



STATE OF NEW YORK
OFFICE OF THE ATTORNEY GENERAL

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March 24, 2014

John A. Matthews, Jr.
Gallagher & Matthews
55 Maple Avenue -- Suite 208
Rockville Center, New York 11570

Re: Society for the Propagation of the Faith, the Pontifical Mission Societies,
Raymond F. Schroek

Dear Jack:

In September 2012, your clients the Society for the Propagation of the Faith (the "Society") and The Pontifical Mission Societies ("TPMS") of which the Society is a part, discovered that the Society's former Chief Financial Officer, the recently deceased Raymond F. Schroek, appeared to have embezzled TPMS charitable funds as those funds were remitted to TPMS's New York City offices from the organization's Pooled Income Fund managed by State Street Bank in Boston, Massachusetts. TPMS promptly reported its concerns to the Office of the Attorney General ("OAG").

Subsequent investigation by the OAG, with the active assistance of TPMS, determined that Mr. Schroek had embezzled a total of approximately \$1,771,000 over the years 2003 to 2012; that all or most of these monies were deposited into one or more joint accounts owned by the late Mr. Schroek and his wife, Kathleen A. Schroek, and used for a variety of personal and family purposes; and that, although Ms. Schroek and possibly other family members benefitted from the embezzled funds, there was insufficient evidence to establish that she or others were aware of or participated in Mr. Schroek's illegal scheme. The investigation resulted in an Assurance of Discontinuance (AOD 14-014) among the OAG, Mrs. Schroek (in her individual capacity and as executrix of her late husband's estate) and the Society pursuant to which the OAG obtained from Mrs. Schroek for the benefit of the Society restitution in the aggregate amount of approximately \$1,000,000. You have advised us that the Society and TPMS have obtained further recoveries from other entities which, when combined with the recovery from Mrs. Schroek, is expected to result in a net loss from Mr. Schroek's scheme of no more than \$370,000, and possibly no net loss at all.

In addition to reporting Mr. Schroek's apparent embezzlement and the Society's losses to the OAG, you have advised us that TPMS management reported these matters to: its Board of Directors; Cardinal Timothy Dolan, Archbishop of New York; other Church officials in the United States and the Holy See; and to its independent auditor, Craig, Fitzsimmons & Michaels, LLP, which replaced Grant Thornton LLP as TPMS's independent auditor in September 2012 and conducted the audit of the organization's 2012 financial statements. You have further advised us that TPMS engaged the services of Grassi & Company to conduct a forensic audit to determine whether the scope of Mr. Schroek's unlawful scheme had been more extensive than TPMS and the OAG had found and whether TPMS had been victimized by any other fraud or theft, and that upon the completion of its forensic audit, Grassi & Company answered both inquiries in the negative.

This letter is intended to memorialize the measures TPMS has taken or agreed to take to strengthen its governance and internal controls shortly prior to and following the discovery of Mr. Schroek's illegal scheme. We understand that some of these measures already were in place or were in planning prior to that discovery; some were refined or expanded upon as a result of the discovery of the scheme and potential weaknesses it uncovered; still others were decided upon in response to specific potential control environment deficiencies the audits and investigation brought to light. While no system of internal controls, however well designed, is failsafe, we are pleased that TPMS has implemented and agreed to take these additional measures designed to significantly reduce the organization's financial and accounting risks.

A. Control Environment

1. TPMS has reconstituted separate Audit, Finance and Investment committees of its Board of Directors.
2. The National Director of TPMS, who also serves as Board Chairman, is an ex officio member of all Board committees, but does not vote in committee. TPMS agrees to continue its policy that the Audit committee shall include not less than three members and that its Chair and all voting members of the committee shall be independent.
3. TPMS has added to its Board and to its senior executive leadership directors and managers with strong financial and administrative expertise.
4. Following the discovery of Mr. Schroek's scheme in September 2012, the Board engaged the services of an interim CFO with experience and qualifications in forensic accounting. In March, 2013 the Board engaged TPMS's current CFO, a licensed Certified Public Accountant with substantial non-profit and controllership experience.
5. Over the past year the Board has refined and improved its process for budgetary review and oversight.
6. A revised Employee Handbook has been approved and implemented. This handbook now contains a Code of Conduct and Whistleblower provisions for employees.
7. All TPMS Board Members will be required to review and sign a Conflict of Interest Policy annually.

B. Risk Awareness and Mitigation

1. TPMS has begun migration of the Trust Fund Administration, Annuity Fund Administration, and Pooled Income Fund Administration to outside administrators. TPMS agrees that the migration in each of these areas will be completed by October 31, 2014.
2. Security cameras for areas deemed to be high risk (mail room and mail opening) have been installed. Security camera records are properly secured, archived and monitored.
3. State Street Bank will no longer issue checks to TPMS upon the maturity of contracts. All distributions and transfers of funds are accomplished by electronic means and reconciled promptly.
4. Reassignments of responsibilities aimed to provide for greater segregation have been made. In areas where strong segregation could not be achieved, measures have been taken to implement or improve detective control and oversight procedures.
5. Oversight of the mail opening and cash receipt processes, identified as areas of high risk, has been strengthened and controls enhanced.

C. Control Activities

1. A Positive Pay system for cash disbursements has been established.
2. Use of petty cash is kept to a minimum and cash is secured in a safe.
3. Bank signature cards have been reviewed and appropriately updated.
4. New or improved controls and policies related to the following have been implemented:
 - a. Purchasing and procurement policy is to provide for new vendor approvals, centralized purchasing and enhanced oversight, including an annual review of the Master Vendor List by an independent supervisor.
 - b. Procedures for recording and tracking accounts receivable, related party receivables, beneficial interests in trusts, and legacies receivable have been implemented.
 - c. TPMS' credit card policy has been revised to provide for enhanced control and oversight related to the use of the corporate credit cards.
 - d. Travel advance policy and related control procedures have been implemented.
 - e. An accounts receivable tracking, follow-up and write-off policy has been implemented.
 - f. Wire transfer policy and approval processes have been implemented.
 - g. Mail processing procedures have been revised to improve controls over inbound cash, checks, correspondence, invoices, banking and investment statements.
 - h. An RFP for investment services has been issued; upon contract, new or revised investment policy statements will be implemented.

D. Information and Communications Systems

1. TPMS has revised its annual budgeting, budget monitoring and cost

- allocation procedures.
2. Management has developed a new financial reporting requirement, which calls for a monthly closing of the books and preparation of internal financial statements. These statements are to be presented to senior management and committees of the Board for their review and approval at scheduled meetings.
 3. A process has been implemented to notify and train staff on the changes to operational policy and procedures.
 4. A process is underway to evaluate alternative solutions for an off-the-shelf, third-party professional financial reporting system. Transition to an integrated professional package will allow for greater integration, scalability, user-ability and oversight by those outside of the accounting department. The targeted selection date for the new system is September 19, 2014.

E. Control Monitoring

1. A formal process has been implemented to review and evaluate the findings and recommendations presented by external auditors.
2. A process has been implemented to provide for the continual evaluation of internal and external events, organizational activities and conditions to ensure the control framework is appropriately meeting organizational objectives.
3. On a monthly basis, the National Director and/or Assistant will meet with the Chief Financial Officer to review all transactions in excess of \$10,000 and evaluate the implementation of the above policies and foster the implementation of the new accounting package noted above.

Finally, on behalf of TPMS, you have agreed to provide a report to the OAG, on or before December 15, 2014, concerning TPMS's progress in carrying out the measures set forth above.

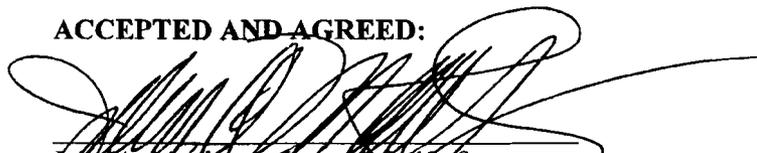
Thank you for your continued cooperation in this matter.

Sincerely,



David E. Nachman

ACCEPTED AND AGREED:



John A. Matthews, Jr., on behalf of
the Society for the Propagation of the Faith
and The Pontifical Mission Societies