

MEDIA BACKGROUNDER

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Investigation and disciplinary action related to allegations of financial misconduct against Donald Armstrong

Investigation Begins. The Bishop and Diocese of Colorado began an investigation of Donald Armstrong – who at that time served as the rector of Grace and St. Stephen’s Episcopal Church in Colorado Springs – prior to March 2006, based on allegations of questionable financial practices which were reported to Bishop Robert O’Neill.

The canons of the Church provide for a specific process in the event that the Bishop and the Diocese need to investigate allegations of wrongdoing by a member of the clergy or other person in a position of trust. This process provides for the presumption of innocence, as well as a right to counsel and other protections, while it also provides a mechanism for a thorough investigation of allegations.

Outside Experts. To ensure that the investigation was thorough, fair and objective, the Bishop contracted a forensic accountant – a former IRS investigator and highly regarded expert in many areas of accounting – who had no prior connection to or relationship with the Episcopal Church or diocese to conduct a forensic audit of Grace and St. Stephen’s books and financial accounts.

The forensic accountant’s report concluded that Armstrong had wrongfully taken church funds for personal use and engaged in an accounting scheme to hide that fact. Shortly thereafter the Bishop placed him on the equivalent of an administrative leave so that a more formal disciplinary investigation could proceed.

The Diocesan Standing Committee, acting as the Diocesan Review Committee then referred the case to an outside attorney – who, like the forensic accountant, had no prior connection to or relationship with the Episcopal Church or the diocese, and who was in this case a highly regarded defense attorney – for further investigation. In the diocesan process, this attorney is referred to as the Church Attorney.

After reviewing the results of this investigation, on March 26, 2007, the Diocesan Review Committee (comprised of clergy and lay people, elected regionally throughout the diocese) charged Armstrong with several acts of serious financial misconduct by issuing a Presentment – the ecclesiastical equivalent of an indictment – against Armstrong.

Ecclesiastical Trial Court. In July of 2007, the Church Attorney's investigation and Motion for Summary Judgment resulted in Armstrong's trial before the Diocese's Ecclesiastical Trial Court. That court – comprised of clergy and lay members elected at Diocesan Convention – found unanimously that Armstrong was guilty on all Counts included in the Motion for Summary Judgment in his case.

Those counts included financial misconduct and violations of the Constitution and Canons of The Episcopal Church. They were: Count 1 – commission of crimes, including theft of \$392,409.93 from Grace Church, and causing Grace Church to issue false W-2s and underreport Armstrong's income and benefits by \$548,097.27; Count 2 – that Armstrong received illegal loans totaling \$122,479.16 in violation of Diocesan Canons; Count 3 – unauthorized encumbrance and alienation of Grace Church's real property; Count 4 – violation of the temporary inhibition placed on Armstrong; Count 5 – the improper use of clergy discretionary funds; and Count 6 – failure to maintain proper books of account.

Based on the judgment that Armstrong was guilty on all counts, the Court issued a sentence of deposition, the most severe penalty available in the ecclesiastical disciplinary process. This sentence was imposed by the Bishop at the end of Oct. 2007.

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