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AO 91 (Rev. 08/09) Criminal Complaint

Special Agent

: Frederick Lane, VA-OIG

Telephone: 708-202-5111

UNITED STATES DISTRICT COURT
for the
Eastern District of Michigan

12

United States of America,

Plaintiff,

v.

GLENN ALAN BATES

Case:2:15-mj-30215

Filed:05-04-2015

usa v. Glenn Alan Bates(cmp)(mlw)

Defendant(s).

CRIMINAL COMPLAINT

I, the complainant in this case, state that the following is true to the best of my knowledge and belief:

On or about the date(s) of 2008 to March 2013, in the county of Washtenaw
in the Eastern District of Michigan, the defendant(s) violated:

Code Section
18 USC Section 641

Offense Description
Theft, embezzlement, and conversion of government funds over \$1,000.00.

This criminal complaint is based on these facts:
See Attached Affidavit.

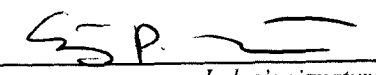
Continued on the attached sheet.


Complainant's signature

Special Agent Frederick Lane, VA-OIG
Printed name and title

Sworn to before me and signed in my presence.

Date: May 4, 2015


Judge's signature

City and state: Detroit, Michigan

Anthony P. Patti, United States Magistrate Judge
Printed name and title

EASTERN DISTRICT OF MICHIGAN)
STATE OF MICHIGAN) SS
COUNTY OF WASHTENAW)

AFFIDAVIT IN SUPPORT OF ARREST WARRANT

I, FREDERICK K. LANE, Special Agent of the United States Department of Veterans Affairs, Office of Inspector General, ("VA-OIG"), being duly sworn, depose and state as follows:

INTRODUCTION

1. As a Special Agent with the VA-OIG, I am an "investigative or law enforcement officer" of the United States, within the meaning of Section 2710 (7) of Title 18, United States Code (U.S.C), that is, an officer of the United States who is empowered by law to conduct investigations of and to make arrests for offenses enumerated in Title 18, U.S.C., Section 641 (Public Money, property or records.)

2. I have been a federal law enforcement officer for more than ten years. I am currently assigned to VA-OIG's Central Field Office, where I investigate federal and state criminal offenses related to programs administered by the United States Department of Veterans Affairs (VA). My prior law enforcement experience includes 14 years with the Chicago Police Department as a Police Officer and Sergeant. I have received training in conducting criminal investigations, including white-collar crimes. I have conducted and participated in criminal investigations utilizing the normal methods of investigation, including, but not limited to, interviewing of witnesses, writing affidavits for search and arrest warrants, collecting evidence, and analyzing documents.

3. The information contained in this application and affidavit is based upon my investigation of thefts of government money from the Canteen located at the VA Ann Arbor Healthcare System, hereafter referred to as the "VA AAHS."

4. This Affidavit is being submitted for the limited purpose of establishing probable cause to support a criminal complaint and to obtain an arrest warrant for GLENN ALAN BATES, for violations of 18 U.S.C. § 641. Thus, I have not set forth each and every fact learned during the course of the investigation. Where

statements of others are set forth in this affidavit, they are set forth in substance and are not verbatim.

5. In summary, and as set forth in more detail herein, evidence developed in this investigation shows that GLENN ALAN BATES perpetrated a scheme to steal and convert, for his own use and gain, government monies collected from transactions at the Canteen located at the VA AAHS.

6. At all times material to this affidavit, GLENN ALAN BATES held a position of trust in that he was employed by the VA as a manager of the Canteen located at the VA AAHS.¹ GLENN ALAN BATES was responsible for ensuring all sales proceeds and commissions were properly accounted for and deposited into a Canteen bank account.

VETERANS CANTEEN SERVICES

7. The Veterans Canteen Service (VCS) operates retail stores, cafeteria food services, and vending sales in more than 170 VA facilities nationwide. VCS is an entity of the VA and its employees are VA employees. Retail sales include sundry items and clothing, as well as electronics, such as televisions, MP3 players, DVD players, and stereo equipment. Food services include cafeteria-style meals, sandwiches, and beverages. VCS sales can exceed \$1 million dollars annually at each location.

8. At all times material to this affidavit, GLENN ALAN BATES, as the Canteen manager, had the authority to order items to stock the Canteen retail sales store. Such orders were billed by vendor invoices to the Canteen and paid out of Canteen funds.

9. At all times material to this affidavit, the VA AAHS Canteen sold commemorative embroidered hats for different military branches, e.g., "ARMY" and "NAVY."

10. At all times material to this affidavit, the VA AAHS Canteen entered into

¹ GLENN ALAN BATES was appointed as a Canteen Store Manager at the VA AAHS in May 2006. In December 2008, BATES received a promotion from GS-10, step 5, to GS-12, step 1. In March 2010, BATES received a promotion to GS-13, step 1, as well as a position title change to Canteen Chief. In May 2011, BATES received a promotion to GS-14, step 1. In February 2012, BATES received a promotion to GS-15, step 1.

agreements with non-VA vendors whose goods and services were sold at the VA AAHS. These vendors paid a commission to the VA AAHS Canteen based on sales.

11. At all times material to this affidavit, the VA AAHS Canteen maintained numerous vending machines throughout its facilities that dispensed food and/or beverages. Customers using these vending machines deposited United States Currency (money) into the vending machines to purchase items. Money was collected from the vending machines at regular intervals, and brought to the Canteen office at the VA AAHS. The money was counted in the Canteen office and added to bank deposits (including monies from other transactions), which were picked up by armored courier.

12. At all times material to this affidavit, the Canteen used a computer software system called Automated Sales Reporting (ASR) to track daily sales proceeds and deposits. Canteen managers populated ASR entries with information of retail cash sales, checks used for retail purchases, cash from food sales, cash from vending machine sales, and other cash and checks collected, such as from vendor commissions.

OVERVIEW OF INVESTIGATION

13. Beginning in approximately May 2013, I began an investigation after Carolyn Watson, Chief Auditor for VCS, completed an audit of the VA AAHS Canteen which identified more than \$478,000 in potential loss. According to Watson, the audit initially covered fiscal year 2012. However, as she identified specific questionable items, she expanded the audit to cover from year 2007 to approximately April 2013. I reviewed the various audit findings and supporting records, and focused on three specific issues: losses from the sale of commemorative military hats, vending machine losses, and missing cash at the Canteen.

Embroidered Commemorative Hats

14. I reviewed audit findings and records showing that between approximately April 2007 and March 2013, the VA AAHS Canteen purchased approximately \$137,985.60 worth of embroidered commemorative hats from Jackson

Enterprises. Invoices I reviewed showed the AACH Canteen paid approximately \$6.00 per hat in 2007. Between 2007 and 2013, the price increased incrementally to approximately \$6.50 per hat.

15. On July 9, 2013, I interviewed Beverly Leneski, Chief of Voluntary and Chaplin Services (Volunteers) at the AAHS. According to Leneski, GLENN ALAN BATES approached her and offered to supply commemorative hats through the Canteen for Volunteers to sell. Leneski made a verbal agreement with GLENN ALAN BATES to allow volunteers to sell hats.

16. Starting in 2007, GLENN ALAN BATES began to supply hats to the Volunteers. Volunteers sold the hats for \$10 each in the AAHS lobby. The cash was turned over to GLENN ALAN BATES on a daily basis. Volunteers received a credit for each hat: \$1 cash and \$1 store credit. The cash and credit were used as a reward system of small parties and gifts for volunteers.

17. Volunteers sold the hats and brought the cash box to the Volunteer's office on nearly a daily basis. The cash was counted by a paid employee of Voluntary and Chaplin Services. Cash was placed into a sealed envelope and delivered to the Canteen. If GLENN ALAN BATES was not around, the volunteer left the envelopes with a Canteen employee. Leneski recalled that on only a few occasions, she brought money envelopes to the Canteen, but on those occasions, she handed them to GLENN ALAN BATES.

18. On 7/9/2013, Jason Bower a Voluntary and Chaplin Services employee was interviewed. According to Bower, volunteers sold commemorative hats at the AAHS from approximately June 2007 to approximately March 2013. At the end of each day, Bower counted the money collected from sales and placed the money in an envelope, which he sealed. The envelope was delivered to the Canteen, often by the same volunteer who made the sales. Bower estimated that he counted the money from sales approximately 90% of the time.

19. Ashley Cook, a former Canteen retail supervisor, told law enforcement agents that GLENN ALAN BATES left instructions for Canteen employees who received envelopes of cash from the volunteers to leave them in a drawer in the safe, and that he, GLENN ALAN BATES, would handle the cash. Cook had no knowledge

of what GLENN ALAN BATES did with the cash from the hat sales. Cook advised that the cash from hat sales was not part of the regular sales cash she entered into the ASR system.

20. Bower used a spreadsheet provided by GLENN ALAN BATES to track the number of hats sold and the money collected. Bower provided a copy of the spreadsheet for this investigation, containing data from 6/19/2007 to 3/25/2013. The spreadsheet totals are: approximately 24,839 hats sold for a total of approximately \$248,390.00.

Cash Stolen from the Canteen

21. The Canteen collected commissions from vendors who did business with the VA AAHS. The Canteen also accepted personal checks for purchases. Audit documents I reviewed identified cash stolen from the Canteen whereby commission and personal checks were used to replace cash for deposits. Audit documents show specific days where the ASR cash and check entries were manipulated. Bank records obtained during the audit showed that on certain days, commission checks and cash were deposited. But the ASR entries for those days for the Canteen's receipt of cash were greater than the amounts of cash actually deposited into the bank account(s). In calculating the total deposit, the amount of cash removed from the deposit equaled the amount from checks. The audit documents show approximately \$14,489.99 in missing cash from deposits from various days.

22. As an example, ASR records from May 16, 2012, show the receipt of over \$3,500.00 in cash and approximately \$3,550.00 in the form of two checks, which add up to total receipts of at least \$7,050.00. But the bank deposit slip for that day accounted for both checks but only about \$310.00 in cash. Thus, well over \$3,000.00 in cash was missing and embezzled.

23. I reviewed additional ASR reports, check copies, and deposit slip copies and found the following cash missing from deposits following the same scheme of replacing cash with checks received: January 9, 2012 - \$2,267.37; October 17, 2011 - \$3,099.16; June 29, 2011 - \$3,507.12; and March 2, 2011 -

\$2,129.24.

24. Ashley Cook told law enforcement agents that she worked in the Canteen from 2008 to 2013. As a retail supervisor, Cook reported directly to GLENN ALAN BATES. As a manager, Cook completed ASR entries each morning for the previous day's receipts. According to Cook, the Canteen averaged \$2,000 to \$3000 in cash sales each day, and approximately \$300 to \$500 in sales paid by check. After tallying sales receipts and creating deposit forms, Cook placed the deposits in an unsealed deposit bag in the Canteen safe for GLENN ALAN BATES' final approval. According to Cook, GLENN ALAN BATES was responsible for the final tally and sealing the deposit bags, prior to the bags being picked up by armored courier.

25. Cook advised me that she learned of the Canteen receiving commission checks from Steven Schaller Optician after GLENN ALAN BATES was removed from his position in 2013. According to Cook, GLENN ALAN BATES finalized all deposits and ASR entries. If cash was missing and replaced with unaccounted for commission checks, this would have been done after Cook entered data in ASR.

Cash Stolen from Vending Machine Revenues

26. The audit also identified approximately \$34,414.10 in vending machine losses. The audit found that certain vending machines at the VA AAHS were not being tracked by the Canteen's vending software. The audit calculated the loss amount by comparing new computerized readings against the last readings taken from the machines.

27. On 8/26/2014, Larry Schulz a Canteen Vending Clerk at the VA AACH, was interviewed. Schulz maintains all vending machines at that facility. Schulz fills the vending machines with products and pulls money from the machines. In doing so, Schulz uses a handheld computer that links each vending machine to a computer tracking system called VendMax. Schulz recalled that when GLENN ALAN BATES was the canteen chief, there were three vending machines at the VA AAHS that were not hooked to VendMax.

28. After pulling money from vending machines, Schulz put the money into money bags with a receipt form. Each machine had its own money bag. Schulz delivered the money bags to the Canteen office and gave them to a manager. Schulz did not participate in counting the vending money, or creating deposits for the vending money.

Interview of GLENN ALAN BATES

29. On August 27, 2014, SA Greg Porter and I interviewed GLENN ALAN BATES at his residence. GLENN ALAN BATES allowed us to enter his residence after identifying ourselves at the front door by showing our credentials. GLENN ALAN BATES invited us to sit in his living room, where the interview occurred.

30. GLENN ALAN BATES stated he worked for VA Canteen Services at the AAHS from May 2006 through March 2013. GLENN ALAN BATES started as a retail manager and was promoted to Canteen Chief in early 2008. GLENN ALAN BATES was responsible for overall Canteen operations, including ordering products for stock, managing employees, and depositing sales receipts, including cash and checks.

31. GLENN ALAN BATES stated that he was aware of the audit at the VA AACH Canteen and admitted that he stole cash from the Canteen, but he disputed the amounts listed in the audit, which he believed totaled around \$500,000.00. GLENN ALAN BATES estimated he stole approximately \$150,000.00 between 2008 to the time he was removed from his position in 2013.

32. Regarding commission checks made payable to the Canteen, GLENN ALAN BATES described how he stole cash from bank deposits on days large checks came into the canteen. As Canteen Chief, GLENN ALAN BATES was responsible for finalizing the ASR entries and sealing bank deposit bags. GLENN ALAN BATES described that on days commission checks came in from an optician who did business at the VA Medical Center in Ann Arbor, he would allow another manager to tally the day's receipts and make the entries into the ASR tracking system. Prior to sealing the bag, GLENN ALAN BATES removed cash from the day's sales equal to the amount of the commission check. GLENN ALAN BATES advised that he also used other checks aside from the commission checks to steal cash from deposits.

GLENN ALAN BATES changed the ASR system to show a deposit total equal to the checks and the remaining cash. GLENN ALAN BATES also changed the bank deposit to reflect less cash and more checks. GLENN ALAN BATES agreed that he stole at least \$14,500.00 of cash from the deposits where he replaced cash with checks.

33. GLENN ALAN BATES stated he sealed the bag, which had a taped, tamper-resistant seal, and placed it in the safe for pick-up by an armored courier. Any manager working could turn over sealed deposit bags to the armored car personnel.

34. Regarding cash stolen from vending machine receipts, GLENN ALAN BATES advised that he did not steal as much money as the audit suggested. GLENN ALAN BATES did not start stealing vending receipts until the beginning of 2010, although he admitted to beginning his other thefts as early as 2008. GLENN ALAN BATES estimated that he stole approximately \$600.00 per month from 2010 through 2013, when he was removed from his position. GLENN ALAN BATES stated that he simply removed the cash from the deposits. GLENN ALAN BATES admitted that he stole cash from specific vending machines that were not linked to the VendMax computer system. Therefore, the machines were not tracked in real-time.

35. Regarding cash stolen from the sale of commemorative hats, GLENN ALAN BATES admitted stealing approximately \$100,000.00 in cash between early 2008 and March 2013. GLENN ALAN BATES learned that the medical center volunteers used to sell hats at the VA and would use the proceeds to have parties for the volunteers. Due to a change in volunteer regulations, the volunteers could no longer sell hats for a profit.

36. GLENN ALAN BATES entered into an agreement in approximately 2008 with the Director of Volunteer Services, Beverly Leneski, for volunteers to sell commemorative hats at the AACH. GLENN ALAN BATES provided the hats, which were purchased by the Canteen. GLENN ALAN BATES gave a \$2.00 per-hat credit to the volunteers for each hat they sold. GLENN ALAN BATES admitted giving a spreadsheet to Leneski to help the volunteers track the hat sales. GLENN ALAN BATES believed Leneski accurately tracked the hat sales.

37. The volunteers brought cash from hat sales to the Canteen on a daily basis. The cash was normally in an envelope and given directly to GLENN ALAN BATES, or left it in an envelope with another Canteen employee. GLENN ALAN BATES stated he instructed the Canteen employees to leave the envelope in a drawer in the office safe. GLENN ALAN BATES told the Canteen employees that he would take care of the cash from the hat sales. GLENN ALAN BATES then removed the envelopes with cash from the safe, and used the cash for his personal benefit.

38. GLENN ALAN BATES estimated that he stole between \$300 and \$400 per week from the hat sales. GLENN ALAN BATES stated he did not steal all of the cash from the volunteer hat sales, and he occasionally filtered some cash back into the day's receipts.

39. GLENN ALAN BATES also described how he "bought" items from the Canteen, and then used cash from the hat sales to complete the transaction. This way he could reduce inventory and filter some of the hat sales money back to the Canteen.

40. GLENN ALAN BATES stated that he did not believe any of his employees at the Canteen were stealing. GLENN ALAN BATES felt he was solely responsible for the cash thefts at the Canteen. GLENN ALAN BATES was unsure if any of the Canteen employees stole merchandise.

41. GLENN ALAN BATES stated that around 2008, he began frequenting a gentleman's club in Columbus, Ohio, called Centerfold, which hosted nude female entertainers. GLENN ALAN BATES often made trips to the VA Medical Center in Columbus, where he assisted with Canteen operations.

42. GLENN ALAN BATES became friendly with a stripper named "Ashley" and often paid her \$500.00 or more per night for lap-dances. After visiting the club numerous times, GLENN ALAN BATES convinced Ashley to come to his hotel room for sex, for which he paid her. GLENN ALAN BATES frequently engaged in this behavior. GLENN ALAN BATES stated he also saw other strippers and prostitutes, but he primarily saw Ashley. GLENN ALAN BATES stated he became addicted to the sexual encounters and he stole cash from the Canteen to pay for this addiction.

43. GLENN ALAN BATES also frequented casinos in Indianapolis, IN and

Battle Creek, MI, where he spent part of the stolen cash.

44. GLENN ALAN BATES wrote a hand-written, sworn statement regarding his thefts of cash from the Canteen the statement and signed it.

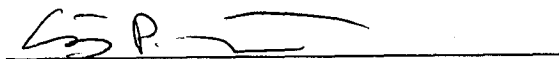
45. I submit that based on information contained in this affidavit, there is probable cause to believe that GLENN ALAN BATES, a former employee of the United States Department of Veterans Affairs, corruptly embezzled, stole, and converted to his use, money of the United States Department of Veterans Affairs, in excess of \$1,000.00, in violation of Title 18, United States Code, Section 641.

FURTHER AFFIANT SAYETH NOT:



Special Agent Frederick K. Lane
U.S. Department of Veterans Affairs
Office of Inspector General

SUBSCRIBED and SWORN TO before
me this 4th day of May 2015.



United States Magistrate Judge

UNITED STATES DISTRICT COURT

for the

Eastern District of Michigan

United States of America

v.

GLENN ALAN BATES

Case:2:15-mj-30215

Filed:05-04-2015

usa v. Glenn Alan Bates(cmp)(mlw)

ARREST WARRANT

To: Any authorized law enforcement officer

YOU ARE COMMANDED to arrest and bring before a United States magistrate judge without unnecessary delay

(name of person to be arrested) GLENN ALAN BATES

who is accused of an offense or violation based on the following document filed with the court:

- Indictment Superseding Indictment Information Superseding Information Complaint
- Probation Violation Petition Supervised Release Violation Petition Violation Notice Order of the Court

This offense is briefly described as follows:

Theft, embezzlement, and conversion of government funds over \$1,000, in violation of 18 U.S.C. 641.

Date: May 4, 2015

SSP. [Signature]

Issuing officer's signature

City and state: Detroit, Michigan

Printed name and title

Return	
This warrant was received on (date) _____, and the person was arrested on (date) _____	
at (city and state) _____	
Date: _____	_____
	Arresting officer's signature
	Printed name and title