the OCA Audit Committee concluded the audit for 1997 and 1998. +MT reported that his “discretionary accounts” for 1997 and 1998 were audited and that 1999 will be reviewed. +MT stated: “...*an external audit is not a canonical requirement and is an expensive and unnecessary exercise which causes internal turmoil rather than good order.*” The HS approved the actions taken by +MT. Apparently, there was no questioning or review of the accounts or the donors and no questioning the sufficiency of the audits. From this point forward, a different accounting firm, Kosen and Hostelly LLP, located in Independence, Ohio, provided the OCA with compilation reports, which are nothing more than a listing of expenses and deposits to the accounts as represented by the officers of the OCA.

April 17, 2000. +MT told the MC that the completed audits and the review by Kennedy “*have brought the issue to a close.*”

May 5, 2000. Kozey wrote to the OCA Audit Committee outlining the crisis and dangers it posed for the Church.

January 19, 2001. Oselinsky was appointed as OCA Treasurer.

May 1, 2001. +MT asked the HS for a four-month medical leave of absence. The leave was granted, and the HS subsequently appointed +MH as the temporary administrator.

May 10, 2001. The Administrative Committee discussed the Martin Drive property and improvements made by the Kondraticks. Secretary Kucynda was directed to obtain documentation of the improvements.

August 2001. During an Administrative Committee meeting, the members discussed the Martin Drive property and agreed that \$109,523.12 had been paid by the Kondraticks for repairs and improvements to the property. The Administrative Committee’s minutes reflect that they sent a report to a CPA for his recommendation as to how to proceed,

noting that the appreciated value be considered. Payment to the Kondratick's for these repairs was delayed due to the OCA's lack of funds.

September 2001. A general charitable appeal was made for victims of the World Trade Center ("WTC") and Pentagon attacks. *The Orthodox Church* reported \$230,000 was collected.

April 14, 2002. The Administrative Committee approved a letter for capital improvements and obligated the OCA to pay the Kondraticks \$250,000, which represented the original undocumented demand of \$109,523.12 plus unauthorized interest of \$140,486.88. Neither of these actions was within the statutory authority of the Administrative Committee.

June 4, 2002. Treasurer Oselinsky issued a memo to all OCA corporate card holders requiring receipts as a prerequisite for reimbursement.

July 2002. At the 13th AAC in Orlando, Florida, +MT retired, and +MH was elected as Metropolitan. He immediately reappointed Kondratick as Chancellor. At the completion of the AAC, the OCA owed \$360,000 for unpaid AAC-related expenses.

September 9, 2002. Kondratick instructed Zaccheaus to request monies for boiler repairs at St. Catherine's. Initially Zaccheaus asked Strikis to wire \$9,500 for a portion of the "repairs". The balance was cancelled when Zaccheaus told Strikis that the boiler in fact did not need repairs. This is one example of Kondratick using St. Catherine's to channel cash to Russia for his later use.

October 19, 2002. Kondratick presented the Administrative Committee a request that he be reimbursed for the costs of the Martin Drive renovations, which he claimed totaled \$110,000 at that time. The Administrative Committee asked Secretary Kucynda to secure documentation of the amounts involved. Although Kucynda did not present any such documentation, he assured the Administrative Committee that the amount was correct.

October 21, 2002. Zacchaeus presented a report to the HS regarding Saint Catherine's and did not inform the HS that the funds for the boiler were not needed.

At the same meeting, for the first time, the HS requested a detailed presentation of salary line items for the Chancery.

November 12, 2002. In contravention of the OCA Statute, the Administrative Committee authorized +MH to secure a \$500,000 bridge loan to meet the OCA's financial needs without obtaining approval by the MC.

September 24, 2003. Kondratick loaned the OCA \$75,000 **interest free** to "*pay for various expenses incurred.*" Records indicate that in fact Kondratick was repaid \$80,000 on this interest-free loan. (See Appendix D.)

November 5, 2003. The Administrative Committee discussed transferring the Martin Drive property to the Kondraticks. Although a sub-committee was formed to find ways

of implementing this plan, it was not accomplished. In contravention of the OCA Statute, the Administrative Committee directed Maureen Bezuhly-Galtiero, Esq., and Dr. Alice Woog (both members of the Administrative Committee) to prepare the necessary documentation to implement a transfer of the Martin Drive property to the Kondraticks in lieu of a cash reimbursement and “*for other valuable consideration.*” This action eventually led to the promissory note, for which the OCA currently is involved in a lawsuit.

September 1, 2004. The Beslan massacre in North Ossetia occurred, and the OCA issued a general appeal for aid.

October 2004. Zacchaeus told Archbishop Job (“+Job”) that Kondratick expected to divide Beslan funds with Zacchaeus 50/50 and receive his share when Kondratick arrived in Moscow. +Job counseled Zacchaeus to give the funds to the Beslan charity.

November 10, 2004. Father Joseph Fester (Fester) resigned as FOS Director, and a search for a new Director began. Fester continued to work at the Chancery, as Secretary to Kondratick. A search for a Planned Giving Director and Chief Financial Officer also began. For 2005, the total Chancery employee compensation was budgeted at \$1,768,731.

December 2004. At Saint Catherine’s Church in Moscow, Zacchaeus videotaped a conversation with Kondratick about Zacchaeus’s disbursement of the Beslan funds to Russian charities. Kondratick threatened Zacchaeus with removal from Moscow. In response, the next day during Divine Liturgy at Saint Catherine’s, Zacchaeus showed +MH a portion of the tape that was downloaded on his cell phone. Additionally, Zacchaeus related these events to the other three attending hierarchs: +Nathaniel, +Seraphim, and +Nikon. None of these hierarchs took any action.

January 31, 2005. American Express lawyers sought payment of \$65,492.72 for three American Express accounts in Kondratick’s name.

February 2005. Zacchaeus’s attorney, Vladimir Berazonsky, Esq., threatened Kondratick with the release of the Beslan videotape if any action was taken against Zacchaeus.

June 2005. The Diocesan Council of the Midwest wrote to Kondratick opposing any increase in the OCA assessment at the forthcoming 14th AAC in Toronto, Canada until the integrity of the OCA’s finances could be assured. The diocese asked that a full accounting to be presented during the AAC. At the direction of +MH, Kondratick replied and denied the diocese’s request because the “*budget is reviewed regularly by His Beatitude, Metropolitan Herman, and twice annually by the Holy Synod, the Church Administration Committee and the MC.*”

+MH later replied to +Job, and stated: “*I am dismayed and deeply saddened that a member of the Holy Synod would undermine the Holy Synod’s dignity and authority by suggesting that its stewardship is less than responsible or appropriate...*” +MH went on to note that +Job’s comments “*have regrettably added to feelings of distance and*

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mistrust which exist on all levels of church life, beginning at the diocesan level, and which are the work of the Evil One. It is because such statements are made in public settings that have no direct relationship to the matter at hand, that our Church's institutions, such as seminaries, and monasteries, do not make public the salaries of their employees."

July 17, 2005. At the 14th AAC, +MH announced, with the concurrence of the HS, the reappointment of Kondratick as Chancellor.

October 17, 2005. Wheeler wrote to +MH and the HS about massive financial improprieties during his tenure as OCA Treasurer. Wheeler's new allegations included the misuse by Kondratick of charitable and appeal funds, bequests, and other funds. He encouraged +MH to "*clean house.*" Neither +MH nor the HS took any action or initiated any investigation in response to Wheeler's letter. +MH, Bishop Tikhon ("+Tikhon") of the West, and Kondratick describe Wheeler as a "*disgruntled former employee.*"

October 18-20, 2005. At a meeting of the HS, +Job commented on the lack of data presented to the HS regarding Chancery staff salaries and benefits. "*It is the responsibility of the bishops of the Holy Synod who share the responsibility for the administration of the Church, to be aware of these details,*" even if they are provided confidentially. +MH responded that care is needed, given the sensitivity of the information. He noted that at Saint Vladimir's and Saint Tikhon's Seminaries, such information is typically available only to those who prepare the budgets. It was decided that a copy of the external auditors' reports will be forwarded to each hierarch annually.

November 1, 2005. Wheeler wrote a second letter to +MH and copied with it his prior letter to the MC. The next day, Wheeler's "*A Call to Accountability*" became public. In the ten-page letter addressed to the MC, Wheeler accused the Central Administration of financial mismanagement, corruption, misuse of special appeal funds, and misdirection of Church funds for personal use, among other misdeeds.

November 9, 2005. +MH announced at the MC meeting that there would be an audit of the OCA's financial records for the past two years and agreed to institute "*Best Practices*" for non-profit organizations.

January 23, 2006. In a letter to his clergy in the Diocese of the Midwest, +Job reported he wrote to +MH asking, "*Are any of the allegations true, or are they false?*" To date, he has received no answer.

March 11, 2006. Proskauer Rose LLP was retained by +MH to conduct an internal investigation of the allegations relating to the finances of the OCA. In contravention of the OCA Statute, +MH did so without the MC's knowledge or approval.

March 15, 2006. +Tikhon of the West offered Kondratick the Chancellorship of the Diocese of the West.

March 16, 2006. +MH removed Kondratick as the OCA's Chancellor. Prior to the removal, Proskauer Rose instructed Acting Secretary/Treasurer Kucynda to be present

and check all items Kondratick removed from the Chancery. Kucynda failed to do this, reportedly because he did not have the heart to check on Kondratick's actions, thus allowing Kondratick to remove boxes from the building unmonitored. It is unknown what documents Kondratick removed, and a critical opportunity to retain OCA records was lost.

April 2006. Stephen Lamos ("Lamos"), CPA with Lambrides, summarized expenditures for the period 2001 through 2005 as follows: \$1,019,071 was withdrawn in cash from the OCA's operating checking account, and \$575,300 was withdrawn in cash from special appeals funds.

May 23-26, 2006. At an HS meeting, Archbishop Kyrill expressed his "*distress*" about negative comments on the internet, the divisive result, and the scandalizing of the faithful. He expressed the hierarchs' support of +MH's efforts to restore the good reputation of the OCA.

August 18, 2006. To secure a loan of \$1.7 million, the OCA submitted a petition to the Supreme Court of the State of New York, County of Nassau, with Secretary/Acting Treasurer Kucynda, signing under oath: "*The Church is currently comprised of approximately two (2) million faithful, and has approximately 700 parishes, missions, monasteries, and institutions located throughout the United States, Canada, and Mexico.*"

September 2006. Kondratick was officially transferred to the Diocese of the South under the omophor of Archbishop Dmitri ("+Dmitri") and subsequently assigned to Holy Spirit Church, Venice, Florida.

October 2006. In a letter dated October 5th from Lambrides, addressed to the MC, +MH, Suda, and the Audit Committee, they stated that over \$1 million in cash reportedly was taken from the OCA Chancery between 2001 and 2005, and that these monies were not accounted for by either invoices or receipts.

December 2006. At a joint meeting of the HS and MC, Proskauer Rose presented a verbal report of their findings to date. Following their report, +MH appointed a Special Commission (SC), headed by +Job, with +Benjamin, Father Vladimir Berzonsky, Father John Reeves, Gregory Nescott, Esq., and Dr. Faith Skordinski as members to conduct an investigation.

January-February 2007. The SC worked on and completed a preliminary report.

March 13, 2007. The SC presented its report to the MC. At the conclusion of the meeting, all copies of the written report were retrieved by Alexandra Makosky, Esq., and James Perry, Esq., pro bono legal counsel for the OCA. The reason given for not releasing the report was so as not to compromise the upcoming spiritual court trial.

+MH rescinded Kondratick's assignment to the Diocese of the South, removing him from +Dmitri's omophor and placing him once again under his own jurisdiction.

April 20, 2007. +MH suspended Kondratick from all priestly functions.

July 19, 2007. Kondratick's spiritual court trial was convened, but Kondratick left the proceedings shortly after the beginning of the trial. The trial continued in his absence.

July 31, 2007. At its July meeting, the HS received the spiritual court's judgment. The HS affirmed the judgment and deposed Kondratick effective immediately. Kondratick subsequently appealed the decision to the HS.

October 16, 2007. The OCA released a short summary of the preliminary report on the OCA website. The report was withdrawn within the hour. +MH blocked the release of the full report, supposedly on advice of legal counsel. A copy of the SC's unabridged report is in Appendix B; the abridged version that subsequently appeared on the OCA website, "*Summary Report of the Preliminary Report of the First Special Investigative Committee and the Proceedings of the Spiritual Court for Robert Kondratick,*" is in Appendix C.

The HS heard Kondratick's appeal of the spiritual court's verdict.

October 17, 2007. The current SIC was established at a joint meeting of the HS and MC with a sevenfold charge, presented in Section II of this report.

September 3, 2008. The SIC reported to the HS and MC and released its report Church-wide.

C. Commentary

A discussion of the OCA's officers, governing bodies, committees, and other OCA entities and issues in existence during the period of 1988 through 2008 is presented below.

1. **+MT.** MT was the first hierarch of the OCA. He is an historic figure, having received the Tomos of Autocephaly in 1970. His tenure as Metropolitan saw a number of positive developments within the OCA, bringing it from an immigrant Church, the Russian Orthodox Greek Catholic Church of North America, to an increasingly American Church where English is the norm and many converts entered into the ranks.

During its interviews, the SIC heard the following characterizations of +MT's management style from Chancery staff members who observed him, served him, and worked with him on a daily basis:

- He was not a hands-on manager.
- He did not provide effective oversight.
- He took great pride and enjoyment in liturgical celebrations, but showed little interest in the administrative requirements of his office.
- He shied away from difficult issues, relying instead on the Chancellor.

Given +MT's style, there was a leadership vacuum, which Kondratick filled as Chancellor. +MT's weaknesses and disinterest allowed the former Chancellor to take almost complete control of Chancery operations, to include staffing, budgeting, and spending decisions. Ultimately, the Chancellor was able to control the HS, MC, and Administrative Committee.

+MT, with Kondratick, created a culture lacking financial accountability and budgetary controls. He and his Chancellor created hidden bank accounts, spent monies with no regard for budgets, and permitted the misuse of special appeals funds. Furthermore, +MT and Kondratick hired and promoted staff who lacked education and experience requisites in accounting and business, thereby facilitating the cover up of malfeasance and spending excesses.

When Kozey and Wheeler came forward as whistleblowers, +MT actively worked with Kondratick to block the truth. This attempt, according to interviewees, consisted of the following known activities: +MT retained a personal lawyer using OCA funds to defend himself; this lawyer subsequently retained independent accountants to create the illusion of an audit; +MT dismissed the whistleblowers; and +MT stifled and silenced the voices of dissent within the MC.

2. **+MH.** +MH affirmed to the SIC that in September 1999, Wheeler and Kondratick met with him at his house in South Canaan, Pennsylvania. During this meeting, +MH (an Archbishop at the time), was informed of the widespread and specific financial improprieties and misdeeds that were taking place at the Chancery and had taken place over the years. Furthermore, during the time +MH served as the Acting Treasurer, Kozey apprised him of improprieties concerning the ADM monies and the non-audited accounts.

The SIC found it incomprehensible that armed with this information, +MH allowed Kondratick to continue as Chancellor without an investigation and without bringing the problems to anyone's attention. The SIC addressed these issues with +MH:

- Why were these immoral actions not reported to the HS immediately?
- Why was an internal investigation not undertaken immediately?
- Why was Kondratick not placed on a leave of absence immediately?
- Why was a full independent audit of all OCA accounts not demanded immediately?
- Why was Wheeler fired a week after he spoke with +MH? Why was Kozey prevented from reporting to the MC?
- Why was the possible theft of monies not reported to law enforcement?

+MH offered no credible explanations. Moreover, after he was elected as the Metropolitan in the Summer of 2002 at the 13th AAC in Orlando, Florida, he reappointed Kondratick as Chancellor thereby ensuring the continuation of the same corrupt culture in the Chancery.

In December 2004, while on a visit to Saint Catherine's in Moscow, +MH was informed of a videotape of Kondratick attempting to divert money that was raised on behalf of the victims of the Beslan tragedy, the Christmas stocking project, and other OCA funds for

Kondratick's own purposes. Given all this information and, later, a copy of the videotape, +MH failed to take any disciplinary action or initiate any investigation.

During the 2005 14th AAC in Toronto, Canada, +MH again appointed Kondratick as Chancellor. Later, in October 2005, Wheeler alleged financial impropriety in letters to the HS and the MC and issued a "*Call for Accountability*." +MH, the HS, and the MC took no action.

In November 2005, Mark Stokoe posted a "*Call for Accountability*" on OCAnews.org. Five months later, +MH retained the Proskauer Rose law firm, authorizing it to conduct an internal investigation on behalf of the OCA. This action did not comply with the OCA Statute.

Nine months later, Proskauer Rose reported its findings verbally to the HS and MC. At that same meeting, +MH formed the Special Commission (SC). When the SC later presented its preliminary report to the HS and the MC, the report was accepted unanimously with one abstention. +MH barred the release of the report to the faithful, supposedly on the advice of legal counsel, so as not to compromise Kondratick's upcoming spiritual court trial.

3. Kondratick. Kondratick's role was detailed comprehensively in the report of the SC, which is attached as Appendix B, and the SIC endorses that report. Four months after the SC's report was completed and presented to the HS and MC, a spiritual court was convened which relied upon the evidence of the SC and the Proskauer Rose investigation. Kondratick was deposed after the verdict. He appealed to the HS, but the judgment was upheld. Additional information about Kondratick, which the SIC has learned is contained throughout this report.

Apparently, Kondratick did not consider the annual OCA budget to be a spending plan. Interviewees reported that Kondratick would ask "*How much cash do we have?*" and proceed to use available funds for his purposes, later assigning amounts to various line items, such as "charity" or "external affairs." Employees of the Chancery staff often were sent to the bank to cash checks and deliver the proceeds to Kondratick. A sample of such withdrawals is listed in Appendix D.

During the period 1999 through 2005, charges on two corporate credit cards and 20 different personal credit cards belonging to Kondratick and members of his family (including his wife, son, and daughter-in-law) were submitted to and reimbursed by the OCA for an amount Kondratick acknowledged to be \$137,000, but SIC research suggested significantly larger undocumented and untraceable amounts were paid.

Individuals requesting reimbursement for expenses incurred on official OCA business were required to submit detailed receipts of those expenditures to Strikis. While most individuals seem to have complied with this requirement, Kondratick routinely did not, despite repeated requests that he do so from Strikis and Treasurer Kucynda.

Without consistent and clear documentation, the SIC cannot know which charges were personal and which were for legitimate OCA business. It doubts that charges for jewelry,

tanning salons, home delivery of newspapers, cable TV subscriptions, frequent assorted trips to a variety of recreational locations such as Aruba and the Cayman Islands, restaurant meals for Chancery staff and worshipers at Saint Sergius Chapel, and routine recurring charges for rooms at the Marriott Marquis Hotel in Manhattan, could legitimately be related to the OCA's business. An abridged sample of such charges is at Appendix E.

4. The HS. The OCA is a hierarchal Church. Orthodox hierarchs are overseers of God's household, the Church. All major decisions of the Church must be blessed by the HS, and they are looked to for leadership. In this unprecedented scandal of the OCA, none of the hierarchs, when confronted with information from whistleblowers and others about the financial abuses, took immediate action. Several hierarchs were made aware at various times during this lengthy history of financial improprieties:

- +Seraphim observed Wheeler distraught months before Wheeler and Kondratik met with +MH. +Seraphim spoke again with Wheeler after he was fired. During these conversations, Wheeler informed +Seraphim of the financial improprieties. In addition, Father John Erickson (then Professor) related Wheeler's concern to +Seraphim. While reaching out to Wheeler, +Seraphim apparently did not bring what he heard to the attention of the HS. +Seraphim took no action.
- +MH received Kondratik and Wheeler in South Canaan, Pennsylvania, on September 21, 1999 for a four-hour meeting. During this meeting, +MH was informed of wide ranging financial improprieties that currently were taking place at the Chancery and that had taken place over the years. +MH took no action.
- +Nathaniel, +Seraphim, and +Nikon were informed by Zacchaeus of Kondratik's attempt to misappropriate charitable funds during their December 2004 visit to Moscow. These hierarchs took no action.
- On December 16, 2004, +Seraphim wrote to Zacchaeus informing him that any information about Kondratik should be brought to the attention of +MH, whose responsibility it was to deal with it. +Seraphim then rebuked Zacchaeus over protocol. See Appendix F. +Seraphim took no action.
- +Job, aware of Zacchaeus's conversations with Kondratik about Beslan funds and the surrounding circumstances, advised Zacchaeus to "*do the right thing*" and distribute the funds for their intended purposes. +Job received the videotape and gave a copy to +MH, but he did not inform the other hierarchs. However, he personally confronted Kondratik on several occasions about the corruption. Finally, +Job confronted +MH and the other hierarchs concerning the truth of Wheeler's charges.
- The HS as a body received notice of financial improprieties from Wheeler in October 2005. They took no action.

5. The MC. MC minutes revealed much discussion about the lack of funds, late assessments, inaccurate census data, and the need to raise assessments. There was almost no discussion recorded about reducing expenditures. The SIC is aware, however, that calls for responsible fiscal action, at times, were expressed by a few MC members who thus became marginalized at best or removed from the MC at worst. Their objections never were recorded in the accepted MC minutes.

Kozey informed MC members in September 1999 of improprieties concerning the “discretionary funds.” He was barred from speaking at the November 1999 meeting and resorted to inviting members to call him and visit him at home. Only six MC members spoke with him at his home. As a body, the MC took no action.

The minutes reflect that no audits of the OCA’s financial records were conducted. The MC took no action to correct the situation.

6. The Administrative Committee. The Administrative Committee acted independently of the MC, not only in decision making, but also in failing to inform the MC of many of its actions. This was in violation of the OCA Statute.

The Administrative Committee was involved in the purchase of the house for Kondratick without the knowledge of the MC, remaining silent about the former Chancellor receiving a free house in addition to an annual housing allowance.

The Administrative Committee signed a promissory note obligating the OCA, without the knowledge or approval of the MC, to reimburse the Kondraticks for \$250,000, which included interest, for repairs made to the Chancellor’s OCA-owned property. Furthermore, this debt was incurred without documentation.

Members of the Administrative Committee were hand-picked by Kondratick. Interviewees informed the SIC that the members received perks for their services from Kondratick, some of which were in the form of free international travel, invitations to expensive parties in Manhattan, and ecclesiastical jewelry.

7. The Treasurers. For 18 years following Galiotos’s resignation in 1989, there were no professionally qualified Treasurers in the OCA. During those 18 years, the SIC noted a steady increase in questionable practices, particularly the cashing out of appeal funds, the undocumented use of cash, and the reimbursement of Kondratick’s credit card expenses with inadequate and typically no documentation. Budget shortfalls were regularly covered by the use of restricted appeal funds and bequests.

Following Galiotos (excluding Wheeler), OCA Treasurers were part-time local clergy, who had neither the education nor experience to be employed as a Treasurer of an international, nonprofit organization. These Treasurers typically spent only eight to 16 hours a week at the Chancery, making it easy for them to be manipulated and/or shielded from what was actually occurring with OCA funds by the Chancellor or by other members of the staff. They did not have the regular day-to-day hands-on experience of the financial routines of the Chancery, nor did they seem to have inquired into them. Facts and figures were prepared for them as they readied their reports for the HS and MC. The Treasurers routinely left quantities of pre-signed OCA checks at the Chancery for use in their absence. They then would be counter-signed by Kondratick or +MT to be used for whatever purposes they determined.

+MH, Kucynda, and Oselinsky informed the SIC that they regarded themselves as Treasurers “*in name only.*” This does not, however, excuse them from their fiduciary

responsibilities. Additionally, Kucynda and Oselinsky accepted travel and other benefits, giving the impression of impropriety.

A listing of OCA Officers and their terms of service is available at Appendix G.

8. The Comptroller. A Comptroller is normally an organization's chief fiscal control officer, responsible for the development and implementation of a system of controls over spending within an organization. He/She is traditionally the watchdog over an organization's funds, working closely with the Treasurer to ensure proper accounting of income and expenses.

Strikis lacked the competencies required of a professional Comptroller. The SIC received testimony that he took pride in his idiosyncratic accounting system which stymied others who relied upon his performance. While Strikis tried, from time to time, to obtain documentation of expenses from Kondratick, he met with overall failure during his tenure as Comptroller.

Kondratick typically failed to provide Strikis with receipts of his spending. He sometimes presented his personal expenses, passing them off as "charity" or "external affairs." Strikis failed to report Kondratick's fiscal wrongdoings and questionable, improper monetary disbursements.

9. The Former Secretary/Treasurer Protodeacon Eric Wheeler. Wheeler served as Secretary to +MT, OCA Secretary, and OCA Treasurer. Wheeler noted +MT's and Kondratick's excessive spending. He became aware of the lack of proper receipting, the misuse of directed and charitable funds, and eventually discovered the secret ADM accounts. Wheeler remained silent for many years for what appeared to be a misplaced sense of loyalty.

Initially, Wheeler was a witness to and participant in these activities. He worked with Kondratick to prevent Treasurer Kucynda, from learning about the extent of financial impropriety. At Kondratick's behest, Wheeler knowingly falsified reports to the HS, MC, and ADM.

Wheeler took the position of Treasurer in 1996, believing he could stop Kondratick's financial improprieties. Indeed, Kondratick assured him things would change, but in fact nothing did. When Wheeler recognized his attempt to reform Kondratick's behavior failed, he approached Kozey and Taylor. He also spoke with +Seraphim and eventually engaged in a four-hour conversation with +MH and Kondratick on September 21, 1999.

As affirmed by +MH, the four-hour meeting with Wheeler and Kondratick fully disclosed the financial mismanagement at the Chancery, including the secret "discretionary accounts" that were created with funds from ADM. Both +MH and Wheeler reported that Kondratick became emotional, worried, and admitted his misuse of OCA funds. One week later, Wheeler was fired. He maintained public silence until October 2005 when he wrote to +MH about the financial improprieties, sending copies to the HS.

Since October 2005, Wheeler has actively reached out to officials in attempts to remedy ongoing issues of financial malfeasance and improprieties. He cooperated with the SC and SIC in their respective investigative inquiries.

10. The Audit Committee. Members of the OCA Audit Committee are elected at the AACs without regard to qualifications for the position. With the exception of Kozey, it appears the elected auditors lacked the necessary experience to do their job.

Kozey was one of the first to whom Wheeler revealed his knowledge of financial improprieties and the “discretionary accounts,” but Kozey was rebuffed in his attempts to audit these accounts. He attempted to validate and disclose this information to the MC, +MH, Strikis, the other members of the OCA Audit Committee, and Lambrides.

No action was taken, so Kozey attempted to attend and speak at the November 2000 MC meeting. He was barred from it and he chose to invite informal contact by MC members. Kozey was the first member of the OCA to make public the financial scandal despite having no support from his fellow OCA Audit Committee members.

Subsequently, Kozey was dismissed from the OCA Audit Committee. The SIC learned local clergy were instructed to deny Sacraments to Kozey and his family by Kondratick’s declaration that Kozey was “*out to destroy the Church.*” Interviewees reported to the SIC that Kucynda actively pressured local clergy to follow Kondratick’s edict.

Kozey cooperated fully with the SIC’s investigation. He reported that the Church had ignored him for the preceding seven years.

11. The “Inner Circle.” Fathers David Brum and Joseph Fester served as confidants to Kondratick. They were regarded by others at the Chancery as part of an “inner circle,” responsible for day-to-day operations at the Chancery. As such, one would expect them to be aware of at least some of Kondratick’s financial dealings. Both denied such knowledge to the SIC. However, they never questioned Kondratick’s largesse in extending favors (meals, gifts, and travel) believing them to be an expression of an exaggerated generosity. Questionable dealings and misdeeds brought to their attention in interviews were excused as having been “*blessed*” by one Metropolitan or the other, or because of “*the incompetence of Strikis,*” or because Wheeler or Kozey had an axe to grind.

12. OCA Bank Accounts, Special Appeals, Bequests, and Restricted Accounts. The Treasurers routinely left quantities of pre-signed OCA checks at the Chancery for use in their absence. They would then be counter-signed by +MT or Kondratick and used for whatever purposes those two determined. Funds received from special appeals collections were diverted to pay current operating expenses and for other purposes as determined by Kondratick and +MT. Charity appeals such as the seminary appeals, a Christmas stocking appeal, and the 9/11 appeal, appear to have been regarded as sources of available cash. Two examples clearly illustrate this abuse.

Example #1 – The Armenian Earthquake Appeal: The OCA issued an appeal after the December 1988 earthquake in Armenia. The OCA initially raised \$82,622.64 and gave

Catholicos Vazgen I a check in that sum made payable to a charity active in the relief effort in Armenia. Additional funds came in. Kondratick instructed John Bogut, an accountant who served in the Chancery at that time, to withdraw the second balance of \$56,189.71. Bogut was told to deliver this cash to Bette Kondratick which he did in the presence +MT and Kondratick, at the Kondratick apartment. Bogut understood the funds would be used for Armenian earthquake victims.

The SIC was unable to confirm if the promised \$56,189.71 ever was delivered to any Armenian relief organization. Neither could the SIC find documentation or receipts for the alleged gifts. Moreover, no credible explanation exists why funds would be withdrawn in cash instead of being given by check to the known charity.

Example #2 – 9/11 Funds: Within days of the September 11, 2001 attack on the World Trade Center (WTC), the OCA announced an Emergency Relief Appeal on its website. Donations could be made online or mailed to the Chancery.

On November 30, 2001, a committee was formed to discuss how to distribute the more than \$230,000 collected. The committee included Fathers Alexeev, Calin, Degyansky, Oselinsky, Krawczuk, Kucynda, Safchuk, Strikis, Suvak, White, and Maureen Bezhuly-Galtiero, Esq. Kondratick was also on the committee. The committee met in December 2001 and again on February 28, 2002. An OCA website press release followed the February meeting and described how the committee allocated the funds:

\$25,000	-	to ASYMCA fund for Pentagon survivors
\$35,000	-	to two firehouses which lost 11 men combined
\$20,000	-	to a firehouse that lost six men
\$10,000	-	to a firehouse that lost one man
\$5-10,000	-	to civilian victims, depending upon their needs

After Divine Liturgy at Saint Mark Orthodox Church, Bethesda, Maryland, +MT presented the \$25,000 to a Pentagon Naval Rear Admiral representing the ASYMCA in Spring, 2002.

The SIC asked the current OCA Treasurer Tassos to verify the disbursements. Apart from the ASYMCA, the committee's allocations were ignored. The OCA records showed the following:

\$9,500 to Helen Cavounis/Cashier on 2/6/2002
\$9,500 to Helen Cavounis/Cashier on 2/11/2002
\$9,500 to Helen Cavounis/Cashier on 2/15/2002
\$9,500 to Helen Cavounis/Cashier on 2/19/2002
\$9,500 to Helen Cavounis/Cashier on 3/7/2002
\$9,500 to Elizabeth Kondratick on 3/20/2002
\$25,000 to ASYMCA on 3/22/2002
\$9,500 to Helen Cavounis/Cashier on 3/28/2002
\$9,500 to Elizabeth Kondratick on 4/1/2002
\$9,500 to Elizabeth Kondratick on 4/3/2002
\$9,000 to Helen Cavounis/Cashier on 4/3/2002

This is a preliminary report because footnotes are not included. That work is in progress.

\$9,500 to Helen Cavounis/Cashier on 4/18/2002
\$9,500 to Helen Cavounis/Cashier on 5/29/2002
\$9,500 to Elizabeth Kondratick on 6/4/2002
\$3,000 to Helen Cavounis/Cashier on 12/18/2002
\$5,000 to Elizabeth Kondratick on 12/19/2002
\$6,500 to Elizabeth Kondratick on 1/2/2003
\$6,500 to Helen Cavounis/Cashier on 1/3/2003
\$7,500 to Helen Cavounis/Cashier on 1/29/2003
\$9,500 to Elizabeth Kondratick on 2/3/2003
\$9,500 to Elizabeth Kondratick on 2/11/2003
\$3,500 to Elizabeth Kondratick on 2/13/2003

Beyond these examples, this practice of withdrawing appeal funds in cash took place over an extended period of time and appeared to be the widespread, standard practice. For several years, Wheeler complained to both +MT and +MH about this practice, but neither hierarch took any action.

Lamos of Lambrides summarized the expenditures for the period 2001 through 2005 as follows: \$1,019,071 was withdrawn in cash from the OCA's operating checking account, and \$575,300 was withdrawn in cash from special appeals funds. Lamos met with Kondratick over four days in April 2006 to discuss the distribution of this cash. With regard to the 9/11 appeal, in particular, Kondratick could not describe one fire station, one family, or one individual to whom he gave monies.

+MT and +MH told the SIC that "*the privacy of recipients*" barred the OCA from identifying them. This is, in fact, not true: By law the OCA is obligated to provide at least a name, address, amount, and purpose. An additional explanation +MH gave, was that by not releasing the individual names, those thus helped would be eligible to apply for monetary assistance from the government if they chose. This additional explanation appears to encourage fraud.

Although the SIC amassed evidence that some funds were spent for legitimate Church purposes, evidence clearly exists that some funds went for personal and other purposes and are untraceable. Had standard accounting procedures been in place and followed, there would be no question as to what happened and where monies went.

14. The Former Diocese of New York/New Jersey. Interviewees informed the SIC that suspicious financial improprieties regarding the former Diocese of New York/New Jersey seem to implicate Kondratick's involvement, and interviewees suggested that further research of the former diocese be conducted. The SIC could not find documentation or otherwise substantiate these verbal reports. The SIC recommends that an audit of the financial records of New York/New Jersey be conducted.

15. Undocumented Expenses. Although no written policies were in place at the Chancery detailing procedures for individuals requesting reimbursement for expenses incurred while on official OCA business, most individuals practiced submitting detailed

receipts to Strikis for legitimate reimbursement. Kondratick, however, more than often than not, failed to submit documentation of his expenses. Without such documentation, the SIC cannot know which charges were personal and which were OCA-business related.

In addition, American Express check was found, payable to a "Wayne Sova," in the amount of \$30,000. The SIC traced a Wayne Sova, called and wrote to him, and received no response, despite five telephone calls over three weeks, and one letter.

16. The Saint Sergius Chapel Account. This account, originally consisting of funds from worshipers buying candles and contributing cash at the chapel typically would contain a few hundred dollars, at most. Interviewees reported that its average monthly balance increased to a figure in excess of \$6,000; that the account became the depository for funds Kondratick ordered transferred from other OCA accounts or for cash deposits; and withdrawals of cash were authorized by him through this account. The SIC was unable to find documentation for the Saint Sergius Chapel account funds remain untraceable.

17. The Martin Street Property. In the early 1990's, the Kondraticks were looking for a house to purchase in Syosset and settled on a house at 216 Martin Drive. Reportedly, they could not come up with adequate financing; thus, +MT directed that the property be purchased using OCA funds. This action is in clear contravention of the OCA Statute. The Kondraticks moved into what eventually became known as the "Chancellor's Residence," living there rent-free while collecting an \$18,000 annual housing allowance, later increased to \$24,000. Without the required MC authorization, the Kondraticks ordered renovations made to the Martin Drive property.

Later, +MT and Kondratick asked Wheeler to sign a quitclaim deed transferring ownership of Martin Drive to the Kondraticks for no consideration. Wheeler refused to sign the deed. The SIC found this quitclaim deed issue to be noteworthy, since it predated the presentation of the alleged renovation bills in 2002 and the discussion in 2003 about transferring the property to the Kondraticks, as discussed below.

In October 2002, Kondratick presented the Administrative Committee with a request that he be reimbursed for the costs of the Martin Drive renovations, which he claimed at that time totaled \$110,000. Secretary Kucynda was asked to secure documentation of the amounts involved. Although he did not present any such documentation, Kucynda assured the Administrative Committee that the amount was correct.

With the Church facing a deficit budget in April 2003, the Administrative Committee approved a letter for capital improvements, obligating the OCA to pay the Kondraticks \$250,000, which represented the original undocumented demand plus interest. None of these actions were within the authority of the Administrative Committee. In November 2003, no payment having been made, the Administrative Committee discussed transferring the Martin Drive property to the Kondraticks. Although a sub-committee was formed to find ways of implementing this plan, it was not accomplished. Once again in contravention of the OCA Statute, the Administrative Committee directed Maureen Bezuhly-Galtiero, Esq., and Dr. Alice Woog (both members of the Administrative

Committee) to prepare the necessary documentation to implement a transfer of the Martin Drive property to the Kondraticks in lieu of a cash reimbursement and “for other valuable consideration.”

18. The ADM Monies. +MT introduced Kondratick to Dwayne Andreas as a possible source of funds to help the OCA pay for the 1991 visit of Patriarch Alexei II of Moscow to the United States. Andreas responded by offering to make his New York and Washington, DC apartments available to the Patriarch, along with his private jet and an unspecified donation from ADM.

In 1994, a grant proposal for \$1.5 million was sent to the foundation as funding for restoration work at Saint Catherine's Representation Church in Moscow, which was to include a "Dwayne Andreas Conference Center." No mention is made of funds being used for any other purpose, including “discretionary.” In June 1995, the proposal was funded for its stated purpose.

The Dwayne Andreas Conference Center was not built, and the restoration work was done by barter while Father Daniel Hubiak (“Hubiak”) was in charge of Saint Catherine's. However, Kondratick recognized the possibility of Andreas visiting Moscow and expecting to see his conference center. To meet this possibility, a brass plaque with the conference center's name was purchased. The plan, should Andreas show up, was to affix the plaque to the offices the OCA was renting to its former lawyer, Jonathan Russin, at the Saint Catherine's complex. The brass plaque was used once for a one-week period when an Andreas visit was anticipated.

The Proskauer Rose law firm determined that the OCA received \$3,575,000 from ADM between 1992 and 1999, yet only \$1.4 million was deposited into the OCA's general operating account. It appears the remaining \$2,175,000 was deposited into the “discretionary accounts” in the names of +MT and Kondratick which +MT would not allow to be audited. Hubiak's records document that \$217,000 was received for Saint Catherine's during 1994.

The three "discretionary accounts" existed at the Chase Bank between February 1996 and August 2002. Although they used the OCA's tax ID number to establish the accounts, the only signatories were +MT and/or Kondratick. The three funds were:

1. The Metropolitan's Fund: A business money market account controlled exclusively by +MT.
2. Special Account: A business checking account controlled by both +MT and Kondratick.
3. “Discretionary Account” c/o Robert Kondratick: A business checking account controlled by Kondratick alone.

Kondratick instructed Strikis not to open any statements or correspondence regarding these Chase Bank “discretionary accounts.” Strikis complied. The Proskauer Rose law firm was able to obtain only partial records of these accounts. As reported by the SC:

- \$1,077,000 was deposited into the three accounts

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- \$227,943 of this was deposited from the OCA's operating account into the Kondratick account, and was spent in its entirety between February 1996 and February 1997. Only the briefest of documentation was provided by Kondratick (e.g., "charity," "external affairs," and "patriarchal support"), and the remaining \$850,000 was deposited into the two other "discretionary accounts."

Of the \$850,000 in the two "discretionary accounts:"

- Approximately \$125,000 paid for +MT's and Kondratick's personal lawyers, accountants, and other consultants engaged by them to oppose the auditing of the "discretionary accounts".
- Approximately \$50,000 was used to pay off Kondratick's personal credit card bills.
- \$195,000 was withdrawn in cash, and there appears to be no understanding of how +MT spent the funds deposited into his "discretionary account."

How the remainder of the \$850,000 is unknown.

19. Personal Moral Failings. Several interviewees claimed that a significant source of Kondratick's apparent power over members of the HS and other clergy was his knowledge of their alleged personal moral failings, specifically with chemical addictions and sexual improprieties. The SIC, charged with determining the scope of financial misdeeds, focused its attention on whether OCA funds in any way were involved with such allegations.

Interviewees had no first-hand knowledge, other than hearsay, most of which was attributable directly back to Kondratick. In one instance, an interviewee suggested that the SIC speak with three named individuals who were believed to have first-hand knowledge of this matter. The SIC followed up with these individuals, all three of whom denied any such knowledge.

Interviewees alleged that the Marriott Marquis Hotel in Manhattan was used for questionable "parties" and the bills were paid by the OCA. While indeed there are frequent and routine charges on Kondratick's American Express account at the Marriott Marquis Hotel, the SIC heard testimony that he routinely used that hotel for legitimate OCA business. This issue remains unresolved because of a lack of witnesses and inadequate documentation.

Interviewees also reported that cash from OCA accounts was used by Kondratick to "pay off" someone who was allegedly blackmailing +MT. Since reportedly cash was used, there was no way trace the transaction, if it in fact took place. At least three sources informed the SIC that both +MT and +MH affirmed that Kondratick had blackmailable material of a sexual nature about each of them.

IV. CONCLUSIONS

This report fulfills the seventh and final charge of the HS and the MC at their October 2007 joint meeting to “*conclude the investigation and provide a written report to the MC and HS of the SIC’s complete findings.*” As noted earlier in this report, the work of the SIC was conducted as an administrative investigation and was not intended to serve as a forensic audit or as the foundation for criminal prosecution. Instead, it was intended to produce information that could be used by the OCA to prevent the recurrence of such inappropriate financial transaction

The full extent of administrative violations and transgressions is unknown. The overwhelming evidence shows that the OCA’s leadership at its highest levels has been complicit since as early as 1989 and has squandered millions of dollars. Some placed their personal gain above their Christian duties. Others failed in their fiduciary responsibility to bring these matters to light and correct them. Furthermore, a woeful lack of documentation has denied the Church the opportunity to arrive at the full truth.

The complete extent of this tragedy probably will never be known. Many benefited in many ways and will never step forward., but instead remain in the shadows. The preponderance of evidence clearly shows that +MT, +MH, the HS, the MC, the Administrative Committee, the former Chancellor, the part-time Treasurers, and the Comptroller had varying and sometimes multiple roles in this tragedy.

To restore the health, the openness, and the honesty expected in the OCA and required by civil law, the HS and the MC must take immediate actions. The SIC’s recommendations are made with careful consideration and are offered to begin the healing and to appropriately discipline the wrongdoers. To paraphrase Sir Winston Churchill, these recommendations are not the end of this tragedy in the OCA, but are perhaps the end of the beginning.

V. RECOMMENDATIONS

Immediate Recommendations

1. The retirement, resignation, or removal of +MH and his referral to the HS for discipline prior to the 15th All-American Council (AAC).
2. The referral of +MT to the HS for discipline prior to the 15th AAC.
3. The referral of the former part-time Treasurers Father Paul Kucynda (“Kucynda”), and Father Dimitri Oselinsky (“Oselinsky”) and the former Comptroller Strikis to the HS for discipline prior to the 15th AAC. Given his role in bringing the financial improprieties to the attention of the Church and his dedication in bringing them to an end, the SIC makes no recommendation regarding Wheeler.
4. A joint HS and MC resolution of apology and repentance to the Church prior to the 15th AAC and a joint resolution of apology to and commendation for John Kozey acknowledging his vigilance and dedication to his fiduciary responsibilities in light of the opposition he encountered.
5. A joint HS and MC resolution of commitment to implement the SIC’s recommendations prior to the 15th AAC.
6. To seek the recovery of funds from +MT and Kondratick immediately after receiving this report during the HS and MC joint session, September 3-5, 2008.
7. The OCA Legal Committee and legal counsel to review this report for possible referral to the Nassau County District Attorney and other appropriate authorities no later than September 30, 2008, and report back to the HS and MC on that date.
8. The publication of the unabridged 13-page SC report on the OCA’s website no later than September 5, 2008.
9. A report by the OCA’s external auditors to the HS and the MC regarding the adequacy of the newly established internal financial controls and the release of the same on the OCA’s website at the 15th AAC.
10. The establishment by the HS and MC of a committee to oversee and report on the progress of the SIC’s recommendations. This committee shall consist of one hierarch chosen by the HS, the three OCA corporate officers, and three MC members selected by the MC during their meeting of September 3-5, 2008.
11. The designation of the MC’s Ethics Committee as the OCA’s ombudsman, a place for whistle-blowers and others to bring concerns without fear of retribution, beginning at the joint session, September 3-5, 2008.

12. The establishment of a presentation by the OCA's legal counsel to the HS and MC concerning their fiduciary and other legal responsibilities as members of their respective bodies during the 15th AAC and annually thereafter.

13. The MC's selection of a committee during its September 3-5, 2008 meeting to develop a comprehensive crisis management plan, developing and adopting a policy of immediate action within the Church, and a commitment to provide effective communications with members of the Church, while problems, issues, and crises are being addressed. The committee will present a progress report to the HS and MC no later than the Spring 2009 HS and MC sessions.

Long-Term Recommendations

1. Beginning with calendar year 2008, annual external audits of all OCA bodies and institutions (including Stavropegial institutions) are to be mandated. Additionally, the financial records of the former Diocese of New York/New Jersey shall be audited. The results of these audits will be presented to the HS and MC and published on the OCA's website within 30 days of their presentation.

2. The establishment of qualifications for election as a member of the OCA's Audit Committee during the 15th AAC.

3. The OCA's Annual Audit Committee reports shall be presented to the HS and MC and published on the OCA's website within 30 days of their presentation.

4. The publication of the OCA's annual budget and monthly financial reports on the OCA's website, beginning October 1, 2008.

5. Implement changes to ensure the OCA's website is current with the goal of its becoming a reliable source of Church information, and one to which answers readers' questions submitted to the OCA, beginning no later than January 1, 2009.

6. The establishment at the 15th AAC of a long-term strategic planning committee to review: (a) the relationship of the dioceses to the Central Church; (b) the appropriate division of responsibilities and funding between the dioceses and the Central Church; (c) the separate and joint roles and responsibilities of the HS and MC in the governance of the Church; (d) the role, functions, structure, and funding of the Central Church Administration and its geographic location; and (e) the development, documentation, and implementation of sound business policies, procedures, processes, and practices. The committee will conduct a comprehensive review of *The Statute of the Orthodox Church in America* and all HS, MC, and Chancery policies to ensure accountability, openness, and communication to the Church-at-large. The committee will report to the HS and MC during their Spring and Fall sessions, beginning no later than the Spring 2009 sessions, and semi-annually thereafter.