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PUBLIC RELEASE OF INVESTIGATIVE REPORT CITY OF FEDERAL DAM TREASURER February 4, 2003

I. INTRODUCTION

The Special Investigations Division of the Office of the State Auditor (hereinafter "OSA") received a citizen complaint regarding the suspected theft or embezzlement of public funds by an employee of the City of Federal Dam (hereinafter "City"). Specifically, the OSA was requested to investigate the suspected theft or embezzlement of City funds by City Treasurer Barbara Jensen.¹

The OSA requested original financial records from the City for the period of January 1, 1999 through April 2002 and only received limited documentation from the City.² Therefore, the OSA obtained numerous City financial documents from the City's financial institution, Woodland Bank in Remer, Minnesota.³

¹ Ms. Jensen was formerly known as Ms. Barbara Lego.

² The original records provided by the City included the City Council meeting minutes from January 8, 1996 through January 14, 2002; City disbursements listing from January 13, 1997 through April 8, 2002; City receipts listing from January 1997 through March 2002; City check stubs from January 11, 1999 through July 8, 2002; cancelled City checks from December 12, 2000 through June 25, 2002; invoices from January 1, 1999 through July 1, 2002; financial statements; and correspondence. The City also provided copies of partial City bank statements from August 25, 2002 to October 31, 2002; and City Council meeting minutes from January through July 2002.

³ Woodland Bank provided copies of City bank statements from January 1997 to July 31, 2002, various cancelled City checks from January 1, 1999 through July 17, 2002; deposit detail; transfer documentation; account ownership forms; and automatic payment documents.

In addition, the OSA reviewed copies of documents from Ms. Jensen's personal checking account because City funds appeared to have been deposited into the account. This Investigative Report focuses on the time frame of January 1, 1999 through July 31, 2002 due to a three year statute of limitations.⁴

This Investigative Report contains findings from the OSA's review.

II. BACKGROUND

A. City Accounts

During the OSA's period of review, the City maintained four accounts at the Woodland Bank in Remer, Minnesota.⁵ These accounts included the following:

	<u>Account Name</u>	<u>Account No.</u>	<u>Account Type</u>
•	City of Federal Dam account (hereinafter "General Account")	372	Checking
•	Village of Federal Dam Gym Fund (hereinafter "Gym Account")	9049	Savings
•	Village of Federal Dam Fairview Cemetery Fund (hereinafter "Cemetery Account")	9087	Savings
•	Federal Dam Sewer Project ⁶ (hereinafter "Sewer Account")	9732	Savings

The OSA determined that Ms. Jensen's personal social security number was used as the identification number on three of the four City accounts, including the General Account, Gym

⁴ See Minn. Stat. § 628.26 (j) (2000).

⁵ The City Council meeting minutes reference two additional accounts, the Federal Dam Daze account and the Federal Dam Holiday account. However, the OSA has no evidence that City funds were improperly removed from these accounts.

⁶ The Sewer Account was opened on March 1, 2001.

Account and Cemetery Account.⁷

B. Treasurer Duties

According to City documents, Ms. Jensen held the elected office of City Treasurer from 1989 through October 14, 2002. Minnesota law lists the duties to be performed by the city treasurer.⁸ As defined by state law, the treasurer's duties include the following activities:

- receiving and keeping all moneys belonging to the city;
- accounting for all moneys received and disbursed, identifying the source, object, and date of each transaction;
- retaining all vouchers and producing them upon a request from the city council; and
- disbursing funds upon the written order of the mayor and clerk after a claim has been audited and allowed by the city council.⁹

As the City's Treasurer, Ms. Jensen was responsible for all such activities from 1989 through October 14, 2002.¹⁰

⁷ The OSA has been informed that the City changed the identification number on the General Account, Gym Account and Cemetery Account from Ms. Jensen's personal social security number to the City's federal tax identification number. The Sewer Account has always been listed under the City's federal tax identification number.

⁸ Minn. Stat. § 412.141 (2000).

⁹ Minn. Stat. § 412.271, subd. 1 (2000).

¹⁰ On October 14, 2002, the City Council accepted Ms. Jensen's resignation from the Treasurer position.

C. Treasurer Compensation

From City records it appears that beginning on January 1, 1995, Ms. Jensen was paid compensation for her treasurer duties at a rate of \$20.00 “*per meeting*,” for a total salary of \$240.00 per year.¹¹ It was reported to the OSA that Ms. Jensen and other City officials each received their annual salary in one lump sum at the end of the year.¹² The City informed the OSA that the annual salary was to compensate Ms. Jensen for performing duties such as attending meetings, handling the City’s bills and preparing financial statements. On September 10, 2001, the City Council passed a motion providing the City Clerk and the Treasurer with an additional \$7.00 per hour in compensation for any “extra work done.”¹³

During the OSA’s period of review, January 1, 1999 through July 31, 2002, Ms. Jensen received five City compensation payments totaling \$1,035.00 that appear to have been authorized by the City Council.¹⁴ The payments are set forth in the following chart:

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- ¹¹ It appears that the Treasurer’s salary amount was calculated based on the formula of \$20.00 x 12 meetings = \$240.00. City records state that the City Clerk was also paid a rate of \$20.00 per meeting, while the Mayor and the City Council members received \$15.00 per meeting. However, the City has not provided the OSA with a resolution or ordinance setting the pay rates for City officials.
- ¹² The OSA was informed that the salaries for City officials were typically calculated and approved by the City Council during the December City Council meeting each year. Salary checks were then signed and distributed at the meeting to each City official.
- ¹³ City of Federal Dam, City Council Minutes, September 10, 2001. Although the terms of the motion are broad, the City reported to the OSA that the purpose of this motion was to compensate the Clerk and Treasurer specifically for extra work conducted on the City sewer project. The City was not aware of any extra work provided by Ms. Jensen on the City sewer project. The OSA will address the broad terms of the motion in a letter to the City.
- ¹⁴ The City of Federal Dam, City Council meeting minutes, March 14, 2000, February 12, 2001, December 10, 2001 and January 23, 2002. The City Council meeting minutes do not reference compensation payments directly, but evidence City Council approval of City disbursements made in December 1999, 2000 and 2001. The OSA will address the lack of detail contained in the minutes in a letter to the City.

**Salary Payments to
Ms. Lego/Jensen¹⁵**

<u>Date of Check</u>	<u>Date Check Cleared Bank</u>	<u>Check Number</u>	<u>Purpose (Per Disbursements Listing)¹⁶</u>	<u>Check Amount</u>
12-15-99	12-27-99	2292	“Council Salaries”	\$ 240.00
12-15-99	12-20-99	2297	“1 mtg. Council Salary”	\$ 20.00
12-12-00	12-22-00	2392	“12 reg”	\$ 240.00
12-10-01	12-12-01	2486	“15 300.00 Council 5 @ 7.00 hours 35.00”	\$ 335.00 ¹⁷
01-15-02	01-30-02	2499	“28 ½ hours pay”	\$ <u>200.00</u> ¹⁸
Total				\$1,035.00

III. THEFT, EMBEZZLEMENT AND/OR FALSE CLAIMS

Pursuant to Minnesota law, a theft has occurred 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

¹⁵ It was unclear from City records whether Ms. Jensen’s annual compensation depended upon the number of City Council meetings she actually attended. The OSA will address this issue in a letter to the City.

¹⁶ The OSA has included all payments noted in the City’s disbursements listing as payments for Treasurer services.

¹⁷ It appears from the notations on the check stub and the disbursements listing that Ms. Jensen calculated \$300.00 for meeting compensation (15 meetings x \$20.00 = \$300.00) and \$35.00 for extra work hours (5 hours x \$7.00 = \$35.00), for a total of \$335.00.

¹⁸ It appears that Ms. Jensen calculated 28 ½ hours of extra work at \$7.00 per hour for a total of \$199.50, and then rounded the total up to \$200.00. The check stub inaccurately referred to the payee of the check as “Cass Co Auditor.”

property.”¹⁹ Theft also occurs when a person acts with intent to exercise only temporary control of another’s property and “the control exercised manifests an indifference to the rights of the owner or the restoration of the property to the owner.”²⁰ A person who engages in activity that constitutes theft may be subject to a fine and/or imprisonment.²¹

The definition of embezzlement, as provided in the Minnesota Constitution, is as follows: “If 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.”²² A violation of the embezzlement law could result in the imposition of a fine and/or imprisonment.²³

¹⁹ Minn. Stat. § 609.52, subd. 2(1) (2000). *See also* Minn. Stat. § 609.45 (2000), which provides that a public employee who “under color of office or employment intentionally asks, receives or agrees to receive a fee or other compensation in excess of that allowed by law or where no such fee or compensation is allowed, is guilty of a misdemeanor.”

²⁰ Minn. Stat. § 609.52, subd. 2(5)(i) (2000).

²¹ Minn. Stat. § 609.52, subd. 3(3)(a) and (d)(iv) (2000) provide that if the value of the property involved in the theft is more than \$500 but not more than \$2,500, or public funds of not more than \$500, a person may be sentenced to imprisonment for not more than five years or to payment of a fine of not more than \$10,000, or both. Minn. Stat. § 609.52, subd. 3(2) (2000) provides that if the value of the property is more than \$2,500, the person may be sentenced to imprisonment for not more than ten years or to payment of a fine of not more than \$20,000, or both.

²² Minn. Const. art. XI, § 13 (2000).

²³ Minn. Stat. § 609.54(1) (2000) provides that a person who does an act which constitutes embezzlement of funds valued at \$2,500 or less may be sentenced to prison for not more than five years or to pay a fine of not more than \$10,000, or both. Minn. Stat. § 609.54(2)(2000) provided that if such value is more than \$2,500, the person may be sentenced to prison for not more than ten years or to payment of a fine of not more than \$20,000, or both.

A public officer or employee who allows or pays any claim made upon a governmental unit which the public officer or employee knows is false or fraudulent in whole or in part may be subject to a fine and/or imprisonment.²⁴

Based upon the information provided, and as more fully described below, it appears that Ms. Jensen disbursed at least \$7,815.47 in unauthorized payments from January 1, 1999 through July 31, 2002. In addition, the OSA noted questionable disbursements of City funds totaling \$304.62 during that time period.²⁵

A. Disbursements for Personal Benefit

Based upon its review, the OSA determined that City funds totaling \$7,815.47 from 25 transactions appear to have been misappropriated by Ms. Jensen in the following manners.²⁶

1. City Funds Deposited into Personal Account

The OSA found \$1,709.00 in City funds that appear to have been deposited into Ms. Jensen's personal checking account. Based upon the OSA's review of the City's accounts, it appears that there were no corresponding deposits into the City's accounts for the amounts described in these transactions.²⁷ In two instances, Ms. Jensen also received cash back from the transactions. The transactions are reflected in the following chart:

²⁴ Minn. Stat. § 609.455 (2000) provides that a public officer or employee who knowingly pays a false claim made upon a governmental unit may be sentenced to imprisonment for not more than five years or to payment of a fine of not more than \$10,000, or both.

²⁵ In the Attachment to this Investigative Report, all unauthorized and questionable disbursements identified by the OSA are contained in order by date.

²⁶ The OSA noted that in 11 of the 25 transactions, a City check was issued by Ms. Jensen. In each of those 11 instances, Ms. Jensen was the sole signatory on the check. With certain enumerated exceptions, Minn. Stat. § 412.271 (2000) specifies that a disbursement of city funds shall only be made "by an order drawn by the mayor and clerk upon the treasurer."

²⁷ The OSA reviewed all deposits within one week of the date of these transactions.

<u>Date</u>	<u>Source of City Funds</u>	<u>Transaction</u>	<u>Amount</u>	<u>Purpose</u>
07-22-00	League of Minnesota Cities Check	Money Order	\$134.00	Deposit (\$75.00) Cash back (59.00)
08-10-00	City Check No. 2356	Payable to Barb Jensen	\$175.00	Deposit
07-10-01	Cass County Check	Cashier's Check	\$500.00	Deposit (\$400.00) Cash back (\$100.00)
09-12-01	City Check No. 2461	Payable to 1st Nat'l Bank of Walker	\$400.00	Deposit
12-10-01	City Check No. 2492	Payable to 1st Nat'l Bank	\$500.00	Deposit

More specifically, the transactions were as follows:

City Funds - Money Order Dated 07-22-00 \$134.00

- The League of Minnesota Cities issued a \$134.00 check to the City dated July 10, 2000. On July 22, 2000, the check was used to purchase money order number 15468 in the amount of \$134.00 from Woodland Bank. The money order was made payable to the "1st Nat'l Bank of Walker" and had the signature of "Barb Jensen" as the remitter. On July 24, 2000, \$75.00 from the money order was deposited into Ms. Jensen's personal checking account and the remaining \$59.00 was given back to the customer in cash.²⁸

City Check No. 2356 Dated 08-10-00 \$175.00

- City check number 2356 was written to "Barb Jensen" in the amount of \$175.00.²⁹ The check was signed by "B. Jensen - treas" and dated August 10, 2000. There was the notation "25 hrs." in the memo field of the check. However, the City's check stub for this transaction included the notations "wrong chkbook" and "(reimburse)."

²⁸ The City's disbursements and receipts listings do not reference this transaction.

²⁹ The City's disbursements listing and check stub inaccurately refer to the payee of the check as "Teals" and "C Teals", respectively, which appear to be references to Teal's Super-Valu (hereinafter "Teal's") located in Cass Lake, Minnesota.

The check was endorsed by “Barb Jensen.” On August 29, 2000, the check was deposited into Ms. Jensen’s personal checking account with several other items. A portion of the funds from this deposit was used to make payments on a mortgage and a consumer loan for personal expenses. Both of the loans list “Barbara Jensen” as a loan holder.

City Funds - Cashier’s Check Dated 07-10-01 \$500.00

- Cass County issued a tax settlement check to the City dated July 5, 2001 in the amount of \$3,876.10. The check had the endorsement signature of “City of Fed Dam Barb Jensen treas.” On July 10, 2001, \$800.00 from the check was deposited into the City’s Gym Account and \$1,076.10 was deposited into the City’s General Account. In addition, \$1,000.00 from the check was used to purchase cashier’s check number 19809 at Woodland Bank on July 10, 2001 made payable to the “Cass County Auditor.”³⁰ Further, \$500.00 from the check was used to purchase personal money order number 16226 at Woodland Bank on July 10, 2001 that was also made payable to the “Cass Co Auditor.”³¹

Finally, \$500.00 from the check was used to purchase cashier’s check number 19808 at Woodland Bank on July 10, 2001. Cashier’s check number 19808 was made payable to “1st National Bank of Walker” and the remitter was “Barbara Jensen.” On July 10, 2001, \$400.00 from cashier’s check number 19808 was deposited into Ms. Jensen’s personal checking account and the remaining \$100.00 was given back to customer in cash.³²

³⁰ “Federal Dam Village” was the remitter on cashier’s check number 19809. The Cass County Auditor’s Office informed the OSA that it appeared the cashier’s check was applied to a sewer loan obligation the City owed to Cass County.

³¹ It appears that “Barb Jensen” signed personal money order number 16226. The Cass County Auditor’s Officer informed the OSA that it appeared the personal money order was applied to a sewer loan obligation the City owed to Cass County.

³² The deposit slip was signed by “Barb Jensen.” None of the transactions were referenced in the City’s disbursements and receipts listings.

City Check No. 2461

Dated 09-12-01

\$400.00

- City check number 2461 was written to “1st Nat’l Bank of Walker” in the amount of \$400.00. The check was dated September 12, 2001 and signed by “Barb Jensen.”³³ On September 12, 2001, the check was deposited into Ms. Jensen’s personal checking account.³⁴

City Check No. 2492

Dated 12-10-01

\$500.00

- City check number 2492 was written to “1st Nat’l Bank” in the amount of \$500.00 and dated December 10, 2001.³⁵ The check was signed by “Barb Jensen” and the word “pay” is set forth on the memo field line.³⁶ On December 14, 2001, the check was deposited into Ms. Jensen’s personal checking account.

2. City Funds Used to Pay Personal Bills

The OSA found an additional \$2,454.22 in City funds that appear to have been used by Ms. Jensen to pay personal bills. Based upon the OSA’s review of the City’s accounts, it appears that there were

³³ The check also contained handwritten notations in the top left corner listing the name “B Jensen” and an address that was not the City’s address. The OSA has been informed that the Federal Dam City Hall is located at 222 Main Street, Federal Dam, Minnesota.

³⁴ The City’s disbursements listing and check stub inaccurately list “money order” as the purpose of the check.

³⁵ The City’s disbursements listing and check stub inaccurately reference “Woodland Bank” as the payee of the check and include a list of supplies such as calculator, computer ink cartridges, books, stamps, envelopes and paper. The disbursements listing entry for this transaction also includes the notation “(pd back).”

³⁶ The OSA reviewed deposit detail from First National Bank of Walker regarding this transaction and determined that the memo field line of the cancelled check contained the word “pay” when the check was processed by the Bank on December 14, 2001. On May 8, 2002, the OSA obtained the original cancelled check from Ms. Jensen and noted that the memo field line contained the phrase “pay supplies.” It appears that the original cancelled check provided to the OSA by Ms. Jensen may have been altered.

at the store. A money order fee of \$.59 was charged for the transaction and \$24.41 was given back in cash to the purchaser.

Teal's purchases the money orders available at its store from Travelers Express Company, Inc. (hereinafter "Travelers Express"). The OSA contacted Travelers Express to determine the party to whom the \$350.00 money order was made payable. Travelers Express provided a copy of money order number 94244624694 in the amount of \$350.00 which indicated that the money order was issued to an individual. The money order reflected the signature of "Barb Jensen" as the purchaser.⁴⁰ The OSA contacted the individual and was informed that the money order was used to pay Ms. Jensen's rent for the month of April of 2000.

City Funds - Money Order Dated 05-31-00 \$275.00

- On May 31, 2000, \$275.00 was withdrawn from the City's Gym Account and money order number 15350 in the amount of \$275.00 was purchased from Woodland Bank.⁴¹ The savings withdrawal ticket had the signature of "Barb Jensen." Woodland Bank provided documentation to the OSA that the money order was issued to an individual. The money order had the signature of "Barb Jensen" as the remitter and a notation that appears to reference rent. The OSA contacted the individual's spouse and was informed that the \$275.00 money order paid Ms. Jensen's prorated rent for the month of June 2000.⁴²

City Funds - Cashier's Check Dated 03-07-01 \$1,071.62

- The State of Minnesota issued a check to the City dated December 22, 2000 in the amount of \$2,367.00. The check had the endorsement signature of "City of Federal Dam Barb Jensen treas." On March 7, 2001, \$1,295.38 from the check was deposited into the City's General Account and the remaining \$1,071.62 was used to purchase cashier's check number 19553 in the amount of \$1,071.62 at Woodland Bank on March 7, 2001.⁴³ The cashier's check was made payable to "Cass County Auditor" and the remitter was "Barb Jensen." On March 12, 2001, the cashier's

⁴⁰ The money order also referenced an address that was not the City's address.

⁴¹ The City's disbursements listing did not reference this transaction.

⁴² The OSA was informed that Ms. Jensen moved out of the rented house sometime in June of 2000.

⁴³ The City's disbursements and receipts listings do not reference this transaction.

City Check (Unnumbered) Dated 04-24-01 \$200.00

- An unnumbered City check was written to Johnson Telephone in the amount of \$200.00.⁴⁸ The check was signed by “Barb Jensen” and dated April 24, 2001. The OSA noted that the check did not contain any identification in the address field indicating that it was a City check and instead contained a handwritten notation of the name “B Jensen” and an address that was not the City’s address. Johnson Telephone provided information to the OSA that this \$200.00 check was applied as payment on Ms. Jensen’s personal telephone account.

City Account Debit Dated 06-01-01 \$131.90

- On June 1, 2001, an automatic payment in the amount of \$131.90 was made from the City’s General Account to Pegasus Communications for Direct TV service.⁴⁹ Bank documentation lists “Barb Jensen” as the contact for the transaction. Pegasus Communications provided information that the \$131.90 automatic payment was applied to a residential Direct TV account in name of “Barb Jensen.” The OSA has been informed that the City does not own a television set and does not use any Direct TV or cable television services.⁵⁰

3. Cash Withdrawals

The OSA found \$1,775.00 in City funds that appear to have been used by Ms. Jensen to obtain cash. Based upon the OSA’s review of the City’s accounts, it appears that there were no corresponding deposits into the City’s accounts for the amounts described in these transactions.⁵¹ The transactions are reflected in the following chart:

⁴⁸ This unnumbered check was not included in the City’s disbursements listing nor was it referenced on any check stub provided to the OSA. The OSA noted that the check contained the City’s General Account number at the bottom of the check. According to the bank statement for the City’s General Account, this check cleared the City’s General Account on April 27, 2001.

⁴⁹ The City’s disbursements listing did not reference this transaction.

⁵⁰ Pegasus Communications did not have a Direct TV account listing for the City of Federal Dam.

⁵¹ The OSA reviewed all deposits within one week of the date of these transactions.

2001. A total of \$200.00 was withdrawn from the City's General Account and given in cash to the customer.

The check stub for this transaction indicates that the purpose of the transaction was to purchase "paper supply - clean." However, the OSA has been informed that the City would not need \$200.00 worth of paper or cleaning supplies.⁵⁵

City Funds - Cash Withdrawal Dated 10-10-01 \$100.00

- On October 10, 2001, \$100.00 was withdrawn from the City's Gym Account and given in cash to the customer.⁵⁶ The withdrawal slip was signed by "Barb Jensen."

City Check No. 2467 Dated 10-24-01 \$200.00

- City check number 2467 was written to "Woodland Bank - For Cash" in the amount of \$200.00. The check was signed and endorsed by "Barb Jensen" and dated October 24, 2001.⁵⁷ A total of \$200.00 was withdrawn from the City's General Account and given in cash to the customer. On October 25, 2001, a Travelers Express money order in the amount of \$150.00 was deposited into Ms. Jensen's personal checking account.

(continued) the OSA obtained the original cancelled check from Ms. Jensen. The word "cash" was blackened out on the payee line of the original cancelled check provided to the OSA by Ms. Jensen. Additionally, the word "supplies" is on the memo field line. It appears that the original cancelled check was altered in two ways.

⁵⁵ The OSA was informed that only one of the buildings owned by the City contains a restroom. Occasionally, the City purchases supplies such as paper towels, garbage bags, toilet paper and toilet cleaner to clean the restroom. According to the City, it would not be necessary to purchase cleaning supplies in this dollar amount. Furthermore, the City does not own a computer printer and would not need to purchase \$200.00 worth of paper supplies.

⁵⁶ The City's disbursements listing did not reference this transaction.

⁵⁷ The OSA obtained a copy of the cancelled check from Woodland Bank and determined that the memo field line of the check was blank when it was processed by Woodland Bank on October 24, 2001. On May 8, 2002, the OSA obtained the original cancelled check from Ms. Jensen and noted that the memo field line contained a blackened entry. It appears that the original cancelled check provided to the OSA by Ms. Jensen was altered and then the alteration was blackened out.

<u>Date</u>	<u>Source of City Funds</u>	<u>Transaction</u>	<u>Amount</u>	<u>Purpose</u>
03-05-99	Liquor License Fee	Partial deposit into General Account	\$805.00	Cash back
03-29-00	Withdrawal from Cemetery Account	Partial deposit into General Account	\$100.00	Cash back
08-06-01	Liquor License Fee	Partial deposit into General Account	\$100.00	Cash back
02-12-02	Cass County Check	No deposit into City Account	\$315.25	Cash back

More specifically, the transactions were as follows:

City Funds - Partial Deposit Dated 03-05-99 \$805.00

- The owner of Abe's Place paid the City \$2,805.00 in liquor license fees for 1999.⁶² The OSA obtained a copy of the \$2,805.00 check from the owner, which had the endorsement signature of "Vill of Fed Dam B Lego treas." On March 5, 1999, \$2,000.00 from the check was deposited into the City's General Account and \$805.00 was given back to the customer in cash.⁶³ The deposit ticket from Woodland Bank reflects the signature of "Barb Lego" as the party that received the cash from this transaction. The owner of Abe's Place informed the OSA that he did not receive any cash back from the City for his 1999 liquor license fees.

City Funds - Partial Deposit Dated 03-29-00 \$100.00

- On March 29, 2000, \$540.00 was withdrawn from the City's Cemetery Account. The withdrawal slip was signed by "Barb Jensen." Only \$440.00 from this withdrawal was deposited into the City's General Account and \$100.00 was given back to the customer in cash.⁶⁴ The deposit ticket from Woodland Bank reflects the signature of "Barb Jensen" as the party that received the cash from this transaction.

⁶² Cities have the authority to issue and charge fees for a liquor license. *See* Minn. Stat. Chapter 340A (2000).

⁶³ The City's receipts listing inaccurately indicates that the City received the entire \$2,805.00 from this liquor license transaction.

⁶⁴ The City's receipts listing inaccurately indicates that only \$440.00 was transferred from the City's Cemetery Account.

City Funds - Refund Dated 08-06-01 \$100.00

- The owner of RC's Supper Club paid the City \$2,480.00 in liquor license fees for 2001. The OSA received information that RC's Supper Club was sold shortly after the payment was made to the City and that the City refunded the fees from funds in the City's General Account. This transaction consisted of an unnumbered City check written to "Cash (cc)" in the amount of \$2,582.00.⁶⁵ The check was signed by "Barb Jensen" and dated August 4, 2001.⁶⁶ Information received from Woodland Bank, indicates that on August 6, 2001 the unnumbered City check was used to purchase cashier's check number 108151 in the amount of \$2,480.00. The cashier's check was made payable to "RC Neururer" and the remitter was "The Village." A \$2.00 fee was charged by the Bank for the cashier's check and \$100.00 was given back to the customer in cash.

The OSA contacted Mr. Robert Neururer, former owner of RC's Supper Club, who informed the OSA that he received the \$2,480.00 cashier's check from the City, but did not receive any cash back.

City Funds - No Deposit Dated 02-12-02 \$315.25

- Cass County issued check number 09804 to the City dated January 25, 2002 in the amount of \$315.25.⁶⁷ The check had the endorsement signature of "City of Federal Dam Barb Jensen treas." According to Woodland Bank, the funds were distributed to the customer as cash on February 12, 2002.

⁶⁵ The check was not pre-numbered; however, the check did contain a handwritten account number of 372. The check was not included in the City's disbursements listing although there was a reference to "have to repay 1 lic license to RC" in the City's receipts listing.

⁶⁶ The OSA received a copy of the cancelled check from Woodland Bank and determined that there was nothing noted on the memo field line when the check was processed by the Bank on August 6, 2001. On May 8, 2002, the OSA obtained the original cancelled check from Ms. Jensen and noted that the memo field line contained the phrase "cashier check RC enterprise." It appears that the original cancelled check provided to the OSA by Ms. Jensen may have been altered.

⁶⁷ The City's receipts listing did not reference this transaction.

5. Vendor Checks

The OSA found \$557.00 in City funds that appear to have been used by Ms. Jensen to obtain household groceries and cash from vendors. Based upon the OSA's review of the City's accounts, it appears that there were no corresponding deposits into the City's accounts for the amounts described in these transactions.⁶⁸ These transactions are reflected in the following chart:

<u>Date</u>	<u>Source of City Funds</u>	<u>Transaction</u>	<u>Amount</u>	<u>Purpose</u>
05-22-00	City Check No. 2332	"Teals Super Value"	\$457.00	Groceries and cash back
04-25-01	City Check (Unnumbered)	Northern Star Cooperative	\$100.00	Cash back

More specifically, the transactions were as follows:

City Check No. 2332

Dated 05-22-00

\$457.00

- City check number 2332, dated May 22, 2000, was written to "Teals Super Value" in the amount of \$457.00.⁶⁹ The check was signed by "Barb Jensen" and the address field contained an additional handwritten notation of the name "Barb Jensen" and an address that was not the City's address. On May 22, 2000, a portion of the check was used to purchase household grocery items at Teal's totaling \$106.99.⁷⁰ The remainder in the amount of \$350.01 was given back to the customer in cash.

Unnumbered City Check

Dated 04-25-01

\$100.00

- An unnumbered City check dated April 25, 2001 was written to Northern Star Cooperative (hereinafter "NSC") in the amount of \$100.00 but was not credited to the City's NSC propane heating account. The OSA noted that the check did not contain any identification in the address field indicating that it was a City check and instead contained a handwritten notation of the name "B Jensen" and an address that

⁶⁸ The OSA reviewed all deposits within one week of the date of these transactions.

⁶⁹ The City's disbursements listing and check stub inaccurately reference the check payee as "Leag. Mn Cities" and "'League Mn.", respectively.

⁷⁰ The groceries purchased included items such as breakfast cereal, fresh fruits and vegetables, brown sugar, a tip roast, canned ravioli, and two frozen pizzas. The OSA was informed that the City would not have a need for groceries. The kitchen located in the City Hall is not stocked with any food items and citizens using the kitchen for gatherings bring in their own prepared food.

was not the City's address.⁷¹ The check was signed by "Barb Jensen" and was endorsed by NSC.⁷² There was no account number in the check memo field indicating to which NSC account(s), if any, the check was to be credited.

The OSA contacted NSC to determine the disposition of the \$100.00 check. The OSA was informed and received documentation that the \$100.00 check was not applied to the City's NSC account or to Ms. Jensen's personal NSC account. A representative of NSC informed the OSA that the check may have been cashed.

B. Questionable Disbursements

The OSA found an additional \$304.62 in City funds that appear to have been used by Ms. Jensen.⁷³ Based upon the OSA's review of the City's accounts, it appears that there were no corresponding deposits into the City's accounts for the amounts described in these transactions.⁷⁴ The transactions are reflected in the following chart:

<u>Date</u>	<u>Source of City Funds</u>	<u>Transaction</u>	<u>Amount</u>	<u>Purpose</u>
08-04-00	City Check No. 2344	Payable to "Teals"	\$150.00	Unknown
07-03-01	City Check No. 2436	Payable to "Teals"	\$154.62	Unknown

More specifically, the transactions were as follows:

⁷¹ The OSA noted that the check contained the City's General Account number at the bottom of the check. According to the bank statement for the City's General Account, this check cleared the City's General Account on April 30, 2001.

⁷² The check was not recorded in the City's disbursements listing.

⁷³ In addition, the OSA noted that City check number 2468 in the amount of \$500.00 had not cleared the City's financial institution as of July 31, 2002. According to the City's disbursements listing, the check was made payable to "Barb" and was dated October 8, 2001.

⁷⁴ The OSA reviewed all deposits within one week of the date of these transactions. The OSA also noted that in these two transactions, a City check was issued by Ms. Jensen and Ms. Jensen was the sole signatory on each check.

City Check No. 2344 **Dated 08-04-00** **\$150.00**

- City check number 2344 was written to “Teals” for \$150.00.⁷⁵ The check was signed by “Barb Jensen” and dated August 4, 2000.⁷⁶ The address field of the check also contained a handwritten notation of an address that was not the City’s address. The memo field line of the check indicated that the check was for a “money order.” However, the OSA contacted Teal’s and Travelers Express and neither vender provided the OSA with evidence that a money order was actually purchased with the City check.⁷⁷ Teal’s was unable to provide any information to the OSA indicating the specific goods that may have been purchased with City check number 2344.

The City informed the OSA that City disbursements are made by City check and there would not be a need to pay City expenditures with a money order. Furthermore, it was reported that the City does not have a use for household grocery items and would not have purchased other goods from Teal’s such as paper or cleaning supplies in the amount of \$150.00.

City Check No. 2436 **Dated 07-03-01** **\$154.62**

- City check number 2436, dated July 3, 2001, was written to “Teals” for \$154.62. The City’s disbursements listing states that the check was written to “Teal” and also contains a notation that the check was used for “groc wrong chkbook.” The check contained the handwritten name “Barb Jensen” over the printed heading of “Village of Federal Dam.” The check was signed by “Barb Jensen” and had the Teal’s endorsement on the back of the check. Due to damaged computer tapes, Teal’s was unable to provide any information to the OSA indicating the specific items purchased with City check number 2436. According to City personnel, the City does not have a need for household grocery items and would not have purchased other goods from Teal’s such as paper or cleaning supplies in the amount of \$154.62.

IV. Forgery

Minnesota law provides that a forgery occurs when a person with intent to injure or defraud and without authority of law “destroys, mutilates, or by alteration, false entry, or omission, falsifies any

⁷⁵ The City’s disbursements listing and check stub inaccurately stated that the check was written to the “Leag. Mn.” and “League Mn.”, respectively.

⁷⁶ There was no endorsement signature on the check.

⁷⁷ Teal’s sells money orders purchased from Travelers Express.

record, account, or other document relating to a person, corporation, or business, or filed in the office of, or deposited with, any public office or officer.”⁷⁸

Throughout this Investigative Report, the OSA identified instances where the transactions involving City funds were either omitted from the City’s disbursements and receipts listings or the entries recorded in the disbursements and receipts listings were inaccurate. In addition, the OSA identified in this Investigative Report the following City checks that appear to have been altered:

<u>Check Date</u>	<u>Check No.</u>	<u>Check Amount</u>
05-29-01	2433	\$ 200.00
08-04-01	Unnumbered	\$2,582.00
10-24-01	2467	\$ 200.00
12-10-01	2492	\$ 500.00

V. CONCLUSION

Based upon the OSA’s review, it appears that Ms. Jensen deprived the City of at least \$7,815.47 in public funds. In addition, the OSA questions \$304.62 of payments that Ms. Jensen may have made to herself. Furthermore, it appears that the City’s disbursements and receipts listings maintained by Ms. Jensen were incomplete and inaccurate. Finally, it appears that City checks prepared by Ms. Jensen may have been altered.

This matter was referred to the Cass County Attorney to initiate such proceedings as the law and public interest require. The OSA remains available to assist the Cass County Attorney.

/s/Patricia Awada

Patricia Awada
State Auditor

Attachment

⁷⁸ Minn. Stat. § 609.63, subd. 1 (6) (2002). A violation of the forgery law could result in the imposition of a fine of not more than \$5,000 and/or imprisonment for not more than three years. *See* Minn. Stat. § 609.63, subd. 1 (2000).