

Measuring and Ranking Diocesan Online Financial Transparency 2018

In the wake of ongoing revelations about the clerical sexual abuse crisis, genuine financial transparency will be an essential step in rebuilding the trust of U.S. Catholics in our bishops. We must be sure that our gifts to the church cannot ever again be used to cover-up crimes against our children. Some of our bishops have made a public commitment to financial transparency, while others reveal almost nothing about the financial operations of their dioceses. This report is one tool in the hands of faithful Catholics who want to understand how their donations are being used, to help them exercise good stewardship of the gifts God has given them.

The Nature of the Review

The heart of VOTF's 2018 review consists of a 10-question worksheet that touches on several areas of financial accountability and transparency. The same questions were used to review diocesan transparency in 2017. They were developed by a committee composed of VOTF officers and members, several of whom possess life-long experience in the field of accounting and finance. They are described in detail in Appendix A below. Special emphasis was given to making the questions as objective as possible in order to minimize the role of personal opinion. Each question has a point value between 5 and 15 points. The maximum total score achievable was 60 points.

Why is Financial Transparency Important?

In the absence of clear and accessible financial reports, certified by audits, as well as properly implemented collection and reporting protocols, the funds donated by the members of a diocese are susceptible to fraudulent diversion by clergy or by laity; they may also be used in settlements to keep clerical sexual abuse under wraps or for other purposes that do not support the mission of the church. Guarding against such diversion and misuse is a responsibility of all the Faithful, not just the pastors or bishops. Every Catholic shares in the responsibility to ensure that funds donated for Church work actually go towards those purposes. Without access to financial reports and information on diocesan finance councils, budgets, and the overall financial health of a diocese, ordinary Catholics cannot exercise their full responsibility of stewardship or verify where their donations to the diocese go.

These can be donations made directly at the diocesan level such as given in response to an annual appeal, or indirectly through a diocesan tax or *cathedraticum* that is paid by their parish to the diocese. By the same token, parishioners in parishes that do not issue financial reports to their members should request that their pastors issue quarterly or annual financial reports so they are able to determine how their donations that stay in the parish are being used.

If the extent of the settlements made by bishops to hide clerical sexual abuse had become known through transparent financial reporting when the abuse reports started breaking long before 2002, lay Catholics would have been aware that the abuse was not a rare exception, but widespread. If they had demanded change then and the bishops had implemented it, many children could have been spared the devastation that often comes in the wake of such abuse. Some cases of abuse would still have occurred, but the abuse would have been reported, not covered up, and abusers called to account for their crimes. Victims of serial abusers would have been protected.

Summary and Highlights

In the 2018 review, the average overall score achieved by all the 177 territorial dioceses in the U.S. (including 32 archdioceses) was 39.7 out of 60, or 66% if scoring were on a percentage basis. This represents an increase of 5% over the 2017 average score. While the transparency scores of 21 dioceses dropped from 2017 to 2018, more than 70 had higher scores and some achieved very significant increases. The Archdiocese of Omaha went from a dismal 26 to 56, and the Diocese of Orlando from 26 to a perfect score of 60, tying with the Diocese of Burlington which also scored a full 60 points. Orlando also received an unqualified opinion on its audit, whereas Burlington received a qualified opinion¹. The Diocese of Santa Rosa, CA was the only one of 177 to record the 'highlights' or any aspect of their Finance Council meetings at http://www.santarosacatholic.org/lay_consultative_bodies.

After the publication of the 2017 report, some dioceses contacted VOTF to discuss the review or clarify the nature of the questions in the worksheet. It is gratifying to note that some of them have achieved significant increases in their 2018 scores. One example is the Diocese of Ft. Wayne-South Bend, with a score of 34 in 2017 and a 56 in 2018.

Table 1 shows the dioceses with the highest and lowest scores in 2018. Thirteen dioceses scored 56 or higher in 2018. Eleven dioceses scored 19 or lower. As in the 2017 review,

¹ A qualified opinion is an adverse statement issued by a professional auditing firm after it has conducted an audit of a corporate entity's financial statements.

there was no correlation of scores with diocesan size or geographic region. The archdioceses shown in Table 1 are indicated in bold.

**Table 1 – Highest and Lowest Financial Transparency Scores in 2018
(Archdioceses in bold)**

Top Scores (56-60)			Bottom Scores (12-19)		
Diocese	Score	Audited Report	Diocese	Score	Audited Report
Burlington VT	60	Yes*	Harrisburg PA	19	No
Orlando FL	60	Yes	Orange CA	19	No
Atlanta GA	59	Yes	Santa Fe NM	19	No
Baltimore MD	59	Yes	Salina KS	18	No
Sacramento CA	59	Yes	Brownsville TX	10	No
Bismarck ND	56	Yes	Knoxville TN	15	No
Bridgeport CT	56	Yes	Lubbock TX	15	No
Buffalo NY	56	Yes	Portland OR	15	No
Des Moines IA	56	Yes	Tulsa OK	15	No
Ft. Wayne-South Bend IN	56	Yes	Grand Island NE	13	No
Milwaukee WI	56	Yes	St. Thomas VI	12	No
Omaha NE	56	Yes			
San Diego CA	56	Yes			

*Qualified Opinion

It is worth noting that the dioceses in Pennsylvania whose failures to protect children were the subject of the recent grand jury investigation fared poorly in the 2018 review, with an average score of 33.5 as compared to the national average of 39.7.

Results of the 2018 Review

Table 2 shows average scores for all 177 dioceses in the USCCB in the 2017 and 2018 reviews. Details of the data for 2018 may be found in the data tables at the end of the report. The changes in average scores are incremental but generally increasing. Table 3 shows the nature of the changes in individual diocesan scores that occurred between 2017 and 2018.

Table 2 - Average Diocesan Scores in 2017 and 2018

	<i>Q1</i>	<i>Q2</i>	<i>Q3&4</i>	<i>Q5</i>	<i>Q6</i>	<i>Q7</i>	<i>Q8</i>	<i>Q9</i>	<i>Q10</i>	<i>Total</i>
<i>Max Value</i>	5	5	15	5	5	5	5	5	10	60
2017	3.6	4.6	8.1	4.9	4.1	4.8	2.1	2.3	2.1	36.5
2018	4.3	4.5	9.0	5.0	4.5	4.9	2.4	2.5	2.6	39.7

Table 3 - Changes in Diocesan Scores from 2017 to 2018

<i>Scores</i>	<i>Dioceses</i>	<i>Archdioceses</i>	<i>Total</i>	<i>%</i>
Increased	58	14	72	41%
Decreased	18	3	21	12%
No Change	69	15	84	47%
Total	145	32	177	100%

Out of the 177 U.S dioceses, 84 (47%) had no change in their scores. VOTF had advised all dioceses that a second review would be conducted in 2018, with adequate time for them to make changes to their websites. Although many dioceses with unchanged score were in the top 25%, these results suggest that a sizable percentage of the low-scoring dioceses were not motivated to make significant improvements in their online financial transparency between the 2017 and 2018 reviews. In addition, 12% of diocesan scores actually dropped from 2017 to 2018.

On the other hand 72 dioceses (41%) posted gains in their scores, sometimes very significant gains. Among archdioceses, the standout was the Archdiocese of Omaha that increased its score from 26 to 56. Atlanta and Baltimore shared top honors among the archdioceses, both scoring 59, and Milwaukee tied with Omaha for third place, both scoring 56.

Among dioceses, the Diocese of Orlando increased from 26 in 2017 to a perfect score of 60 and a tie with Burlington for first place. Other notable improvements include Lexington

(increasing from 19 to 47), San Diego (31 to 56) and Trenton (15 to 40). Figures 1 and 2 below show the 15 dioceses with the most improved scores and the 15 whose scores dropped the most.

Insert Figures 1 and 2 – changes from 2017 to 2018

Posting of Audited Financial Reports

The availability of current audited financial reports on a diocesan website is in many ways the hallmark of financial transparency. In the case of the 2018 review, a current audited financial report would cover fiscal year 2017. Because timeliness of reporting is of key importance, only current audited reports receive the maximum 15 points on questions 3 and 4. Reports that are 1-2 years old receive only 10 points and reports that are 3-4 years old receive only 5 points. Beyond that, no points are awarded for a financial report.

Many large dioceses post multiple financial reports on their website to include reports for separate entities such as schools, hospitals and cemeteries. For the purposes of this financial transparency review we have considered only the audited financial report for the operations of the main diocesan entity itself.

The data in Table 4 indicate an 8% increase in the number of dioceses posting current audited financial reports between 2017 and 2018, from 83 to 97. This may be in part because the reviewers went back at the end of the 2018 review period and gave full credit to any diocese that had posted a current report by September 7, 2018. Since a similar grace period and final check were not part of the 2017 review, this might account for a higher percentage of current reports. In any case, the total number of dioceses posting audited financial reports went from 100 in 2017 to 108 in 2018.

Table 4 – Audited Financial Reports Posted in 2017 and 2018

	<i>Diocese</i>	<i>Archdiocese</i>	<i>All</i>	<i>% All</i>
<i>2017 Review</i>				
Current FY	65	18	83	47%
Not Current	14	3	17	10%
Summary Only	12	4	16	9%
None Posted	54	7	61	34%
	145	32	177	100%
<i>2018 Review</i>				
Current FY	77	20	97	55%
Not Current	9	2	11	6%
Summary Only	18	6	24	14%
None Posted	41	4	45	25%
	145	32	177	100%

In 2018, 24 of the 177 dioceses provided only online summaries of diocesan finances, often with pie charts and other graphics, instead of audited financial reports. Unfortunately such self-reporting is not the equivalent of an audit by an independent accounting firm. The Archdiocese of New York is the largest U.S. diocese that posted only summary financial data. The remaining 45 dioceses, or 25% of the 177, provided *no* financial reporting whatsoever.

Occurrence and Significance of Qualified Reports

After a professional auditing firm has conducted an audit of a corporate entity’s financial statements and finds nothing in its audit that would cause it to limit its own endorsement, it gives a “clean” or *unqualified* opinion. A *qualified* opinion on the other hand is an adverse statement issued by the auditing firm. The auditor indicates by issuing a qualified opinion that the entity being audited has not included all parts of its entity in its financial statements or has not followed generally accepted accounting procedures (GAAP), the procedures that every entity should follow when it prepares its financial statements. The auditing firm will elaborate in its opinion what the entity has failed to do appropriately.

In 2018, nine dioceses posted audited financial reports with qualified opinions. They were Amarillo, Burlington, Evansville, Fargo, La Crosse, Las Cruces, Memphis, Saginaw and Venice. Although no archdiocese posted a report with a qualified opinion, some of the 10 archdioceses that did not post any reports may have received qualified opinions and chosen not to share them publicly. It is likely that many dioceses receive yearly audited reports for internal use but do not post them to their websites.

Receiving a qualified opinion reflects a certain lack of financial transparency, but an audited financial report with a qualified opinion is more transparent than self-reporting alternatives. The auditor's notes on a qualified opinion will provide information about what aspects of the diocesan financial operations are not included in the report or provide other information that would be helpful to a lay member of the dioceses seeking to understand the situation.

Members of a diocese with a qualified opinion from its auditor, and in particular the members of the diocesan finance council, should ensure that they understand the significance of the opinion. In order to encourage posting of audited reports, no points were deducted for a qualified opinion in 2018.

Diocesan Finance Councils

Since the role of the diocesan finance council (DFC) is critical in ensuring prudent use of the resources of the diocese, a transparent diocesan financial operation would require that laity of the diocese have a way of ensuring that lay members of the DFC are "truly expert in financial affairs and civil law, outstanding in integrity," as Canon 492 specifies. Question 8 asks if the members of the DFC are identified on the diocesan website. If a list of members and their credentials are not posted, it is not possible to judge whether Canon 492 is met.

The 2018 review showed that 21 of the 177 dioceses posted their finance council membership with the lay members' credentials. An additional 79 posted their finance council membership without the lay members' credentials. The remaining 77 dioceses did not post their membership. This represents some improvement over 2017 when 16 of the 177 dioceses posted their finance council membership with the lay members' credentials, and an additional 71 posted their finance council membership minus the lay members' credentials, thereby leaving 90 dioceses, or more than half, that did not post their finance council membership.

Protection of Collections

For the nation's more than 17,000 Catholic parishes spread among its 177 dioceses, the weekly collections (a significant amount of which comes in the form of cash) are their primary source of income. Due to the manner in which this income is received, i.e., placed

into open baskets in the middle of religious services each weekend, it is particularly vulnerable to theft. It must be effectively secured at the first opportunity and kept secure up to and including the point at which it is properly deposited into the parish's bank account. It is essential to create an environment that prevents any one person from gaining lone, unobserved access to the funds prior to their documentation and deposit.

Two components are of particular importance to a parish's ability to establish a genuinely secure collection system. Question 10 asks whether detailed Sunday collection procedures are posted by the diocese and whether they require the use of numbered collection containers and counting teams composed of three or more persons. By a very wide margin, dioceses scored most poorly on this question.

Of the 177 dioceses, only 90 posted details of their Sunday collection procedures at their website, and only 16 of the 90 require the two components noted above. Of the remaining 74 dioceses that posted their procedures, 33 require neither component, and 41 require one or the other but not both. The absence of either of those two components virtually guarantees the affected parish's collections are vulnerable to weekly theft.

Under Canon Law (Canon 455), the USCCB could mandate the conference-wide use of genuinely secure collection procedures that would significantly decrease collection thefts. Doing so would require a two-thirds vote of the members of the conference and Vatican approval. This is the approach used by the bishops to implement the Dallas Charter for the Protection of Children and Young People that was adopted by the conference in 2002 and most recently revised in 2011.

Conclusions

The results of this report show that, based on diocesan transparency scores, diocesan financial transparency is increasing in the U.S. Positive signs include more dioceses posting audited financial reports and greater openness concerning activities of Diocesan Finance Councils (DFC), of which Santa Rosa is a good example. Approved highlights of their DFC meetings are posted on their website. Such transparency gives the laity a level of confidence that their financial support of the bishop and the good works of the diocese are accomplishing their intended goal. It will enhance the sense of lay stewardship and promote generosity within the diocese.

These improvements are not universal, however. Although many dioceses have made a commitment to transparency, others have lagged behind. They have failed to exercise openness concerning their financial operations. High-performing dioceses serve as an example and demonstrate that significant improvements in transparency can be achieved, but lay involvement is critical in making openness in

financial affairs more widely practiced across the country. Lay Catholics must be vigilant about diocesan finances. We must let our bishops know if we find their financial transparency lacking.

Recommendations

If you are a faithful Catholic who supports your parish and diocese, you should check your diocese's overall score and its question-by-question scores as determined by this review. If your diocese does not post its audited financial statement or, worse, not even an unaudited financial report, your diocesan leadership is being less than forthright about its finances. If your diocese does not mandate safe collection procedures, it is failing in its duty to protect the resources you have provided to them.

Their message to you is that financial reports and financial guidelines are need-to-know information, and that the laity - without whose financial support the hierarchy could not function - do not have a need to know. That can be likened to the officers of a major corporation declaring their stockholders have no need to know how the assets of their company are being used.

If that describes your diocese, don't be afraid to let your bishop know of your concern. If you receive no response and the level of financial transparency does not improve, you might consider this: On the Annual Appeal pledge slip, write the following and place it in the return envelope: *"I cannot in good conscience contribute to the annual appeal until the Diocese publishes its audited financial reports. Sincerely, [your name]."* Remember, it's your Church too!

Remember also that the members of your DFC represent you in ensuring that your donations advance the mission of the Church. The function of the DFC parallels in some ways that of a corporate board of directors. Secrecy of the operation of the council is not mandated by Canon Law, although bishops may require it. The example of the Diocese of Santa Rosa shows that greater openness is a possibility. Check your diocesan website to learn who the members of your DFC are and if there is any indication of their expertise. If DFC members are identified, you might contact your diocesan bishop or Chief Financial Officer to ask if highlights of DFC meetings can be posted to the website. If DFC members are not identified, you might ask why not.

In his August 16, 2018 statement in response to the PA Grand Jury's report and the revelations about Cardinal McCarrick, USCCB President Daniel Cardinal DiNardo stated *"We are faced with a spiritual crisis that requires not only spiritual conversion, but*

practical changes to avoid repeating the sins and failures of the past that are so evident in the recent report.” For lay Catholics in the U.S., such practical changes will be essential in rebuilding their trust in their bishops. Bishops must adopt reforms that include meaningful involvement of the laity and should empower a lay review board to help guide this new effort.

It seems likely that Pope Francis will ask the national bishops’ conferences to take on a larger role in dealing with the current crisis of confidence in the church, since they should understand the local challenges in greater detail. As one practical change, the USCCB should adopt procedures, parallel to the Dallas Charter, to mandate accountability for bishops and to put measures in place to ensure that covering up crimes of clerical sexual abuse cannot reoccur. Mandating financial transparency will be an important part of such reforms. It is doubtful that the Pope would refuse his approval for them if two-thirds of the conference supported them. It is time for U.S. Catholic bishops to step forward and translate their words into actions.

Appendix A – Methodology

The 2018 review began on June,1, 2018 and concluded on September 7, 2018 to provide every opportunity for dioceses to post their most recent financial reports. Diocesan websites change constantly as information is added or deleted, and the links that existed at the time of the 2018 survey may have changed after the reviews were completed. In reviewing the diocesan websites, the following 10 questions were asked.

Question 1: Can any financial data be found within a few to several minutes? *Maximum value – 5 points*

Reviewers typically withheld credit only when no data could be found no matter how long they searched.

Question 2: Is there a workable internal “search” function? *Maximum value – 5 points*

A workable search function allows a visitor to the website to locate hard-to-find information and is key to website transparency.

Question 3: Are audited financial statements posted?

Question 4: If the answer to #3 is “No,” is financial info reported in another format, e.g., booklet form? *Maximum value – 15*

If any of the review’s 10 questions can be characterized as representing the heart of

the review—financial accountability and transparency—Questions 3 and 4 merit that description. They ask whether the arch/diocese posts its audited financial statement on the website and, if not, whether a less-detailed annual financial report is posted. These reports are essential for showing contributors how their donations support the Church’s administrative structure and fund its many charitable works.

Question 5: Is the Annual Appeal’s purpose explained somewhere on the website, and/or is it reported on the financial statements?

Maximum value – 5

Question 6: Is the annual parish assessment (cathedraticum) explained somewhere on the website, and/or is it reported on the financial statements? *Maximum value – 10*

Annual Appeals and parish assessments are key diocesan financial resources. Questions 5 and 6 ask whether the annual appeal and the annual parish assessments, respectively, are explained somewhere on the website and/or are reported on the financial statements.

Question 7: Is contact info for the business office posted? *Maximum value – 5*

Posting contact information for the finance staff makes it easy for website visitors to initiate finance-related inquiries.

Question 8: Is the finance council identified? *Maximum value – 5*

Canon Law (specifically Canon 492), requires the every diocese have a Finance Council consisting of “at least three members of the Christian faithful truly expert in Financial affairs and civil law, outstanding in integrity, and appointed by the bishop.” Absent either the list of members or their credentials, it is not possible to judge whether the Canon Law standard is met.

Question 9: Are parish financial guidelines posted? *Maximum value – 5*

Question 10: Are detailed collection & counting procedures posted?

Maximum value – 10

Questions 9 and 10 are related since collection and counting procedures referred to in Question 10 are typically (though not always) found within the guidelines referenced in Question 9. Like Questions 3 and 4, Question 10 is a critical element in this review. Weekly collections are the primary source of the Church’s revenue, making proper collection and counting procedures essential. Both the use of serially numbered, tamper-evident containers and counting teams of three or more individuals are absolutely essential to establishing and maintaining a genuinely secure weekly collection system.

Appendix B – Alphabetical Data

Appendix C – Data Snapshots

Appendix D – Raw Data