



Town of Brookfield, CT (“TOB”) Public School System Presentation to First Selectman and Board of Finance June 10, 2015



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Introduction

- McGladrey was engaged by Collins Hannafin, P.C. and the First Selectman of the Town of Brookfield, CT (on behalf of the TOB Board of Finance Chair) to perform a forensic investigation of the Town of Brookfield Public School System for the fiscal years ended June 30, 2013 and 2014.
- This investigation was triggered by an alleged misappropriation of \$987 committed by Art Colley, former Director of Finance, Technology and Operations of the Town of Brookfield, CT Public School System.
- Our investigation was also required in order for the McGladrey audit team to render an opinion on the TOB financial statements for the fiscal year ended June 30, 2014.



Caveats

- As Certified Fraud Examiners, we are permitted to present evidence and form conclusions based upon our investigation about whether an individual may have misappropriated funds, misrepresented a transaction, or engaged in criminal conduct.
- We are permitted to forward evidence and other findings from our investigation to law enforcement. However, the Association of Certified Fraud Examiners Code of Professional Ethics prohibits us from expressing opinions regarding the guilt or innocence of any individual. Such an opinion can only be rendered by a judge or jury.
- We are not experts in concluding that documents or signatures are forged. However, we are permitted to share with law enforcement what we observe to be questionable documentation and recommend that they investigate further.

Background

- During the course of the McGladrey audit of the fiscal year ended June 30, 2014, a member of the audit team found that the documentation supporting an expense reimbursement paid to Art Colley, purportedly for three iPad Minis, appeared questionable.
- Upon further investigation by McGladrey and the Town of Brookfield Police Department, it was determined that the invoice submitted as supporting documentation for the reimbursement was fictitious.
- Colley was arrested on March 9, 2015 and charged with larceny and forgery regarding the above transaction.

Scope of Investigation

- Our investigation focused on the conduct of Art Colley, Elizabeth (“Liz”) Kerekes (former Administrative Assistant of Art Colley) and Anthony Bivona (former Superintendent).
- Our procedures were concentrated in the following areas for the fiscal years ended June 30, 2013 and 2014 (the “Scope Period”):
 - Bank statements and bank reconciliations
 - Cash disbursements and deposits
 - Vendors
 - Credit card transactions
 - Fringe benefits and other perquisites or “perks”
 - Use of information gathered from background checks

Scope of Investigation

Disbursements Made During the Scope Period

- During the scope period, there were 10,088 disbursements made by the TOB Public School System as follows:
 - 6,802 from the TOB New World accounting system;
 - 3,286 from the Student Activity Manager (“SAM”) accounting system.
- SAM is a separate and autonomous accounting system maintained solely by the Public School System outside the purview of the TOB’s centralized accounting function. The SAM system was developed, maintained and controlled by Art Colley. The SAM system also used its own separate bank account, to which Art Colley and Liz Kerekes had access.

Targeted Approach for Selections

Categories Targeted for Analysis

- We ultimately analyzed a selection of 606 transactions in the following categories:
 - American Express charges and payments for corporate cards held by Colley and Kerekes
 - Payments made directly to Colley, Kerekes and Bivona and any of their relatives
 - Payments made to individuals living at the same current or prior addresses or on the same street as Bivona, Colley and Kerekes
 - Payments made to Apple and for Apple or Apple-related products or repairs
 - Payments to Janco, a significant vendor
 - Severance payment to Kerekes' predecessor
 - Items where the description of a transaction changed from one version of a SAM accounting file to a subsequent version
 - Payments initiated and approved by Bivona
 - Transactions surrounding expenditures for a Christmas party purportedly hosted by Bivona at a local restaurant

Summary of Findings

Findings from our analysis of the 606 transactions were summarized into four categories:

Red - Evidence or circumstances indicate that the transaction involved or most likely involved a misappropriation of funds.

Orange - Transactions are unsupported or have questionable support and are highly suspicious, but there is not sufficient evidence to conclude that the transaction involved a misappropriation of funds. A schedule of these transactions has been provided to the Town of Brookfield Police Department for potential further investigation.

Yellow – Transactions have insufficient or no supporting documentation. It cannot be determined whether these transactions are legitimate or involve a misappropriation of funds without further explanation or supporting documentation.

Green – Transactions appear to be legitimate based upon available supporting documentation and/or discussions with TOB Public School System personnel.

Summary of Findings by Category

These findings are subject to revision pending the outcome of the investigation currently being conducted by the Town of Brookfield Police Department.

Category	Initiator and/or Recipient of Benefit				Total
	Art Colley	Liz Kerekes	Anthony Bivona	Undetermined	
Red	\$ 17,431.19	\$ 15,412.78	\$ -	\$ 494.14	\$ 33,338.11
Orange	8,600.00	31,500.32	-	11,627.42	51,727.74
Yellow	-	-	-	38,617.91	38,617.91
Green	11,648.85	-	4,800.00	1,583,761.83	1,600,210.68
	\$ 37,680.04	\$ 46,913.10	\$ 4,800.00	\$ 1,634,501.30	\$ 1,723,894.44

Summary of Findings – Red Category

Vendor	Amount	Description	Initiator and/or Recipient of Benefit
Amazon	27.03	Books shipped to Liz Kerekes' home address.	Liz Kerekes
Amazon	8.44	Book shipped to Liz Kerekes' home address.	Liz Kerekes
American Express	1,162.84	No supporting documentation submitted. Payment determined to have been paid to American Express for Art Colley's personal American Express card.	Art Colley
American Express	200.00	No supporting documentation submitted. Payment determined to have been paid to American Express for Art Colley's personal American Express card.	Art Colley
American Express	1,390.00	Supporting documentation submitted by Art Colley was purportedly for Peter Pan Bus for 7th Grade Field Trip. That month's corporate American Express statement included a charge for Arrow Charter, Peter Pan's parent, however, that statement was paid in full via another separate payment to American Express. This payment was determined to have been paid to American Express for Art Colley's personal American Express card, which included no such charge.	Art Colley
American Express	398.00	Support submitted by Art Colley was a copy of a page purportedly from Colley's personal Amex showing a charge of \$398.00 for Google Chromebooks for Education. Payment determined to have been paid to American Express for Art Colley's personal American Express card. Support submitted determined to be fictitious.	Art Colley
American Express	1,395.00	Support submitted by Art Colley was a copy of a page purportedly from Colley's personal Amex showing a charge of \$1,395 from Google for five Chromebooks for WMS. No additional support. Payment determined to have been paid to American Express for Art Colley's personal American Express card. Support submitted determined to be fictitious.	Art Colley
Apple	310.00	Support submitted was an internal invoice for "iPad Repair". Deemed potentially fraudulent due to other potentially fraudulent activity involving Apple and inconsistency of amount with charges for legitimate iPad repairs.	Undetermined
Apple	19.14	Support submitted was an internal invoice for Apple iTunes gift cards. Deemed potentially fraudulent due to iTunes gift cards legitimately and historically being purchased in bulk (usually \$2000 or more).	Undetermined
Apple	165.00	Support submitted was an internal invoice for Apple iTunes gift cards. Deemed potentially fraudulent due to iTunes gift cards legitimately and historically being purchased in bulk (usually \$2000 or more).	Undetermined



Summary of Findings – Red Category

Vendor	Amount	Description	Initiator and/or Recipient of Benefit
Arthur W. Colley	538.00	Support submitted by Art Colley was a printout of purported personal Amex activity showing charges of \$269 on 6/29/12 and \$269 on 7/9/12. Both descriptions are "Apple Web Store, Category: Equipment Repair". Items determined to be fictitious.	Art Colley
Arthur W. Colley	313.03	Support submitted by Art Colley purportedly from his personal Amex showed a charge of \$313.03 from the Apple Store Danbury for Repairs. Item determined to be fictitious.	Art Colley
Arthur W. Colley	850.00	Support submitted by Art Colley included invoice and receipt purportedly from Janco for supplies relating to off-lease devices. Receipt showed "Wells Fargo Bank Transaction Receipt Store #65990 02." Determined to have been deposited in Art Colley's daughter's bank account at Wells Fargo. Invoice also determined to be fictitious.	Art Colley
Arthur W. Colley	749.97	Total payment was \$1,149.97 which included \$400.00 of legitimate travel reimbursements reclassified to Green category. Support for remaining balance submitted by Art Colley included documentation for a charge of \$749.97 at Best Buy, marked "Chromebooks for WMS". Support for Best Buy determined to be fictitious.	Art Colley
Arthur W. Colley	1,000.00	Support submitted by Art Colley included email purportedly from Janco stating they are delivering two copiers to the high school for \$1,000. Janco denied having made this transaction. Support determined to be fictitious.	Art Colley
Arthur W. Colley	95.38	Total payment of \$189.03 included charges for gas and oil change of \$65.38 and \$30.00 at jiffy lube determined to be for Colley's personal vehicle. Remaining \$93.65 deemed legitimate and reclassified to Green category.	Art Colley
Arthur W. Colley	987.00	Reimbursement for iPad minis shown as having been shipped to Art Colley's home address. Invoice determined to be fictitious (Colley has been arrested and charged with larceny and forgery for this transaction).	Art Colley
Cash withdrawal at teller window	442.14	Corresponding deposit on same date for same amount - no further support.	Art Colley
Cash withdrawal at teller window	97.06	Corresponding deposit on same date for same amount - no further support.	Art Colley
Cash withdrawal at teller window	1,405.70	Corresponding deposit on same date for same amount - no further support.	Art Colley
Cash withdrawal at teller window	2,048.99	Corresponding deposit on same date for same amount - no further support.	Art Colley
Cash withdrawal at teller window	224.63	Corresponding deposit on same date for same amount - no further support.	Art Colley
Cash withdrawal at teller window	300.00	Corresponding deposit on same date for same amount - no further support.	Art Colley



Summary of Findings – Red Category

Vendor	Amount	Description	Initiator and/or Recipient of Benefit
Cash withdrawal at teller window	740.15	Not recorded in books and records. Bank reconciliation indicates: "Money market withdrawal for petty cash - will clear out 10/12". However, no deposit or matching transaction found on 10/12 or subsequent.	Liz Kerekes
Cash withdrawal at teller window	500.00	Description in SAM system: "Balance adjustment - Withdrawal to purchase supplies" vs. internal support: "Cash withdrawal from BJ check for PC Holiday Family baskets". Check for \$3,500 was received from BJ's and deposited on same date. - no further support	Liz Kerekes
Cash withdrawal at teller window	245.89	Corresponding deposit on same date for same amount - no further support.	Liz Kerekes
Cash withdrawal at teller window	500.00	Corresponding deposit on same date for same amount - no further support.	Liz Kerekes
Cash withdrawal at teller window	200.00	Corresponding deposit on same date for same amount - no further support.	Liz Kerekes
Cash withdrawal at teller window	205.97	Corresponding deposit on same date for same amount - no further support.	Art Colley
Cash withdrawal at teller window	1,100.00	Corresponding deposit on same date for same amount - no further support.	Art Colley
Cash withdrawal at teller window	300.00	Corresponding deposit on same date for same amount - no further support.	Art Colley
Cash withdrawal at teller window	540.89	Two checks written from TOB account (\$319.98; \$220.91) made payable to Brookfield Public Schools with the description "petty cash". Cash withdrawal for \$540.89 made on same day. No further support.	Liz Kerekes
Cash withdrawal at teller window	575.00	Check written to petty cash and deposited in same account; cash withdrawal for same amount the next day. Only description of withdrawal is for "petty cash EOY celebration 4th grade". No support found.	Liz Kerekes
Cash withdrawal at teller window	2,005.95	Bank check to an individual for "settlement for facilities work \$2000 + \$5.95 certified mail cost." It has been determined that the recipient of this check did not perform any facilities work for the Brookfield public schools but owned a rental property in which Art Colley's daughter was a tenant and whose rent was in arrears. According to the property owner this payment was to prevent her from being evicted.	Art Colley
Cash withdrawal at teller window	1,829.64	Corresponding deposit on same date for same amount - no further support.	Liz Kerekes
Cash withdrawal at teller window	200.00	Corresponding deposit on same date for same amount - no further support.	Liz Kerekes



Summary of Findings – Red Category

Vendor	Amount	Description	Initiator and/or Recipient of Benefit
Cash withdrawal at teller window	200.00	Corresponding deposit on same date for same amount - no further support.	Liz Kerekes
Cash withdrawal at teller window	221.53	Corresponding deposit on same date for same amount - no further support.	Art Colley
Cash withdrawal at teller window	627.06	Corresponding deposit on same date for same amount - no further support.	Liz Kerekes
Cash withdrawal at teller window	218.68	SAM system indicates withdrawal is for petty cash for reimbursement. No support found.	Liz Kerekes
Michael Russo	4,000.00	No support found. Noted in NW system as being for an educational evaluation for Michael Russo (Liz Kerekes' son). The accounting system indicates that Liz Kerekes bypassed three levels of approvals and approved and executed the payment herself. Check endorsement appears to match Kerekes' endorsement on checks made payable to her directly. BOE Director for Special Education indicated there is no record of Michael Russo receiving these services, either in BOE files or in the psychologist's files who typically performs these evaluations (see below).	Liz Kerekes
Michael Russo	5,000.00	Support submitted by Liz Kerekes purported to be copy of invoice from Institute for Educational Planning, LLC, referencing a specific clinical psychologist, for educational evaluation. Billing on invoice is directed to Michael Russo, 8 Fawn Rd, Bethel CT (Liz Kerekes' ex-husband). However, check is made out to Liz Kerekes' address at the time of this transaction (20 Ox Drive), not Michael Russo's address. No proof of payment attached to invoice. Image of check signature does not appear to match signature of Art Colley from his signature stamp. Check endorsement appears to match Kerekes' endorsement on checks made payable to her directly. BOE Director of Special Education indicated there is no record of Michael Russo receiving these services, either in BOE files or in the psychologist's files. Invoice submitted as support for this transaction determined to be fictitious.	Liz Kerekes

\$ 33,338.11



Summary of Findings – Orange Category

Fringe Benefits and Other Perquisites

- During the Scope Period, payments were made to or on behalf of Liz Kerekes for certain fringe benefits and other perquisites. These benefits and perquisites were not provided for in Kerekes' employment agreement.
- Some of these payments were made pursuant to an unsigned, unauthorized "side agreement". This "side agreement" was facilitated and approved on Liz Kerekes' behalf by Art Colley without the knowledge of Anthony Bivona, former Superintendent, or Eugenia Slone, Assistant Superintendent.
- These unauthorized payments may be potentially considered a misuse of public funds.

Summary of Findings – Orange Category

Summary of Fringe Benefits and Other Perquisites Paid to Liz Kerekes

Compensation Type	Fiscal Year Ended		Total	Provided for in Side Agreement
	2013	2014		
Overtime Pay ¹	\$ 10,011.28	\$ -	\$ 10,011.28	No
YMCA Daycare	2,527.00	4,238.90	6,765.90	No
Tuition and Books	2,577.16	391.19	2,968.35	Yes
Medical / Dental	1,195.00	460.57	1,655.57	Yes
Stipend	700.00	-	700.00	Yes
	\$ 17,010.44	\$ 5,090.66	\$ 22,101.10	

¹ According to the "Side Agreement", Liz Kerekes became a salaried employee effective February 11, 2013.

Summary of Findings – Orange Category

Illustrative Examples

Vendor	Amount	Description	Initiator and/or Recipient of Benefit
Cash	10,050.50	Severance payment for Liz Kerekes' immediate predecessor. Payment was not authorized or approved by former Superintendent or Assistant Superintendent. Check drawn from SAM account notated "petty cash", redeposited, then cashier's check drawn for the former employee.	Liz Kerekes
Verizon Wireless	322.00	No support found.	Undetermined
Amazon	317.70	No support found.	Undetermined

Summary of Findings – Yellow Category

Illustrative Examples

Vendor	Amount	Description	Initiator and/or Recipient of Benefit
Extra Space Storage	3,577.00	Confirmed that BOE does have a storage unit at this facility but no supporting documentation was found to verify the charge and the specific unit.	Undetermined
PC Mall	3,311.99	No external invoice. Internal notation for "tech supplies".	Undetermined
Rocco's Restaurant	747.23	Receipt found for \$622.23 notated for 11 people at \$25 each (= only \$275) + extras and tip. Internal description notated as "2012 Business Office / Tech Xmas Party."	Undetermined

Summary of Findings – Green Category

Illustrative Examples

Vendor	Amount	Description	Initiator and/or Recipient of Benefit
Janco Business Systems, Inc	8,472.21	Aggregated invoices for copy related expenses and equipment.	Undetermined
Apple	4,580.00	Invoice for 10 iPads. Charge confirmed with Lead Technology Technician at BOE.	Undetermined
Town Of Brookfield	4,417.91	Per Internal Support from SAM system: "Transfer of account balance to general budget - out of district tuition."	Undetermined

Question and Answer Session

