



January 23, 2015

**ARCHDIOCESAN INTERNAL REVIEW REPORT
OF
CATHEDRAL-BASILICA AND THE CATHOLIC CEMETERIES**

The Archdiocese of Agaña in the past several months has been conducting an internal review of the Dulce Nombre de Maria Cathedral-Basilica and The Catholic Cemeteries of Guam, Inc. following a determination by the accounting firm of Deloitte & Touche, that The Catholic Cemeteries was not auditable. Following the appointment of the current Rector, Monsignor David C. Quitugua, grave irregularities were discovered involving the administration of the entities which were formerly administered by Monsignor James Benavente (“Msgr. Benavente”), prior to July 25, 2014. Specifically, the following are some of the irregularities noted:

- (1) Msgr. Benavente as the administrator of the Cathedral-Basilica and The Catholic Cemeteries developed projects which resulted in the Archdiocese incurring \$7 million dollars (\$7,029,853.93), which were consolidated in 2009 from different loans held at the Bank of Hawaii and Bank of Guam to First Hawaiian Bank, and re-financed again in 2012. These two entities have the largest indebtedness of all other entities in the Archdiocese, and in 2013, a review of the principal balances indicated that the overall reduction of their indebtedness was less than the average 20% reduction by other Archdiocesan entities. Another project that was formerly administered by Msgr. Benavente is indebted for \$2.2 million dollars as of 2013, and due to its financial condition has only been paying interest on its outstanding debt, up to August 2014. These three entities constitute approximately 37% of the total indebtedness of the Archdiocese (the remaining indebtedness represents all parishes and catholic schools).
- (2) Msgr. Benavente as the administrator of the Cathedral-Basilica and Catholic Cemeteries, commingled funds and transferred funds between the two entities without respect of restrictions on funds -- i.e. cemetery funds were used for payroll of Cathedral-Basilica employees; monies restricted to stipend payments for the clergy were used to pay for loans; also, a pervasive practice was evident in the reimbursements for personal credit card payments – these practices resulted in extremely difficult record keeping, failure to apply generally accepted principles of accounting, and most importantly making verification and audit by auditors impossible.
- (3) Between January 2009 and July 2014, Msgr. Benavente received payments of \$326,913.61 by simultaneously drawing payroll and stipends from The Catholic Cemeteries, and stipend payments from the Cathedral-Basilica. Upon the change of administration, credit cards in the name of the Archdiocese were discovered holding balances in excess of \$60,000; the credit card in the name of The Catholic Cemeteries was specifically used by Msgr. Benavente for restaurants, air fare, the Shangri-La Hotel in Manila and other five star Hotels. In the same period, The Catholic Cemeteries and the Cathedral-Basilica expended more than \$123,000 towards credit card payments to First Hawaiian Bank and American Express. Other payments for a credit card in the name of Msgr. Benavente, a gas card, and cellular/data phone privileges, which were paid for by The Catholic Cemeteries, accounted for an additional \$23,000. Notably, \$13,000 of cemetery funds were paid for Msgr. Benavente’s 20th Anniversary reception. Total advances documented between January 2009 and July 2014 by both entities for Msgr.

Benavente are nearly \$475,000. This does not include cemetery family crypts valued at \$380,000.00, which were gifted by Msgr. Benavente to his close friend and family; in other words, no fee was charged for these cemetery plots.

- (4) Under the prior administration, \$400,000 in past due obligations for the Cathedral-Basilica and The Catholic Cemeteries accrued; the past due obligation is as of July 25, 2014, and does not include the \$7 million dollar obligation owed to the First Hawaiian Bank. For the Cathedral-Basilica, \$188,000 of the past due obligations are for insurance premiums, and the monthly income generated by the Cathedral-Basilica is insufficient to pay for both past due and current insurance premiums, utility and other expenses, and bank loans. The current financial condition of the Cathedral-Basilica is in the red. Notwithstanding its financial condition, Msgr. Benavente granted education scholarships for tuition, substantial donations for medical assistance, employee loans, and other donations from parish funds. Another \$27,000 of parish funds were used to pay for Msgr. Benavente's projects involving the Knights (papal honors).
- (5) Deloitte & Touche on January 8, 2014, notified the Archdiocese that The Catholic Cemeteries was not auditable due to significant accounting deficiencies. One of the issues identified was the long-term care (aka perpetual care) liability, which was not accurately reflected in the financial statements, nor was it properly allocated in its records; specifically, prior sales were recorded as revenue rather than setting aside any portion for long term care. Despite the passage of more than six months from the report, no progress was noted to address this major issue; nor was there any set funds set aside and designated as perpetual care funds to conform to the recommendation; the Deloitte & Touche report showed a liability of \$800,000 in long term care which during 2013 grew to more than \$1.3 million. Since the change of administration, the Perpetual Care Fund has been established with an approximate balance of \$30,000, in just a few short months.

Despite the lack of auditability and the irregularities identified, much progress has been made these past five months in an expansive effort to collect, compile and review the financial data for both the Cathedral-Basilica and The Catholic Cemeteries. Significant efforts are being advanced to ensure that both entities are able to meet their financial obligations, which include financial assistance from the Archdiocese for the Cathedral-Basilica, and the establishment of a Perpetual Care Fund to address the current perpetual care liability issues. The Archdiocese of Agana, in its commitment to transparency, will continue the purpose for which the internal review was initiated - to acknowledge the necessity of reorganizing the administration in order to move the Archdiocese of Agana into an auditable condition.

** This Archdiocesan Internal Review Report is also available online at www.aganaarch.org **