

DIOCESE OF MANCHESTER

NARRATIVE REGARDING INVESTIGATION INVOLVING REV. MSGR. EDWARD J. ARSENAULT, III

The following narrative sets forth information regarding the events that led to an investigation and the conviction of Msgr. Edward J. Arsenault for misappropriation of diocesan funds. Much of the information contained in this narrative is or will be publicly available. The information is provided to the faithful because Msgr. Arsenault has been a public figure in the local Church, and his conduct has had a significant impact on the Church. Msgr. Arsenault has rights under civil and canon law that constrain the Diocese from further comment.

Rev. Msgr. Edward J. Arsenault, III

Edward J. Arsenault, III was ordained a priest for the Diocese of Manchester in 1991. He attended Mount Saint Mary Seminary in Emmitsburg, Maryland. He later received a Pontifical License in Sacred Theology from the Weston Jesuit School of Theology, and a Master of Science degree in Finance from Bentley University. Father Arsenault began working in the Diocese of Manchester Administration offices after obtaining his degree in Finance.

In 2000, Most Reverend John B. McCormack, Bishop of Manchester, appointed Father Arsenault to serve as a member of the College of Consultors, Chancellor, and Delegate for Ministerial Conduct. In 2003, he was appointed Cabinet Secretary for Administration. In light of the facts that Father Arsenault had a degree in Finance and demonstrated that he possessed the knowledge, talents, and leadership and management skills necessary to oversee an effective and efficient administration, Bishop McCormack delegated to Father Arsenault oversight of the diocesan administration, including finances.

In 2004, Bishop McCormack appointed Father Arsenault to serve as Moderator of the Curia in addition to his duties as Cabinet Secretary for Administration and Delegate for Ministerial Conduct. As Moderator of the Curia, in addition to oversight of the diocesan administration, Bishop McCormack delegated to Father Arsenault the responsibility to oversee the work of all of the other Cabinet Secretaries. During his tenure as Moderator of the Curia, Father Arsenault was involved in establishing a Parish Finance Manual to institute financial controls in all parishes of the Diocese.

In addition to the aforementioned duties, Father Arsenault served as the Bishop's Delegate for Healthcare on the Board of Directors for Catholic Medical Center ("CMC"). Father Arsenault also served as chair of the Board of Governors of CMC Healthcare System, the parent company of CMC.

In February 2009, Father Arsenault asked Bishop McCormack for permission to take a sabbatical for a period of rest and discernment. Bishop McCormack authorized the sabbatical, and Father Arsenault resigned from his positions as Moderator of the Curia, Cabinet Secretary for Administration, Consultor, Delegate for Ministerial Conduct, and Delegate for Healthcare.

On September 1, 2009, at Father Arsenault's request, Bishop McCormack permitted him to accept a position as President and Chief Executive Officer of St. Luke Institute in Silver Spring, Maryland.

In August 2010, Pope Benedict XVI named Father Arsenault a Chaplain of His Holiness with the title, "Reverend Monsignor."

Diocesan Investigation

In January 2013, a layperson reported to her pastor that she was told by someone whom she would not identify that while Msgr. Arsenault was in the Diocese of Manchester, he had a relationship that was inappropriate for a priest with an adult whom she identified by name. She also said that she was told that the adult had "blackmailed" Msgr. Arsenault and that CMC paid Msgr. Arsenault \$2,000.00 per month so that he could pay the adult. The pastor reported the matter to the Diocese, and Most Reverend Peter A. Libasci, who was installed as Bishop of Manchester in December 2011, directed that an investigation be initiated.

The Diocese retained an outside professional investigator to conduct the investigation, which included interviewing witnesses, conducting research, and reviewing documents. The outside investigator noted that in the fall of 2011, representatives of the Diocese became aware for the first time that CMC had made substantial payments to Msgr. Arsenault after February 2009 pursuant to a contractual relationship between Msgr. Arsenault and CMC, and that this contract and the payments were made without Bishop McCormack's knowledge or permission. He noted that CMC's outside auditors subsequently reviewed the transactions between CMC and Msgr. Arsenault and had no basis to conclude that there were any improprieties. The outside investigator also learned that in the fall of 2011, an allegation that Msgr. Arsenault was engaged in an inappropriate lifestyle was investigated, but it was determined at the time that there was insufficient evidence to support what was then a vague allegation, and the allegation appeared to be an unfounded rumor.

In February 2013, the outside investigator interviewed Msgr. Arsenault. During the interview, Msgr. Arsenault denied that there was anything inappropriate about the payments from CMC or his relationship with the adult. He told the investigator that he had not given the adult any money.

During the course of the investigation, however, the investigator obtained information that led him to conclude that Msgr. Arsenault had not been forthcoming about his relationship with the adult. The investigator also discovered that while Msgr. Arsenault was on sabbatical in 2009, he submitted to the Diocese for reimbursement fraudulent invoices for counseling services in the amount of \$15,705.00. When Msgr. Arsenault was asked about the invoices, he retained a civil attorney and asked that all requests be made through the civil attorney.

Because of the concern about the veracity of the counseling invoices, Bishop Libasci asked that the finance office conduct an extensive review of Msgr. Arsenault's submissions to the Diocese for reimbursement. The finance office conducted a meticulous review of records

submitted by Msgr. Arsenault between 2005 and 2009 and concluded that Msgr. Arsenault likely had engaged in financial improprieties involving diocesan funds.

Because the Diocese suspected that a crime had been committed against the Diocese of Manchester, and in accordance with diocesan practice and policy, Bishop Libasci asked that the findings be reported to the New Hampshire Attorney General's office. The leadership of CMC was also notified about the Diocese's concerns, and representatives of CMC accompanied diocesan representatives to the Attorney General's office when the matter was formally reported.

Effective May 1, 2013, Bishop Libasci required that Msgr. Arsenault refrain from all public ministry. Msgr. Arsenault subsequently resigned from his position as President and CEO of St. Luke Institute.

The Attorney General Investigation

From May 2013 to February 2014, the New Hampshire Attorney General's office conducted an extensive investigation. The Diocese cooperated in the investigation. The Attorney General's investigation established that from 2005 until as recently as March 2013, Msgr. Arsenault had misused Diocesan funds for personal purposes. In many instances, Msgr. Arsenault submitted documents to the Diocese supporting requests for reimbursement that misrepresented the true nature of the spending. In other instances (such as the purported counseling records described above), he submitted documents that were falsified. The following are some examples:

- From August 7, 2008 through February 2009, Msgr. Arsenault sought and obtained reimbursement from the Diocese in the total amount of over \$2,500 for a cell phone (presumably for his use). The investigation revealed that the phone was in the name of the adult with whom he allegedly had a relationship that was inappropriate for a priest.
- In August and September, 2008, Msgr. Arsenault sought and obtained reimbursement from the Diocese in the total amount of \$8,711.85 for electronic recording equipment. Msgr. Arsenault falsely claimed that this equipment was for an "oral history of the diocese" and submitted a memo with the forged initials of Bishop McCormack.
- On November 17, 2008, Msgr. Arsenault sought and obtained reimbursement from the Diocese for a trip which included stops in Santa Fe, New Mexico, New York, New York, and San Francisco, California in the amount of \$3,191.48, falsely claiming that the trip was "to explore the development of safe environment training," and to explore a relationship for "insurance coverage." The trip included lavish meals; one breakfast alone, at the San Francisco Four Seasons, cost \$159.50. The trip had no business-related purpose and the expenses were for a personal trip Msgr. Arsenault took with the adult with whom he allegedly had a relationship that was inappropriate for a priest.
- Between November 2008 and February 2009, Msgr. Arsenault sought and obtained reimbursement from the Diocese for a total of 48 nights for a stay at a hotel located in Amesbury, Massachusetts. Msgr. Arsenault falsely claimed that the hotel room was needed for a

“homeless international priest,” and was an “act of charity.” The investigation revealed that the hotel stay was not for a “homeless international priest” and that the adult with whom he allegedly had an inappropriate relationship was living in Amesbury, Massachusetts.

The Attorney General’s office concluded that from the period January 1, 2005 through March 15, 2013, Msgr. Arsenault had misappropriated funds of the Roman Catholic Bishop of Manchester in the amount of \$116,743.98. The office also concluded that from February 1, 2009 to June 30, 2010, Msgr. Arsenault had submitted invoices to CMC for consulting services that he did not perform in the amount of \$70,000.00. Finally, the office determined that between June 13, 2010 and February 8, 2012, he had misappropriated funds of the Estate of Msgr. John Molan in the amount of \$23,000. The Diocese has also incurred attorneys’ fees and expenses related to the investigation into Msgr. Arsenault’s conduct.

Conclusions and Diocesan Response

1. Msgr. Arsenault used his position, authority, knowledge of diocesan finances and controls, and the trust and confidence placed in him by Bishop McCormack to misuse diocesan funds for personal purposes.
2. Msgr. Arsenault used a variety of means to avoid detection, including the following: First, he described requests for reimbursements in a manner to appear legitimate. Second, he would often approve the requests for reimbursements himself or ask subordinate employees to do so. Third, the requests for reimbursements were dispersed over many different internal accounts over which Msgr. Arsenault had oversight. As a result, outside auditors did not detect the deceit.
3. The diocesan financial controls in place were insufficient to detect the theft. As soon as Msgr. Arsenault’s actions came to light, the Diocese immediately established additional controls and strengthened existing procedures to prevent such misconduct from occurring in the future. Those enhanced controls include requiring a Cabinet Secretary to approve all requests for reimbursements for employees within that secretariat. Additionally, such requests for reimbursements must also be approved by either the Chancellor or the Finance Officer. For employees who serve at the Cabinet-level, the request for reimbursement must be approved by another Cabinet-level employee before its submission for final approval by either the Chancellor or the Finance Officer. In the absence of either the Chancellor or the Finance Officer, the Moderator of the Curia or a Vicar for Clergy may sign for final approval. In regards to expense reimbursement requests for either the Chancellor or Finance Officer, approval is required by his or her counterpart as well as by the final approval of the Moderator of the Curia, a Vicar for Clergy, or the Bishop.
4. Msgr. Arsenault misused diocesan funds for travel, meals, alcohol, cell phone, electronic equipment, and other expenses in the context of his relationship with another adult. The investigation yielded no evidence that Msgr. Arsenault was “blackmailed.” The investigation suggested that his actions were of his own volition.

5. Msgr. Arsenault remains on administrative leave. While on administrative leave, he does not have faculties to minister publicly as a priest.

6. After due process and in accordance with the norms set by canon law, the status of Msgr. Arsenault in the Church will be determined.