



OHIO AUDITOR OF STATE
KEITH FABER



**STARK AREA REGIONAL TRANSIT AUTHORITY
STARK COUNTY**

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FRAUD EXAMINATION REPORT

Stark Area Regional Transit Authority
 Stark County
 1600 Gateway Blvd SE
 Canton, OH 44707

To CEO/Executive Director, Kirt Conrad, and Board of Trustees:

Summary

The Auditor of State, Special Investigations Unit (SIU) conducted a criminal investigation and special audit of the Stark Area Regional Transit Authority (SARTA) predicated on information received from SARTA's Executive Director regarding suspected theft by two former employees.

The investigation identified over \$421,000 in misappropriated SARTA expenses, which resulted in findings for recovery and supported criminal charges against former Human Resource Director Kristy Williams, and former Human Resource Administrator Brandy Pryor.

On March 23, 2020, Ms. Williams and Ms. Pryor were indicted by the Stark County grand jury. Ms. Williams was indicted on five counts, including one count each of theft in office, aggravated theft, tampering with records, insurance fraud, and forgery. Ms. Pryor was indicted on three counts, including one count each of theft in office, grand theft, and tampering with records.

On May 7, 2020, Ms. Pryor pled guilty to the three count indictment, as outlined below:

Count One	Theft in office, a felony of the third degree, in violation of R.C. 2921.41(A)(2), 2921.41(B)(3)
Count Two	Grand theft, a felony of the fourth degree, in violation of R.C. 2913.02(A)(2), 2913.02(B)(2)
Count Three	Tampering with records, a felony of the fourth degree, in violation of R.C. 2913.42(A)(2), 2913.42(B)(3)(c)

On May 11, 2020, Ms. Williams pled guilty to the five count indictment, as outlined below:

Count One	Theft in office, a felony of the third degree, in violation of R.C. 2921.41(A)(2), 2921.41(B)(3)
Count Two	Aggravated theft, a felony of the third degree, in violation of R.C. 2913.01(A)(2), 2913.02(B)(3)
Count Three	Forgery, a felony of the fifth degree, in violation of R.C. 2913.31(A)(3)
Count Four	Insurance fraud, a felony of the fourth degree, in violation of R.C. 2913.47(B)(1)(C)
Count Five	Tampering with records, a misdemeanor of the first degree, in violation of R.C. 2913.42(A)(2)

On May 18, 2020, Judge Frank Forchione sentenced Ms. Williams to four years in prison, three years community control, and ordered restitution of \$406,594. On June 29, 2020, Judge Forchione sentenced Ms. Pryor to five years community control, 200 hours of community service and ordered restitution of \$14,742.

In addition to the misappropriated monies included in restitution, our audit noted an additional \$43,450 in misappropriated or illegally expended monies, more fully described in the findings section below.

Background

The investigation began in May 2018, after SIU received information from SARTA's Chief Executive Officer (CEO) and Executive Director, Kirt Conrad, indicating the former Human Resource Director, Kristy Williams, was suspected of stealing \$160 cash from SARTA's wellness program based on camera footage of the incident. Additional allegations were also noted, including possible misuse of SARTA's credit card and fraudulent tuition reimbursements. Ms. Williams was terminated from her position at SARTA in April 2018. It was also suspected that another employee, Brandy Pryor, was receiving fraudulent tuition reimbursements. Ms. Pryor was also terminated from SARTA in May 2018.

After review of the information obtained from interviews and a preliminary examination of SARTA's tuition reimbursement records, credit card transactions, Ms. Williams' and Ms. Pryor's college transcripts, and Rite Aid purchases were considered, a Special Audit was declared by the Auditor of State.

Scope and Approach

We defined our audit period as covering July 21, 2008 through April 30, 2018, (the Period) based on the risk factors identified.

The specific objectives we tested to establish whether fraud was committed at SARTA were to examine certain SARTA disbursements (including tuition, travel, credit card, and payroll disbursements) to determine if those disbursements were supported and were for purposes related to SARTA operations, and also to determine whether disability insurance and Home Energy Assistance Program (HEAP) benefits were properly received during the Period. In order to test the objectives, we reviewed available documentation, subpoenaed bank and vendor records, and interviewed key SARTA personnel and witnesses. The objectives and procedures are described more fully in the attached Supplement to the Fraud Examination Report for the Period.

This engagement was conducted in accordance with the Auditor of State Special Investigations Unit, Quality Standards.

Findings

Based on the special audit procedures and investigation, the Auditor of State confirmed the allegations that Ms. Williams and Ms. Pryor misappropriated SARTA expenses and fraudulently obtained disability insurance and HEAP benefits over a span of eight years.

Kristy Williams was hired by SARTA on July 21, 2008; was promoted to Human Resource Administrator in August 2010; and, in September 2014, became the Human Resource Director. Brandy Pryor was hired by SARTA on August 14, 2013, and became the Human Resource Administrator in September 2014.

SIU's investigation and special audit uncovered \$463,679 taken by Ms. Williams and Ms. Pryor through multiple schemes due to a lack of internal controls and management oversight, including: \$40,718 in unauthorized tuition reimbursement payments; \$1,244 in unallowable travel expenses; \$285,111 in improper credit card purchases; \$113,503 in fraudulently obtained salary; and \$23,103 in improper disability insurance and federal assistance through the HEAP.

Finally, we identified credit card purchases, totaling \$1,107, made by two other SARTA employees that appear to be not for SARTA purposes.

Our report includes findings for recovery. A finding for recovery generally constitutes a finding that an individual or entity (e.g. a vendor) illegally received public money. Pursuant to Ohio Rev. Code Section 117.28, when the Auditor of State's office issues a finding for recovery, the individual or entity can repay the amount voluntarily; however, the finding for recovery empowers the public office's statutory legal counsel or the Attorney General's office to institute legal proceedings to collect that amount.

We issued five findings for recovery against four current and former SARTA employees totaling \$441,683 for misappropriated or illegally expended SARTA funds, and \$2,407 for fraudulent insurance and federal assistance received (which doesn't include \$20,696 in fraudulent disability insurance benefits received, as explained in the Appendix), as noted below:

Examination Areas	Kristy Williams	Brandy Pryor	Two SARTA employees	Total
Tuition Reimbursements	\$25,976	\$14,742	\$0	\$40,718
Travel Expenses	\$1,021	\$223	\$0	\$1,244
Improper Credit Card Purchases	\$280,937	\$4,174	\$1,107	\$286,218
Human Resource Director Salary	\$113,503	\$0	\$0	\$113,503
Insurance/HEAP Fraud	\$23,103	\$0	\$0	\$23,103
Total	\$444,540	\$19,139	\$1,107	\$464,786

In addition to the findings for recovery, we issued seven management recommendations regarding records retention, public records policy, rewards card policy, credit cards, travel expenses, tuition reimbursement policy, and proper public purpose policy. The full details of the findings for recovery and management recommendations are located in the Appendix.

On October 5, 2020, we held an exit conference with the following individuals representing SARTA:

Kirt Conrad, CEO
Paul Malesick, Board Attorney

Carrie Domer, CFO
James Reinhard, Board Vice-President

The attendees were informed they had five business days to respond to this fraud examination report. A response was received on October 9, 2020. A response was provided by SARTA and was evaluated in the final preparation of this report.



Keith Faber
Auditor of State

October 13, 2020

**SUPPLEMENT TO THE FRAUD
EXAMINATION REPORT**



SUPPLEMENT TO THE FRAUD EXAMINATION REPORT

Objective 1

Examine whether certain disbursements made by SARTA during the Period were supported and for a proper purpose.

PROCEDURES

We examined available documentation for certain tuition reimbursements, travel expenses, and credit card purchases to determine whether these payments made during the Period were supported and for purposes related to the operations of SARTA.

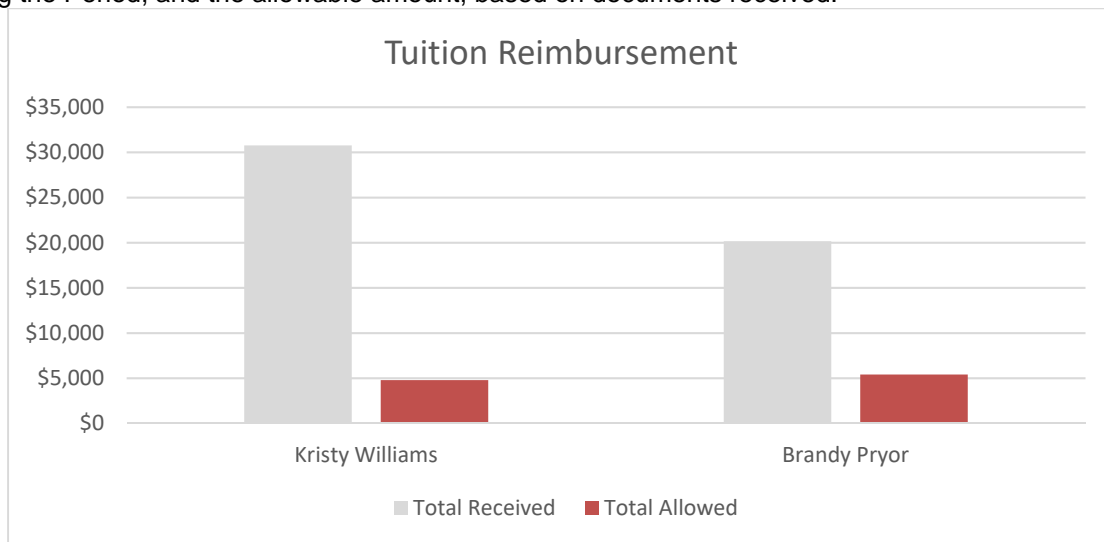
We examined certain payroll disbursements, college transcripts, and SARTA employment records to determine whether Ms. Williams was properly hired as the Human Resource Director.

RESULTS

Tuition Reimbursements

During the Period, SARTA maintained a tuition reimbursement program and provided reimbursement to employees if certain requirements had been met. However, while SARTA was reviewing and closing out Ms. Williams SARTA-issued computer after her termination, several suspicious tuition related documents related to Ms. Williams and Ms. Pryor were identified. SARTA was concerned Ms. Williams and Ms. Pryor provided fraudulent documents to SARTA to receive tuition reimbursement. Between May 2010 and March 2018, Kristy Williams received nine tuition reimbursement payments, totaling \$30,769, and Brandy Pryor received six tuition reimbursement payments, totaling \$20,158, between September 2014 and September 2016. The documents supporting the tuition reimbursement payments noted Ms. Williams attended American InterContinental University (AIU) and Ms. Pryor attended Franklin University. Based on documentation obtained from AIU and Franklin University, Ms. Williams was only enrolled at AIU from March 2010 to August 2010, and Ms. Pryor was only enrolled at Franklin University from September 2014 through December 2015. We substantiated SARTA's concern and determined Ms. Williams should have only received \$4,793 in tuition reimbursements; therefore, Ms. Williams received \$25,976 in excess of the authorized amount of tuition reimbursement. In addition, Ms. Pryor should have only received \$5,416 in tuition reimbursements; therefore, Ms. Pryor received \$14,742 in excess of the authorized amount of tuition reimbursement.

The following chart identifies the amount of tuition reimbursement Ms. Williams and Ms. Pryor received during the Period, and the allowable amount, based on documents received:



SUPPLEMENT TO THE FRAUD EXAMINATION REPORT

Additionally, we noted SARTA made all 15 tuition reimbursement payments to Ms. Williams and Ms. Pryor without the appropriate supporting documentation and/or proper approvals on the tuition reimbursement form, as outlined in the tuition reimbursement policy. Six tuition reimbursement application forms were not maintained, four were not approved, four were not approved prior to the beginning of course work, and three were not approved by the proper management. In addition, final grades from the school and invoices of fees charged were not maintained for nine courses to support the tuition reimbursement was paid according to the tuition reimbursement policy guidelines.

Travel Expenses

SARTA maintained a travel policy during the Period which identified allowable expenses and outlined additional requirements for employee reimbursement. We examined 37 travel reimbursements made to Ms. Williams and Ms. Pryor during the Period, totaling \$8,318. The following is a summary of the reimbursements examined:

	Number of Travel Reimbursements	Total
Kristy Williams	16	\$4,032
Brandy Pryor	21	\$4,286
Total	37	\$8,318

Of the 16 travel reimbursements to Ms. Williams, two payments, totaling \$297, were not supported; therefore, we were not able to verify the amount reimbursed was accurate. We identified another travel reimbursement, totaling \$73, for which the incorrect mileage rate was used to calculate the mileage reimbursement and support for the number of miles traveled was not maintained. Therefore, we were not able to verify the amount reimbursed was accurate.

We identified an \$80 shuttle/transportation payment to Ms. Williams on June 12, 2014. However, based on our review of the travel reimbursement form, Ms. Williams drove to the conference rather than flying; therefore, the shuttle reimbursement should not have been authorized. Ms. Williams also received mileage reimbursement for the conference trip on June 12, 2014.

We also identified two meal per diem payments, totaling \$571, to Ms. Williams for two conferences she indicated she attended: the Society of Human Resource Management (SHRM) Talent and Diversity Conference in San Francisco, California in October 2017, and the SHRM Conference in New Orleans, Louisiana in April 2018. Through a review of SARTA records, we were unable to identify any conference fees paid for Ms. Williams to attend these two conferences. During our investigation, SHRM was contacted to obtain copies of the invoices for the fees paid for the two conferences; however, SHRM did not have a record of Ms. Williams registering and making payment for the conferences in San Francisco or New Orleans. Our investigation identified that Ms. Williams traveled to New Orleans to attend WWE wrestling performances; therefore, her travel to New Orleans appears to be personal and not for SARTA related purposes.

Of the 21 travel reimbursements to Ms. Pryor, two payments, totaling \$220, for meal per diem reimbursements were not allowable. Ms. Pryor received a meal per diem reimbursement of \$132 for a one day training on August 4, 2015 in Lima, Ohio, and an \$88 meal per diem reimbursement to attend a conference without an overnight stay in March 2017. Based on SARTA's Travel Policy, meal per diem reimbursements are only allowable when the travel includes an overnight stay, and we were not able to identify any overnight stays associated with Ms. Pryor's travel on these two occasions. In addition, we noted one travel reimbursement payment, totaling \$59, was not calculated correctly. The incorrect IRS mileage rate was used, resulting in a \$3 overpayment.

During our examination of the travel request forms, we noted instances in which the travel request forms were not properly approved by the appropriate SARTA management or the approval date was not identified. Of the 37 travel reimbursements examined, 12 travel request forms were not properly approved (including not signed and not signed/dated within the policy guidelines), one travel form was not maintained, and another four were signed; however, the date of the approval was not documented. Therefore, we were not

SUPPLEMENT TO THE FRAUD EXAMINATION REPORT

able to determine whether the approval occurred at least three weeks prior to the travel date, in accordance with SARTA policy.

Credit Card Purchases

SARTA maintained 31 credit card accounts, including two American Express credit cards, six FIA credit cards, and 23 Huntington Bank credit cards for the Period. SARTA made purchases totaling over \$3.02 million on the credit cards.

The initial fraud complaint identified possible misuse of SARTA-issued credit cards by Ms. Williams at Rite Aid. Ms. Williams was responsible for administering SARTA's Wellness Program from September 2013 through July 2017, through which employees who remained tobacco free would receive bonuses. Ms. Williams was responsible for purchasing testing strips and other non-smoking products and testing employees. Ms. Williams indicated to SARTA she was purchasing these non-smoking products from Rite Aid. During the Period, we identified 216 Rite Aid purchases totaling \$240,134 on SARTA-issued credit cards. Of the 216 purchases, 134 (62%) totaling \$166,379 were not supported with itemized receipts to identify the items purchased. In addition, credit card sign in and out forms were not maintained and we were not able to determine the individual who made 125 (57.9%) purchases.

We obtained from Rite Aid a detailed listing of items purchased, and noted none of the items purchased were associated with the purchase of testing strips or other non-smoking products for SARTA purposes. The items purchased included VISA and miscellaneous vendor gift cards, food, beverages, cosmetics, cleaning supplies and other miscellaneous items. We noted 23 Rite Aid purchases of PayPal gift cards, totaling \$29,485 and the available balances were transferred directly into Ms. Williams' personal bank account. In addition, another 21 Rite Aid purchases, totaling \$30,832, were recorded on Ms. Williams' Rite Aid customer account number.

We further examined SARTA credit card records and compared to the Rite Aid listing of items purchased. Of the 172 remaining purchases, 76, totaling \$68,729, identified on the Rite Aid listing did not match the itemized receipts maintained by SARTA. All 76 itemized receipts identified Ms. Williams made an online purchase at Rite Aid for tobacco testing strips or other non-smoking products; however, the actual items purchased were VISA gift cards, vendor gift cards, and other miscellaneous items. Ms. Williams submitted fraudulent receipts to SARTA for the items purchased at Rite Aid. Computer forensic examination of Ms. Williams' SARTA computer revealed numerous emails from Ms. Williams' personal email address to her SARTA email address. A review of these emails revealed Ms. Williams had sent emails with attachments of fraudulent Rite Aid invoices, generated in a "Word" program, which were later submitted to SARTA as support for the payment. In addition, SARTA credit card records indicate Ms. Williams signed out the credit card used to make an additional 36 Rite Aid purchases, totaling \$48,419. The remaining 60 Rite Aid purchases, totaling \$62,669, were additional purchases identified as Wellness program items; however, items purchased were VISA and miscellaneous vendor gift cards and other miscellaneous items not for SARTA purposes.

As part of our investigation, we interviewed several Rite Aid employees from stores where Rite Aid purchases were made. Two cashiers recalled a frequent "white female, tall, with blonde hair" customer would come into the Rite Aid stores and purchase a lot of gift cards. One employee recalled the customer purchased approximately \$3,000 worth of gift cards one day and the customer casually explained she "worked at some bus line company and the gift cards were for a program they were promoting." When the employees were shown a photo of Ms. Williams, each identified Ms. Williams as the customer described.

We also examined SARTA's credit card statements for purchases that occurred around the dates of the Rite Aid purchases made during the Period. In addition, we examined the statements and support documents maintained by SARTA to identify any vendor or purchased item that appeared to be personal or not for SARTA operations.

SUPPLEMENT TO THE FRAUD EXAMINATION REPORT

As a result, we examined an additional 300 credit card transactions totaling \$137,463 made by SARTA employees during the Period. Of the 300 transactions examined, 116 (38.7%) purchases totaling \$33,424 were not supported with receipts documenting the item purchased; however, we were able to determine 33 purchases, totaling \$8,333 were for SARTA purposes through a vendor analysis and examination of other related documentation, including purchase order documents. In addition, credit card sign in and out forms were not maintained and we were not able to determine the individual who made 67 (22.3%) purchases.

We identified 119 purchases, totaling \$32,137, made by Ms. Williams that appear to be personal and not for SARTA operations. 74 of the 119 purchases, totaling \$24,211, were not supported with an original receipt of items purchased; therefore, we were not able to determine whether the items purchased were proper and for SARTA purposes. The remaining 45 purchases, totaling \$7,926 were supported with a receipt; however, 31 items purchased were vendor gift cards or gift card reloads and appear to be personal purchases and not for SARTA purposes. The remaining 14 items purchased included food and other miscellaneous items that appear to be personal and not for SARTA operations.

We identified 15 purchases, totaling \$2,950, made by Ms. Pryor that appear to be personal and not for SARTA operations. One purchase totaling \$58 was not supported with an original receipt of items purchased; therefore, we were not able to determine whether the items purchased were proper and for SARTA purposes. The remaining 14 purchases were supported by an original receipt of items purchased; however, items purchased include vendor gift cards, food, and other miscellaneous items and were not for SARTA purposes.

In addition, we identified seven credit card purchases, totaling \$1,107, made by other SARTA employees that do not appear to be for a proper public purpose. In addition, we identified six credit card purchases totaling \$410 made by different employees that do not appear to be for a proper public purpose; however, the purchase amounts were small and will not be included in a finding for recovery. SARTA has not been able to provide any policies or board approval for these types of purchases. In addition, SARTA did not track certain recipients of gift cards, raffle items, or community gifts.

We identified five of seven credit card purchases for which the employee who made the purchase was not documented. SARTA Board Resolution #35-2015 authorizes the Executive Director/CEO to implement the credit card policy; and therefore, he is ultimately responsible for these improper purchases. The remaining two purchases were made by other SARTA employees and do not appear to be for a proper SARTA purpose. The following is a breakdown of the improper purchases made:

Employee	Number of Purchases	Amount
Tammy Brown	2	\$188
Kirt Conrad	5	\$919
Total	7	\$1,107

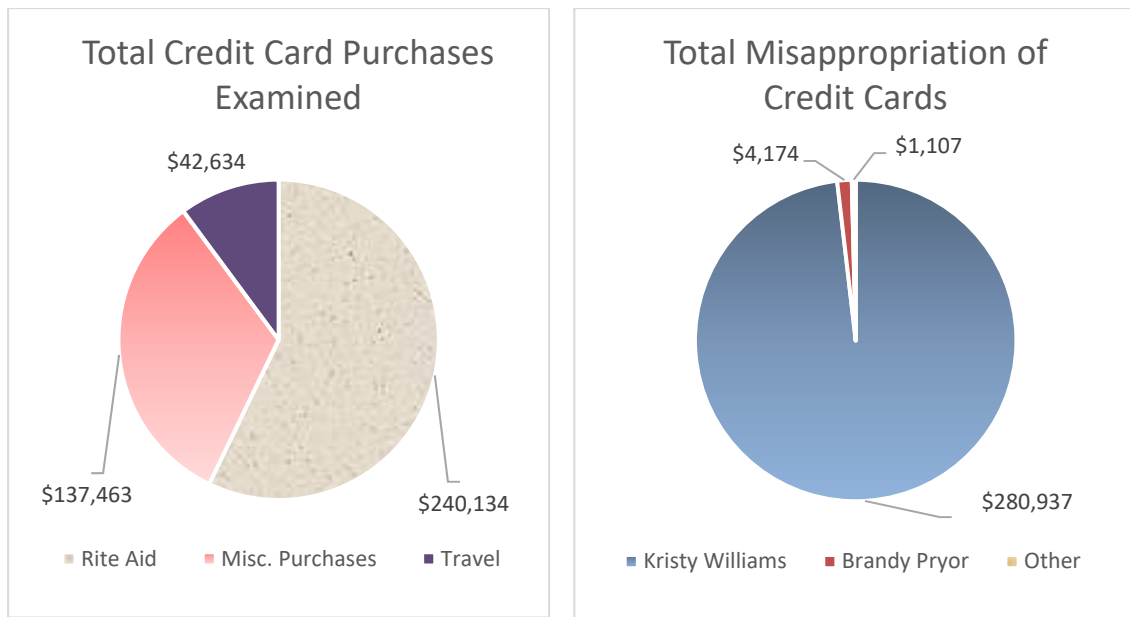
SARTA's travel policy also allowed each employee traveling for SARTA-related business to use a SARTA-issued credit card for travel expenses, which includes hotel reservations, transportation to/from airport, baggage fees, parking fees and tolls.

We identified Ms. Williams made 87 travel-related credit card purchases totaling \$22,150 on a SARTA-issued credit card during the Period. Of the 87, 53, totaling \$8,666, were not properly supported with itemized receipts or invoices or were identified as personal purchases. Additionally, we identified Ms. Pryor made 80 travel-related credit card purchases totaling \$20,484 on a SARTA-issued credit card during the Period. Of the 80 purchases, 35 totaling \$1,224, were not properly supported with itemized receipts or invoices or were identified as personal purchases. These charges included unallowable transportation costs, food, hotel upgrades, conferences not attended, and other miscellaneous travel expenses not for SARTA purposes. Some of the more significant items are detailed below:

SUPPLEMENT TO THE FRAUD EXAMINATION REPORT

1. Ms. Williams used the SARTA-issued credit card to purchase \$771 in airfare and fees for her husband to travel with her to work-related conferences. We also identified a \$244 hotel charge Ms. Williams made on the SARTA-issued credit card for the MGM Grand Hotel in January 2015; however, we were not able to identify any SARTA-authorized travel Ms. Williams made to Las Vegas. In addition, we discovered several hotel upgrades purchased by Ms. Williams on the SARTA-issued credit card. In June 2014, Ms. Williams attended the SHRM Annual Conference in Orlando, Florida. The conference was held at the Cabana Bay Beach Resort; however, Ms. Williams stayed at the Nickelodeon Resort in the family suite totaling \$897. The purchase of the family suite was not for SARTA purposes. Additionally, Ms. Williams attended the Eno Center for Transportation Training Conference in Salt Lake City, Utah in July 2015. Ms. Williams pre-purchased hotel accommodations for the conference in May 2015, totaling \$867; however, when she arrived at the conference, she changed her hotel accommodations to another hotel, totaling \$1,455, and the original hotel reservation purchase was not refunded.
2. We identified \$3,878 in charges on the SARTA-issued credit card related to two conferences Ms. Williams did not register and pay the conference fee to attend, as discussed previously in this travel expense section. The first conference was the SHRM Talent and Diversity Conference in San Francisco, California in October 2017, and second conference was the SHRM Conference in New Orleans, Louisiana in April 2018. These purchases were personal and not for SARTA purposes.
3. We also identified Ms. Williams and Ms. Pryor attended the Ohio SHRM Human Resource Conference at the Kalahari Resort in Sandusky, Ohio in September 2017. Ms. Williams and Ms. Pryor pre-registered for the conference and prepaid their hotel reservations in July 2017. In addition, both employees received their meal per diem reimbursement for the conference on August 31, 2017. However, upon arriving for the conference, both Ms. Williams and Ms. Pryor used a SARTA-issued credit card to purchase a "Fantastic Family Getaway for 4" package, totaling \$280 each, which included meals and passes to the Kalahari Resort waterpark. The purchase of the additional package appears to be a personal expense and not related to SARTA purposes.
4. Ms. Pryor also used the SARTA-issued credit card to make \$287 in airfare upgrade and flight changes that appear to be personal and not for SARTA purposes. On one occasion, Ms. Pryor purchased airfare to attend the 2016 SHRM Annual Conference in Washington, DC in June 2016. Ms. Pryor changed the departure date twice, resulting in change fees totaling \$145. The reason for these changes appear to be personal and not related to SARTA operations. Ms. Pryor also used the SARTA-issued credit card for hotel accommodations for the Ohio Safety Congress in Columbus, Ohio in March 2016. Ms. Pryor made hotel accommodations for her and another SARTA employee prior to the conference; however, Ms. Pryor later canceled her reservation and made other reservations at the OSU Blackwell Hotel. The original hotel cost totaled \$335; however, the OSU Blackwell Hotel accommodations totaled \$468. While SARTA does not follow government standard rates for hotel accommodations, we determined the hotel change to be personal and not for SARTA purposes, resulting in a \$133 unauthorized purchase.

SUPPLEMENT TO THE FRAUD EXAMINATION REPORT



Payroll Disbursements

In September 2014, Kristy Williams became SARTA's Human Resource Director. She had been the Human Resource Administrator since August 2010. SARTA required the Human Resource Director to have a bachelor's degree. Ms. Williams submitted a resume and cover letter for the Human Resource Director position and identified on her resume that she had obtained a bachelor's degree from the American InterContinental University (AIU) in 2011. Ms. Williams received tuition reimbursements between May 2010 and March 2011 from SARTA based on documents she provided for the completion of an undergraduate degree from the AIU. Additionally, Ms. Williams provided documents to SARTA for tuition reimbursements from September 2015 through March 2018 for courses completed at AIU related to a master's degree.

Our investigation uncovered Ms. Williams submitted fraudulent and fictitious college transcripts, tuition invoices, and degree records as well as a fraudulent resume to SARTA. Records obtained from AIU indicated Ms. Williams had not completed her undergraduate degree and did not take any further classes for a master's degree. As a result, Ms. Williams received a promotion to a position for which she didn't meet the criteria, and SARTA paid an additional \$113,503 in salary for Ms. Williams as the Human Resource Director and the subsequent promotion of Brandy Pryor to the Human Resource Administrator position.

SUPPLEMENT TO THE FRAUD EXAMINATION REPORT

Objective 2

Examine whether disability insurance and Home Energy Assistance Program (HEAP) benefits were properly received during the Period.

PROCEDURES

We performed computer forensics and examined disability insurance and federal grant documents to determine whether Ms. Williams properly received disability insurance and Home Energy Assistance Program (HEAP) benefits during the Period.

RESULTS

Disability Insurance / Federal Home Energy Assistance Program

Computer forensic analysis completed on Kristy Williams' SARTA-issued computer revealed Ms. Williams created and submitted altered and fictitious documents to receive short term disability benefits from Guardian Insurance and federal home energy assistance benefits through the Home Energy Assistance Program (HEAP).

Ms. Williams received disability benefit payments while on maternity leave from Guardian Insurance from May 9, 2016 through September 12, 2016, totaling \$20,696. On May 3, 2016, Ms. Williams fraudulently submitted a salary change for herself to Guardian Insurance to increase her salary to \$41.08 per hour, which was confirmed through SIU computer forensic analysis. Based on pay statements obtained from SARTA, Ms. Williams was actually paid \$35.35-\$36.42 per hour. In addition, the investigation discovered that while Ms. Williams was receiving disability benefits from Guardian Insurance, she was also receiving her salary, accumulated sick, vacation, and holiday leave pay from SARTA. The Auditor of State's office does not have the authority to issue findings for recovery on behalf of Guardian Insurance. We examined the disability insurance benefits as part of the criminal investigation. Ms. Williams was ordered to pay \$20,696 to Guardian Insurance as part of the criminal restitution order.

The investigation also revealed Ms. Williams created fictitious SARTA paycheck stubs on her SARTA-issued computer and submitted the stubs to receive federal home energy assistance benefits totaling \$2,407 from Ohio Development Services Agency, the HEAP administrating agency. Ms. Williams provided the altered documents to HEAP indicating her pay rate at SARTA was \$10/hour from September 2013 through December 2014. However, upon review of Ms. Williams' payroll records maintained by SARTA, it was noted her actual pay rate during that period was \$25/hour.



APPENDIX
SCHEDULE OF FINDINGS FOR RECOVERY AND
MANAGEMENT RECOMMENDATIONS

APPENDIX

FINDINGS FOR RECOVERY

Tuition Reimbursements

SARTA maintained a tuition reimbursement program providing “an opportunity for employees to obtain additional education or training in order to increase their competence in their present jobs and to prepare for future advancement within the company.” The policy also stated employees were responsible for completing a tuition reimbursement application form and obtaining proper approval prior to the course starting. Any tuition reimbursement request submitted after the class started would be denied. Within 30 days of completion of the course, the employee was required to provide SARTA with an invoice identifying the fees charged and amount paid by the employee, and the grade/report card for the semester identifying the grade received in the course. SARTA would reimburse employees based on the grade received.

Kristy Williams and Brandy Pryor submitted fictitious college documents to obtain tuition reimbursement payments from SARTA in excess of authorized amounts as follows:

	Reimbursed Amount	Allowable Amount	Unallowable Amount
Kristy Williams	\$30,769	\$4,793	\$25,976
Brandy Pryor	\$20,158	\$5,416	\$14,742

Travel Expenses

SARTA’s travel policy required all travel to be “planned and approved a minimum of three weeks prior to departure. Prior to making reservations, a travel form must be submitted to the department director and/or Executive Director/CEO for approval.” The travel policy also identified allowable expenses, including a meal per diem reimbursement, shuttle/transportation, hotel reservations, airfare/baggage fees, parking fees, and tolls. All purchases must be accompanied by acceptable receipts or other proofs of payment and an expense report. All receipts must be submitted within five days upon return.

Kristy Williams received the following unallowable travel reimbursements:

- Three mileage reimbursement payments totaling \$370, not supported with documentation; therefore, we were not able to verify the amount of mileage reimbursement was accurate;
- One \$80 airport shuttle reimbursement payment in which Ms. Williams drove to the conference rather than flying. Therefore, the shuttle reimbursement would not be allowable; and
- Two meal per diem reimbursements, totaling \$571, to attend two human resource related conferences, one in October 2017 and one in April 2018; however, we were not able to identify that conference fees were paid for Ms. Williams to attend those conferences.

Brandy Pryor received the following unallowable travel reimbursements:

- Two meal per diem reimbursements totaling \$220 for which we were not able to identify any overnight stays associated with Ms. Pryor’s travel; and
- One mileage reimbursement payment was not calculated correctly, resulting in a \$3 overpayment.

Improper Credit Card Purchases

SARTA’s credit card policy states, “...credit cards are to be used for SARTA business only...any receipt not forwarded by receipt of the charge card statement will be assumed to be improper charges and will be collected from the employee making said charge on the employee’s first pay following said billing. Improper charges or unauthorized charges may subject employees to prosecution under state statutes and/or disciplinary measures, up to and including dismissal.” In addition, SARTA provided a Wellness Program for employees who stopped smoking and remained tobacco free. SARTA would administer random testing of employees and then provide rewards to qualifying employees.

Kristy Williams was responsible for administering SARTA’s Wellness Program, which included purchasing testing strips and other non-smoking products, and testing employees. During the Period, we identified 216 Rite Aid purchases totaling \$240,134 on SARTA-issued credit cards and noted none of the items purchased were associated with the purchase of testing strips or other non-smoking products. The items purchased included VISA and miscellaneous vendor gift cards, food, beverages, cosmetics, cleaning supplies and other miscellaneous items, which were all determined to be personal and not for SARTA purposes.

APPENDIX

Ms. Williams also made the following unallowable purchases on SARTA-issued credit cards:

- \$8,666 related to unallowable travel to conferences and seminars;
- \$24,211 in purchases not supported with an original receipt; therefore, we were not able to determine whether the items purchased were proper and for SARTA purposes; and,
- \$7,926 in vendor gift cards or gift card reloads, food and other miscellaneous items that appear to be personal and not for SARTA operations.

Ms. Pryor made the following unallowable purchases on SARTA-issued credit cards:

- \$1,224 in unallowable transportation costs, food, hotel upgrades, and other miscellaneous travel expenses not for SARTA purposes; and,
- \$2,950 in vendor gift cards, food, and other miscellaneous items.

We also identified seven credit card purchases, totaling \$1,107, for personal expenses incurred for the benefit of other SARTA employees and not for SARTA business purposes. Of the seven credit card purchases,

- Two purchases, totaling \$188, were made by a SARTA employee and do not appear to be for a proper SARTA purpose; and,
- Five purchases, totaling \$919, on a SARTA-issued credit card, we were not able to determine which SARTA employee made the purchases and do not appear to be for a proper SARTA purpose.

Human Resource Director Salary

SARTA has established certain requirements that applicants must meet to be eligible for a Director position. For the Human Resource Director position, one of the requirements for applicants was a bachelor's degree from an accredited college or university.

Ms. Williams submitted a resume and cover letter for the Human Resource Director position and identified on her resume that she had obtained a bachelor's degree from the American InterContinental University (AIU) in 2011. An investigation uncovered Ms. Williams submitted fraudulent and fictitious college records as well as a fraudulent resume to SARTA to obtain the Human Resource Director position, to which she was promoted in September 2014. Further, as a result of Ms. Williams' promotion, Brandy Pryor was also promoted to fill her previous position. Ms. Williams cost SARTA \$113,503 as a result of her fraudulently obtained promotion.

Federal Home Energy Assistance Fraud

Households with income at or below 175 percent of the federal poverty guidelines are eligible for a federally funded program that provides Ohioans assistance with their home energy bills.

Our investigation revealed Ms. Williams provided altered payroll documents and received federal home energy assistance benefits totaling \$2,407 from the Home Energy Assistance Program (HEAP).

Findings for Recovery Conclusion

On May 18, 2020, Judge Frank Forchione ordered restitution of \$406,594 against Kristy Williams in Case # 2020CR0581A and on June 29, 2020, Judge Forchione ordered restitution of \$14,742 against Brandy Pryor in Case # 2020CR0581B. However, \$20,696 was ordered in favor of Guardian Insurance (a non-governmental entity) related to the disability insurance fraud and therefore will be excluded from the finding for recovery total below.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a finding for recovery for public property converted or misappropriated is hereby issued against Kristy Williams in the amount of \$385,898, and Brandy Pryor in the amount of \$14,742, and in favor of the Stark Area Regional Transit Authority in the amount of \$398,233 and in favor of the Ohio Development Services Agency in the amount of \$2,407.

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In addition to the restitution order, in accordance with the foregoing facts from the special audit and pursuant to Ohio Rev. Code § 117.28, a finding for recovery for public property converted or misappropriated is hereby issued against Kristy Williams in the amount of \$37,946 and Brandy Pryor in the amount of \$4,397; and a finding for recovery for public monies illegally expended is hereby issued against Kirt Conrad in the amount of \$919 and Tammy Brown in the amount of \$188, all in favor of Stark Area Regional Transit Authority.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen.

Board Resolution #35-2015 authorizes the Executive Director/CEO to implement the credit card policy. Executive Director, Kirt Conrad, was responsible for implementing the credit card policy and ensuring SARTA established a proper system of controls over the use of the credit cards.

During the Period, Mr. Conrad served as SARTA's Executive Director and was responsible for supervising SARTA staff responsible for making purchases, payments on credit card accounts, maintaining support for disbursements, and developing and implementing proper credit card procedures to ensure purchases directly relate to the official operations of SARTA.

Accordingly, Mr. Conrad will be jointly and severally liable in the amount of \$188 and in favor of Stark Area Regional Transit Authority.

On October 15, 2020, Mr. Conrad repaid \$1,107 to SARTA and the payment was deposited to SARTA's operating account.

MANAGEMENT RECOMMENDATIONS

Records Retention

Ohio Rev. Code § 149.351(A), states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under sections 149.38 to 149.42 of the Revised Code. Those records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, destroyed, mutilated, or transferred unlawfully. SARTA's records retention requires vouchers, invoices and purchase orders be maintained for at least three years, or when no longer administratively necessary.

The following records were not maintained by SARTA:

- Six of 15 tuition reimbursement application forms and payment support documents were not maintained;
- One of 37 travel reimbursement payment support documents were not maintained;
- 340 of 683 credit card transactions did not have charge receipts, original cash register slips, or the detailed receipts or invoices. Our investigation identified instances where SARTA identified missing itemized receipts for credit card purchases; however, never followed up with the credit card user or reported issues to management to ensure the supporting documentation was obtained; and,
- Credit card sign in and out forms were not maintained and we were not able to determine the individual who made 192 of 516 credit card purchases on a SARTA-issued credit card.

Lack of supporting documentation for disbursements limits management's ability to review and approve transactions and increases the risk of errors. Failure to adequately control and maintain documents could result in the inability to review prior transactions for accuracy or fraud.

We recommend SARTA take measures, including establishing specific control procedures, to ensure all records are adequately safeguarded and maintained.

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Public Records Policy

Ohio Rev. Code § 149.43(E) provides that all public offices shall adopt a public records policy for responding to public records requests. In adopting a public records policy, a public office may obtain guidance from the model public records policy developed and provided to the public office by the attorney general under § 109.43 of the Revised Code. Except as otherwise provided in this section, the policy may not limit the number of public records that the public office will make available to a single person, may not limit the number of public records that it will make available during a fixed period of time, and may not establish a fixed period of time before it will respond to a request for inspection or copying of public records, unless that period is less than eight hours.

Furthermore, the public office shall distribute the public records policy adopted by the public office to the employee of the public office who is the records custodian or records manager or otherwise has custody of the records of that office. The public office shall require that employee to acknowledge receipt of the copy of the public records policy. The public office shall create a poster that describes its public records policy and shall post the poster in a conspicuous place in the public office and in all locations where the public office has branch offices. The public office may post its public records policy on the internet web site of the public office if the public office maintains an internet web site. A public office that has established a manual or handbook of its general policies and procedures for all employees of the public office shall include the public records policy of the public office in the manual or handbook.

During the Period, SARTA did not have a public records policy.

By not adopting a public records policy, SARTA risks being in noncompliance with public records laws. All employees need to be aware of the public records laws and what procedures to follow when a member of the public requests to examine public records.

We recommend SARTA adopt a public records policy that is modeled after the example published by the Ohio Attorney General. The model public records policy is available on the Attorney General's website. This policy should be distributed to SARTA employees and posted at SARTA or available on SARTA's internet website. SARTA should identify a records custodian or records manager. SARTA should also consider having the records custodian or records manager attend public records training.

Rewards Card Policy

Ohio Rev. Code § 102.03(D) provides that no public official or employee shall use or authorize the use of the authority or influence of office or employment to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public employee with respect to that person's duties.

Additionally, **Ohio Rev. Code § 102.03(E)** states that no public official or employee shall solicit or accept anything of value that is of such character as to manifest a substantial and improper influence upon the public employee with respect to that person's duties. The term "anything of value" is defined to include money and every other thing of value. Discounts on future purchases and other things of value offered as reward program incentives are considered things of value.

Rewards program benefits are of such a character to manifest a substantial and improper influence upon the employee with respect to their duties. It is foreseeable that a public employee could select a particular vendor from which to make purchases in order to accumulate rewards benefits on their personal rewards card and, by doing so, a higher expense for the public agency.

During the Period, SARTA did not have a formal written policy governing rewards programs. In addition, we noted several reward card numbers on Rite Aid receipts that were a personal rewards card of Kristy Williams. These accumulating reward points can then be redeemed for personal use.

Failure to have policies on such purchases could result in findings for recovery in future audits as well as referrals to the Ohio Ethics Commission.

SARTA should establish and adopt a formal policy prohibiting the use of personal rewards cards while making SARTA purchases.

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Credit Cards

SARTA's credit card policy governing the use of credit cards during the Period states in part, "Credit cards may be checked out from the Accounting Administrator or Director of the Finance and Administration Department. Each Department Director will be responsible for authorizing all purchases and charges incurred on their credit card. Charge slips or receipts will be forwarded to the Accounts Payable Administrator immediately. Any receipts not forwarded by receipt of the charge card statement will be assumed to be improper charges and will be collected from the employee making said charges on the employee's first pay following said billing." In addition, the credit card policy was updated in May 2015 and indicated, "Credit cards may be signed out after the requestor has received a purchase order number or a requisition number."

During the Period, SARTA had 31 open credit card accounts issued in the names of various employees and departments. SARTA's credit card policy required employees to sign in and out credit cards; however, the control was not consistently enforced, and we identified 192 purchases on credit cards not signed out. Also, credit card purchases did not always have the appropriate purchase order or requisition number prior to the purchase being made. In addition, SARTA's credit card policy did not contain guidance regarding allowable expenses and limitations. SARTA management did not review monthly credit card statements to ensure items purchased were properly supported and allowable. As a result, supporting documentation for credit card purchases was missing or not maintained. Of the 683 credit card purchases examined, 340 (49.7%) were not properly supported with original invoices or itemized receipts. Not maintaining documentation made it difficult to determine the nature of certain charges and whether each related to the operations of SARTA.

It was management's responsibility to implement internal controls to reasonably ensure credit card transactions were supported, accurately recorded and for SARTA purposes. Management was also responsible for monitoring these control procedures to verify they were operating effectively.

Failure to provide detailed guidance addressing required supporting documentation and allowable expenditures, and failing to review transactions resulted in personal purchases being paid by SARTA.

We recommend SARTA implement additional controls over the use of credit cards. To be effective, the performance of an internal control must be sufficiently documented to provide assurance the control was in place and functioning as intended. We recommend SARTA limit the use of credit cards and significantly decrease the number of open credit card accounts. To further enhance SARTA's management over remaining credit card activity, we recommend the following:

- SARTA should establish updated procedures relating to credit card transactions that specifically address items such as allowable and prohibited expenditures, and required documentation, including the submission of original, itemized receipts;
- SARTA should establish procedures for review and approval of credit card transactions and specifically designate those individuals required to review and approve transactions to ensure sufficient documentation is provided to support the nature and business purpose of credit card charges prior to paying bills; and,
- SARTA should inform and provide training to each card user regarding the credit card policies and procedures to ensure users are aware of and understand the requirements. Signed acknowledgements should be obtained from all card users stating they received the training.

Travel Expenses

SARTA's travel policy required all travel to be "planned and approved a minimum of three weeks prior to departure. Prior to making reservations, a travel form must be submitted to the department director and/or Executive Director/CEO for approval." The travel policy also identified allowable expenses, including a meal per diem reimbursement, shuttle/transportation, hotel reservations, airfare/baggage fees, parking fees, and tolls. All purchases must be accompanied by acceptable receipts or other proofs of payment and an expense report. All receipts must be submitted within five days upon return.

We noted noncompliance with SARTA's travel policy. Of the 37 employee travel reimbursements examined:

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- 12 travel request forms were not properly approved (including not signed and not signed/dated within the policy guidelines);
- One travel request form was not maintained;
- Four travel request forms were signed; however, the date of the approval was not documented. Therefore, we were not able to determine whether the approval occurred at least three weeks prior to the travel date;
- 88 of 167 travel expense purchases examined on SARTA credit cards were not properly supported; and,
- \$9,890 in unallowable travel expenses on SARTA credit cards were identified during the Period. These charges included unallowable transportation expenses, hotel upgrades, food, conferences not attended, and other miscellaneous expenses not for SARTA purposes.

It was management's responsibility to implement internal controls to reasonably ensure expenditures were supported, accurately recorded and for SARTA purposes. Management was also responsible for monitoring these control procedures to verify they were operating effectively.

Failure to provide detailed guidance addressing required supporting documentation and allowable expenditures, and failing to review transactions resulted in unallowable purchases being paid by SARTA.

We recommend SARTA review their current travel policy and establish internal controls that ensure policy requirements are being followed. Management should also monitor the control procedures to ensure they are in place and operating as management intended. In addition, SARTA should inform and provide training to each employee regarding the travel policies and procedures to ensure users are aware of and understand the requirements and allowable expenses.

Tuition Reimbursement Policy

SARTA maintained a tuition reimbursement program during the Period providing "an opportunity for employees to obtain additional education or training in order to increase their competence in their present jobs and to prepare for future advancement within the company." According to SARTA's tuition reimbursement policy, employees were responsible for completing a tuition reimbursement application form and obtaining proper approval prior to the course starting. Any tuition reimbursement request submitted after the class has started will be denied. Within 30 days of completion of the course, the employee is required to provide SARTA with an invoice identifying the fees charged and amount paid by the employee, and the grade/report card for the semester identifying the grade received in the course. SARTA reimbursed employees based on the grade received.

During the Period, SARTA paid 15 tuition reimbursement payments totaling \$50,927 that did not contain the appropriate supporting documentation and/or proper approvals on the tuition reimbursement form. Of the 15 payments:

- Six were not supported with the required tuition reimbursement application form;
- Four tuition reimbursement application forms were not approved;
- Four tuition reimbursement application forms were not approved prior to the beginning of course work;
- Three tuition reimbursement application forms were approved; however, were not approved by the proper management, as outlined in the tuition reimbursement policy; and,
- Nine were not supported with final grades from the school and invoice of fees charged to support the tuition reimbursement was paid according to the tuition reimbursement policy guidelines.

As a result of our investigation, we identified \$40,718 in fraudulent tuition reimbursement payments.

It was management's responsibility to implement internal controls to reasonably ensure payments were supported, accurately recorded, and for SARTA purposes. Management was also responsible for monitoring these control procedures to verify they were operating effectively.

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Failure to provide detailed guidance addressing required supporting documentation and allowable expenditures, and failing to properly review and approve transactions resulted in unallowable purchases being paid by SARTA.

We recommend SARTA review their current tuition reimbursement policy and establish internal controls that ensure policy requirements are being followed. Management should also monitor the control procedures to ensure they are in place and operating as management intended.

Proper Public Purpose

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a “proper public purpose” rests with the judgment of the government entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper “Public Purpose” states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

We examined credit card purchases made on SARTA-issued credit cards by SARTA employees during the Period. We identified 448 of 683 (65.6%) purchases that lacked sufficient evidence to support the expenditure or substantiate proper public purpose. Items purchased include vendor gift cards, food, beverages, cosmetics, cleaning supplies, decorations, hotel and flight upgrades, and other miscellaneous travel expenses not for SARTA purposes. In addition, we identified 22 of 52 (42.3%) travel and tuition reimbursements that were not for a proper public purpose.

SARTA does not have a policy that describes the appropriateness of expenditures regarding an acceptable proper public purpose. In the absence of such policy, expenditures that do not promote the goals or mission of SARTA or work to achieve such goals or mission may inadvertently be entered into and approved by SARTA.

We recommend SARTA adopt a comprehensive proper public purpose policy that provides guidance and direction to SARTA management and staff as to what expenditures are viewed to be for a proper public purpose that accomplish the goals and mission of SARTA.

In addition, we recommend SARTA maintain a list documenting the distribution of any gift cards purchased with public funds and also note that, if given to SARTA employees, they may be taxable. SARTA should consult with their legal counsel regarding the tax liability of gifts to employees.

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OHIO AUDITOR OF STATE KEITH FABER



STARK AREA REGIONAL TRANSIT AUTHORITY

STARK COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 11/5/2020

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www.ohioauditor.gov