

CITY OF CHARLOTTE
DEPARTMENT OF FINANCE & TREASURY
INTEROFFICE MEMORANDUM

TO: MAYOR BURCH AND CITY COUNCIL
FROM: CHRISTINE K. MOSSNER, FINANCE DIRECTOR
SUBJECT: BOWERMAN EMBEZZLEMENT
DATE: OCTOBER 7, 2015

As you aware my former deputy treasurer, Carrie Bowerman, pled guilty to embezzlement by an employee in an amount more than \$20,000 but less than \$50,000 and was sentenced on August 20, 2015. During the investigation, I was unable to discuss the matter in detail; however, now that the case has been resolved, I am able to provide those details.

Embezzlement by definition is "the fraudulent appropriation of property by a person to whom it has been entrusted." It differs from ordinary theft in that the embezzler is someone whom you trust. As my deputy Carrie was the person I trusted most in the organization.

Carrie began her employment with the city in July 1998 as a billing clerk and shortly thereafter, assumed the position to deputy treasurer. In this capacity, she was responsible for closing the day's cash receipts, electronically posting those receipts to our various financial programs e.g. utility billing and tax billing, preparing the nightly deposit and transporting the deposit to the bank. As my deputy, she had the authority to perform some of my duties in my absence. As such, she was given the ability to void transactions when necessary. Excluding the year of the embezzlement, the number of voided transactions made by either of us were minimal. These duties combined with her system access, my trust in her and her knowledge of that trust, provided the opportunity for her to carry out her embezzlement scheme; however, the internal controls in place over our cash receipting system allowed us to uncover the scheme in a relatively short period of time.

Carrie executed what is known as a lapping scheme, a somewhat more complicated type of embezzlement scheme. When Carrie was closing out a given day's receipts, that included a large amount of cash, she would void a transaction paid with a check, withhold that amount of cash from the deposit and deposit the voided transaction's check in its place. In this manner, the amount of the day's receipts and deposit, as reported to me, would always match. On a subsequent day, when she had the cash to cover the previously voided transaction, she would reenter transaction, thereby making that account whole. If she did not have the cash to cover a previously voided transaction, she would instead void a second transaction and use that check to cover the first voided transaction. The difference in the amounts of the first and second transactions she would take from cash. These "correcting" transactions were done relatively soon after the initial void, in order to prevent suspicion by me or another employee, who may receive a customer inquiry instead of Carrie receiving the inquiry, which is exactly how her lapping scheme was uncovered.

Carrie was put on administrative leave on Friday, March 14 at 1:00 p.m. due to deposit irregularities discussed late in this memo. On Tuesday, March 18, a resident requested tax receipts for three separate parcels. Upon providing the receipts, it was noted that two of the parcels were not paid; however, the resident was able to provide a copy of the cancelled check used to pay both of those parcels. The check was endorsed by the city but was not in the city's cash receipting system, nor was it listed on any daily cash closing sheet prepared for each day's deposit. Through a search of the voided transactions, I found that this transaction had been voided and the check used to replace cash taken by Carrie. This is substantiated by the fact that the amount cash actually deposited on the day this check was deposited differed from the amount of cash transactions for that day by the exact amount of the check. However, in this instance she failed to reenter the receipt on a subsequent day because she either did not have the cash to cover the check amount or she simply forgot. The latter is the more likely scenario given the rudimentary records she kept of the transactions she manipulated. A search of her desk uncovered a piece of scrap paper with various parcel numbers written on it, some of which correlated to tax payments she had manipulated. In total we uncovered 22 separate incidents of lapping between July 17, 2013 and February 28, 2014. What started out as one or two a month, escalated to five in January 2014 and six in February 2014.

In addition to the lapping scheme, the embezzlement included an entirely missing deposit from February 28, 2014. Early in the week of March 10, 2013 I received a call from a resident who stated that she had put her utility bill payment in the city drop box on February 27 but the check had not yet cleared her bank. Upon looking her account up in our utility billing system, I found that her payment had been applied on February 28 and her account had a zero balance. Assuming it was likely a bank coding error on that specific check, as had happened in the past, this inquiry did not arouse my suspicion.

Carrie did not work on Wednesday, March 12. The following morning, Thursday, March 13, she called to say she would be in late because she had gone to the doctor and was on her way to CVS to pick up a prescription. She punched in at 9:47 a.m. Sometime later that morning, the city clerk received a call from a resident checking on whether we had received her payment. Since the city clerk does not have access to the utility billing system, she asked me to look up the account for her. I told the city clerk that the system showed the resident's payment had been applied February 28 and the account had a zero balance. I then asked if the reason the resident was checking on the payment was because her check had not cleared. The city clerk said it was. As this was the second resident within a few days to say their check had not cleared, I knew there was an issue with the February 28 deposit.

Since our bank is open until 6:00 p.m. our process was that after preparing the deposit at the end of the day, Carrie would take the deposit to the bank on her way home and drop it off at the drive-thru window. If the deposit could not be made on her way home it was to be left in a locked box in the city's vault for deposit the following day. Upon contacting the bank, it was determined that they had no record of the February 28 deposit; however, a deposit had been made the night of February 28 but it was the city's February 27 deposit. The teller specifically recalled receiving a deposit on the night of February 28 but could not recall if she received one or two deposits. I asked if the bank had video surveillance that may possibly help us determine how many deposits were made on the night of February 28.

Carrie and I met in my office regarding this issue. She could not recall any specifics about the February 28 deposit. During our conversation, Carrie admitted that she would take the deposit with her when she left work, but if the bank drive-thru was busy, she would take the deposit with

her and make the deposit the next morning on her way into work. I was shocked that Carrie was leaving the deposits in her car overnight. I was under the belief that if Carrie took the deposit with her at night it was being deposited that night. Throughout our conversation, Carrie did not seem to grasp the seriousness of having city money in her car except when going to and from the bank. When I asked her what would happen if she got in an accident someplace other than the between city hall and the bank and cash from a city's deposit was found flying around, she acted as if that was a ludicrous suggestion. I asked her if she just left the deposit bag lay on her seat and she said she did not but would put it under her seat. Shortly after this, we met with City Manager Guetschow to inform him that the February 28 deposit, in the amount of \$39,672.37, was missing. According to the daily receipts, the deposit contained over \$7,000 in cash. I informed him that the bank was looking into security footage from that day. During this meeting, Carrie admitted that she would leave the deposits in her car overnight. Carrie was asked by Gregg if she locks her vehicle. Carrie responded that she does not lock her car but that it is parked in her garage. It was decided at this meeting that the city would no longer make deposits after hours. All deposits would be done during the work day. The deposit would be placed in a locked box in the city's vault each night.

Working late that night, I checked the city's bank account on-line to verify that all deposits since February 28 were accounted for. I was able to verify all deposits except three. The Friday, March 7, Monday, March 10, and Tuesday, March 11. At some point my log-in session expired and I had to log-in again. After the second log-in, the March 10 deposit appeared in process as of 6:23 p.m. on March 13. When I arrived at work Friday morning, I again logged into the city's account on-line to see if the March 7 & 11 deposits showed up as March 13 deposits or March 14 deposits. They did not. The only deposit made on Thursday, March 13, was still the March 10 deposit. I called Carrie into my office and asked her if she had made any deposits on Thursday. She had to stop and think about it but eventually said "yes, I made one before going to the doctor." I asked her how many deposits she made. She couldn't recall. I then told her that the March 7 & 11 deposits had not yet been deposited. She seemed surprised by that information. Shortly thereafter, Carrie left city hall, without my knowledge. Approximately an hour later she returned. When she walked past my office she said "they were in Potterville but they are in the bank now." I responded "Potterville?" She then came into my office and I asked her to shut the door. I asked her "where in Potterville?" She said they were in one of her bags at her brother's office. Carrie occasionally worked for her older brother. She explained that after I told her those two deposits were not in the bank, she had to stop and think were she had been and she recalled going to Potterville. I again tried to talk to her about the seriousness of having the city's money left all over the place and how I couldn't believe she didn't understand that. She just kept saying "I don't know, I screwed up, I know it's my fault." She said she "just never thought that anyone would steal it." Shortly after this meeting I drove to the bank to inquire about the video surveillance. The Bank Manager informed me that the security officer would not be in until that afternoon but she would try to get access to the video by the end of the day.

Upon returning to city hall, I went directly to city manager Guetschow's office to inform him about that mornings events and the fact that Carrie left deposits in Potterville. It was at this meeting that the decision was made to put Carrie on immediate paid administrative leave pending further investigation. City Clerk Terpstra was called to the office in her capacity as human resource director. At 1:00 p.m. that day, the city clerk and I met with Carrie and informed that we were putting her on paid administrative leave effective immediately. Her demeanor was very subdued and detached.

Later that afternoon I received a call from the bank manager informing me that they had very good video of Carrie dropping off a deposit on the evening of February 28 around 5:20 p.m. She said the video showed pretty clearly that only one bag was deposited. It was evident because of the way Carrie was holding the bag. She was palming the bag with her thumb on one side and her four fingers on the other. Given the amount of cash that would have been in the February 28 and February 27 deposits combined there would have been no way that she could have held two bags in that manner. In addition, the video shows her driving up to the window and driving away so there is no chance that the video missed her depositing a second bag. To this day, Carrie has denied knowing what happened to the February 28 deposit, but it makes no sense why someone would prepare the February 28 deposit shortly before 5:00 p.m. drive to the bank to make a deposit and not drop off the deposit you just prepared unless something nefarious was going on.

When Police Chief Sherman was brought in on this issue the following week, she made the decision to contact the Michigan State Police to conduct the investigation. In consultation with the Eaton County Prosecutor's office, Plante & Moran was hired to conduct a forensic audit, with whom I worked very closely with. The results of the MSP investigation and the forensic audit report provided the Prosecutor with enough evidence to bring charges for embezzlement greater than \$50,000, which was eventually pled down with full restitution of the embezzled amount of \$79,350.03.

I would like to address a couple of the most frequent questions I have been asked regarding the embezzlement.

Why didn't the auditors catch this? The city is audited once per year and Carrie's embezzlement was uncovered by me within eight months of the first occurrence; therefore, there was nothing for them to catch. The auditors were contacted immediately regarding my suspicion of embezzlement. Additionally, although many people believe uncovering fraud is the primary purpose for an audit, it is not. Every audit report that the city receives clearly states that the auditor's responsibility is "to express an opinion on these financial statements." They evaluate the city's internal controls for purposes of risk assessments but express no opinion on the effectiveness of the city's internal controls

Where were the city's internal controls? Internal control is defined as a process designed to provide reasonable assurance regarding the achievement of certain objectives. The city had in place internal controls that, although they did not prevent the embezzlement, did allow us to uncover Carrie's actions in a relatively short period of time. In addition, the processes in place allowed us to re-trace and easily document what, when and how she carried out her scheme. A significant cash handling internal control is segregation of duties.; however, with such a small staff to work with, full segregation of duties is difficult to achieve. We have, however, put in place additional controls in which the City Clerk now performs the bank deposit and receipt voiding functions previously performed by Carrie in my absence. The City Clerk has very limited access to the cash receipting process and therefore, is the best person to perform these functions. In addition, she will never be the person to prepare the bank deposit. We have also made changes to the timing and method of our daily bank deposits.

I hope this information helps to fill in the blanks of how we got to this point. This is not a memo I ever envisioned writing and I truly regret if the trusting relationship cultivated with one of my

employees contributed in any way to the black mark left on the city. At her sentencing hearing, I chose to make a statement not only on behalf of the city but on behalf of me personally. I am attaching that statement because it best summarizes my feelings regarding this issue as a whole and how it has affected me. Based on statements made by Judge Sauter, I do believe this statement impacted the sentence he rendered. Judge Sauter did not follow the probation department's recommendation of a 120 day suspended sentence but instead sentenced Carrie to 180 days in county jail with one day credit and denied her attorney's request for work release. Prior to his sentencing, he made the following statement to her "you have left a black cloud over the city that they will likely deal with for months and years to come and it would appear that someone was asleep at the wheel but I do not believe that was the case. I believe you went to great lengths to cover your tracks." During the sentencing, Carrie showed no remorse and offered no apologies.

Statement Given at Carrie Bowerman's Sentencing Hearing on August 20, 2015

Thank you, your honor. My name is Christine Mossner and I am the Finance Director & Treasurer for the City of Charlotte. Carrie Bowerman served as my Deputy Treasurer since I was hired in October of 2001. She and I had, what could be described as a very good working relationship that evolved over the years into a close friendship. She was a friend, confidant and the person I trusted most within the organization. Unfortunately my trust was not well placed and the person I considered a dear friend chose to betray and take advantage of me at the lowest point of my life. On July 12, 2013 my family and I learned that my Dad had esophageal cancer. Just five days later, on July 17, Carrie's first documented embezzlement from the City of Charlotte occurred. On August 10, less than a month after being diagnosed with cancer, my father passed away. On August 14, Carrie's second documented embezzlement occurred. The following day, she attended my father's funeral, and over the next six months, she would embezzle 20 more times from the City of Charlotte for a total loss of \$79,350.03.

To some people, embezzlement may appear to be only a monetary and victimless crime and while this may be true for some cases, this is not one of those cases. While Carrie betrayed the citizens of Charlotte and violated the oath of office she took when assuming the position of Deputy Treasurer, through restitution the city, as an institution, can be made whole. But the personal betrayal her actions inflicted on me have deeply impacted and completely changed my life. My ability to trust others is forever changed and I find myself questioning the intention and character of others. Even those I have known for years.

The day Carrie was put on administrative leave, she knew what she had done and that it was only a matter of time before her embezzlement scheme would be uncovered, but rather than be honest

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with me and her fellow employees, the very people who supported her during the times of loss in her life, she chose to gamble on the fact that she may get away with it and face no real consequences. She had no regard for how her actions impacted me, her fellow employees, or the City of Charlotte in general. It is well known that the general public has little trust in government. And with one selfish act, she validated that belief and in so doing tarnished my reputation, that of my department and called into question the reputation of her fellow employees, who are left to daily face the public, endure comments and answer questions for something we did not do. Although Carrie had no regard for our reputations, she apparently worried about her own. After leaving the employment of the city, she told people she had retired. Over the past months, more than one customer has told me or a member of my staff person how happy they were to hear that Carrie had retired. She has not. She continues to work and is not yet eligible to draw a pension. Criteria that does not generally define retirement.

Has this issue consumed me for the last 17 months? Yes. I don't have a large staff, and filling the position vacated by Carrie has taken time given the circumstances. Therefore, her workload has fallen on me. I have worked many 10-12 hour days and weekends and worked remotely during vacations to ensure that her work, as well as my own, was completed properly and timely, so that the residents of Charlotte not be harmed more than they already have been by her actions. In addition, I worked countless hours gathering information for the MSP detective, forensic auditor and prosecutor to be used for this case. Although this is the final legal stage of this case, my staff and I will continue to deal with the ramifications of her actions for days and months to come. As you may be aware, the amount embezzled included a deposit of both cash and checks, which Carrie was responsible for making, but that never made it to the bank. Unable to disclose

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the suspicion of embezzlement, when answering inquiries from customers whose checks had not cleared their accounts, I was left for months, telling them only that the deposit was under investigation. This week, the city has sent letters to those individuals whose checks were part of the missing deposit disclosing the embezzlement and asking that they reissue their checks. Although asking for these checks to be re-issued is the right thing to do, these letters may come as a shock to these individuals. Many people do not reconcile their checkbooks, so likely never realized their check did not clear and have spent the money elsewhere. Now, months later, we are asking them for that money. I anticipate within the week to once again answer questions and deal with an issue that was not of my doing and out of my control. Consume me? How could it not.

During the same 17 months, Carrie, as a past Michigan District President, has been attending many functions of the American Legion Auxiliary. An organization that promotes honesty, integrity and good citizenship. She has also enjoyed visiting casinos, and festivals with friends and I've heard she has taken trips to Wisconsin, Illinois and Canada.

I do not know what sentence you will render today, but restitution alone does not seem adequate. Asking someone to pay back what they have stolen just seems obvious and nothing more than what would be expected of a small child who takes a toy or candy from a store without paying for it. Even though they may not comprehend stealing as a crime, a moral adult would take them back to the store, make them say they were sorry and pay for the item taken. Imposing a sentence similar to that of a young child seems insufficient for an adult who stole intentionally and on a continual basis, and has shown no remorse or contrition for those actions.

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My hope is that the sentence imposed today will convey a clear message that embezzlement is not just a monetary crime but a crime with real victims, a crime that will not be tolerated by this court and that those who perpetrate such crimes will be confronted with the serious consequences of their actions. Thank You.