

THE THEFT AT SOUTHERN NEW ENGLAND CONFERENCE

This is, indeed, an unusual report. We were first notified about the crisis in the early fall of 1995. That was over two years ago! —But we were told not to publish yet, for solutions were being worked out. This became the ongoing pattern in the months that followed: We were provided with additional updates, but told it was best to wait until the situation was resolved—and that it would be soon. Months continued to pass.

So, here at last is the report. It is actually a combination of several reports, scattered over a period of two years!

A certain attorney, in his late 40s, has worked for the Southern New England Conference for approximately 20 years. I can assure you that, because of recently discovered developments, his name is now well-known in that conference.

Several years ago, his son and a youthful friend took the father's car for a drive. For some reason, they stopped the car to get something out of the trunk.

Inside, they found several boxes. Opening one, they found it stuffed with cash. The other boxes were similarly packed with money. Estimating what they found, it appeared to be about \$100,000.

In another box in the trunk, they found casino chips.

Eventually, this news leaked

out, yet nothing was done about it. The man continued working at the conference office and, as part of his work, writing conference checks. This incident occurred about five years ago.

As we have found repeatedly in the "cause," men are too trusting, and do not pay enough attention to financial matters.

We are also told that the treasury department of Southern New England Conference is otherwise being capably operated. So much so, that the loss in its accounts only occurred rather recently.

Yet, in spite of this, one cannot help but wonder that the attorney's personal financial dealings and problems should not have provoked someone's concern in the conference office.

Not only did that attorney work for the Southern New England Conference, but apparently he had some involvement with escrow funds placed with Atlantic Union College. At this time, we are not clear what this connection is, since AUC is a union, not conference, institution.

In August 1995, financial officers at Atlantic Union College wrote a check to get \$120,000 out of an escrow account. But the check was returned; it had bounced.

When money is "in escrow," it is held by a third party, pending fulfillment of certain conditions. It is money deposited with a third party,

to be returned only when certain things happen. So this was money in some type of trust fund.

The bounced check alerted officials at the college that something was wrong. They, in turn, contacted the Southern New England Conference. The SNEC treasurer immediately called the General Conference Auditing Service, to send men up to carry out an audit.

The General Conference regularly audits every union and conference, and issues reports. But, as we have learned from the tragic David Dennis case, sometimes those audit reports are quietly filed away, and changes which the auditors have requested are not made. Instead, certain siphoning or cover-up operations are, at times, permitted to continue.

However, in the case of SNEC, there is no clarity that they had done anything amiss. The problem appears to have been with the attorney, not the conference office. Yet there are those who wonder how the attorney, could have apparently been so loose in his personal financial management for several years, without church leadership learning about it.

When the General Conference auditors arrived, they initially found a loss of \$375,000—over a quarter of a million dollars.

It is now known that the initially discovered loss was absconded between the end of June and the first of September, 1995. There is the possibility that additional large amounts may also be missing.

**TIPS FOR SUCCESSFUL CHURCH MANAGERS:
IN A CRISIS, WAIT; EVENTUALLY IT WILL GO AWAY BY ITSELF.**

So far, there is nothing which would indicate that the conference or the college, or any of their officials were involved in the losses.

But, at this time, there is no certainty as to the extent or scope of the problem.

Church investigators are still working, and other investigators have been brought in, who are continuing to sift through the accounts. It has been privately reported that, when it is completed, the loss may total over \$5 million.

It is not being discussed whether or not anyone noted any warning signals prior to this September, but responsible sources have privately admitted that the incident about the car trunk full of money and gambling chips occurred about five years ago.

On Monday, November 7, 1995, the matter was turned over to Massachusetts state authorities. Soon after, federal agents and the IRS were called in.

Operating independently from the church discovery and audit, the Internal Revenue Service went after the attorney. They tried to seize his real estate, equipment, and boat, but learned that much of it was already mortgaged to the hilt.

Initially, it was noised about that the IRS had sealed all escrow accounts held by the Southern New England Conference, and would permit no checks to be written into, or out, of them while they carried on their investigation. But this report later proved untrue.

At any rate, there would be no danger that the IRS would try to seize any of the escrow accounts which the attorney worked with at

the church or college. The IRS never seizes escrow accounts because they belong to someone else, not to the person being investigated. But it has been learned that money which can be seized includes tithe and offering funds.

According to information we have received, at least one other company, outside the church, has suffered a loss of over \$900,000 in escrow funds, which may be traceable to the attorney.

Soon after the discovery, the attorney hurriedly departed to California, where he is now staying.

Probably to divert attention, the attorney has said all his troubles occurred because the IRS came after him.

So far, he has tried to work out a plea bargain with church leaders (possibly to return part of the money) if the charges are dropped. Some say this should be accepted, but others believe the conference should go to the bottom of the matter.

The SNEC has sent out a newsletter to its constituent members, tentatively informing them of the \$375,000 loss, and that it has retained an outside investigative agency to carefully go through the records. To date, no conference constituency meeting has been called.

Charles Case is the president of the Southern New England Conference.

The Federal Bureau of Investigation has now been called in. If absolute intent can be shown, then fraud and racketeering is involved—and the RICO statute can be invoked. This would make it a federal matter.

There is the possibility that the attorney may have secreted some of the missing funds in overseas numbered accounts, and the FBI can check that out far easier than the county attorney in Wooster County, Massachusetts, where local records are kept.

By late November, there is still no certainty as to where the missing money may be, or how it was spent—if it was.

But a picture appears to be emerging: boxes of cash - gambling chips - property mortgaged to the fullest - federal taxes unpaid - funds taken from conference, college, and perhaps other denominational funds.

It is not a pretty picture. We all wish it had not happened. Better checks and balances are needed.

The attorney was permitted to have sole control over money in escrow accounts, without any controls. Apparently, he transferred some of that money to his own account. Why was he allowed such freedom over conference finances, that he could write one-signature checks whenever he wished? (The State required two-signature checks, but this rule was not being followed.)

When one SNEC church member inquired about the matter, he was told by a church official, "It's all right; no tithe money was involved." The reply came back, "I don't care; it's all the Lord's money!"

Of course, because of so-called "tithe reversion" practices, a sizeable portion of the non-tithe funds in the conference are tithe funds.

It is now July 1, 1996. The above reports were written in October-November 1995. We did not publish them, since we were asked to wait until a definitive settlement to the problem occurred.

But, as the months passed, very little happened, and a remarkable silence settled down over the entire matter! This is the more remark-

**MORE TIPS FOR SUCCESSFUL MANAGERS:
PRACTICE THE DAVENPORT CRISIS CONTROL PROGRAM -
DO ALMOST NOTHING FOR SEVERAL YEARS -
AND THE MEMBERS WILL FORGET ALL ABOUT IT.**

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able since state and government investigative agencies were involved.

It appears that someone said, "Please be quiet!"

Repeatedly, as 1996 wore on, we were told, "Nothing has happened; but, surely, we will learn something within a short time. Please wait!"

It is now July 1, and a second brief overview of what we now know is being written up. Yet it appears best to wait longer before presenting it to our people. We still do not have much to relate, and we believe we may be able to add significantly more in an update in August—and then send it all to you.

Among the Southern New England Conference constituency are a number of very capable businessmen. They are determined that this matter be settled properly, and not just swept under the rug.

They want a report to be made to the constituency, one which will identify causes and provide assurance that solutions are being applied.

In order to satisfy such individuals that something was being done about the matter, shortly after the financial problem became known in August 1995, the SNEC executive committee appointed an ad hoc [appointed for a special purpose] committee to investigate the matter.

It is already known that the conference lost at least \$375,000. But what is the exact amount? It is known that the conference had reason to suspect the attorney five years earlier. Why was he permitted to have such single-handed control over conference funds? Exactly what was the attorney's relationship to the conference office and its leadership?

Apparently this subcommittee

carried on some kind of investigation—How thorough? We do not know. At any rate, it submitted a 14-page report to the conference executive committee in the spring of 1996.

But then stillness again fell over everything. Even the most astute observers of happenings in Southern New England Conference are still waiting for information on development. The breadth of this blanket of quietness is remarkable.

One reason the laity are able to be so content is that there is supposed to be a day of reckoning: In September, a special conference constituency meeting is to be held for the purpose of promoting the raising of funds for secondary education and summer camp improvements. At that meeting, a summary of the 14-page report is supposed to be presented.

We are told that, if the report that is presented is simply too watered down, certain angry church members may go to the State House in Boston and check on matters there. Massachusetts law requires non-profit organizations to abide by certain fiduciary standards.

The bottom line of the problem here is a violation of financial responsibilities. Over a period of time, the attorney was permitted to do what he wanted with conference funds, and no one was checking on him. Yet this would seem to be an impossible situation, since the conference office has a complete accounting department of several people to oversee day-to-day operations, and annual audits were supposed to be made.

Some of our readers will recall the crisis at Fuller Memorial Hospital, back in the mid-80s (also in the Southern New England Conference). We provided you with a rather

complete report on that financial scandal in the fall of 1985.

At that time, one individual spoke with a high-placed official in the Northeast (whom he named to me). He asked the official:

"How are we going to keep this from happening again?"

The church official, about to retire, said this in reply:

"You [the laity] ask questions, you keep asking questions, and you keep asking questions; that is how it will be prevented."

That was a thought-provoking conversation. Church leaders know what reaches them.

It is now July 1997. Elder Case, the conference president has retired, and most of the conference staff have been shuffled elsewhere, with new staff coming in. That is the way a major problem is generally handled in forthcoming months.

It appears that no church worker got any money out of this fraudulent operation. Only the attorney apparently benefited. An intriguing question was whether or not he was a church worker. That point is still controverted.

As mentioned earlier, when the theft was discovered the attorney (whose name we know) quickly skipped to California. He later moved to Colorado, where he became involved in another fraudulent operation, for which he was jailed. But he is back out now, practicing his trade.

Church officers were not being watchful, and trusted the attorney too much. Yet several in the community knew about his gambling habits and had warned church leaders.

At a Southern New England Conference constituency meeting, held in November 1996, a 5-page report was read to the delegates. It said that an attorney had been hired, to try to recover the money.

The delegates seemed contented with that, and expressed little

**HOW TO WEAR A CRISIS TO DEATH:
WAIT LONG ENOUGH AND THE CONSTITUENTS WILL BECOME
SO WEARY, THEY GIVE UP ON IT.**

comment. Their primary concern was with secondary education, and this relieved church leaders.

By early summer 1997, the attorney hired to recover the lost money had accomplished little.

Risk Management (the General Conference insurance office) said that they would not reimburse SNEC since the attorney had not been a conference worker.

Appeal was made to the Massachusetts Bar Association, but they said they only helped people who were hardship cases—and SNEC was not one of them. They told SNEC they had only lost about \$600,000; and that was not much, considering the size of their operation.

At this juncture, the attorney hired to recover the money (primarily from insurance companies) has been paid c. \$50,000 for his services, and no money is being recovered.

So efforts may be made soon to cut the losses and close the case.

It is now the last day of October 1997, over two years since reports on this matter began being prepared.

Our contacts in SNEC are exhausted and say the situation is hopeless.

Callers to the Southern New England Conference office are routinely told that the lawyer, retained for this purpose some months ago, is still “vigorously pursuing it.”

Church members are in despair, and are beginning to recognize that, every month, money is being poured into the pocket of the attorney—yet nothing is being accomplished.

All other sources of reimbursement (GC Risk Management, insurance companies, and the State Bar Association) have failed to produce any reimbursement.

Risk Management (our General Conference insurance company) refuses to pay, for they say he was not a church employee. Knowledgeable church members in SNEC declare that, in his capacity as conference attorney, he was. SNEC leaders seem disinclined to offend higher church levels by pressing the matter with them.

Why the lawyer who absconded with the money was never tracked down and brought to justice is a strange factor in the entire affair. Church leaders never seemed to have an appetite for doing that. Something might be disclosed.

For some reason, whenever a church worker takes funds, the church never prosecutes him. This has occurred at Loma Linda University and its hospital a number of times. It happened with Donald Davenport. It has happened with many others. It happened with this gambling attorney also.

There seems to be a spirit of “You bother me any further, and I will tell what I know.”

So the case simply unravels, and money is never properly recovered.

Dr. Davenport took \$20 million from church entities, and another \$20 million from church members who, trusting their leaders, were told to send their retirement savings to Davenport.

But no Adventist conference, union, institution, nor world headquarters ever sought to prosecute Davenport in the courts.

Apparently, he retained a portion of his ill-gotten wealth, retired soon after, and lived in peace (and Loma Linda University Church membership) until his death about two years ago.

Many of our readers will recall that we prepared the most complete report on the Davenport fiasco. But

many do not realize that even we eventually gave up on it.

After writing up a very complete report (see *The Davenport Syndrome*—Part 1-15, now in Part 3 of our *Finances Tractbook*), covering the entire story from 1946 to March 1983, I was so disgusted with the ongoing delays and cover-ups that I did not report on the final developments: how the “President’s Commission” was told to spend a full year investigating the matter and how, at the end of that time, the church members were so exhausted that they had given up on it.

So the report, when submitted to President Neal C. Wilson, was nicely filed.

At the time, we were told of competent, sincere, Adventist businessmen on that commission, who went home angry because none of the points they had recommended were done.

Yet, although the scandal was stifled and only a few letters of reproof were mailed out, many church members awoke to a realization that they must look to God alone for help as we move closer to the Final Crisis of the National Sunday Law.

“Cursed be the man that trusteth in man, and maketh flesh his arm, and whose heart departeth from the Lord.

“For he shall be like the heath in the desert, and shall not see when good cometh; but shall inhabit the parched places in the wilderness, in a salt land and not inhabited.

“Blessed is the man that trusteth in the Lord, and whose hope the Lord is.

“For he shall be as a tree planted by the waters, and that spreadeth out her roots by the river, and shall not see when heat cometh, but her leaf shall be green; and shall not be careful in the year of drought, neither shall cease from yielding fruit.”—*Jeremiah 17:5-8*.