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Victims of fraud feel pain after verdict

Can lose business as well as trust in other people

MATTHEW LEBLANC | The Journal Gazette

When a federal judge handed down prison sentences last week in cases where hundreds of thousands of dollars were stolen from two area businesses, victims of the fraud were in court to witness the end of their legal journey.

They saw U.S. District Court Chief Judge Theresa Springmann order Marianne Matchette, 52, and Gregory Lutz, 49, to spend time behind bars. They heard the judge say restitution will be paid – someday.

The legal process is over, but the victims left the second-floor courtroom at the E. Ross Adair Federal Building and U.S. Courthouse with other problems to work through.

Will they ever trust another employee with sensitive financial information? Can they move past the deceit they say threatened their businesses?

It's hard to say.

"I no longer let anybody help me with my personal finances," Philip Cowart said.

Cowart is president and CEO of Maxim Medical Services, a Churubusco business that sells items including operating room tables and surgical lighting. Matchette worked for him from March 2014 to October 2015 and had access to credit cards to make purchases for the company.

She was also a close adviser trusted with Cowart's credit cards and checking accounts. Matchette stole more than \$120,000 from her boss and his company, according to court documents.

Matchette was sentenced to 27 months in prison for aggravated identity theft and two years for mail fraud. She was ordered to pay almost \$43,000 in restitution to Cowart and nearly \$83,000 to insurance companies at a rate of \$100 per month.

In court, Cowart called her "the worst kind of criminal."

Experts say that's a familiar refrain from victims of crimes that prey on bank accounts and the trust of the people.

Steve Pedneault has worked for 30 years to uncover fraud and find ways to prevent it. A certified fraud examiner and forensic accountant, he wrote four books including one dedicated to detecting employee fraud and embezzlement.

While victims of those types of crimes sometimes are able to resolve their court cases, Pedneault said they are also left with higher insurance premiums and sometimes the loss of their business because they can't afford to continue.

The emotional effects are perhaps the longest-lasting.

"It's an emotional roller coaster," said Pedneault, who runs an accounting firm in Connecticut. "At first, they can't believe it happened and then they get really, really mad. And then there's acceptance. There's a big impact on morale."

Morale certainly took a hit at B&W Equipment Co., the Fort Wayne business where Lutz used his post as controller to steal almost \$600,000 from company coffers to make payments on his credit cards.

Assistant U.S. Attorney Tina Nommay said during a sentencing hearing Tuesday the fraud prevented owners of the business from offering health insurance to their 16 employees.

"It's unfortunate," Nommay said.

Lutz pleaded guilty and was sentenced to 33 years in prison. He agreed to pay back \$585,653 by paying \$50 per month.

All vulnerable

Insurance company Hiscox reported in 2017 that about 10 percent of all fraud cases in the U.S. occurred in manufacturing, with a median loss of about \$560,000. About 5 percent of cases involved health care firms, with a median loss about \$440,000, according to the report.

All businesses are vulnerable to fraud and embezzlement, Hiscox found.

Northeast Indiana has seen several cases over the years.

Thirty-one former employees of BAE Systems, a defense contractor with offices in Fort Wayne, were charged last year in a scheme involving tuition assistance that netted nearly \$700,000. Several of those cases are pending.

Michael DeLong pleaded guilty in April to stealing from a youth baseball league when he was president of the organization. He and former Treasurer Tammie Criswell were sued by the league, and court documents alleged they took \$19,000.

The case was settled, and an agreement called for DeLong to repay \$2,800. No action was taken against Criswell, court records show.

"You question everything a little bit," said Jeff Turner, the league's former board secretary. "You question how those types of people got in those positions."

Fort Wayne title insurance broker Joseph Garretson, 46, pleaded guilty in 2010 to misappropriating \$2.7 million. He arranged mortgage refinancing loans for clients and did not use the money to pay off the initial loans, which caused mortgage holders to default.

One of the victims in that case was Allen County Chief Deputy Prosecutor Michael McAlexander. He said white-collar crimes sometimes don't generate headlines the way violent or property crimes do, but they are serious.

"I think we see the damage that people suffer," McAlexander said.

He urged businesses and nonprofits to put safeguards in place to ensure not just one person has access to financial information.

'Good people'

Pedneault, the fraud investigator, said most who commit fraud or embezzle aren't bad people. They just get caught up in bad situations, such as spending above their means.

"They don't see it as stealing," Pedneault said. "They see it as borrowing. They intend to pay it back, but they don't. Over time, it snowballs – they don't even know how much they stole."

Documents included with sentencing memoranda for Matchette and Lutz portray them as loving family members and charitable citizens.

"Marianne has been a spiritual mentor for me and has always been available to meet with me when there were situations to be discussed," Patrick Alan Thorne wrote in a letter to the federal judge. "We have shared many meals together talking about positive directions and family situations."

Thorne's is among 26 pages of letters submitted to the court before Matchette was sentenced.

Sentiment in letters sent in support of Lutz are similar.

Julie Lutz, his ex-wife, calls him "very loving, caring, supportive and encouraging" in a letter filed March 21 in federal court.

"I am aware of what he's done and know he's remorseful for his actions and what a burden this is to him on a daily basis," she wrote. "His actions are very uncharacteristic of him and this is not the husband or father I've known."

"Good people sometimes make poor decisions, and I just hope that all of his efforts with his family and community will be considered."

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