

# Audit documents Schuyler couple's misspending

**By Jason Whong**  
jwhong@gannett.com

The former treasurer and former fire chief of the Monterey Volunteer Fire Co. in Schuyler County embezzled as much as \$139,000 of fire company money to help buy a Ford Mustang, make mortgage payments and pay for jewelry, computers and cameras, according to an audit report from the Office of the State Comptroller.

Kimberley States, the former treasurer, and her husband, the former chief, Larry States, were charged with felonies in January in the theft. Kimberley States was charged with second-degree grand larceny; Larry States was charged with third-degree grand larceny.

When Larry States was charged, he was a sergeant in the Schuyler County Sheriff's Office. He resigned from his job there in February, Sheriff William Yessman said Friday. Before that, he was on suspension.

"The failure of the board and membership, as stewards of public funds, to safeguard company resources while allowing the treasurer to perform key financial duties with no oversight resulted in the ongoing misappropriation of funds without detection," state auditors wrote in a report, released last week, that studied the fire department's financial information for Jan. 1, 2007, to March 14, 2013.

Auditors found \$113,311 worth of spending that they determined was embezzled. They also found \$26,386 worth of additional spending that looked improper, though they need the fire company's help before they can say for sure.

## Audit findings

Auditors found Kimberley States and Larry States took the money by making purchases with the fire company's bank debit card and on the fire company's credit with

vendors. Kimberley States also wrote checks to herself, to Larry States, to her father-in-law and to related businesses, and made ATM withdrawals from the fire company's account, auditors wrote.

Among other findings:

- » Larry States used the fire company's accounts to make sales tax-exempt purchases for his contracting business. He made some of those purchases with the fire company's debit card.

» Larry States used fire company money to help buy a vehicle for himself.

» When Kimberley States resigned as treasurer in February 2012, she didn't give the fire company's books to her successor, as required by the bylaws. Payments she made from fire company accounts generally lacked supporting documentation. Some of the evidence auditors used had to be gathered by subpoena, because Kimberley States and an unidentified treasurer who served after States did not provide documents auditors requested.

## Personal spending

The \$113,311 that auditors said was stolen included \$34,802 that Kimberley States spent in department stores, auditors said. Of that, \$31,221 was spent at Wal-Mart and Sam's Club for jewelry, computers, game consoles, cameras, men's and women's clothing, prescriptions, groceries, a treadmill and a microwave oven, they said.

Other funds the auditors deemed stolen included \$21,233 paid to Larry States and his DJ service and contracting business, \$13,441 spent on utility bills not payable by the fire company, \$12,077 paid to Kimberley States and \$8,833 in home mortgage payments.

Kimberley States told auditors that in 2011, Larry States asked her to write a \$2,200 check payable to his business "under



Larry States

the guise of a small-engine contract, so that the proceeds could be used in the purchase of a Ford Mustang,"

auditors found. "Although the treasurer could not offer other examples of the fire chief directing payments in this manner, she said it was not the only time it happened," auditors wrote.

Some of the improperly spent money was used to buy Def Leppard concert tickets, campground rentals for States' family vacations and the purchase of various collectibles.

Auditors determined



Kimberley States

that \$9,530 was taken in automated teller withdrawals.

Kimberley States told auditors she made the automated teller withdrawals for herself and for fire company business, but auditors found no evidence that the money was used for fire company purposes.

Auditors also noted that many of those withdrawals coincided with other personal debit card purchases and with 18 cash deposits to the States' personal credit union account.

Auditors also found that one check from Food

Bank of the Southern Tier payable to the fire company was deposited into the States' personal credit union account.

An additional \$9,107 spent on hardware and lumber was listed among the \$26,386 that auditors said appeared to be personal, though they could not be sure.

"Had the board taken the basic steps of requiring documentation to support disbursements and reviewing banking records, these misappropriations over several years' time could have been prevented," auditors wrote.

## What's next

The auditors said the fire company must write a plan that addresses the

findings and recommendations of the audit within 90 days.

James Pinkard, president of the Monterey Volunteer Fire Co. told auditors that the fire company agrees with their findings and said the company has made some changes already, including adopting a code of ethics, canceling all credit and debit cards, closing all but one bank account, tightening accountability protocols for checks, purchasing, building and equipment security.

More changes will be outlined in the department's plan, Pinkard wrote.

"We stand ready to assist the authorities in the recovery of any missing funds," Pinkard wrote.



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