



23

CASE STUDIES OF

Fraud, Theft & Embezzlement

by Board, Onsite Staff and Managers

of HOAs and Condos

**Community
Financials™**

HOA & Condo Financial Services Nationwide

AND HOW THEY COULD HAVE BEEN PREVENTED

It is unfortunate that theft of community association funds occurs.

We studied 23 instances where either board members, onsite staff or management companies stole money. We also looked at how these could have been avoided by using best practices. It is better to learn from the mistakes of others so you won't have to go through this ordeal and have to explain it to the homeowners.

1 Tamarac Condo President Theft Results in Five-Year Sentence

The temptation of embezzling nearly \$200,000 from a Tamarac homeowners association was too much for the former president to ignore.

It was discovered that inattentive financial record processing was a major reason for the loss of the funds during a period running from February 2010 to February 2014, according to the Broward County Sheriff's Office.

Arthur Collier, a former president of the Mainlands Seven Homeowners Association, said Michelle Changar-Coe, also a former president of the association, was responsible for paying the bills, and the treasurer and vice president failed to sign off on the checks.

Collier conducted a financial audit in May of 2012 and discovered that association checks appeared to be forged with his signature, and he notified the sheriff's office. He also told the sheriff's office that he did not sign a check for \$20,475.35 made out to "Michel Chandar" and dated May, 2, 2011. In another matter, the sheriff's office said Changar-Coe informed the association that it had to pay \$61,800 for a "city liaison," with monthly checks made out to "Michelle A. Charger." A suspicious resident spoke with the Tamarac city clerk and learned that the city liaison position did not exist.

A theft of association funds totaling \$178,971.85 was later discovered when the association's check ledger for its operating account at Banco Popular was examined. A total of 85 checks were written to two fraudulent identities – "Michel Chandar" and "Michelle Charger."

Changar-Coe, who was president of the association from January 2009 to December 2013, said she embezzled the money because she was the mother of two children and pregnant when her husband lost his job due to an injury.

According to court records, in a separate incident Changar-Coe pleaded guilty to charges of grand theft and uttering a forged instrument in 1997, but a judgment resulted in no conviction on her criminal record. She was given three years' probation and ordered to pay about \$4,500 in restitution.

Changar-Coe was arrested in August 2014 in connection with the Mainlands Seven matter and charged with grand theft in the first degree and four counts of fraud/impersonation.

She was sentenced in August 2016 to five years in prison followed by 15 years of probation and also ordered to pay \$192,416 in restitution. [The Tamarac Talk and The Sun-Sentinel provided information for this blog item].

How to prevent at your community: The Sheriff's office stated that inattentive financial record processing was a major reason for the theft. First the board must receive financial reports – preferably monthly. Those reports should include a bank reconciliation report and copies of the bank statements. This will ensure that what is in the bank is reflected accurately in the reports you are getting. Second the board needs to review the financial reports and bank statements. Even if you trust a board member it is part of your fiduciary duty to review the reports, look for discrepancies and ask questions. The next way to prevent this crime is to have more than 1 person approving checks. The best way to do this is to use an online system that allows 2 board members to approve

bills and then a third party makes payments. This way no one board member is using the checkbook irresponsibly.

2 Despite Ill Health, Palm Beach Gardens Treasurer Sentenced

Sometimes desperation can cause someone to take drastic steps to commit a crime, such as embezzling nearly \$58,000 from a homeowners association which entrusted the individual with managing its funds.

When the treasurer of the Royal Point Manor East Condominium Association in Palm Beach Gardens fell ill from a stroke in May of 2015, members decided to give her a helping hand and soon learned that she instead had not been paying maintenance fees.

Then-treasurer Martha Susan Coppock-Hughes of Palm Beach Gardens told a former president of the HOA that she failed to pay maintenance fees for 10 years because of “all the work she was doing”, according to Palm Beach Gardens police, and an investigation by condominium association members revealed that much maintenance work had not been completed.

While Coppock-Hughes was recuperating, two association board officers added their names to their HOA’s bank account to collect maintenance fees and found that checks had been written to a dance clothing store owned by Coppock-Hughes, according to police.

After promising to deliver her treasury and association records, Coppock-Hughes instead resigned from her post, blaming health reasons. In their investigation, police said they examined the HOA records and discovered 62 suspicious checks totaling \$57, 402.22 that had been cashed by Coppock-Hughes or went to her store.

She was arrested on fraud and grand theft charges in January 2016, and in August of 2016 was sentenced to nine years of community supervision. [The Sun Sentinel provided information for this blog item].

How to prevent at your community: First, make sure to review your aged delinquency report monthly to see if any unit owners or board members are not paying the monthly assessments. Second, get copies of the bank statements or for super transparency use a bank that gives all board members the ability to view the bank account online this would have shown the suspicious checks and lower than expected balances.

3 Mortgage Problems Lead to Sentencing of Treasurer

A former treasurer of a Boynton Beach homeowners association was struggling to pay the mortgage on his house in the complex and saw his position as a way to fix his problem.

In May 2015, the president of the Quail Run Association notified Boynton Beach police about

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a discrepancy in association bank accounts, including the cashing of 12 checks by former treasurer Norman Glavas between February 2013 and October 2014. There were no records listing for what the funds were used.

The police investigation revealed that Glavas wrote checks totaling \$51,542.59 to himself and that he told the association president that he deserved to be compensated for his work. Board members serve as volunteers.

After telling the association president that he would repay what he had stolen and write a letter admitting that he had stolen the money. But after later telling he wouldn't write the letter and couldn't pay the money back, she called police.

Glavas, who was first arrested in May 2016 on charges of organized fraud, money laundering and grand theft, deposited 16 checks in three different bank accounts, police said.

In June 2017, Glavas pleaded guilty to one charge of grand theft over \$20,000. He was sentenced to 10 months in jail and 70 months of probation and ordered to repay \$48,179.26 in restitution to the Quail Run Homeowner Association. The court ordered Glavas to make monthly payments of \$300 payments after he finishes his jail sentence. He also was ordered to remain employed until the restitution is completed.

In a plea agreement, Glavas was ordered to return \$31,000 to the association in a lump sum



through a trust administered by his attorney. [The Palm Beach Post and Sun Sentinel provided information for this blog item].

How to prevent at your community: First get access for the board to view the bank account online. If the board had this access they would have spotted suspicious activity like the checks made out to the Treasurer. The next way to prevent this crime is to have more than 1 person approving checks. The best way to do this is to use an online system that allows 2 board members to approve bills and then a third party makes payments. This way no one board member is using the checkbook irresponsibly.

4 Association Onsite Employee Charged in \$95,000 Theft

The need to acquire luxury items appears to be the reason why nearly \$95,000 was

embezzled from a West Palm Beach homeowners association, according to local police.

The theft was uncovered in April 2014 when the property manager of Cypress Lakes examined the association's credit card bills and found that about \$10,700 in personal purchases had been made between November 2013 and March 2014, according to a police affidavit.

Missing cash deposits made by homeowners and questionable use of association credit cards, indicated more losses from the association, according to police, who arrested association bookkeeper Kristine K. Moore of West Palm Beach in connection with the theft.

The police investigation revealed thousands of dollars in illicit credit card purchases from retailers in the region.

Moore worked for nearly six years at the 1,000-home complex, which serves 55-year-olds and older, and earned about \$44,000 per year, according to police, who said she used the money for personal expenses dating back to 2011.

Police reported that she left her position on March 26, 2014 while the property manager was on the telephone with an accountant discussing problems in the association bank records.

Police charged Moore in December 2017 with larceny and fraud. [The Palm Beach Post provided information for this blog item].

How to prevent at your community: Limit the number of debit cards and credit cards in circulation at your association as it can lead to problems cited above. Talk to your bank and find out if you have any ATM/debit/credit cards in circulation, then add that 2 board members must approve the creation of one in the future. Also if your association has a credit card get the credit card statement with your monthly financial reports or have them reviewed by a board member prior to payment. Next, do not allow (or limit) cash payments of assessments at your association. A best practice is to provide a bank lock-box where all checks paid go directly to the bank as well as online payments which all end up in the association's bank account. Adding to this the bank transaction data should get uploaded into the accounting software to further prevent any tampering.

5 Miami Dade Police Arrest Pair of On-Site Employees on Theft Charges

The theft of nearly \$150,000 from a condo association in south Florida in 2016 resulted in multiple charges against two former employees. The money was taken from the Hammocks Community Association Inc., in Kendall, according to Miami Dade police, who arrested Leslie Navarro and Angie Rose Lantigua in connection with the case.

Navarro was an accounts payable clerk at the association from 2008 to 2015, while Lantigua was an accounts receivable clerk from 2010

to 2015. Miami-Dade police said Navarro stole \$148,050 by creating a company in late 2014 called Hammocks Community Association Properties LLC, different than the real company that manages the Kendall residential community, called Hammocks Community Association Inc.

Navarro then opened a bank account in her company's name, according to police, and deposited maintenance payments from condo owners, which she then used on shopping sprees at department stores, supermarkets and toy stores. The investigation revealed that \$54,500 was wire transferred Lantigua's bank account, said police.

"Sadly, these two trusted employees of the Hammocks Community Association have allegedly used that trust as a tool to enrich themselves," said Katherine Fernandez, Miami-Dade state attorney. "Homeowners who followed all the rules and paid their community fees should not be victimized. The Miami Dade Police Department and my prosecutors are committed to investigating and convincing those individuals who would use home owner association and condominium association funds as their own personal wallets."

Police charged Navarro with first-degree grand theft and first-degree organized scheme to defraud, while Lantigua was charged with first-degree organized scheme to defraud and second-degree grand theft.



How to prevent at your community: First, make sure you are receiving bank statements. Next, get monthly financial reports – you may see a dip in income and start to ask questions. The financial reports should include a copy of the bank statements as well as a bank reconciliation report that should zero out. Boards must read the financial reports and question items that look out of place. Additionally, you can use a bank that requires 2 people higher up in responsibility to approve wire transfers. Also you can work with a bank that allows board members to view their bank accounts online for greater transparency.

6 Manager Convicted after \$250,000 Theft from 11 Condo Associations

After a lengthy investigation, the Alchua County Sheriff's Office and Gainesville Police Department, a home owner association manager was arrested

in 2016 on embezzlement charges in connection with the theft of \$250,000 from 11 home owner associations in Alchua and Gainesville. The thefts occurred over a period starting in 2012.

Sally Ann Wilson, who lived in High Springs and worked for Sun Lu Properties Inc., a Gainesville-based HOA management company, was arrested on multiple racketeering charges. Charges were filed against Wilson by representatives of Meadowglen Property Owners' Association, but they were not the first organization to notice fund deficits.

The original case was first brought to the attention of authorities, said Gainesville police, by John Hartwell of the University Terrace Gainesville Condominium Association. By the time the Alachua County Sheriff's Office started looking into it, the GPD already had three open cases on the matter.

An earlier report indicated that the total amount of embezzled funds was about \$150,000 with four HOAs involved in Wilson's scheme, but eventually it was determined that 11 HOAs had funds embezzled from them.

Meadowglen Property Owners in Alachua, University Terrace West, Millhopper North HOA, University Terrace Gainesville Condominium Association, Saanvi HOA, Edgemoore Subdivision, Palmetto Villas Condominium, Bartram Woods, Hampton Ridge HOA, Kanapaha Meadows HOA and Moffy Oaks HOA were impacted.

In a review of bank statements, the Meadowglen Property Owners' Association noticed that its account was about \$8,000 short. It canceled its contract with Sun Lu. From the dates of May 10 to Oct. 15, 2012, there were five unauthorized checks made out to Wilson totaling \$1,126 from Meadowglen. Fraudulent checks totaling \$7,424 were made out to Sally Wilson, Kenneth Grundmann, John Rivers and Danielle Novak, according to Gainesville police.

From May 2012 to March 2013, 13 other checks were written to Grundmann, Rivers and Novak.

Grundmann, a maintenance worker for Sun Lu, admitted Wilson wrote the checks, and he cashed them. Rivers also is a maintenance worker for Sun Lu. Grundmann pled guilty to another case and was ordered to pay restitution in the amount of \$20,080. Rivers and Novak were never charged.

Wilson pled no contest to multiple charges leading to a combined charge of racketeering after it was found that she used her affiliation with Sun Lu Properties to embezzle funds from the HOAs she managed.

In January 2016, Wilson received a 10-year state prison sentence, minus 379 days for time served, and additional penalties. Other penalties include \$250,000 restitution over 20-year probation to HOAs and 20 years supervised probation after serving her 10-year prison sentence.

How to prevent at your community: When you spot irregularities you must act on it quickly. In this case it took longer and more money was stolen and other communities were impacted. First get financial reports – the comparative income & expense report that shows actual expenses versus budgeted expenses can help you spot variances to investigate. Bank statements need to be included with the financial reports monthly and at least one board representative needs to review this monthly. A bank reconciliation report included in your monthly financial statements will also help. Lastly, you can use a company with an online bill review and approval system. After a property manager approves bills then 1 or 2 board members approve bills as well – this eliminates surprises.

7 Former Longboat Key Condo Manager Sentenced after \$200,000 Theft

The theft of more than \$200,000 from a Longboat Key condominium association resulted in jail time for its former manager in 2015.

The fraud by Judy Paul, manager of the Sand Cay Homeowners Association, was discovered when a 2009 audit revealed that she issued and cashed or deposited association funds into her own accounts. It was discovered that she purchased a Harley-Davidson motorcycle with association money.

Sand Cay Condominiums Beach Resort, 4725 Gulf of Mexico Drive, is made up of 60 individually



owned units. Owners were forced to repay the loss through assessments.

In July of 2015, Paul was ordered to begin serving a three-year prison sentence after being convicted in July 2013 on felony counts of grand theft in excess of \$100,000 and scheming to defraud more than \$50,000.

In September 2013, Paul was sentenced to three years prison followed by 10 years' probation, and ordered to pay \$200,000 in restitution to the Sand Cay Homeowners Association. She was allowed to remain out of jail pending appeal.

On June 3, the Second District Court of Appeals affirmed Paul's conviction.

Paul was scheduled to surrender at a court hearing July 1, 2015, but she failed to appear and later claimed she had attempted suicide. When

she didn't show, Circuit Judge Susan Maulucci ordered a warrant for Paul's arrest.

Paul appeared and pleaded with Judge Maulucci for mercy, claiming medical conditions needed treatment, including uncontrollable bowels, post-traumatic stress disorder as a result of the case, a failing colon, alleged mistreatment at the Manatee County jail and back surgery.

Paul also said she attempted to end her life two days before she was originally scheduled to surrender.

Judge Maulucci read Paul's sentence into the record again and ordered her housed in the medical unit at the Manatee County jail until taken to prison. Maulucci added jail officials should review her medical records, which should go with her to prison.

Paul's case was the first brought to trial by the State of Florida's Attorney's Office's newly formed White Collar Crime Division in 2013.

How to prevent at your community: Make sure your property manager does not co-mingle funds into their own business or personal bank accounts; co-mingling is illegal in many states. Make sure your association has a bank account open in its name. Ensure that the board gets monthly bank statements as part of the monthly financial reporting package so it can review money coming in and going out as well as its balance. Better yet, work with a bank that allows all board members to

view the bank accounts online to keep everyone honest. Lastly, work with a manager or specialist bookkeeping company that provides online review and approval of bills. No checks get written without being approved by a property manager and one or two board members.

8 Former Condo Treasurer Sentenced in Embezzlement of \$73,183

Officers of the Hollymead Citizens Association thought it was doing the right thing when they authorized a June 2013 audit, and when they discovered that more than \$73,000 was missing from its bank account, they knew they had to act. The audit revealed that \$73,183.48 was embezzled from the homeowners' association account between January 2008 and December 2012, and former Treasurer Patricia Anne Cuthbert, 43, was the prime suspect.

The audit of monthly bank statements, copies of canceled checks, online records and IRS payroll notices, found that unauthorized transactions had been made during Cuthbert's tenure. According to Charlottesville accounting firm Wills & Associates, months before Condominium Management of Charlottesville took over the association's finances, Cuthbert told association board President Charlie Smith that she had stolen about \$22,000 between 2008 and 2012.

Cuthbert also admitted to destroying much of the paper records during that time frame, and

she repaid the association \$25,000 before her arrest, according to the audit. But she did not account for an additional \$48,183.48 missing from association accounts. News reports said that she paid the money back.

A Hollymead home owner said a resident of the complex called police, asserting that the association's board of directors downplayed the audit and subsequent police investigation because they were concerned about a drop in property values.

Police arrested Cuthbert on embezzlement charges in August 2013, and in October of 2014 she pleaded guilty and was sentenced to 15 days in jail. The rest of her five-year sentence was suspended.

How to Prevent at Your Community: First, don't let just one person be in charge of community finances without others overseeing the work. Next, get access for the board to view the bank statements or better yet the bank account online. If the board had this access they would have spotted suspicious activity like the unauthorized transactions. Third, the board should receive monthly financial statements (and read them) so they can spot differences in expenses from what was budgeted – the best report for this is the comparative income & expense report. Next, as part of the financial report package make sure you receive a bank reconciliation report – if the bank accounts and financial reports don't tie out there could be a problem. Lastly, use systems



that don't rely on paper records and those that prevent board members from being able to destroy records or accounting entries.

9 Former Condo Treasurer Sentenced in Embezzlement of \$666,000

Mortgage payments and private school expenses for his children were reasons why the former Treasurer of an Albemarle County home owners association embezzled \$666,000 from the gated community's bank accounts in the early 2000s.

As former President of Glenmore Country Club and former Treasurer of the Glenmore Community Association, Michael D. Comer had easy access to the funds.

And his actions, which dated back to 2008, exacted a financial toll on his family.

Comer is married to former club golf pro Kandi Kessler and was employed by Glenmore Associates, the company founded by his late father-in-law, Frank Kessler—who developed the 700-home, east-of-Charlottesville subdivision.

The Comers' Wintergreen condo, from which Comer reportedly disappeared, was put up for sale for \$299,000.

Mother-in-law Peggy Kessler and brother-in-law, Jeff Gaffney, chairman and CEO of Real Estate III, put \$300,000 toward the debt and pledged to repay the rest of the missing funds.

In reaction to Comer's transgressions, Peggy Kessler put her historic 10-acre Glenmore manse on the market for \$2.75 million. Also, Comer and his wife reduced the sale price of their home from \$1.348 million to \$998,000.

Comer, who disappeared July 1, 2009, moments before an audit of the association's books, was sentenced in 2010 to 18 months on state charges for embezzlement and money laundering.

In 2111, Comer pleaded guilty in U.S. District Court to one count each of mail fraud and tax evasion, confessing to \$2.5 million in unreported income between 2004 and 2009 and owing the federal government \$933,000 in unpaid taxes.

On March 2011, a federal judge sentenced Comer to 36 months on tax charges stemming from his

embezzlement from Glenmore Associates, PBK Real Estate and Kessler Enterprises.

The 36 months were added to the 18 months he is already serving, but the judge gave him credit for the seven months he has already served, reducing his federal sentence to 29 months.

How to Prevent at Your Community: First if this association conducted an audit with greater frequency (every one, two or three years) this crime would have been detected sooner. Financial reports that include the bank statements would have helped (remember board members have to actually read the reports to spot irregularities). Better than bank statements is to give the entire board access to view the bank account online. Lastly, all invoices could go through an online review and approval system where 1 or 2 board members can review bills and must approve them before any payments made. I like if a bill is over \$500 then a second board member like the President has to approve it in addition to the Treasurer.

10 Virginia Manager Sentenced For Stealing \$3 Million from HOAs

The theft of \$3 million from several northern Virginia condominium associations and the wounding of a cab driver in a shooting incident in 2008 left a Herndon man facing lengthy jail time.

When the shooting occurred Feb. 2, 2008, Jeffrey S. Koger was being investigated for

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stealing from Koger Management Group of Fairfax, where he was the chief financial officer.

The company collected dues and helped manage 400 homeowners' associations in Northern Virginia with 70,000 members.

Koger pleaded guilty in November to stealing from his family's company and failing to pay taxes on his legitimate, as well as his stolen, income between 2003 and 2007.

Koger agreed to make restitution of almost \$1.25 million to the associations and pay more than \$775,000 in unpaid taxes to the IRS for his unreported income.

Koger used more than \$730,000 of the homeowners' money to open a restaurant called Jordan's 8 in Washington. He spent an additional \$475,000 to remodel his home in Herndon, build a health club in Annandale, purchase a Chevrolet Corvette and buy a house in New Mexico.

Peter D. Greenspun, Koger's attorney, said his client also treated his friends to gambling junkets in Las Vegas.

After Koger's arrest, the family's management business declared bankruptcy, and numerous employees lost their jobs, said Assistant U.S. Attorney Caryn D. Mark.

She said one employee had repeatedly notified the company of Koger's thefts and resigned



because she felt she would be condoning the practice if she continued to work for the company.

Mark noted that Koger's case prompted the Virginia General Assembly to pass laws increasing oversight of companies that manage finances for homeowners associations, of which there are more than 4,000 in the state.

He was sentenced in February 2009 to 5 1/2 years for the embezzlement from the company and five years for the tax fraud, with the terms to run concurrently. He also was ordered to make restitution and IRS payments totaling more than \$2 million.

As part of the sentence, Koger was sent to a federal medical center where received psychiatric and substance abuse treatment. Also, in the three years after his release, he was not allowed

to conduct a financial transaction of more than \$1,000 without permission from his probation officer.

In an unrelated matter, Koger was sentenced in July 2010 to 66 years in prison after Fairfax County prosecutors tried him for attempted capital murder of a Virginia state trooper and the malicious wounding of three men during a chase and shootout with police in the Springfield area in 2008.

How to Prevent at Your Community: First, if this association conducted an audit every one, two or three years, they could have detected the theft sooner. Second, financial reports that include the bank statements would have helped. Even better is to give the entire board access to view the bank account online – by seeing your money in the bank a board can spot fraudulent withdrawals. Next, all invoices could go through an online review and approval system where after a property manager approves a bill, 1 or 2 board members can review and approve bills before any payment is made. Lastly, remember when selecting a management company or bookkeeping company to work for your community, choose one that uses systems that provide the most transparency.

11 HOA Board Membership Provides Opportunity for \$150,000 Crime

A system of checks and balances is essential in assuring that members of a board of directors

of a homeowners association do not abuse their responsibilities in overseeing the financial operations of their communities.

When law authorities were told that \$150,000 was missing in 2014 from a New Lenox condominium association's bank account, their first task was to interview the board members.

What followed in the investigation into the theft from the Windermere West Homeowner's Association was a criminal complaint filed against Robert L. Dorosz, former President of the Windermere West III Condominium Association.

Will County records show that Dorosz, who was indicted by a grand jury in May of 2014, started embezzling funds in January 2007 from the association, which was founded in September, 1990.

Though Dorosz at the time said his home address was 1015 Southgate Road in Windermere West, he was homeless when he was arrested, according to Will County jail records. [The New Lenox Patch provided information for this blog item].

How to prevent at your community: The easiest way to prevent this is if the entire board received bank statements. They would have seen their balances were going down. Another helpful tool is to get a bank reconciliation report that reconciles your bank accounts to the rest of your financial statements. If this report shows a

discrepancy then you know you have an issue to investigate.

12 Waterloo Homeowners' Association (HOA) Missing More Than \$73,000

The theft of more than \$73,000 between 2010 and 2016 from a homeowners association in Waterloo left its residents reeling.

Working with the management board of the Station West Homeowners Association, local police arrested Emily Brand, of 20 Station West in February on a Monroe County arrest warrant.

The money was part of the monthly dues paid by association members for upkeep of the complex, built in 1985.

Brand, who was a board member of the association, got unauthorized control of \$73,492.81 in association funds from March 2010 and December 2016, according to Monroe County court records.

She was charged with felony intent (control/intent) and waived a preliminary hearing in March. The case was continued to the next jury docket call later in September 2018. [The Republic-Times of Monroe County provided information for this blog item].

How to prevent at your community: Again if the entire board received bank statements with their financial reports – hopefully monthly – they could



have spotted any fraudulent withdrawals. Even better is to work with a bank that provides the ability for the entire board to view bank accounts online. This feature allows boards to see all and run bank statements for prior periods.

13 Chicago-Area Community Manager Charged with Theft of \$50,000

Homeowners' association board members do more than approve the installation of a new roof or repair of a sidewalk. They also are responsible for the periodic overview of their management company's staff activities.

When members of a Park Ridge condominium association realized that \$50,000 was missing from the organization's bank account this year, they contacted Park Ridge police, who conducted an investigation and soon found a suspect.

They arrested Andrew S., property manager of the Hidden Court condominium complex, on May 25 while he was at the Cook County Courthouse in Skokie. The embezzlement from the complex, located at the 1000 Block of North Northwest Highway, occurred over 18 months, ending on Nov. 30, 2017, according to police.

Andrew was the operator of a full-service real estate management company that he founded in 2013, according to a listing he placed on Yelp. Clients include community associations and real estate investment trusts.

Andrew a Buffalo Grove resident, was charged with theft, said police. [The Journals & Topics, serving the northwest Chicago suburbs, and the Community Associations Network, provided information for this blog item].

How to prevent at your community: Once again the simplest way to prevent fraud is to get a copy of the bank statements with your monthly financial report package. Another tool is to get a comparative income and expense report that shows any variances from your budget. A variance is a good conversation starter. At your board meeting ask why this expense is greater than what was budgeted and then dig deeper.

14 Embezzlement of \$308,000 Led to Conviction of On-site Manager

When bank officials' notified officers of a Cherry Creek homeowners' association about

irregularities in its bank accounts, they knew that they had to act quickly to find the culprit.

An investigation by the Denver district attorney's office revealed that \$308,000 was taken over a five-year period starting in December 2004, and it didn't end until the bank officials discovered the problem and notified the Portico Homeowners Association in June of 2009.

The investigation resulted in the arrest of Tamara Jane Chmelka, who started working for the association in October 2004 as on-site manager.

US Bank, Portico's financial institution, informed the association about large ATM withdrawals and debits, many of which took place in Blackhawk between March and May of 2009 at ATMs in Ameristar Casino, Canyon Casino and Riviera Casino.

The investigation revealed that Portico association officers did not know that Chmelka had an ATM/debit card connected with Portico's US Bank account.

According to a Denver district attorney arrest warrant affidavit, Chmelka told Portico officials that she had used the Portico card by mistake to withdraw money for gambling at the casinos and to pay psychotherapy bills.

A Portico audit, the district attorney's office reported, showed that she increased her own salary by \$29,080 and paid herself vacation

and sick time beyond what is authorized by Portico.

Chmelka also issued herself duplicate payroll checks, bonus checks and other checks totaling about \$115,800, according to the district attorney's office, and also issued herself checks totaling \$79,730 and listed them as payment to a Portico vendor.

In transactions that began in December 2004, Chmelka used company and personal credit cards used in hers and Portico's names at Commercial Federal Bank to make company and personal charges, according to the arrest warrant affidavit.

The investigation showed that during her five years in her position, Chmelka forged the signature of Portico Vice President Sandy Melnick 71 times.

In 2010, Chmelka pleaded guilty to felony theft charges. [The Denver Post provided information for this blog item]

How to prevent at your community: Limit the number of debit cards and credit cards in circulation at your association as it can lead to problems cited above. Talk to your bank and find out if you have any ATM/debit/credit cards in circulation, then add that 2 board members must approve the creation of one in the future. Also if your association has a credit card get the credit card statement with your financial reports or have them reviewed by a board member prior



to payment. Next get bank statements for your association's bank account. Bank statements that come with the monthly financial reports would have shown the large ATM withdrawals, bonus and other checks. To prevent check forgery one solution is to use an online system where board members review bills and then a third party makes the payment after approval.

15 Management Group Discovers Shortfall of \$700,000 – Leads to Conviction

When a condominium management company discovers that it is missing more than \$700,000, it not only damages the reputation of the business, it could be devastating to home owners associations whose activities they manage.

In October 2009, the president and bookkeeper of Vista Management Associates in Westminster

discovered a shortfall of more than \$700,000 while they were examining the company's bank records.

Vista Management manages more than 40 home owners associations in Colorado.

Among the 17 home owner associations impacted by the thefts, were three Broomfield home owner associations which lost more than \$338,300 between 2006 and November 2008.

The home owner associations hit by the thefts were reimbursed \$242,000 by their insurers.

Charged in the case was Stacey Lynn Chevarria, who was a bookkeeper at Vista Management. The arrest affidavit said that she used the money for living expenses.

While employed at Vista Management, her co-workers gave her food and clothing after she told them about her daily hardships. In 2006, the Arvada Fire Department held a "Ribs for Cribs" fund raiser for her family to help fund a down payment on a handicap-accessible home because Chevarria has two step-children with muscular dystrophy.

In April 2010, she pleaded guilty to theft in excess of \$20,000 in Adams County Justice Center, a Class 3 felony. In July 2010, Chevarria received a 10-year prison sentence. [Channel 7 ABC News Denver and The Daily Camera of Boulder provided information for this blog item]

How to prevent at your community: This story was short on details but usually a theft by a bookkeeper involves doctoring the financial reports (fiction) and not showing the bank statements (truth). Make sure you receive bank statements with your monthly financial reports. Even better is to work with a bank that provides all board members the ability to view the bank accounts online. Additionally, associations should get an audit every one, two or three years, which could have detected the theft sooner.

16 Summit County Man Faces Charges in \$150,000 + \$550,000 Embezzlement

A case against a Summit County resident that started with a guilty plea in 2014 involving the embezzlement of \$150,000 from a Keystone home owners association, took another turn in June when the Colorado Court of Appeals ruled to reinstate a felony charge in the theft of more than \$550,000 from a separate organization.

In 2014, Summit County resident Robert Polich pleaded guilty in the theft of more than \$150,000 from the Enclave Homeowners Association in Keystone, but his attorneys in September 2016 insisted that other charges against him involving the embezzlement of more than \$550,000 from the Hamilton Creek Metropolitan District should have been combined with the Enclave case.

In Polich's September court appearance, his attorneys argued that the Hamilton Creek matter

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should have been included with the previous Enclave case decided in 2014, referring to the mandatory joinder rule.

They argued that the cases stemmed from the same criminal episode, but the appeals court in June disagreed and the mandatory joinder rule did not apply to the two cases because they were dissimilar.

Polich was the financial administrator for the Enclave Homeowners Association when it was determined through external audits in 2015 that he had embezzled \$150,000 in treasury notes by tampering with its annual budgets.

Polich, who had been Enclave's financial manager since when the neighborhood was founded in 1986, told association officers in November 2014 that he was using the money to fund his daughter's college education and later said he put the money into a retirement fund.

State records show that on Dec. 11, 2014, eight days after Polich was arrested, Mountain Systems changed its name to NP Services, and Deborah Polich replaced Robert Polich as the company's registered agent.

After being arrested in December 2014 in response to the Enclave investigation, Polich pleaded guilty to class-four felony theft, and he was sentenced to 90 days in county jail and four years of probation.



Based on the Enclave case, the Hamilton Creek Metro District, where Polich was system administrator and accountant, launched an audit and found that through his business, Mountain Systems Inc., he overbilled the district, according to his arrest affidavit.

From 2000 to 2015, he allegedly stole more than \$550,000 by writing checks to himself.

The appeals court denied the pleas of his attorneys and determined that a separate trial should be conducted in the Hamilton Creek case. The charge of felony theft against Polich was reinstated, and he could face a prison sentence of up to 12 years if found guilty. [The Summit Daily News of Frisco, Colorado, provided information for this blog item]

How to prevent at your community: First get access for the board to view the bank &

investment account(s) online. If the board had this access they would have spotted suspicious activity like the missing Treasury Notes and seen that it did not match up with the annual budget he tampered with. Overbilling is more difficult to spot but if the district had all invoices go through an online review and approval system where 1 or 2 board members can review bills maybe they would have spotted the overbilling. Additionally, if the district used a comparative income & expense report that showed a variance from what was budgeted they would have seen overbilling early in the month it occurred and not years later when it added up to over a half a million dollars.

17 Arrests Made After Loss of Nearly \$280,000

Nearly \$280,000 was stolen by three co-conspirators associated with a property management firm called D&H Management of Plainville, Conn., from condominium associations in Plainville and Bristol, Conn., in 2015.

Owners of condominiums at the affected complexes said that despite complaining to the management firm repairs did not occur because of the thefts.

Plainville police did not release the number or identities of the condominiums impacted by the theft of \$275,527 in condominium funds, but they investigated the finances of 26 condominiums and found evidence that there were 133 illegal withdrawals, 343 checks diverted and 105 checks

written to a fraudulent account from January 2014 through March 2015.

Charged in connection with the thefts were Devin Hill, former owner of D&H Management, Dereck Cutone and an unnamed third person. Hill was charged with first-degree larceny, conspiracy to commit first-degree larceny and conspiracy to commit second-degree larceny. Cutone was charged with second-degree conspiracy to commit larceny. Working with fraud investigators from Farmington Bank and Webster Bank, in their warrant police said they learned that Hill's father, Donald Hill, made deposits into the associations' accounts.

Donald Hill, formerly president of D&H Management, told police he knew about the embezzlement and used his own money to pay back the losses.

Cutone said he was suspicious of Devin Hill's actions, according to police, but cashed several checks and gave the cash to Hill, according to the warrant, which said Cutone admitted to altering account information.

Police noted that Devin Hill made payments to a contractor, who was issued checks for work performed, and the amounts seemed "unreasonably high," the warrant said. The various associations told police that they were concerned about the work quality.

How to Prevent at Your Community: First get access for the board to view the bank account

online. If the board had this access they would have spotted suspicious activity like the illegal withdrawals. Second, use a company that has systems like online payments and a lockbox where owner payment checks cannot be diverted and go straight to its bank account. Lastly, all invoices could go through an online review and approval system where 1 or 2 board members can review bills and must approve them before any payments made.



18 Losses Range up to \$2.3 Million

Losses by Connecticut condominium associations in a case involving a Westport-Connecticut property management company totaled up to \$2.3 million, according to news reports. The U.S. Attorney's Office said the money was embezzled between June 2008 and March 2012. The total losses incurred by some of the 142 condominium associations in Connecticut served by Consolidated Management Group of Westport. One association reported that it did not have insurance to cover the loss of \$108,000. Nine southern Connecticut condo complexes managed by Consolidated Management assert that more than \$1 million was stolen from them.

Following the arrest of David Liptak, former Controller of Consolidated Management in connection with the crime, the number of the firm's condominium clients dropped to 70, according to the state Department of Consumer Protection.

Liptak, a Milford, Connecticut resident, embezzled the money from Consolidated Management's clients, according to the U.S. Attorney's office. Former clients stated that they did not receive bank statements, and their financial reports did not match the actual bank balances. In January of 2015, Liptak pleaded guilty to one count of interstate transportation of money obtained by fraud and was ordered to pay full restitution and a fine of \$3,000. He was sentenced to 10 months in prison, followed by three years of supervised release. He was paroled after six months.

How to Prevent at Your Community: The board did not get bank statements and the Controller made bogus financial statements to cover his theft. First the board should get bank statements and/or the ability to view the bank account online to help spot suspicious activity. Second, get a bank reconciliation report as part of the financial reports – if they don't tie out there could be a

problem. Third, use a company with systems that have the receivables and payables upload into the community accounting software – this reduces the potential for changing the financial reports.

19 Ex-condo President Arrested in \$10,000 Theft

Not all crimes involving embezzlement from condominium associations are committed by management firms. Sometimes they are done by members of the boards that oversee them, particularly when they don't contract with a reputable third party to provide full management or financial management services.

That was the case of the former President of a condominium association in Stamford, Conn. In October of 2015, board officials of the new Ocean Park Condominiums, a small complex of five units, told Stamford that its accounts had been drained, leaving the condo owners in financial ruin. In total, nearly \$10,000 had been embezzled.

A police investigation resulted in the arrest of Jaime Lipsher, then 47, former President of the association. A search warrant of the association's accounts showed that despite that fact that condo owners were faithfully paying their monthly fees of \$170 per month, there was only \$15.18 left in the account when Lipsher turned over the books in September of 2015.

The police arrest affidavit revealed that Lipsher withdrew \$2,100 from the association account about four months into her Presidency in October 2014. During that time period, there was no work being done at the complex, but a resident recalled Lipsher taking a Caribbean vacation at about the same time, according to the police affidavit.

A surveillance tape at a local bank filmed her withdrawing \$900 from the account in August 2015, police said, noting that suspicious withdrawals totaled \$9,550. In response to questions from police, Lipsher said condo owners weren't paying their monthly dues and she had to pay for maintenance and garbage and recycling fees.

But referring to the condo association's books, police said she was mistaken and reminded her that the city paid garbage and recycling fees.

How to Prevent at Your Community: First the board should get bank statements and/or view the bank account online to look out for suspicious activity like the withdrawals this President made. Second, the board should receive monthly financial statements (and read them) so they can spot differences in expenses from what was budgeted – the best report for this is the comparative income & expense report.

20 Former Shadow Hills Manager Pays \$125,000 in Victim Retribution

It didn't take long for law authorities in Indio to track down the culprit in a \$110,000 financial

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discrepancy that appeared in the Sun City Shadow Hills home owners association bank accounts after it was discovered in 2017.

In August 2017, employees of Associa, manager of the Shadow Hills HOA, informed board members of the complex they notified Indio police which started an investigation in October 2017.

The investigation eventually led to the arrest on Dec. 6, 2017 of Ceasar Larrach, former general manager of the retirement community in Indio. He pleaded not guilty to stealing the \$110,000 during a court hearing on Jan. 31, but on June 4 went to the front gate of the community and gave a cashier's check for \$125,000 to two staff members for victim restitution.

Larrach, who worked at Sun City/Shadow Hills from September 2014 into the summer of 2017, filed fraudulent invoices, writing checks to himself and forging receipts, said Indio police.

Sun City Shadow Hills is a 3,450-home development for people ages 55 and over, known for its golf courses, fitness facilities and clubs. The complex has more than 6,000 residents, and it has a volunteer board of directors that runs its homeowners association, a nonprofit organization that residents join when they buy property in the community.

The complex's day-to-day operations are conducted by Associa, a for-profit management



company that oversees 9,000 properties in North America.

When Associa told the board that its audit called into question \$110,000, it said that it terminated an employee in connection with the discrepancy.

Residents fund infrastructure and activity with their HOA assessment, a monthly charge of \$255 per house that equates to a budget of \$10.5 million. Associa has the job of managing those funds, as well as outings.

Financial documents included in the complex's monthly magazine shows that Sun City Shadow Hills was \$425,000 in the black for the first seven months of 2017, though its golf course and restaurants lost money— about \$592,000 combined.

The company, through affiliate Desert Resort Management, also manages complexes like

Sagewood condominiums in Palm Springs and the Outdoor Resort RV community in Indio.

“Our staff discovered financial discrepancies caused by a former employee at the community,” said Associa spokesman Andrew S. Fortin. “This matter was reported to the board of directors. We continue to cooperate with the board and the authorities in the investigation to help ensure this is prosecuted to the fullest extent of the law.”

In May 2018, Larrach pleaded guilty to three counts of grand theft, including an enhancement for fraud and embezzlement. In addition to being ordered to pay \$125,000 restitution, Larrach was sentenced to 36 months of probation and 120 days custody with electronic monitoring.

In 2003, developer Del Webb started construction on the 700 acres that would become Sun City Shadow Hills. The first houses opened the following year. [we credit the the Desert Sun for this story]

How to prevent at your community: To prevent fraudulent invoices the best system is an online bill approval system. The property manager has to review the bill, then 1 or 2 board members. This will catch any bills that look suspicious for say a vendor that isn't recognized. Without all these parties approving bills then checks don't get issued. Next, if using paper checks, keep the checks for the association (or check stock if printing checks) locked up so people don't

have access to forge checks. Next, review bank statements monthly with your financial reports. Between the bank statements, the comparative income and expense report that shows variances from your budget and the bank reconciliation report you should spot any discrepancies.

21 HOA Treasurer Admits to Stealing \$180,000

Two officers of a Pina County condominium complex figured something was amiss when they visited a Chase Bank branch, after in response to a complaint by a resident of the community about the treasurer of the community.

After examining three years of bank records, Bill Copeland the incoming president of the Canoa Seca Estates II, and past president Carl Schuster discovered that \$180,000 was missing from the association's accounts.

When they considered possible suspects someone quickly came to mind. Copeland said he and Schuster confronted Treasurer Wendell Odean Byram, who admitted to taking the money for his business.

Accompanied by Copeland and Schuster, Byram walked into the Green Valley substation of the Pima County Sheriff's Department in April of 2017 and said he was guilty of stealing \$180,000 from the homeowners association, according to a Pima County police spokesman.

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“He (Byram) offered to pay us back over time, but how good is his word?” Copeland said in April of 2017.

Byram kept two sets of books and used a book with false information to give reports to the HOA board, according to police, and between January 2011 and April 2017 he took \$235,267 to keep his failing business afloat. Court documents said he paid back \$31,750.

“He gave very good financial reports at our meetings and we had no reason to doubt him,” Copeland said. “We’re probably like most HOAs, we just relied on our treasurer’s paperwork.”

The HOA’s insurance company has been contacted and there is a chance some of the loss would be covered, Copeland said.

In May, Byram was sentenced in Pima County Superior Court to seven years of probation and six months in jail for stealing more than \$203,000. He pleaded guilty to one count of theft and had faced up to 12^{1/2} years in prison. He was ordered to pay more than \$203,000 in restitution to Canoa Seca Estates II insurer State Farm Insurance and the HOA. [we credit the Green Valley News for this story]

How to prevent at your community: This Treasurer created 2 sets of books to fool the board and cover his tracks. Only 1 set of books (the real one) will tie out to the bank statements. A red flag should go up if you don’t get bank



statements with your financial reports. Next, have your reporting package include a bank reconciliation report – if you see this matches the bank balance and the financial report you should sleep easier. Systems are the next way to prevent this. Have someone that has online visibility to bank accounts and review of bills so that more board members are providing the right checks and balances to each other / or a manager.

22 Manager Steals More than \$300,000

Karen Whiting, owner of community association management company Method Real Estate, went to prison in mid-January for stealing more than \$300,000 from four Valley home owner associations that she managed.

The water and electricity were almost turned off in the Gilbert Fincher Creek community Whiting

managed because she hadn't paid the bills, according to Maricopa County Superior Court documents.

Fincher Creek homeowner Cindy Butters went to her first HOA meeting in early 2015 and only two people were there. She was appointed to the board that night, and within a few months the HOA's manager, Whiting, had stolen the community's last \$7,000.

"I never would have gone to an HOA meeting, but Whiting kept telling me she would fix a security light by my house and then wouldn't do it," Butters said. "When I walked into the meeting, I could feel something was wrong right away."

Butters eventually became president of the HOA and spent the following 18 months acting as an unpaid forensic accountant, trying to track where her community association's money had gone. She found checks Whiting had written to casinos out of the account.

Butters also found through her accounting research that Whiting had taken money from three other Valley HOAs and alerted those boards.

The police found that most of the money Whiting took went to gambling. Her Gila River Casinos players card showed Whiting gambled nearly \$380,000 between 2013 and 2015, according to court documents.

Gary Haenel, a resident of the Paradise Parks complex managed by Whiting, had a similar story.

He took on the presidency of his HOA board at Paradise Parks when two other board members resigned in 2014.

A year later, Whiting did not appear at the community's annual meeting. A few days later, it was clear she had taken more than \$117,000 out of Paradise Parks HOA accounts.

"I didn't hire Whiting, a previous board did," Haenel said. "We have a lot of other senior citizens in our community, and it was devastating what she did to our community." He was there for her sentencing in early January.

"The judge told her she had choices, and she still stole the money," he said. "She left a lot of victims."

Whiting pleaded guilty to theft and fraud for taking almost \$21,000 from that HOA, \$177,000 from Gilbert's Greenfield Lakes HOA, \$117,000 from Phoenix's Paradise Park HOA and \$2,445 from Phoenix's Gold Key Racquet Club.

Board members from those HOAs testified about how the thefts hurt home sales and resulted in property-tax liens. [we credit the Arizona Republic for this story].

How to prevent at your community: Hire a manager that uses systems to provide

transparency for your community accounting. If the manager used an online bill approval and payment system it would have helped. This system allows 1 or 2 board members to approve bills before checks are cut – and the check processing is done off site – this would limit the amount of checks that are written by the manager directly. Next get financial statements monthly that include the bank statements and review the bank statements looking for irregularities. Lastly, if the associations had an audit every 1, 2 or 3 years it could have caught this earlier or prevented it from happening. The manager would have looked at easier targets that don't do audits.

23 Community Association Manager Accused of Stealing One Million Dollars

A new addition to our Association Greed series we have a current news story to learn from. Its about a New Jersey & Pennsylvania community association manager accused of stealing one million dollars.

This case of homeowner association / condominium embezzlement was alleged have been committed by a property management company principal. William C. Huyler, III of East Hill Property Management in Chester County PA.

Huyler orchestrated a series of thefts to allegedly take \$982,923.64 from Kings Mill at Kings Grant Condominium Association, in New Jersey, and



Chester County's Goshen Valley III Condominium Association, according to the Chester County District Attorney's Office.

He's accused of using multiple methods of deception, which included false and misleading email communications with victim association board members and bank representatives, laundering money through multiple bank accounts, making false entries on memo lines of checks, and the production and distribution of forged documents, the DA's Office says.

Huyler allegedly commingled association funds with his company funds and moved those funds from one association to another. The stolen funds were used by Huyler to cover preexisting personal and business cred debt not related to the associations he stole from, according to the DA's Office.

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In an attempt to cover up the thefts, Huyler stole from an account owned by Crooked Lane Crossing, in Montgomery County, to reimburse a large portion of the money he stole from Kings Mill, the DA's Office alleges.

"This defendant betrayed the trust of these victims for his own financial benefit," said First Assistant District Attorney Michael Noone. "This is another reminder for businesses to be vigilant and make sure the necessary financial safeguards are in place."

Huyler faces the following charges: theft by unlawful taking, theft by deception, theft by failure to make required disposition, receiving stolen property, dealing in proceeds of unlawful activities, knowledge that property is proceeds of illegal act, forgery and tampering with records or identification, court documents show. Huyler was released on \$250,000 unsecured bail after signing an contract and agreeing to appear in court at his preliminary hearing on December 9, 2019.

How to prevent at your community: To prevent this theft from happening the community should have taken the following precautions: 1) get bank statements with your financial reports (these are often missing when you read that association

documents were forged); 2) better still get viewing access to association bank accounts online then boards would have spotted missing money or better yet prevented this from happening since not an easy target); 3) receive financial reports monthly and make sure they include a bank reconciliation report that proves the money in the bank reflects what is on your reports (this report is often missing when you read about forged financial reports); 4) you can use a 3rd party invoice payment processing company like Avidxchange / Strongroom (this could have prevented the management company from forging checks and making payments without the board seeing and approving them in the system).

All of the recommended procedures and systems are best practices and are included in Community Financials' monthly accounting and bookkeeping services.

October 2020 Update: Now he is accused of stealing over \$3 million dollars. He allegedly used Adobe to doctor the bank statements. A few of the associations stolen from had audits done. However, the auditing companies did not send out bank confirmations (to confirm the account balances). This is the most important thing as the only thing at risk was the cash in the accounts.

We hope you take action and make improvements at your community putting into place the recommendations on how to prevent theft at your community. At Community Financials we have engineered these preventative measures into our systems and processes to safeguard board members and homeowners. If you are interested in how we do this we encourage you to [fill out our online request a quote form](#) on our website.