

**INVESTIGATIVE REPORT
TOWN OF HIRAM
TREASURER
DECEMBER 4, 2000**

I. INTRODUCTION

The Special Investigations Division of the Office of the State Auditor (hereinafter "OSA") received notification pursuant to Minn. Stat. § 609.456 of potential wrong-doing by former Hiram Town Treasurer Suzanne Curo (hereinafter "Treasurer Curo"). The OSA was notified that Treasurer Curo made improper cash withdrawals from the Town of Hiram's (hereinafter "Town") account.

Specifically, it was alleged that Treasurer Curo made an unauthorized cash withdrawal of \$456.22 on May 15, 1998, and another unauthorized cash withdrawal of \$456.50 on June 17, 1998. Moreover, it was alleged there was evidence of irregularities in the Town's 1998 financial accounts.¹ Treasurer Curo had been the Town's Treasurer for approximately 12 years until March, 1999.²

The mission of the Special Investigations Division is to review allegations of malfeasance, misfeasance, and nonfeasance by local government employees or officers. Since the Division is a fact-finding entity and has no prosecutorial powers, its role is to evaluate allegations brought to this Office's attention and, when appropriate, provide specialized auditing techniques, initiate an independent investigation, or refer the matter to appropriate oversight authorities.

In order to initiate a review of the allegations, the OSA requested from the Town various financial records from January 1, 1997 to March 31, 1999.³ The Town provided much of the requested

¹ The financial irregularities occurred in both the Town's checking account number 330423 and savings account number 905213 from First National Bank of Walker.

² For the purpose of this report, the OSA will refer to Ms. Curo as the Treasurer because she held this position during the OSA's period of review.

³ Items requested included: original bank statements, signatory cards, original Clerk and Treasurer Register of Receipts, receipts and receipt books, deposit tickets, Clerk and Treasurer Order of Disbursements, check registers, cash

information, but was unable to provide the OSA with the original December 1997 to January 1, 1999 bank statements, various canceled checks, cash withdrawal tickets, deposit slips, and various receipts. With the exception of the receipts, the OSA obtained the missing records from the Town's financial institution, the First National Bank of Walker.

II. THEFT AND EMBEZZLEMENT

Pursuant to Minnesota law, a theft occurs when a person "intentionally and without claim of right takes, uses, transfers, conceals or retains possession of movable property of another without the other's consent and with intent to deprive the owner permanently of possession of the property."⁴ According to Minnesota law, theft also occurs when a person acts with intent to exercise only temporary control and "the control exercised manifests an indifference to the rights of the owner or the restoration of the property to the owner."⁵

The definition of embezzlement, as provided in the Minnesota Constitution, is as follows: "[i]f any person converts to his own use in any manner or form, . . . or shall deposit in his own name, or otherwise than in the name of the state of Minnesota; or shall deposit in banks or with any person or persons or exchange for other funds or property, any portion of the funds of the state . . . every such act shall be and constitute an embezzlement . . . and shall be a felony."⁶

The OSA determined that a theft and/or embezzlement of \$22,996.61 of Town funds may have occurred when:

- ! A check written to the Town totaling \$5,295.00 was deposited into Treasurer Curo's personal financial account;
- ! Cash totaling \$821.01 was received back from Town deposits. The deposit slips contained the signature "Suzanne Curo" or "Sue Curo";
- ! Unapproved cash withdrawals totaling \$16,328.10 were made from the Town's checking and savings accounts. The cash withdrawal slips were signed by

withdrawal tickets, canceled checks, a list of monies the Town received from Cass County and the State of Minnesota, monthly Town board meeting minutes, Treasurer's financial reports, and Treasurer Curo's claims for amounts paid. The OSA's period of review was January 1, 1997 through March 31, 1999.

⁴ Minn. Stat. § 609.52, Subd. 2(1) (2000).

⁵ Minn. Stat. § 609.52, Subd. 2(5)(i) (2000).

⁶ Minn. Const. Art. XI, § 13 (2000).

- ! “Suzanne Curo” or “Sue Curo”;
- ! A check identified as void in the check register was written out to Treasurer Curo and cashed for \$382.25; and
- ! Two money orders totaling \$170.25 that contained the name of “Suzanne Curo” were not deposited into the Town accounts.

In addition, Treasurer Curo failed to maintain the Town’s books and records as required by law.⁷ These issues are discussed below:

A. Deposits

1. Town Check Deposited into Treasurer Curo’s Personal Financial Account

The State of Minnesota issued a check dated December 24, 1998 to the Town of Hiram in the name of “Hiram Township Suzanne Curo” for \$5,295.00. The OSA reviewed a copy of the check and determined that it was processed on January 8, 1999, through First Federal Bank of Walker and cleared the State’s account on January 11, 1999. Neither the Town’s bank statements nor the register of receipts identified a deposit of this check into

⁷ Minnesota Statute § 367.16 lists many specific duties to be performed by a town treasurer. Some of a town treasurer’s duties include the following activities:

- ! receive and take charge of all money belonging to the town;
- ! pay out money belonging to the town only upon the lawful order of the town or its officers;
- ! preserve all books, papers, and property pertaining to or filed in the treasurer’s office;
- ! keep a true account of all money received as treasurer and the manner in which it is disbursed;
- ! deliver, on demand, all books and property belonging to the treasurer’s office;
- ! draw from the county treasurer, money received by the county treasurer for the town; and
- ! make and file with the town clerk, within five days preceding the annual town meeting, a statement in writing of the money received from all sources and all money paid out as town treasurer.

Further, Minn. Stat. § 367.17 provides that a town treasurer who refuses or neglects to comply with these statutory duties is guilty of a gross misdemeanor.

any Town account. The check was endorsed by "Suzanne Curo." Therefore, the OSA contacted the First Federal Bank of Walker to determine in what account the funds were deposited. The OSA was informed that the check was deposited into a personal account opened under the name of Suzanne Curo. The deposit detail from the bank showed that of the \$5,295.00 check, Treasurer Curo deposited \$4,818.20 in her personal account and received \$476.80 in cash as the balance.⁸

2. Cash Back from Deposits

In reviewing the deposit detail from the Town's bank, the OSA determined that cash was received back from two deposits. The signature on the deposit slips for the two checks was "Suzanne Curo" and "Sue Curo." From the Town and bank records, it appears that the cash was not redeposited into any Town account. The amount of cash back totaled \$821.01. The two transactions are detailed below:

- ! Cass County issued check number 40605 to the Town for \$8,761.84 dated July 6, 1998. On July 13, 1998, only \$8,505.14 of the check was deposited into the Town's savings account. The deposit transaction identified cash back totaling \$256.70. ($\$8,761.84 - \$8,505.14 = \256.70).⁹ The signature authorizing cash back on the deposit slip was "Sue Curo."
- ! The State of Minnesota issued check, number 31767161 to the Town for \$5,282.00 dated July 20, 1998. On July 24, 1998, only \$4,717.69 of the check was deposited into the Town's savings account. The deposit transaction included cash back totaling \$564.31 ($\$5,282.00 - \$4,717.69 = \564.31). The signature authorizing cash back on the deposit slip was "Suzanne Curo."

⁸ The First Federal Bank of Walker informed the OSA that Treasurer Curo opened savings account number 400001632 on January 8, 1999 with the deposit of \$4,818.20 of funds from the State of Minnesota check. Treasurer Curo subsequently closed this account on March 23, 1999 after making two deposits totaling \$220.62 and ten withdrawals totaling \$5,041.31. The account accrued interest during this time.

⁹ It should be noted that the Town's receipts and the Treasurer's Register of Receipts prepared by Treasurer Curo identified that the Town received and deposited \$8,761.84 from the County in July of 1998. See Section II F regarding Treasurer books being unbalanced.

The OSA was informed that the Town does not have a petty cash fund that might justify receiving cash back on deposits.

B. Cash Withdrawals

1. Withdrawals from Savings Account

In reviewing the monthly bank statements and withdrawal slips for the period of review, the OSA determined that 31 cash withdrawals were made from the Town's savings account. The Town Clerk informed the OSA that the Town Board had not approved any cash withdrawals. All 31 cash withdrawal slips were signed by either "Suzanne Curo" or "Sue Curo." These withdrawals totaled \$15,415.38 and occurred between December 15, 1997 and December 15, 1998. The Town Clerk confirmed that the Town does not have a petty cash fund that might justify cash withdrawals. Details of the 31 cash withdrawals are included in Attachment A.

2. Withdrawals from Checking Account

The initial complaint to the OSA indicated that Treasurer Curo had taken two cash withdrawals from the Town's account. The OSA confirmed this information, as identified below:

<u>Date of Withdrawal Slip</u>	<u>Amount Withdrawn</u>	<u>Approval by Town Board</u>	<u>Approved by the Signature on Withdrawal Slip</u>
May 15, 1998	\$456.22	No	"Suzanne Curo"
June 17, 1998	\$456.50	No	"Sue Curo"

The funds withdrawn totaled \$912.72 and were from the Town's checking account. The cash withdrawal slips contained the signature "Suzanne Curo" and "Sue Curo." As previously stated, the Town Clerk informed the OSA that the Town does not have a petty cash fund that might justify cash withdrawals.

C. Check issued to Treasurer Curo

Treasurer Curo was the sole person responsible for entering the checks into the Town's check register. According to the Town's check register, check number 2128 was noted as void. In addition, the amount of the check was not listed on either the Town Treasurer's or the Town Clerk's register of orders paid. However, according to the March 1998 bank statement, check number 2128 was cashed for \$382.25 on March 16, 1998.

The check appeared to have been signed by the Town Chairman and the Town Clerk. The check was issued to "Sue Curo" and was endorsed with the signature "Sue Curo."¹⁰

D. Money Order Withdrawal and Deposit

On December 18, 1998, a total of \$634.01 in cash was withdrawn in one transaction from the Town's savings account and eight money orders were purchased as follows:

<u>Money Order</u>	<u>Number Amount</u>
142876	\$159.00
142877	21.63
142878	34.06
142879	89.96
142880	22.31
142881	41.25
142882	136.80
143883	129.00

The cash withdrawal slip contained the signature "Sue Curo." There were no names listed on the money orders indicating the payee. However, the money orders contained the signature "Suzanne Curo."

Subsequently, on December 30, 1998, a deposit for \$463.76 was made using six of the eight money orders. Money order numbers 142876 through 142880, and 142882 were redeposited into the Town's savings account. Money order numbers 142881 and 142883 totaling \$170.25 remain unaccounted for.

E. Cash Deposit to Town's Savings Account

The Town Clerk found that the Town's 1998 books were not balanced. On March 1, 1999, the Town Clerk questioned Treasurer Curo about the unbalanced books. The Town Clerk stated that the Clerk's 1998 year end balance and the Treasurer's year end balance were not the same. Specifically, Treasurer Curo's report stated a balance of \$37,112.88 and the balance according to the Clerk's calculations was \$39,434.03, a difference of

¹⁰ The Town Clerk alleged that the Chairman and Town Clerk's signatures on the check were forged. See Section III A.

\$2,321.15. According to the Town Clerk, Treasurer Curo explained to her that there was an outstanding check to Public Employees Retirement Association for \$99.50 and she “discovered an undeposited check from the State of Minnesota in the amount of \$2,420.65” ($\$2,420.65 - \$99.50 = \$2,321.15$). After Treasurer Curo deposited \$2,420.65 and the \$99.50 check cleared the Town’s account, the Town’s 1998 year end balance totaled \$39,434.03 and matched with the Clerk’s balance.

However, the OSA discovered that on March 5, 1999, a **cash deposit** of \$2,420.65 was made. According to the Town Clerk, Treasurer Curo claimed that the deposit was a check from the State of Minnesota. The OSA found no check for \$2,420.65 during that time period from the State of Minnesota and confirmed with the State of Minnesota’s Department of Finance that no check totaling \$2,420.65 had been disbursed to Hiram Town.

III. OTHER POSSIBLE VIOLATIONS OF MINNESOTA LAW

A. Forgery

Minnesota Statute § 609.631, Subd. 2 states “[a] person is guilty of check forgery . . . if the person, with intent to defraud, . . . falsely makes or alters a check so that it purports to have been made by another . . . or by the authority of one who did not give authority.”

The Town Clerk informed the OSA that the Town Chairman’s signature and her signature on check number 2128 totaling \$382.25 were not their signatures and were forged. This check was written to “Sue Curo” and was endorsed by “Sue Curo.”¹¹

B. Bookkeeping

Minnesota law requires the treasurer to “keep a true account of all money received as treasurer and the manner in which it is disbursed, in a book provided for that purpose, and provide the account, with the treasurer’s vouchers, to the town board of audit, at its annual meeting, for adjustment.”¹²

It appears that the Treasurer and Clerk’s Register of Receipts for the Town and the Town’s receipt records were incomplete. The Town did provide the OSA with a handwritten

¹¹ This check was discussed above in Section II C of this Report.

¹² Minn. Stat. § 367.16 (2000).

clerk's Register of Receipts from January 1, 1997 through June 1999, however, the information provided was incomplete. Many checks received by the Town were not documented in the Treasurer and Clerk's Register of Receipts, or the Town's receipt records.

C. Record Retention

Minnesota law states that "it is the duty of the treasurer [t]o preserve all books, papers, and property pertaining to or filed in the treasurer's office."¹³ In addition, Minnesota Law requires all town officers to "make and preserve all records necessary to a full and accurate knowledge of their official activities."¹⁴

During its investigation, the OSA requested numerous documents from the Town. Although most of the requested documents were provided, the original bank statements from December 1997 to January 1, 1999, various canceled checks, original deposit slips, original withdrawal slips, and receipts were not maintained by Treasurer Curo and therefore, were not provided to the OSA. Instead, the OSA had to obtain these documents from the Town's financial institution.

IV. INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

During the course of the OSA's review, the following internal control weaknesses were noted:

- ! Treasurer Curo did not consistently issue receipts for collections. To strengthen controls over cash collections, the Town should record all collections on prenumbered receipts and indicate the form in which the payment was made.
- ! Treasurer Curo did not keep an accurate account of Town monies received.
- ! Treasurer Curo was receiving, depositing and disbursing all Town funds. The OSA recommends that the Town segregate these duties.
- ! Although the Town's minutes were generally complete, in many instances the Treasurer's report was not included in the Town's minutes and the report was inaccurate. The OSA recommends that the Town require a completed and accurate Treasurer's report at every monthly meeting and that it be approved and

¹³ Minn. Stat. § 367.16 (2000).

¹⁴ Minn. Stat. § 15.17, Subd. 1 (2000).

documented as part of the meeting minutes.

- ! The Town's financial institution allowed cash withdrawals, cash back from deposits, and money orders and cashier checks to be purchased from Town accounts. The OSA recommends that the Town instruct its financial institution to disallow such types of transactions.

V. CONCLUSION

The OSA has determined the next step in this investigation would be to interview Treasurer Curo regarding the specific findings mentioned in this Report. Based upon the OSA's review, it appears that Treasurer Curo violated various laws as referenced in this Report. Therefore, the OSA is submitting this matter to the Cass County Attorney to proceed as he deems appropriate.

The OSA would like to thank the Town for its cooperation and assistance during the investigation. If you have any questions, please contact Lea De Souza Speeter, Director of Special Investigations at (651) 297-7107 or Jacqueline M. Boeke at (651) 297-3674.

Sincerely,

/s/ Judith H. Dutcher

Judith H. Dutcher
State Auditor

Attachment

Attachment A

**Town of Hiram
Cash Withdrawals from Town's Savings Account # 905213
From December 15, 1997 to December 15, 1998**

<u>Date of Withdrawal Slip</u>	<u>Amount</u>	<u>Approved by City Council</u>	<u>Name on Withdrawal Slip</u>
12/15/1997	\$392.00	No	Suzanne Curo
12/19/1997	500.00	No	Suzanne Curo
Subtotal	\$892.00		
01/16/1998	\$500.00	No	Suzanne Curo
04/07/1998	546.22	No	Suzanne Curo
04/17/1998	400.00	No	Suzanne Curo
05/05/1998	228.82	No	Suzanne Curo
05/19/1998	390.00	No	Suzanne Curo
05/22/1998	93.10	No	Suzanne Curo
06/01/1998	304.95	No	Suzanne Curo
06/22/1998	321.37 ¹	No	Suzanne Curo
06/26/1998	862.22	No	Suzanne Curo
Subtotal	\$3,646.68		
07/01/1998	\$44.00	No	Suzanne Curo
07/27/1998	892.81	No	Suzanne Curo
07/30/1998	350.00	No	Suzanne Curo
08/11/1998	478.04	No	Suzanne Curo
08/17/1998	718.70	No	Suzanne Curo
09/14/1998	613.00	No	Suzanne Curo
09/21/1998	450.00	No	Suzanne Curo
09/28/1998	608.14	No	Suzanne Curo
10/08/1998	534.16	No	Suzanne Curo
10/16/1998	123.00	No	Suzanne Curo
10/26/1998	284.10	No	Suzanne Curo
11/16/1998	1,305.47	No	Suzanne Curo
11/17/1998	394.82	No	Suzanne Curo
11/23/1998	550.00	No	Suzanne Curo
11/24/1998	310.00	No	Suzanne Curo
11/27/1998	621.00	No	Suzanne Curo
11/30/1998	850.00	No	Suzanne Curo
12/04/1998	908.05	No	Suzanne Curo
12/08/1998	584.62	No	Suzanne Curo
12/09/1998	200.00	No	Suzanne Curo
12/15/1998	378.16	No	Suzanne Curo
Subtotal	\$11,198.07		
Total	<u>\$15,736.75</u>		

1 = A notation specifying "Bill Riegert" was written on the June 22, 1998 withdrawal slip for \$321.37. On June 9, 1998, a check for Bill Riegert was written for the same amount that did not clear the bank. The OSA attempted to contact Mr. Riegert regarding this matter; however, it appeared that this telephone was disconnected.