

STATE OF MICHIGAN



**BILL SCHUETTE**  
ATTORNEY GENERAL

**FOR IMMEDIATE RELEASE**  
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## **Schuetzte Announces Felony Charges Against Former CEO, Bookkeeper Who Allegedly Embezzled \$2.6 Million from Insurance Company**

*Oakland County Man Allegedly Embezzled \$2.6 Million from Company with Help of Bookkeeper, Pocketed Money to Pay for Personal Expenses, Family Trips to Disney World, Wedding Expenses, College Tuition*

**LANSING** – Michigan Attorney General Bill Schuetzte announced felony charges for Jerry Stage, 67, of New Hudson, and George Bauer, 55, of Commerce Township. The charges allege that Stage, former CEO of the Compensation Advisory Organization of Michigan (CAOM), embezzled approximately \$2.6 million from the company during an eleven-year period, working with CAOM bookkeeper, George Bauer, to cover up his tracks. The charges follow an investigation initiated after then OFIR Commissioner, now current DIFS Director, Kevin Clinton referred the matter to the Michigan Attorney General’s Office for an investigation.

“Stealing is wrong—no matter if you’re at the top of the company or near the bottom,” said Schuetzte. “There are consequences to breaking the law, and we will continue to aggressively weed out corruption.”

“Special thanks to our partners at the Attorney General’s office for their prompt action in this matter,” said DIFS Director Clinton. “The staff at the Department of Insurance and Financial Services will continue to protect consumers and fight against fraud in the insurance industry.”

Stage was employed as CEO of CAOM from 1993 until his retirement; July, 2012. CAOM is a non-profit corporation providing administrative and customer service support for the Michigan Workers’ Compensation Placement Facility. It collects data from member insurers licensed to sell workers’ compensation insurance in Michigan and is not associated with state government.

As CEO, Stage had the authority to issue checks, but company policy required two signatures on any check over \$1,000. To evade that requirement, it is alleged Stage wrote checks to himself for \$995 over a 14 year period, totaling approximately \$1 million. Stage was also issued a company credit card to pay for business-related incidentals that he allegedly used for personal expenses.

Following Stage’s 2012 retirement, CAOM undertook a review of expenditures to assess the company’s financial health. Upon the discovery of a number of financial reporting irregularities, the company consequently

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retained Plante Moran to conduct an official audit. Plante Moran discovered Stage had allegedly embezzled approximately \$2.6 million. It is alleged Stage paid Bauer to help him cut checks to himself, paying Bauer for his silence. Plante Moran alerted OFIR with their concerns of embezzlement and OFIR referred the case to the Department of Attorney General for further investigation. Attorney General Investigators confirmed Plante Moran's findings.

Stage also allegedly submitted false or inflated expense reports for events including: week-long family vacations at Disney World, tuition, wedding expenses, pet care and family dinners. Allegedly using this scheme, Stage embezzled approximately \$1.4 million. This conduct was not discovered during annual audits because as CEO, Stage did not have to submit documentation of his expenses, as other employees were required to do. The false expense reports were submitted to allegedly cover the amount of funds Stage was siphoning from the company.

The rest of the embezzled funds allegedly came from Stage inflating his own pay raises and bonuses, totaling to approximately \$200,000.

The defendants surrendered to authorities in Livonia on May 9, 2013 and the following charges have been filed with the 16<sup>th</sup> District Court for Wayne County:

- Jerry Stage – 2 counts
  - One count of Embezzlement Over \$100,000, a 20 year felony with a fine of up to three times the amount embezzled; and,
  - One count of Conspiracy to embezzle over \$100,000, a 20 year felony with a fine of up to three times the amount embezzled.
- George Bauer – 1 count
  - One count of Conspiracy to Embezzle Over \$500,000 but Less Than \$100,000, a 15 year felony.

Both defendants waived their right to a preliminary examination and were bonded over to the Wayne County Circuit court. Stage was arraigned before Judge Kathleen J. McCann in Livonia's 16<sup>th</sup> District Court. Stage's circuit court arraignment is set for May 23, 2013 at Wayne County's third circuit court at 8:30 a.m. Bauer's arraignment will be on May 23, 2013 before Wayne County's third circuit court at 8:30 a.m.

A criminal charge is merely an accusation and the defendants are presumed innocent unless proven guilty.

[Mug shots attached]