

Count 4: FRAUD/RENDERING INCOME TAX RETURN OR OBTAIN REFUND WITH FRAUDULENT INTENT

The above-named defendant on or about Saturday, February 15, 2020, in the Village of Reedsville, Manitowoc County, Wisconsin, did render a false or fraudulent income tax return with intent to defeat or evade any assessment required by this chapter, or to obtain a refund or credit with fraudulent intent, contrary to sec. 71.83(2)(b)1, 939.50(3)(h) Wis. Stats., a Class H Felony, and upon conviction may be fined not more than Ten Thousand Dollars (\$10,000), or imprisoned not more than six (6) years, or both.

Count 5: THEFT - FALSE REPRESENTATION (> \$2500 - \$5000)

The above-named defendant between July 1, 2017 and October 4, 2019, in the Village of Reedsville, Manitowoc County, Wisconsin, did obtain title to property of Wisconsin Lottery, having a value of greater than \$2500 but not more than \$5000, by intentionally deceiving the person with a false representation which he knew to be false, made with intent to defraud and which defrauded the person, contrary to sec. 943.20(1)(d)&(3)(bf), 939.50(3)(i) Wis. Stats., a Class I Felony, and upon conviction may be fined not more than Ten Thousand Dollars (\$10,000), or imprisoned not more than three (3) years and six (6) months, or both.

PROBABLE CAUSE:

The complainant alleges she is informed by the reports of Joey Tisler and Kirk Schend known to the complainant to be officers with the Reedsville Police Department, Lisa Graff known to the complainant to be an investigator with the Department of Revenue and Ryan Peterson known to the complainant to be an investigator with the Wisconsin Lottery that the incident occurred between July 1, 2017 and February 15, 2020 in the Village of Reedsville, Manitowoc County, Wisconsin.

The report of Joey Tisler indicates the following:

On 10/05/2019, I was notified that Manitowoc County took a theft report of \$40,000 in scratch off tickets from VICTIM 1.

On 10/08/2019, I met with WITNESS 1 at his office in Whitelaw. WITNESS 1 stated that on 09/30/2019, WITNESS 2 asked him if he was aware that \$40,000 was missing in sales since June of 2019. WITNESS 1 had a meeting on 10/03/2019 with store managers WITNESS 3, Matt Buchholz and other company employees including EMPLOYEE 1 and EMPLOYEE 2 to discuss the missing property/money.

I was advised by WITNESS 1 at that time that employee Matt Buchholz had admitted to theft of Lottery tickets and had resigned his position. Matt had indicated he took a pack of tickets. WITNESS 1 asked if he had taken more than that and Matt had stated he was unsure of how many he had taken. I was also advised WITNESS 1 had been in contact with the Wisconsin Lottery Fraud Team who were helping him with this investigation.

I did have contact with the Lottery Fraud Team. A member of the team, Lisa Hamielec, advised me she had several discussions with WITNESS 3 and Matt Buchholz regarding the Lottery sales at this store. In August, Lisa had been advised by WITNESS 3 that they had resolved the problem of the ticket issues as a weekend employee had been fired recently for theft. I advised Lisa our department had been handling a theft complaint but that was only involving cigarettes.

I contacted WITNESS 1 and asked if he was aware of a subject being terminated for theft of Lottery tickets in August. I also asked if anyone other than that individual had been let go recently. He advised he knew someone had been let go but he would need to get back to us.

I reviewed the report and statements from WITNESS 3 and Matt Buchholz regarding the theft they had reported. The theft only indicated theft of cigarettes and nothing about Lottery tickets. I received information from WITNESS 1 that they had only one employee terminated recently and he provided me the information which matched the information of the individual who I had a report on.

On 10/09/2019 at 1240 hours, I called Matthew Buchholz and left a message to have him give me a call back. At 1246 hours, Matthew called back. I asked him if he would come to the Brillion PD to talk about the theft of Lottery tickets. Matthew said he didn't want to talk to me without his attorney present. I said OK and if he and his attorney would like to talk at a later date, to give me a call.

On 10/19/2019 at 0915 hours, I met with John Konshak from CSQ Security at VICTIM 1. I took a log of the time and compared the time on the security cameras to the website, www.time.gov. The time was 7 seconds faster on the security cameras compared to www.time.gov. John removed the hard drive from the camera system at 0945 hours. I then drove it directly to the Wisconsin DCI office in Appleton, WI and turned it over to Spencer Gustafson at 1033 hours.

On 10/14/2019 at 1000 hours, I met with WITNESS 1, WITNESS 2, EMPLOYEE 1, Chief Joann Mignon, Ryan Peterson, Garrett Bogucki from the Wisconsin Lottery and District Attorney Jacalyn LaBre to discuss the steps taken in this investigation. It was determined VICTIM 1 would continue to work through their records to determine what tickets were missing if possible. I was also given a zip drive of the video of the managers' office at VICTIM 1 by WITNESS 1. The video is from 10/03/2019 and 10/04/2019.

On 10/25/2019, I met with Chase Bruger for an interview. Chase told me that sometime in July he was called into work at VICTIM 1 because something was wrong with his check. When Chase got to work, Matt and another manager above Matt took him into the office and the other manager told Chase he was terminated for stealing cigarettes. Chase told me that he told the 2 managers he didn't steal them, he put them on the racks. I asked Chase if he was accused of stealing anything else. Chase stated no, just the carton of cigarettes.

On 10/29/2019, I was notified by WITNESS 1 that BUSINESS 1, which is a business connected to VICTIM 1, was short \$738.75 for the month of September 2019 and was missing a money envelope with \$283.34 in it. WITNESS 3 told EMPLOYEE 1 that Matt said Lynn Behnke had something to do with it since it was her last day of work.

On 11/07/2019, I spoke with Ashly Coulter, the manager of BUSINESS 1, after Lynn quit. Ashly told me that on 09/16/2019, Matt came into BUSINESS 1 office to get the envelopes to count the cash and one was missing. Ashley said Matt was at VICTIM 1 a few hours before she started.

On 12/10/2019 I spoke to Lynn Behnke to follow up on the missing money. Lynn stated in the last 6 months before she quit, envelopes would become missing every once in a while. She told me it was always after a day Matt would come in early and do her money counting. Matt would later tell Lynn to double check the areas and the envelope with some money would turn up, but it was blank on the outside without the signature of the person who counted it. Lynn found that as odd. September 13, 2019 was Lynn's last day of work. Lynn came into Matt's office on 09/16/2019 and handed in her keys and never went into BUSINESS 1's office.

Lynn told me that while she worked there, Matt would have her check some scratch offs that he had just scratched the code off to see if he won. If the ticket was not a winner, Matt would say "I guess I have to pay for that out of my pocket."

On 12/17/2019 I spoke with Melissa Schambureck about the missing money. She told me she observed Lynn come to Matt's office on 09/16/2019 and hand in her keys and leave. She never saw Lynn go into BUSINESS 1's office. Melissa told me that Matt would come in early randomly and do Lynn's paperwork like around 3:30 in the morning. Melissa said that Matt would often give her tickets with just the code scratched off to check and see if it was a winner. Matt would say it's for good luck. Matt asked Melissa to save her non-winning tickets to help with taxes because he won \$1,000 and two \$500 tickets just in 2019. Melissa also knew he won \$1,000 a few more times but couldn't remember what years that was.

The report of Kirk Schend indicates the following:

I became involved with this case on December 23, 2019. Throughout 2020 and 2021, I spoke with Lottery Investigator Ryan Peterson. Agent Peterson worked with data and information that was collected from VICTIM 1 and the State Lottery along with the video that was collected and recovered from VICTIM 1 video system hard drive. Agent Peterson was able to match up the Lottery sales data to the video from VICTIM 1. Video was also obtained from the Wisconsin Lottery office by Agent Peterson.

On June 3, 2021, I met with WITNESS 1 at the Brillion Police Department. I asked how the Lottery ticket shortage was found. WITNESS 1 explained that he was notified by WITNESS 2, who is the CEO of VICTIM 1, via a phone call.

WITNESS 1 stated he was not aware of the loss of money from the Lottery tickets at VICTIM 1. WITNESS 2 had explained that EMPLOYEE 1, CFO of VICTIM 1, had notified him of the loss and that it was in excess of \$40,000. In the written statement, WITNESS 1 states that he did contact his Retail Division Manager, WITNESS 3 and asked if WITNESS 3 was aware of the loss. WITNESS 1 did not indicate what WITNESS 3's response was to that question. WITNESS 3 did indicate to WITNESS 1 that there was a concern about a \$23,000 loss that was discovered at the end of July 2019. WITNESS 1 further stated that he requested WITNESS 3 to look into procedures and to contact the Lottery Fraud Department to request assistance in tracking it down (the loss). WITNESS 1 wrote that WITNESS 3 explained that EMPLOYEE 1, Matt Buchholz and he were going to meet on October 3, 2019 and do an audit of the Lottery for VICTIM 1. That audit indicated or affirmed that they were more than \$40,000 short.

WITNESS 1 goes on to state that, on October 4, 2019 at approximately 3:45PM, Matt Buchholz did come to his office and requested a discussion/meeting with him. WITNESS 1 stated that Matt came and broke down and put his work keys on his desk and stated to WITNESS 1 that "he had stolen one pack of Lottery tickets." WITNESS 1 stated to Matthew that his employment with VICTIM 1 was terminated. WITNESS 1 drafted a resignation letter and had Matthew sign it.

WITNESS 1 asked Matthew if he knew that the dollar loss was over \$40,000 in missing Lottery tickets. Matthew's reply was that he was aware of the loss. WITNESS 1 asked Matthew if he had taken any other tickets besides the Packer tickets. Matthew's reply was that "he had." WITNESS 1 had followed up with the question, "how many." Matthew's reply was that he was unsure.

On July 19, 2021, I met with WITNESS 3. WITNESS 3 stated that he has been with the company for 19 years. I asked WITNESS 3 about the photos of him and Matt at the Lottery office in Madison. WITNESS 3 stated that he had gone with Matt because the food trade was across the street from the Lottery Office. He did state that he believed that Matt had won twice but was with Matt only once when Matt collected the winnings. WITNESS 3 stated that he had never been to the Lottery office before and wanted to see it.

We discussed the times of arrival at the gas station which varied but could be at 0330 in the morning. WITNESS 3 was not certain when Matt arrived for work as it could vary. He did not find it unusual that Matt was at the store at that time. Pre-opening work had to get completed prior to 0500.

I asked WITNESS 3 if he knew that Matt gambles. WITNESS 3 stated that he knew that Matt went to the casinos. WITNESS 3 stated that he had gone to the casino(s) with Matt but not a lot. I asked if he thought Matt had a gambling problem, he replied that he did not know how to answer that. I asked WITNESS 3 if he knew Matt was purchasing Lottery tickets at the store using a credit card. WITNESS 3 stated that he did not know that.

I asked WITNESS 3 what caused the store to start looking at the loss/shrinkage. He explained that they do inventory at the stores every month but not the Lottery tickets. WITNESS 3 stated he was involved in all the other departments except the Lottery. WITNESS 3 stated that at the time a process was being developed to keep track of the Lottery which was discussed at the meeting with Matt, EMPLOYEE 1, EMPLOYEE 2 and himself.

WITNESS 3 went on to state that the next day he had received a call from Matt. Matt had requested a meeting with WITNESS 3. They did meet and Matt had explained that he was going to resign. I did ask if Matt had said anything about how much. WITNESS 3 stated that Matt did not say much.

I did ask WITNESS 3 if Matt has said anything to him after he left the employment. WITNESS 3 stated that Matt has not. WITNESS 3 did state that they were friends and that it hurts that friend would do that. WITNESS 3 met Matt through work. I asked about being at the casino(s) with Matt up in Green Bay and near Madison. WITNESS 3 indicated that he has gone with Matt to Green Bay and Madison area.

I asked WITNESS 3 if he had any prior knowledge, prior to Matt leaving, about Matt taking Lottery tickets. WITNESS 3 stated that he did not. I asked WITNESS 3 if he thought Matt was capable of taking that amount of Lottery tickets. WITNESS 3 stated that he did not know how to answer that.

On June 17, 2021, I met with Lynn Behnke. Lynn Behnke had left Dollar General as a Manager to go be the manager at BUSINESS 1, which is attached to VICTIM 1. Lynn resigned her job at VICTIM 1 on August 19, 2019. Lynn left because she was accused of stealing the company owned Nescos. Lynn did not steal them and, in the end, it was proven that the two Nescos were found at the Sportsman's Club. They were left there by a person who had borrowed them.

Lynn stated she had notes/journal of discrepancies that had happened at the store. Lynn stated that Matt and WITNESS 3 were in the store at 3:00AM sometimes together. Lynn stated that when she suggested changing the combination to the safe, WITNESS 3 and Matt stated the safe was under the security camera. Lynn was told not to watch the security video footage as she was trying to get people into trouble.

I asked Lynn what her thoughts were about the Lottery tickets. She stated, without hesitation, that Matt always had his fingers in the till with the Lottery tickets. She stated two or three times a day, he was scratching off Lottery tickets. Matt would scratch off and scan the tickets. Lynn also stated that Matt would go to the casino after work a lot. She stated that Matt would come back to work the next day all tired out and tell her how much money he lost. Lynn stated that Matt has an obsession with gambling. Lynn believes WITNESS 3 knew about what Matt was doing with the Lottery tickets. There was a discussion about Matt being at the store very early and sometimes WITNESS 3 as well. Lynn also stated that Matt kept track of the scratch off Lottery ticket winning tickets and would count down so many in a series. Matt would tell other employees about the winning tickets and would say he was not going to buy that series anymore. Lynn further stated that Matt would say there would be another winner within the next twenty tickets.

On August 14, 2021, I spoke with Melissa Schambureck and confirmed her written statement with her. The statement indicates that Matthew Buchholz won \$1,000 twice and \$500 twice in 2019. She stated that he would scratch the bar code on the bottom and have her check it (scan it) to see if it was a winner. Matt had asked for non-winning tickets to be saved for him for tax purposes. She affirmed that Matt would be in the store often around 3:30AM. When he was there, some of the pre-opening prep work was done prior to her arriving at 4:00AM.

I asked Melissa about how the financial situation was after Matt had quit. Melissa stated that there is no problem with the Lottery tickets or having cash shortages after Matt no longer worked for the store.

The report of Ryan Peterson, investigator with the Wisconsin Lottery, indicates the following:

In early October 2019, I was contacted by our Lottery Field Marketing Representative, Lisa Hamlielec, with a request to review the sales at VICTIM 1 as they were unusually high. She asked that I look in the data we had for the store and let her know. She also informed me that they had a potential theft going on over the summer and that could be attributing to the abnormal sales, but doubtful it would have that large of an impact.

A review of the data showed patterns and graphs that are, in my professional opinion, typical of what we see when there is internal theft taking place at a retailer. Lisa stated that in August 2019 she met with Matthew Buchholz and WITNESS 3. At that time, she was told that they had "a questionable theft by a store employee" that was ultimately said to have been terminated. It was noted that the appearance of theft in the data did not reflect the expected drop-off in wholesale instant/scratch tickets from the Wisconsin Lottery. I questioned if they still had a person that they suspected as being involved or if the terminated employee was involved at all. There was no doubt that, barring remarkable growth at this one store, that losses were still occurring.

Within a few days, I was asked by Lisa to get a list of the past 6 months purchases by VICTIM 1 from the Lottery for WITNESS 3, who was looking into additional theft. Before I was able to gather the data, a similar request came from the now retired Police Chief of Reedsville, Joann Mignon. She asked that I NOT send WITNESS 3 the report that Lisa asked for. Lisa had also just received a call from Chief Mignon stating an officer had been assigned to the case and the estimated losses were looking to be about \$40-\$50 in theft. She requested a report showing all instant ticket purchases, activations and cashing locations, date and time on each for the month of September. I could already see this was much larger than a \$40-\$50 issue. VICTIM 1 has only 30 days of camera footage saved. Retrieval was needed ASAP as the system was set up to record over itself in a rolling 30 day feed. She secured the video data around the beginning of October. I suggested she turn it over to the Department of Justice to ensure the most video is saved. Eventually, I was able to begin reviewing the videos, but quickly found that the amount of activity was considerable.

Early on, former Chief Mignon identified the person suspected of theft as Matt Buchholz. The requested data was gathered and forwarded on to law enforcement as requested, but the 6-month look back was not going to cover the extent of the theft based on my experience and what I was seeing. While law enforcement worked on securing video preventing additional losses, I expanded the data query to as far back as our new computer system was able to look back. Our new system went online at the end of Spring 2017 so I used July 1, 2017 as a starting point. My belief is that this dates back to mid-to-late 2016, but without comparable data, it is only an observation based on sales of tickets to VICTIM 1 from the Lottery.

The data from 07/01/2017 through 10/05/2020 (1 year following the admission of theft and termination by suspect, Matthew Buchholz) shows a stark contrast.

Looking at the Sales and Data, there is a drastic change in tickets purchased from the Lottery by VICTIM 1. The data shows that prior to Matt's termination, there were nearly 2,500 transactions prior to

VICTIM 1 being open. Many of these were also prior to Mr. Buchholz officially punching in. Of these, 1,092 were in the hours of 3AM-5AM and 1,012 were while Mr. Buchholz was punched in. The remaining 80, with the exception of 4, are rapid succession scans that are nearly identical cashing patterns as most scans while Mr. Buchholz is working. From all accounts, he was the only person in the store at these early hours and this was confirmed by my interview with Officer Tisler who often checked on the store and/or took a mental note of the unusual activity. There are many days that Mr. Buchholz is punched in between 1AM and 3AM despite the store listing an opening time of 6AM online and me being told 5-5:30AM not being uncommon. The scans prior to opening at 5AM ceased following the termination of Mr. Buchholz. He made up 93.6% to 99.6% of the scans prior as there was no other employee or customer in the store at those times.

In a comparison of ticket scans at VICTIM 1 in the 12 months that followed termination, there were 48,513 total scans with 12,473 being tickets sold from the same store. In just under 16 months prior to termination, there were over 44,000 same store scans. Using the new Business Intelligence that went live in early June 2018, I was able to compare data for a period of 96 weeks: 69 weeks leading up to termination showing the wholesale purchase of tickets compared to the 27 weeks that followed, which showed there was a drop in average by \$1,747 per week. The video obtained by law enforcement was able to not only provide a snapshot into the last 15 days of employment but help explain the differences in numbers seen below. It was also able to allow me to say with confidence that no other immediate co-worker displayed any actions to lead me to have any suspicion that they had any involvement.

69 weeks prior to termination (06/09/2018 – 10/05/2019)

- \$3,913 average weekly ticket purchases totaling \$269,986 (652 packs)
- \$172,700 worth of \$10, \$20 and \$30 tickets (408 packs)
- \$97,286 worth of \$1, \$3 and \$5 tickets (245 packs)

27 weeks following termination (10/06/2019 – 04/11/2020)

- \$2,166 average weekly ticket purchases totaling \$58,479 (144 packs)
- \$32,160 worth of \$10, \$20 and \$30 tickets (78 packs)
- \$26,319 worth of \$1, \$3 and \$5 tickets (66 packs)

While watching the video obtained from VICTIM 1, I witnessed what I believe to be questionable cash transactions, or what I commonly refer to as slight-of-hand actions with the cash drawer open. These action are often used to mask non-transaction transactions or make someone think they are paying for goods while retaining the money in their hand. Examples of his furtive movements are abundant on the video for 09/20/2019:

- 4:16AM, Buchholz arrives in the store with a duffle bag over his shoulder. He places the bag at the base of the counter immediately in front of the customer facing Lottery ticket checker. He places his keys on the counter and begins work.
- 5:16AM, Buchholz appears to act as if he is paying for tickets, but it is unclear if any money went from Buchholz's pocket to the cash drawer, if cash went from the cash drawer to his pocket, or if no cash was deposited in the drawer and it was all done to look as if it had been properly paid for.
- 5:34-5:35AM, winning tickets scratched in the office are scanned and Buchholz placed the cash into his pocket.
- 5:34AM, Buchholz can be seen furtively looking around before pulling out a stack of tickets. He scans one of the tickets and quickly opens and closes the cash drawer in a fraction of a second – in my estimation, the cash drawer did not travel more than a quarter of an inch as it did not even look like it opened at all. I only know it opened because you can see the drawer open after similar movements/actions by the clerk on normal transactions.

- 5:47AM, he scans tickets for winners
- 5:51AM, he takes three \$500 tickets without any POS entry or cash drawer interaction. He takes them into the office.
- 5:58, Buchholz appears to use his credit card for a transaction. He also took a full-sized (our largest) ticket named MegaMax Bonus with him to the office. He will cash this in at 6:55AM.
- 6:50AM Buchholz sets down his coffee on the counter. He takes tickets out of the sales bin located under the counter. He opens/closes the cash drawer and pushes (or appears to push) “buttons” on the screen of the point of sale (POS) commonly known as a register. This is also commonly seen in cases where transactions are voided. Buchholz then sets the tickets down to help a customer. Once complete, he takes the tickets to the office. He can be seen cashing these tickets in at 7:02AM.
- 6:55AM, Buchholz scans the large MegaMax Bonus ticket taken at 5:51AM on the Lottery terminal near the register. It is a \$20 winner and at 6:56 he open/closes the register without any cash transaction or tickets being taken. He moves back and forth to/from the office, presumably checking for customers and ultimately takes more tickets without any cash transaction. Again, he open/closes the cash drawer and pushes “buttons” on the POS screen.
- Between 7:01 and 7:03, he buys 3 small tickets (likely to be \$1-\$3 tickets based on size), validates the tickets taken in the 6:50AM time mentioned above, scratches tickets in the office, open/closes the cash drawer, and enters some transaction on the POS.
- 7:44AM Buchholz can be seen giving change to a customer and then pulling out the larger denominations as if doing a cash drop. He stops mid-way, puts back cash, pulls the drawer out of the till and takes a bill out, closes till, and places the cash on the edge of the counter above the cash drawer while he finishes talking to the customer. He then reaches in his pant pocket to pull out a stack of money in what appears to be a personal money clip. He takes 2 bills off the register drawer and places them in the pile of money from his pocket, merges the cash in one stack, flips the cash over on itself in the money clip, and places the money back in his pocket. He almost walks away from the register at 7:45AM only to do a 180-degree turn, walk back to the POS, pushes “buttons” on the POS, opens/closes the cash drawer, and then walks away.
- Repeated trips to and from the office in this manner take place repeatedly throughout the morning. He also pulls tickets out of his bag and appears to be digging in the garbage on more than one occasion.

Mr. Buchholz accounted for more Lottery transactions in his first 4 hours of work on the 20th of September than the entire following day when he did not work. Seven of those tickets were in the 4 o'clock hour and cost the store \$210 in retail ticket cost at \$30 each and the State of Wisconsin \$30 in a payout on ticket 2172-115430-12 cashed at 4:20AM.

From 9:13 to 9:17 it was clear he was waiting for someone to come to the store. He was calling someone on his cell, texting back and forth, and looking out the window repeatedly. He walked outside and met a male that I recognized from a photo captured on Lottery cameras in Madison when Mr. Buchholz came in to claim his 3rd large win. The same male appeared to try to stay out of the sight of our cameras but can be seen around the corner from a camera inside our Validations Office. I later confirmed this to be WITNESS 3. He appeared to be excited to see his manager and the two of them appeared to enjoy the fact WITNESS 3 was able to cash his own \$50 winner. Judging from the splaying out of cash and the look/reaction, it is my opinion that both knew about the ticket prior to cashing. WITNESS 3 was unable to catch Matt's attention initially as Matt was talking to someone, but WITNESS 3 placed the cash on the counter while he waited. The two of them stayed behind the counter as Buchholz assisted WITNESS 3 in selecting a couple tickets to purchase with his winnings.

The videos confirm that Buchholz is responsible for nearly all scans in the video watched. Using video from Friday, September 20, 2019 as an example, he arrived at work at about 4:15AM and placed a duffel bag near the ticket scanner. That duffel bag contained pre-scratched instant tickets that can be seen being taken out of the bag at about 4:20AM. This correlates with the Lottery terminal data. The

video shows Matthew going back and forth from the office to the tickets and cash register repeatedly in the early hours of the shift. As the shift progressed and coworkers were present, his pace was only slightly affected until the last few hours of his shift. Except for 4 tickets scanned by customers and 1 by WITNESS 3 in the open hours of 4:20AM – 9:20AM, the other 28 were scanned by Matthew. WITNESS 3 collected \$50 while Matthew collected winnings totaling \$317 not including non-winning tickets not scanned. There were other observations that are beyond the scope and investigative abilities of the Wisconsin Lottery that were observed on this day. Slight-of-hand, non-transactions involving the cash register system and signs of potential involvement with the suspect's immediate manager were observed on this day.

My professional opinion is that this began as far back as 2016 and is in the range of \$100,000 - \$180,000 in ticket theft alone. This does not account for the winnings collected. The nature of Matthew's position comes into play as he worked well outside of his scheduled hours in the observed videos. Because of this, it is difficult to say how many more tickets are cashed or stolen outside of the work schedule used to match scanning data from the Lottery. There are many days where he is cashing well in advance of the start of work. For example, evidence shows that this store had 108 packs of tickets that were activated and sold in 24 hours or less. I have never seen that in my 5+ years with the Lottery. I asked the former investigator that held the position before me for nearly 6 years if he had ever seen that and he had not. Another 95 packs were activated and sold out in 3 and 4 day periods making more than 200 packs sold in less than 5 days from activation. For comparison, the average sell-through on the hottest games in the busiest stores is slightly more than 4 days. Three hundred eighty-one packs sold out in less than 10 days over the course of about 29 months. There are higher priced games that, because of their "loaded" winnings, we are unable to see when a pack is sold out. However, assuming most stores do not have more than one pack out, you can see that there are many more packs selling in 10 days or less. For these games, evidence shows that there are 3 packs that appear to have sold out in less than 24 hours. Like the other packs listed above, from the records provided, Mr. Buchholz was working for all of the days in question.

Three other examples can be seen:

1. On June 19, 2019, 68 scans took place on Buchholz's shift with 5 sequential \$30 tickets scanned in less than 10 minutes, netted \$150 and \$30 wins (cost to State of Wisconsin) in the store and another big win of \$1,000 (another cost to the State) which Buchholz came to Lottery Headquarters to claim.
2. On September 4, 2019 and September 5, 2019, Buchholz was able to find \$483 in winning tickets out of 38 tickets scanned within a few hours.
3. On April 11, 2019 and April 12, 2019, Buchholz was able to find \$1,899 in winnings on 82 scans. Buchholz's shift accounted for 21 scans one day and 19 scans the other (those are strictly using punch times only regardless of cashing patterns suggesting otherwise) with respective wins totaling \$795 and \$613 on his shift.

In fact, a lot of cashing takes place on his shifts. Of 2,482 tickets scanned prior to 5:30AM, Buchholz makes up 2,331 of those scans. Since 07/01/2017, 34,761 of the 44,467 scans were on days Buchholz worked and approximately 66% of the tickets scanned were in the hours he was recorded as being on the clock. There are only 9,706 scans on days he did not punch in. The average cost/value of same-store tickets scanned is \$5.22 and had payouts of \$50,632 over the span of July 1, 2017 to October 20, 2019. Of those, 7,627 came from the same store, VICTIM 1, for a total of about 78.5%. When Buchholz is working, the average jumps to \$11.05 and it brings the average cost of the ticket scanned at the store up to \$7.96. This is the value or cost of the tickets sold. He plays high value tickets in volume causing the total to rise.

Other signs of problems were that this store rarely returned old tickets. Tickets were returned only 57 times for credit; 19 times in 2017, 21 times in 2018 and 16 as of termination in 2019. Of those, denominations were kept small. In all of 2017, there were only 4 times where tickets valued at \$10 or

more were returned. Those 4 times only totaled approximately 65 tickets. This is often the case when you want to keep credits to your account low and bookkeeping reviews to a minimum. We can also see in the sales charts that the drops to zero sales correlated with vacations Buchholz took in 2017 and 2018.

In looking at the information provided by Lottery computer systems, you will find that packs that are assigned to a store usually get cashed at the same store at a rate of roughly 40-60%. This store averaged 82.5% with 36,707 of the 44,467 tickets cashed at the store originating at that store. This does not take into consideration that many of the tickets Buchholz played can be determined not to be winners by sight visualization meaning they do not get scanned. Expanding the time frame and looking at the raw data collected from the Lottery internal computer systems, we are able to go back and review data from July 1, 2017 through the subject's last day of employment on October 5, 2019. The data shows that in this 827 day span of employment, there were 1,057 packs ordered/purchased by VICTIM 1. This totals 74,571 tickets; 44,467 of these were scanned at a store to either check and/or validate/cash a ticket. It is not uncommon to have more than roughly 50-60% of the tickets cashed at the same store they were sold at and the remaining distributed among other local/regional stores. This store had 83% of the tickets sold at that store scanned in the same store.

In looking at Lottery computer system data, it is apparent that \$5-\$30 tickets were the preferred items of interest as the \$5-\$30 pre-termination sales of \$221,635 drops to \$44,720 in the 6 months post-termination which is a 44% decrease in average weekly ticket purchases from the Lottery.

This store was topping all goals year over year with orders of growth that outpaced common sense for this store, in this category, in this market. The manager had other, similar sized stores to compare to and there was no comparison. This store was running in the top 10% (rank of 111) of all stores statewide at one point. It also dropped to 3090th after termination. There were about 3,500 stores at the time.

It is my low estimate VICTIM 1's loss is between \$100,000 and \$180,000 and likely well over another \$50,000 to the State of Wisconsin in payouts and reimbursements.

The complainant further alleges that in reviewing the information provided by Wisconsin Lottery, VICTIM 1 runs their fiscal year from July 1 – June 30. For example, the 2019 fiscal year ran from July 1, 2018 through June 30, 2019. Based on that, Quarter 1 runs from July 1 – September 30, Quarter 2 runs from October 1 – December 31, Quarter 3 runs from January 1 – March 31 and Quarter 4 runs from April 1 – June 30.

In reviewing the Lottery sales reported by VICTIM 1, the following is breakdown of the Lottery sales from July 1, 2016 through June 30, 2020. Please note that Matt resigned on October 4, 2019 which is 2020 Fiscal Year, Quarter 2.

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Quarter 1:	\$34,188.00	\$40,874.00	\$55,685.00	\$55,717.50
Quarter 2:	\$30,441.50	\$37,328.50	\$70,809.50	\$10,068.00
Quarter 3:	\$35,254.50	\$41,959.50	\$66,434.00	\$0.00
Quarter 4:	\$30,449.00	\$48,447.00	\$74,500.00	\$0.00

The complainant further alleges that the Lottery Retailer Contract Terms and Conditions for VICTIM 1 clearly states that the retailer shall accept only cash for lottery tickets and the retailer may not use their unique position as product salesperson in a manner that would give them or anyone else an unfair or unreasonable advantage when choosing to participate in Lottery games. The contract further states that the retailer may not play the Lottery games by using any method other than random, fair chance, or by any method contrary to the principle that every lottery ticket has an equal and random chance of winning or other tickets not specifically purchased by the Retailer at retail.

The report of Lisa Graff, investigator with the Department of Revenue, indicates the following:

The following summarizes my investigation of Matthew Buchholz (Matt) for filing false and fraudulent income tax returns for the 2017, 2018 and 2019 years contrary to sec. 71.83(2)(b)1, Wis. Stats.

Matt was working as a manager at VICTIM 1 in Reedsville, Wisconsin. During his employment as a manager, Matt was suspected of stealing Lottery tickets from VICTIM 1. Matt would scan the tickets or have employees scan the tickets and keep any winnings for himself. Matt only reported the income from the larger wins he received that were reported to him on a W-2G from the Department of Revenue (DOR).

Criminal prosecution is recommended for these years. The source of unreported income consists of income from Lottery ticket prize amounts and the cost of the tickets that were stolen that he benefited from.

The case is related to an investigation by Wisconsin Lottery Investigator Ryan Peterson and Reedsville Police Chief Kirk Schend. This case was initiated by a complaint made to Manitowoc County Sheriff's Office on October 5, 2019, by WITNESS 1, Vice President for VICTIM 1. On October 8, 2019, Reedsville Officer Joey Tisler became involved in the case and Reedsville Chief Kirk Schend became involved on December 23, 2019.

Per sec. 71.80(6m), Wis. Stats., venue, while proper in Dane County, is also proper in Manitowoc and Brown Counties. Section 971.19(2), Wis. Stats. provides that "where two or more acts are requisite to the commission of any offense, the trial may be had in any county which any such acts occurred." Matt worked in Manitowoc County where he stole the lottery tickets and received the prize monies but resided in Brown County. Matt is currently a resident of Brown County.

The following represents the amount owed to the Wisconsin Department of Revenue (DOR).

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Totals</u>
Refund received	\$ 454	\$ 533	\$ 710	\$ 1,697
Tax liability evaded	\$1,114	\$8,492	\$8,748	\$18,354
Additional taxes owed	\$1,568	\$9,025	\$9,458	\$20,051

HISTORY

Matt's full name is Matthew Robert Buchholz. Department of Transportation records show that Matt's date of birth is January 12, 1982. Matt filed single income tax returns for the 2018, 2019 and 2020 years. All returns listed an address of 4497 Man Cal Rd, Reedsville, WI.

Matt has been employed at VICTIM 1 in Reedsville since at least 2012. Matt resigned from his position on October 4, 2019.

Wisconsin Circuit Court records (CCAP) show Matt has no criminal record.

Statutes and Theory of Case

Section 71.83(2)(b)1, Wis. Stats., states that any person, other than a corporation or limited liability company, who renders a false or fraudulent income tax return with the intent to defeat or evade any assessment required by this chapter, or to obtain a refund or credit with fraudulent intent is guilty of a felony.

Matt worked as the manager at VICTIM 1. During Matt's time as manager, he was reported to be stealing Lottery tickets and keeping prize winnings from the stolen Lottery tickets as income. Matt did not report the winnings or the cost of the tickets he stole and benefited from.

Results of Investigation

Returns Filed

Matt electronically filed single income tax returns for the years 2017, 2018 and 2019.

Reported Income Calculation

	2017	2018	2019
Wages from VICTIM 1	\$36,765	\$37,004	\$29,181
Wages from Lamers Bus Lines Inc	\$ 0	\$ 0	\$ 3,420
Taxable Interest	\$ 0	\$ 200	\$ 0
<u>Gambling Winnings (W2-G)</u>	<u>\$ 1,000</u>	<u>\$ 0</u>	<u>\$ 2,000</u>
Wisconsin Income	\$37,765	\$37,204	\$34,601

Returns were prepared by Matt Buchholz. Matt reported all his wages during 2017 through 2019 along with taxable interest earned in 2018. Matt reported gambling winnings for scratch off tickets that he received a W2-G from DOR in 2017 and 2019. Matt did not report any of the scratch off lottery tickets that he stole from VICTIM 1 and took the prize money for. Matt also did not include the cost of the scratch off Lottery tickets that he stole. Copies of returns, W2's and W2-Gs are in Attachments #1-8.

Unreported Income Calculation

	2017	2018	2019
Unreported Lottery Ticket Winnings	\$11,017	\$62,261	\$62,913
<u>Unreported Cost of Stolen Lottery Tickets</u>	<u>\$11,362</u>	<u>\$73,723</u>	<u>\$79,379</u>
Total Unreported Income	\$22,379	\$135,984	\$142,292

The unreported income from the Lottery ticket winnings is the money Matt received from scanned winning Lottery tickets during the time he was working. The unreported income from the cost of the stolen Lottery tickets is the total cost of the tickets that Matt should have paid to obtain the tickets that were scanned during his work hours. Matt benefitted from the money he won from the Lottery tickets, and he did not pay for the tickets, therefore the cost of those tickets is income to him. I have reviewed a detailed listing of Lottery ticket prizes won, and the cost of the tickets scanned during Matt's working hours. A sample of one day (7/2/2017) is shown below. The amounts included in my report for Lottery ticket winnings and cost of stolen Lottery tickets are likely very conservative amounts as I only included tickets that were scanned during the hours that Matt was punched. I also included tickets that were scanned before he punched in for the day and those that were scanned right after he punched out, but matched tickets scanned during his work times. Any tickets scanned by other employees for Matt during times he was not punched in for work have not been included in my calculations. An example of this is shown below, between 4:10 and 4:11, 8 scans were made of tickets that are mostly all right in a row of each other. Matt's work hours were 6:29AM – 11:54AM. The total of the prizes during Matt's work hours was \$20.00. The total cost of the tickets was \$29.00.

Date	Time of Scan	Game	Pack	Ticket	Prize	Name of Game	Cost
07/02/17	6:51:32AM	678	102847	2	\$0.00	Frogger	\$3.00
07/02/17	6:51:36AM	678	102547	1	\$0.00	Frogger	\$3.00
07/02/17	6:51:42AM	678	102847	13	\$5.00	Frogger	\$3.00
07/02/17	7:04:09AM	679	103683	41	\$3.00	Time to Play Xword	\$3.00
07/02/17	8:34:52AM	679	103683	48	\$3.00	Time to Play Xword	\$3.00
07/02/17	9:47:22AM	550	290709	96	\$4.00	Crossword	\$2.00
07/02/17	9:55:32AM	679	103683	49	\$5.00	Time to Play Xword	\$3.00
07/02/17	10:53:42AM	649	102619	99	\$0.00	Bag Toss	\$3.00
07/02/17	10:53:47AM	649	102619	98	\$0.00	Bag Toss	\$3.00
07/02/17	10:53:51AM	649	102619	97	\$0.00	Bag Toss	\$3.00
07/02/17	11:55:36AM	676	102325	11	\$2.00	Hole in Won	\$1.00
07/02/17	11:55:57AM	649	102619	75	\$3.00	Bag Toss	\$3.00
07/02/17	11:56:19AM	658	106666	65	\$5.00	Power 5's	\$5.00
07/02/17	4:10:40PM	676	101510	196	\$1.00	Hole in Won	\$1.00
07/02/17	4:10:45PM	676	101510	190	\$1.00	Hole in Won	\$1.00
07/02/17	4:10:50PM	676	101510	192	\$2.00	Hole in Won	\$1.00
07/02/17	4:10:54PM	661	104067	105	\$2.00	Cash Flow	\$2.00
07/02/17	4:10:59PM	661	104067	114	\$6.00	Cash Flow	\$2.00
07/02/17	4:11:03PM	661	104067	108	\$2.00	Cash Flow	\$2.00
07/02/17	4:11:10PM	684	105265	37	\$5.00	Goat Load of Cash	\$5.00
07/02/17	4:11:18PM	659	129945	7	\$20.00	\$500 Frenzy	\$10.00

Calculation of Income Taxes Evaded

	2017	2018	2019
Income per Return	\$37,765	\$ 37,204	\$ 34,601
Unreported Income	\$22,379	\$135,984	\$142,292
Actual Income	\$60,144	\$173,188	\$176,893
Less: Standard Deduction	\$ 4,945	\$ 0	\$ 0
Less: Deduction for Exemptions	\$ 700	\$ 700	\$ 700
Taxable Income	\$54,499	\$172,488	\$176,193
Tax	\$ 3,111	\$ 10,506	\$ 10,619
Less: Property Tax Credit	\$ 257	\$ 257	\$ 272
Less: WI Withholding	\$ 1,740	\$ 1,757	\$ 1,599
Taxes Evaded	\$ 1,114	\$ 8,492	\$ 8,748
Refund received Not Entitled To	\$ 454	\$ 533	\$ 710
Total Due to DOR	\$ 1,568	\$ 9,025	\$ 9,458

Total Taxes Due to DOR for 2017-2019 is \$20,051.

Review of Bank and Credit Card Records

A joint savings account (xxxx3858) was opened on February 12, 1982, at Greenleaf Wayside Bank in the names of Matthew R Buchholz or Sharon A Buchholz. Matt opened a student checking account (xxxx5136) at Greenleaf Wayside Bank on August 9, 2000. His mother, Sharon Buchholz was listed as the agent on the account.

A review of the bank records found that Matt made many cash deposits to the checking account and made payments to several credit cards. The payments to the credit cards were more than his annual income.

Matt made the following cash deposits to the checking account during 2017 through 2020 (rounded to nearest dollar).

	2017	2018	2019	2020
Cash Deposits to checking	\$2,181	\$13,297	\$15,141	\$3,005

Matt's income from VICTIM 1 and Lamers Bus Lines Inc during 2017 to 2019 is shown below (rounded to nearest dollar).

	2017	2018	2019	2020
VICTIM 1 W2	\$39,237	\$37,003	\$29,181	\$ 0
Lamers Bus Lines Inc W2	\$ 0	\$ 0	\$ 3,420	\$31,470
Total	\$39,237	\$37,003	\$32,601	\$31,470

During 2017 through 2020, Matt made the following credit card payments from his checking account (rounded to nearest dollar).

	2017	2018	2019	2020
1 st Bankcard Ctr	\$ 63	\$ 0	\$ 0	\$ 0
AE Visa Card	\$ 195	\$ 328	\$ 204	\$ 326
Amex	\$ 11	\$ 0	\$ 0	\$ 0
Bank of America	\$ 3,675	\$ 6,502	\$ 6,300	\$ 6,300
Best Buy Auto Pymt	\$ 900	\$ 0	\$ 0	\$ 0
Capital One	\$ 6,936	\$11,167	\$11,634	\$ 82
Cardmember Serv	\$ 0	\$ 710	\$ 1,144	\$ 0
Chase Credit Card	\$ 790	\$ 1,581	\$ 1,435	\$ 3,361
Citi Card	\$24,481	\$28,457	\$28,340	\$36,307
Comenity Pay	\$ 1,987	\$ 4,006	\$ 5,010	\$ 4,264

Gap Visa	\$ 0	\$ 71	\$ 52	\$ 336
Goodyear Online Pmt	\$ 409	\$ 400	\$ 0	\$ 939
JC Penney CC	\$ 484	\$ 111	\$ 216	\$ 190
Kohl's	\$ 500	\$ 832	\$ 1,670	\$ 2,872
Macys Online	\$ 93	\$ 656	\$ 241	\$ 923
Shell Mastercard	\$ 0	\$ 0	\$ 0	\$ 818
Old Navy CC	\$ 0	\$ 58	\$ 0	\$ 0
Sears Online Payment	\$ 21	\$ 0	\$ 0	\$ 0
Target Card	\$ 2,901	\$ 2,276	\$ 2,313	\$ 2,934
Wells Fargo Card	\$ 0	\$ 0	\$ 1,991	\$ 400
Total	\$43,446	\$57,155	\$60,550	\$59,652

Matt started receiving deposits from Thrivent Financial on October 4, 2019, the day he resigned from VICTIM 1. The Thrivent Financial deposits continued into 2020 and beginning on June 15, 2020, he began receiving deposits from Pershing Brokerage. During 2019 and 2020 Matt received the following total deposits from Thrivent and Pershing. (Rounded to nearest dollar)

	2019	2020
Thrivent Financial	\$8,363	\$ 1,769
Pershing Brokerage	\$ 0	\$26,200
Total	\$8,363	\$27,969

FACTS RELATING TO INTENT

1. Matt confessed to WITNESS 1 that he stole Lottery tickets from VICTIM 1.
2. Matt claimed the prize money from numerous Lottery tickets and kept the prize money but failed to report it as income on his returns.
3. Matt spent more money during all years than he made in income.
4. Matt prepared and filed his own Single returns for the 2017, 2018 and 2019 years. The 2017 return was filed as a mailed in paper return. The 2018 and 2019 were electronically filed.
5. Matt received a refund each year when he actually had a tax liability for each year from 2017 to 2019.

CONCLUSION AND RECOMMENDATION

I believe the evidence has shown that Matt Buchholz filed false and fraudulent income tax returns for the 2017 to 2019 years contrary to sec. 71.83(2)(b)1, Wis. Stats., and recommend prosecution for all three years.

The information provided by Joey Tisler and Kirk Schend is believed because they have provided true and reliable information in the past as a police officer. The information provided by Lisa Graff and Ryan Peterson is believed because they have provided information based upon their training and experience. The information provided by WITNESS 1, WITNESS 2, WITNESS 3, EMPLOYEE 1, EMPLOYEE 2, Chase Bruger, Ashly Coulter, Lynn Behnke and Melissa Schambureck is believed because they have provided information based upon their personal observations and experience.

Approved by complainant for filing:

Subscribed and sworn to before me on 04/05/23

Electronically Signed By:

Anthony A. Lambrecht

Assistant District Attorney

State Bar #: 1081373

Electronically Signed By:

Gail A. Prost

Complainant