Diocese files suit against former comptroller

STEUBENVILLE — The Diocese of Steubenville filed a civil lawsuit, Jan. 9, in Jefferson County Common Pleas Court against former comptroller David A. Franklin, seeking nearly $1.5 million in damages. Franklin was employed by the diocese from 1985-2017 as its comptroller.

Following Franklin’s retirement in 2017, the diocese began to discover many irregularities in the diocese’s accounting records and financial reports. An independent accounting firm determined that more than $2.3 million in federal taxes were withheld from employees but not paid to the IRS for tax years 2004-16.

The diocese paid back all the taxes owed to the IRS in addition to $851,000 in interest on the unpaid taxes.

The lawsuit states the diocese general accounting records, which the defendant maintained, falsely indicated that payroll tax liabilities had been paid. The diocese had no knowledge of the non-payment of taxes for the years 2004-16, or the defendant’s concealment thereof, until early 2018.

Because the diocese’s budget did not permit an increase in salaries for diocesan employees, discretionary bonuses were paid to some employees who undertook additional responsibilities. From 2004-17, Franklin received bonuses totaling more than $339,000. The suit states the bonuses would not have been paid to Franklin if the diocese had been aware of the unpaid taxes and the true financial condition of the diocese.

The lawsuit states that Franklin knew representations about the payroll taxes being paid were false and he actively recorded fictitious transactions. The suit claims Franklin intended to mislead the diocese to rely upon his false representations to obtain bonuses for himself based upon the falsely represented financial condition of the diocese.

The damages the diocese are seeking from Franklin includes the bonuses he received, interest paid to the IRS on account of the unpaid payroll taxes, and attorney and accounting fees.
Federal authorities are also investigating whether any criminal activity was involved from the actions in the diocesan finance department.

The diocese continues to take measures to assure these financial irregularities will never happen again. Chief Financial Officer Patrick Henry has implemented new financial controls and an independent audit will be performed every year. Franklin now resides in Independence, Kentucky.