

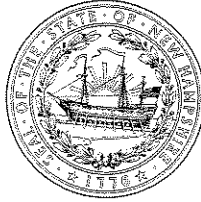
**ATTORNEY GENERAL
DEPARTMENT OF JUSTICE**

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March 27, 2006

Bishop John McCormack
Diocese of Manchester
154 Ash Street
Manchester, New Hampshire 03101

Re: Audit of 2002 Agreement Between State and Diocese

Dear Bishop McCormack:

Attached is a copy of the report generated by KPMG based on its assessment of the Diocese of Manchester's compliance program (the "Audit"). The Audit is based on a comprehensive review of documentation, interviews with a number of Diocesan personnel, and sample testing of the compliance program at the Diocese, parishes, a school, and a camp. The findings are fully documented in the report. I write separately to emphasize that certain findings made by KPMG require prompt attention.

The Audit reveals that the Diocese has made some positive strides toward establishing an effective compliance program but that important work remains for the Diocese to be in full compliance with the Agreement. Over the course of the last three years the Diocese has established a Compliance Program and policies, has also trained approximately 9000 personnel, and obtained thousands of acknowledgements that establish that the personnel have read and understand their reporting obligations. These are commendable steps in the right direction.

Nonetheless, as you are aware, the State of New Hampshire and the Diocese of Manchester entered into an Agreement in December 2002 to resolve the investigation of allegations of sexual abuse by Diocesan personnel over a 40 year period. The Agreement is intended to establish "a system of accountability, oversight, transparency, and training." Despite the fact that more than 3 years have past since the Agreement was signed, the findings of KPMG establish that there are a number of deficiencies in the Diocese's compliance program. The following deficiencies undermine the some of the core principles of the Agreement and must be corrected promptly. Other findings in the report also need to be addressed and resolved prior to the next annual audit.

1. Lack of Adequate Levels or Effectiveness of Internal Controls and Oversight Mechanisms In Place

Judge Conboy held in her order that “the Diocese’s agreement to revise such policies ‘as necessary’ implies an agreement to submit to an audit to determine whether its policies are working – that is whether they are ‘effective.’” Moreover, the Court noted that the objective of the Agreement is “to effectively protect children from sexual victimization by clergy or other church personnel.” The Diocese has exhibited a general level of ineffectiveness in enforcing compliance with the Agreement and its own policies. This ineffectiveness has resulted in: repeated missed deadlines for implementation of the policies, incomplete training, incomplete written acknowledgements, lack of background checks, and unfilled positions.

This ineffectiveness appears to be caused by a belief at the Diocesan level that the Office of Ministerial Conduct and ultimately the Bishop is responsible only for advising local parishes on compliance and not enforcing compliance with the Agreement and the policies. Moreover, the Diocese is overly reliant on self-reporting by the parishes/schools/camps and does not take an affirmative role in ensuring compliance at the local level.

In addition, the Diocese has established no mechanism to verify or reconcile information obtained from the local parishes, schools, and camps. The Diocese relies entirely on local self-reporting of the personnel working with children. There is no effort to verify that background checks or training is completed for all of these individuals. The Diocese does not require any written reports from local parishes/schools/camps and the Office of Ministerial Conduct does not generate any written reports as to the level of compliance.

The Diocese conducted its own audit in advance of the audit conducted by KPMG. Even the Diocese’s own audit revealed deficiencies in four of the fourteen sites visited by the Diocesan auditors, the Diocese conducted no follow-up with these parishes to determine whether any progress had been made.

Finally, there are inadequate staffing levels at both the Diocesan and the local levels. In fact, the audit revealed that not all parishes had even assigned a Safe Environment Coordinator, even though this position is central to the implementation of the policy at the local level.

2. Inconsistent Level of Compliance With the Agreement and Policies

The level of compliance with the policies and Agreement at the local parish/school/camp level is inconsistent at best. No site was 100% compliant. In fact, in one parish nearly ½ of all employees or volunteers had no criminal records releases and only 53% had documentation indicating that they had attended the

required training. Indeed, in one parish only 16% of employees or volunteers who worked with children had a sex offender registry check completed. Moreover, two major parishes had CCD teachers who had not had a criminal records check in their files at the time of the audit.

Even at the Diocesan level compliance was not 100%. Eight and one-half percent of priests had not signed the acknowledgements – an express requirement in the Agreement that should have been completed more than 2 years ago. *See* Agreement ¶2(d). Nearly six percent of priests did not have the required screening forms, and nearly five percent of priests did not have criminal records releases.

The audit has also revealed that there is confusion as to the roles and responsibilities of the person involved in the compliance program. There does not appear to be consistent oversight by the Safe Environment Council over the Safe Environment Coordinators. Indeed, some of the Coordinators did not know the Council existed, who the Council members were, or how to contact them.

3. Inadequate Recording Keeping

The Diocese record keeping is not adequate to ensure compliance with the Agreement. The audit revealed that the databases maintained by the Diocese are either incomplete or inaccurate. Accurate, complete, and timely record keeping is essential to ensure that there has been compliance with all components of the compliance program.

4. Failure to Train All Key Personnel

Although the Diocese has trained approximately 9000 employees and volunteers since the training entitled “Protecting God’s Children” was implemented in September 2001, there is no basis for determining whether all personnel who work with children have been to the training. At one parish, documentation only established that approximately ½ of the personnel had attended the training. The Diocese’s own auditors established that only seven of the ten CCD coordinators in the parishes the Diocesan auditors visited had attended the training by April 2005. The Agreement expressly requires that all personnel who have contact with minors must attend training. Agreement ¶¶2(d), 3.

5. Removal of Diocesan Personnel Pending Investigation of Allegations.

The Agreement requires the Diocese to remove anyone accused of abuse from any position in which there is a possibility for contact with a minor pending the resolution of the allegations. Agreement ¶2(f). The Diocesan policies do not mandate the removal of an accused abuser during the pendency of an investigation. Instead, the policies only mandate the removal of an abuser after the completion of an investigation. This office pointed out this discrepancy when

it reviewed the Diocesan policies in August 2003. Despite this, the Diocese has not altered its policies to comply with the requirement of the Agreement.

6. Reporting Discrepancies

One of the principle failings prior to the Agreement was the lack of timely and complete reporting of allegations of child abuse to law enforcement officials. The Agreement has established a framework in which such reports can be made. Over the last several years the Diocese had made reports utilizing this framework. However, the system for making reports of abuse should be refined to ensure that all allegations are made in a timely manner. The Diocese must develop an internal system for periodically reconciling complaints of abuse received with reports made to the Attorney General's Office and/or DCYF. The Diocese and the Attorney General's Office must then develop a system of regular, periodic reconciliation to ensure that the State has received all reports of allegations that were made to the Diocese.

Diocesan policies must also be updated to reflect an understanding reached by the parties that allegations of abuse where the victim is no longer a minor must be made to Attorney General's Office and not directly to local law enforcement officials in the first instance.

Furthermore, as you are aware, the Attorney General's Office is in the process of investigating the circumstances surrounding a priest who may have been accessing child pornography on a parish computer and whether this matter should have been reported in to the State under the terms of state law or the Agreement. That matter will be addressed separately upon the completion of the investigation.

Within 30 days from today's date, the Diocese must develop and present to the Attorney General's Office a comprehensive written plan for resolving issues identified in KPMG's report and outlined above, including the goals and objectives related to the gaps identified, the identification of responsible parties, realistic and appropriate, but prompt, timelines for plan implementation, and mechanisms for ongoing oversight and progress reporting between annual audits. This plan shall include, but not be limited to, the following key elements:

- Updating all Diocese policies and procedures to reflect Program changes as required to address identified issues to ensure clarity of roles and responsibilities and promote greater accountability;
- Addressing and resolving noted staffing deficiencies so as to allow the Diocese to achieve compliance;
- Establishing mechanisms for enforcing and monitoring compliance with training, screening, and acknowledgement requirements that incorporate accountability measures;

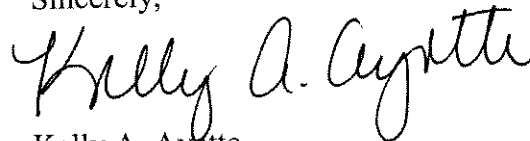
- Establishing mechanisms ensuring greater oversight to monitor and report on the Program's progress to the Diocese Review Board and the Bishop;
- Establishing a system for internal reconciliation and reconciliation between the Diocese and the New Hampshire Attorney General's regarding the list of reported allegations of abuse; and
- Developing a Quality Assurance program to proactively identify and remediate program deficiencies.

The Office of the New Hampshire Attorney General, or its designated representative will review the submitted plan to assess its completeness, reasonableness, and ability to further assist the Diocese in complying with the Agreement. Thereafter, the Diocese will be responsible for implementing the agreed-upon plan within the timeframes designated, subject to audit by the New Hampshire Attorney General.

In addition, the Diocese shall address any deficiencies and/or findings outlined in KPMG's audit report but not covered in this letter prior to the next annual audit. Failure to take appropriate and timely steps to address deficiencies identified by the audit may result in court action for contempt or other appropriate legal remedies to enforce the Agreement.

In this letter, we have set forth the concerns that need to be addressed based upon KPMG's initial audit findings. Recognizing that these deficiencies need to be addressed to ensure that the Diocese has fully complied with the Agreement, I expect that you will work cooperatively with my office to resolve these issues for the benefit of New Hampshire's children.

Sincerely,



Kelly A. Ayotte
Attorney General