



Dave Yost • Auditor of State



**STAR COMMUNITY JUSTICE CENTER  
SCIOTO COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Fraud Examination Report .....	3
Supplement to the Special Audit Report	
Objective No. 1 – Credit Card Expenses .....	9
Objective No. 2 – Non-payroll Disbursements .....	28
Objective No. 3 – Employee Leave .....	31

**THIS PAGE INTENTIONALLY LEFT BLANK**



# Dave Yost • Auditor of State

## FRAUD EXAMINATION REPORT

STAR Community Justice Center  
4578 Gallia Pike  
Franklin Furnace, OH 45629

### **Background**

In May, 2015, the Auditor of State's Office (AOS) was finalizing its engagement of the STAR Community Justice Center, Scioto County, Ohio ("STAR"). As part of what had been an otherwise routine engagement, AOS requested STAR's Executive Director, Ed Philabaun, to sign what is called a "representation letter," the purpose of which is, in part, to have the client confirm it has notified the auditor of any fraud or suspected fraud at the entity. Mr. Philabaun contacted the AOS to inform us that he could not sign the representation letter due to potential fraud committed by STAR's former Deputy Director, Josh Saunders. Mr. Philabaun reported to the AOS that STAR had terminated Mr. Saunders' employment for performance reasons on April 13, 2015. Approximately two weeks later on April 28, 2015, STAR received a public records request from an employment law firm, Marshall and Morrow, LLC, who represented Mr. Saunders. During the process of gathering responsive records, STAR employees realized Mr. Saunders had purchased personal items with his STAR credit card and had submitted receipts that appeared to have been forged. On April 29, 2015, a STAR employee went to Mr. Saunders' personal residence to pick up STAR property in his possession. Mr. Saunders returned some property, but STAR believed there was additional STAR property Mr. Saunders neglected to return. On May 4, 2015, Mr. Philabaun met with the STAR Governing Board and told its members what they had found. The Board then initiated an internal investigation. It reviewed Mr. Saunders' credit card purchases from 2011-2015, obtained written statements from six STAR employees, and prepared an Incident Report documenting its findings ("the Incident Report"). STAR's Incident Report included several instances where Mr. Saunders appeared to submit forged receipts, personal and unauthorized purchases paid for by STAR on behalf of Mr. Saunders, and missing equipment believed to be in Mr. Saunders' possession.

On July 1, 2015, Mr. Saunders sued STAR's governing board and Mr. Philabaun for unlawful termination. Mr. Saunders also submitted a letter dated July 21, 2015 to the AOS Southwest Regional Office accusing Mr. Philabaun of wasting and potentially misspending STAR funds.

On June 24, 2015, the AOS Special Audit Task Force (SATF) authorized the AOS Public Integrity Assurance Team (PIAT) to open a preliminary investigation into the fraud allegations at STAR. Mr. Philabaun indicated STAR had contacted the Scioto County Sheriff's Office. We communicated with the Sheriff's Office and learned on July 10, 2015, the Sheriff's Office had referred the case to the Bureau of Criminal Identification and Investigation (BCI). On July 21, 2015, PIAT contacted BCI to offer assistance on this case and they accepted. On August 31, 2015, PIAT and BCI interviewed STAR's Business Director to discuss procedures at STAR and Mr. Saunders' and Mr. Philabaun's conflicting allegations. Based on this interview and a review of STAR credit card statements showing purchases made by Mr. Philabaun and Mr. Saunders from July 1, 2013 through June 30, 2015, we initiated a special audit of STAR on September 17, 2015.

## **Scope**

In conducting our special audit of STAR, we used the complaints and our preliminary findings to define the areas we should investigate and the relevant time period. This helped define our specific objectives, or questions, which could be audited (i.e., either documents existed or at least should exist which could be tested, there were relevant laws or internal procedures in place) and would answer whether STAR spent public money appropriately. In order to answer whether STAR spent public money appropriately, we audited for compliance with applicable Revised Code provisions; for compliance with internal procedures, such as rules governing use of employee leave; and for compliance with grant agreements entered into with the Ohio Department of Rehabilitation and Correction (ODRC). STAR receives a significant amount of its funding each year from this ODRC grant. We defined our audit period as covering July 1, 2011 to July 13, 2015 (the Period) based on the risk factors identified. Having defined our objectives and period, we developed specific procedures designed to answer each of our objectives.

The objectives and procedures are described more fully in the attached Supplement to the Special Audit Report for the Period.

The specific objectives we tested to determine whether fraud was committed at STAR and, if so, to what extent, are as follows:

- Examine credit card transactions made by STAR employees to determine whether the transactions were supported by documentation indicating the nature and purpose of the charge, were for a purpose related to STAR operations, and were made in accordance with STAR policies, grant agreements, and the Ohio Revised Code.
- Examine supporting documentation for certain non-payroll disbursements made by STAR to ensure they were for a purpose related to STAR operations and made in accordance with grant agreements and the Ohio Revised Code.
- Examine leave records to determine if STAR is in compliance with its employee leave policy.

In order to test these objectives, we reviewed available documentation and interviewed key STAR personnel. Specifically, we reviewed 100% of Mr. Philabaun's and Mr. Saunders' credit card transactions as well as other high-risk transactions, notably anything related to conferences and trainings attended by STAR employees. During the special audit, we also became aware of potential non-compliance issues relating to employees' use of vacation leave and attendance at various conferences and trainings. PIAT addressed these allegations by reviewing grant guidelines, applicable laws governing commissary funds, leave policies and supporting documents for the expenditures in question. Ultimately PIAT issued findings for recovery, non-compliance citations, and internal control recommendations regarding improper use of leave at STAR.

This engagement was conducted in accordance with the Quality Standards for Inspection and Evaluation established by the Council of the Inspectors General on Integrity and Efficiency (January 2012).

## **Findings**

After completing our audit work, we determined there were instances where STAR personnel were paid illegally, failed to follow internal procedures, and violated terms of a grant agreement with the ODRC. Our report includes multiple 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 14 findings for recovery against 11 STAR employees totaling \$20,090. Nine employees repaid STAR a total of \$11,326 after being notified about the findings for recovery. As of the date of this report, an unpaid balance of \$8,289 remains for one employee.

The details are discussed more fully in the attached supplement, but below is a summary of findings we are issuing:

#### *Travel-Related Expenditures*

During the Period, we examined all credit card transactions made by Mr. Philabaun, Mr. Saunders and other STAR employees in relation to twenty-two conferences, training sessions, and meetings they attended. We determined STAR had expenditures totaling \$86,372 related to these twenty-two events which included several in-state and out-of-state locations, including Denver, CO; Wilmington, NC; Reno, NV; Las Vegas, NV (twice); Orlando, FL; and Pittsburgh, PA. Out of the total \$86,372, we identified expenditures totaling \$10,523 that were not allowable and resulted in findings for recovery to be issued against STAR employees. The transactions resulting in findings for recovery included the following:

- Alcohol and tips at restaurants which were not allowed per STAR policy;
- Lodging, meals, and transportation related to recognition event;
- False receipts created and submitted for transactions made by Mr. Saunders;
- Lodging, meals, and transportation that exceeded a day prior to or after the event;
- Lodging at rates that exceeded the lowest government rate in the area;
- Unallowable meal purchases during travel;
- Meal purchases exceeding the daily allowance per STAR policy;
- Personal expenditures made by Mr. Saunders;
- Transportation expenses when STAR or staff provided their own transportation;
- Expenditures paid with STAR's family fund.

#### *STAR Property*

As referenced above, Mr. Philabaun had alleged Mr. Saunders retained STAR equipment at his house even after his employment was terminated. STAR was able to identify equipment purchased by Mr. Saunders that was not located on STAR grounds. We verified Mr. Saunders purchased with his STAR credit card a laptop and HDMI cable totaling \$306 that was not located at STAR. In addition, we identified Mr. Saunders purchased an iPad mini, portable charger, and a case with his STAR credit card worth \$350 that were shipped to his personal residence and could not be located by STAR. These purchases also resulted in a finding for recovery against Mr. Saunders.

#### *Separate Funds*

We identified STAR credit card transactions that were authorized to be paid from a "family fund." This fund was supposed to be used for employee gifts for weddings, baby showers, Christmas gifts, etc. During our audit we determined family fund monies were authorized by Mr. Philabaun and Mr. Saunders to pay for meals and other travel related expenses purchased with STAR credit cards.

During the Period, we also reviewed credit card transactions and non-payroll disbursements paid with commissary funds and identified 41 transactions totaling \$3,488 to purchase meals, food, or beverages for meetings or training events, participation in golf outings, a sponsorship at a golf tournament, retirement gifts, flowers for a board member, tips on meals and transportation, and a contribution we determined were not made in accordance with the Ohio Rev. Code Section 2301.58 and resulted in findings for recovery.

### *STAR Policies*

During our review of credit card transactions we noted STAR did not have a credit card policy for the Period, employees reimbursed STAR for purchases made not related to STAR, employees did not attend portions of conferences STAR paid for them to attend, issues with the preparation and approval of purchase requisitions and daily meal allowances, and employees creating false receipts which resulted in management recommendations.

During the Period, we determined STAR provided paid administrative leave to certain employees, though STAR did not have an administrative leave policy. However, there existed "apparent authority" for Mr. Philabaun to authorize paid administrative leave for employees as additional compensation in consideration of additional service and effort. STAR was unable to provide administrative leave records for 2011, 2012, or 2013 due to a computer virus. STAR did provide administrative leave records for 2014 and 2015 and we determined Mr. Philabaun authorized leave for himself and did not get approval from the board. In addition, we determined one employee was paid for three days of administrative leave in 2014 that was not authorized by Mr. Philabaun which resulted in a finding for recovery totaling \$4,683. In addition, we issued two noncompliance citations related to STAR's use of administrative leave and records retention schedule because they did not maintain administrative leave records for 2011 through 2013. Also, we reviewed vacation leave balances at June 30, 2015 and determined STAR had six employees with vacation leave balances that exceeded the amount allowed per their policy resulting in a noncompliance citation.

### *Service Providers*

During our review of non-payroll disbursements we identified a contract entered into by STAR for landscaping services. The contract was not approved and authorized by the Board as was required by STAR's grant agreement. This resulted in a noncompliance citation.

We also learned during the audit STAR hired a former employee to work on quality assurance at STAR and paid him \$500; however, the services were never rendered. In addition, we determined STAR paid the vendor providing landscaping services prior to the vendor completing the services. This resulted in a management comment.

The specific procedures and associated findings are identified in the attached Supplement to the Special Audit Report.

On February 7, 2017, we held an exit conference with the following individuals representing STAR:

Tim Throckmorton, STAR Facility Governing Board Chair  
Emily Ernst, STAR Facility Governing Board Member  
Dean Calhoun, STAR Facility Governing Board Member  
Charles E. Philabaun, STAR Executive Director  
J.T. Holt, STAR Fiscal Director  
John Adkins, STAR Intake Director  
Steve McKnight, STAR Operations Director  
Matthew McClellan, STAR Program Director  
Shannon Bishop; STAR Reentry Director  
Margaret Apel Miller, Scioto County Assistant Prosecutor

The attendees were informed that they had five business days to respond to this special audit report. A response was received on February 14, 2017. The response was evaluated and changes were made to this report as we deemed necessary.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

February 3, 2017

**THIS PAGE INTENTIONALLY LEFT BLANK**

# SUPPLEMENT TO THE SPECIAL AUDIT REPORT

**Objective No. 1** - Examine credit card transactions made by STAR employees to determine whether the transactions were supported by documentation indicating the nature and purpose of the charge, were for a purpose related to STAR operations, and were made in accordance with STAR policies, grant agreements, and the Ohio Revised Code.

## PROCEDURES

In order to test Objective 1, we performed the following procedures:

1. We obtained credit card statements from STAR for the Period.
2. We identified and reviewed all STAR credit card transactions made by Mr. Saunders and Mr. Philabaun during the Period.
3. We identified all conferences and training attended by Mr. Saunders and Mr. Philabaun during the Period.
4. We identified and reviewed all credit card transactions made by STAR employees who attended conferences and training with Mr. Saunders and Mr. Philabaun during the Period.
5. We scanned all payments made to US Bank from STAR's commissary account and identified any transactions that did not comply with the Ohio Revised Code.

## RESULTS

During the Period, Mr. Saunders' activity included 354 transactions totaling \$65,595 and Mr. Philabaun's activity included 190 transactions totaling \$16,630.

We identified the following 22 conferences, training sessions, and annual CORJUS meetings that Mr. Saunders and/or Mr. Philabaun attended during the Period.

	<b>Date</b>	<b>Conference / Training / Meeting</b>	<b>Location</b>	<b>Attendees</b>	<b>Total Expenses<sup>1</sup></b>	<b>FFR Amount</b>
1	9/21/11-9/22/11	Annual CORJUS Meeting	Geneva, OH	2	396	117
2	10/13/11-10/14/11	Ohio Justice Alliance for Community Corrections (OJACC)	Columbus, OH	8	5,143	2,662 <sup>2</sup>
3	5/10/12-5/11/12	Ohio Community Corrections Association (OCCA)	Dublin, OH	6	2,645	180
4	7/20/12-7/25/12	American Correctional Association	Denver, CO	4	6,290	24
5	7/30/12 – 8/3/12	Summer School for Alcohol and Drug Studies	Wilmington, NC	4	5,348	464
6	8/9/12-8/10/12	Annual CORJUS Meeting	Mt Sterling, OH	2	787	277
7	9/12/12-9/13/12	CORJUS Meeting and Changing Offender Behavior	Columbus, OH	6	1,294	115
8	10/11/12-10/12/12	OJACC	Columbus, OH	5	2,125	263
9	5/9/13-	OCCA	Dublin, OH	5	2,078	143

<sup>1</sup> Some conference registration fees were paid with a check.

<sup>2</sup> One of the expenditures totaling \$225 was paid with a check.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

	5/10/13					
10	8/26/13-8/27/13	Annual CORJUS Meeting	Oxford, OH	2	559	12
11	9/9/13-9/12/13	International Corrections Community Association (ICCA)	Reno, NV	6	9,932	1,326
12	10/9/13-10/11/13	OJACC	Columbus, OH	4	1,971	188
13	3/25/14-3/28/14	STAR Programming Evaluation Workshop	Logan, OH	10	3,906	58
14	4/23/14-4/25/14	Community Reentry and Public Safety	Las Vegas, NV	4	8,129	213
15	6/12/14-6/13/14	Ohio Chief Probation Officers Association	Dublin, OH	4	1,928	488
16	6/22/14-6/25/14	Society for Human Resources Management (SHRM)	Orlando, FL	1	5,869	1,791
17	9/9/14-9/10/14	Annual CORJUS Meeting	Glouster, OH	2	838	0
18	10/16/14-10/17/14	OJACC	Columbus, OH	5	3,145	410
19	1/20/15-1/23/15	STAR Programming Evaluation Workshop	Logan, OH	Unknown	3,698	0
20	2/23/15-2/25/15	Eastern Ohio Correctional Center (OCCC) Visit and CorJus Programming Meeting	Pittsburgh, PA	6	4,033	1,193
21	3/18/15-3/19/15	First Annual Quality Assurance Symposium	Columbus, OH	10	2,595	174
22	4/21/15-4/24/15	Community Reentry and Public Safety Conference	Las Vegas, NV	5	13,663	425
					<b>\$86,372</b>	<b>\$10,523</b>

Out of these twenty-two conferences, we noted the following (denoted by both conference name and the number appearing on the chart immediately above):

### **2. Ohio Justice Alliance for Community Corrections (OJACC) Conference 2011**

During review of credit card transactions and non-payroll disbursements we determined STAR registered and paid for eight employees to attend the OJACC conference. We obtained the agenda and registrations for the conference and determined that all eight employees were scheduled to attend the entire conference beginning at 7:30 am on October 13<sup>th</sup> and concluding on October 14<sup>th</sup> at 12:00 pm. In addition, STAR paid for ten employees to attend the luncheon on October 13<sup>th</sup>. Also, per review of the conference agenda, we determined that the conference had a golf outing on October 12<sup>th</sup> at 1:00 pm. There were no credit card transactions or non-payroll disbursements issued by STAR to pay for employees to attend the golf outing, however, we confirmed from interviews with four employees that five employees golfed in the outing and stayed in a hotel paid for by STAR on October 11<sup>th</sup>. The cost of lodging and meals related to the travel paid by STAR totaled \$373.

PIAT and/or the Bureau of Criminal Investigation and Identification (BCI) interviewed seven of the employees registered to attend the conference and three employees attending the luncheon. Per interviews, we determined STAR received the Ohio Department of Rehabilitations and Corrections (ODRC) Clifford Skeen Award which was presented at the luncheon of the conference. STAR paid for ten employees not registered to attend the conference to attend the luncheon, however, STAR had nineteen employees attend the luncheon in addition to the eight who were registered to attend. One of the employees who registered to attend the conference stated he did not attend for personal reasons; STAR was unable to verify if another employee went in his place.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

On October 13<sup>th</sup>, STAR rented private transportation totaling \$300 for the employees to pick them up at the hotel and take them to Gordon Biersch Brewery Restaurant. STAR rented a private room at Gordon Biersch Brewery Restaurant from 4:00 pm to 8:00 pm totaling \$400. The conference was scheduled until 5:00 pm on October 13<sup>th</sup>. STAR entered into an agreement with the restaurant and paid for 35 guests at \$29 per meal totaling \$1,015 and a \$50 service charge. The employee who made the reservation at the Restaurant stated all of the meal packages at the Restaurant included alcohol. STAR's package included two alcoholic beverages per person, however, this was not reported on the receipt. All employees interviewed acknowledged that there was alcohol at the event. Six of the employees interviewed stated they went to a piano bar after the restaurant and the private transportation later returned them to the hotel. Two of the employees told us they returned home that evening and one of them was registered to attend the conference on October 14<sup>th</sup>. STAR paid for seven hotel rooms totaling \$531 for employees to stay overnight on October 13<sup>th</sup> though they were not registered to attend the conference. One of the employees registered to attend the conference on October 14<sup>th</sup> had a credit card transaction at 10:43 am in South Bloomfield, OH approximately 30 miles south of the conference. PIAT and BCI interviewed the employee and he confirmed he did not attend the conference on October 14<sup>th</sup>.

### **5. Summer School for Alcohol and Drug Studies**

On June 15, 2012, STAR's Business Office Manager faxed three credit card authorization forms to the Hilton in Wilmington, NC as permission to process room payments for STAR employees attending a summer school program. One of the forms was for Josh Saunders and the form listed his wife, Stacy Saunders as a guest. On July 1, 2012, STAR registered and paid for four employees to attend a summer school program for alcohol and drug studies in Wilmington, NC for the period of July 30, 2012 through August 3, 2012. We interviewed one STAR employee who attended the conference. This employee told us that he and two other employees took a STAR vehicle to the program and that Mr. Saunders, who was attending the same program, drove his own vehicle with his wife and child. On July 31<sup>st</sup> and August 1<sup>st</sup>, the program classes were scheduled to begin at 8:00 am and end at 5:15 pm; however, the employee told us STAR employees skipped classes after 12:30 pm because they were higher level classes.

Upon review of credit card transactions made during this conference, we determined five receipts totaling \$186 submitted to STAR were not the original receipt from the vendor and had been forged. Four of the receipts were related to transactions made by Mr. Saunders and one transaction was made by another employee, Cary Williams. In May 2015, STAR conducted an internal investigation and prepared an Incident Report. In the report, STAR reported that Mr. Williams did not have receipts upon returning home from this trip. When STAR's business office attempted to obtain copies, Mr. Saunders produced them. All five of the receipts submitted were in the same format which raised suspicion. On July 16, 2015, BCI asked Mr. Saunders about a couple of these receipts and Mr. Saunders said that they were just trying to recreate missing receipts. Based on receipts submitted for this trip, that we obtained from STAR, we identified kids meals purchased with Mr. Saunders' STAR credit card and paid for with STAR funds. Also, we identified lunches purchased by Mr. Saunders on July 31<sup>st</sup> and August 1<sup>st</sup> and dinners purchased on July 31<sup>st</sup>. Additionally, we identified lunch purchased on August 1<sup>st</sup> by Mr. Williams. These meals should have been personal purchases because STAR already had paid for meals as part of their registration fee.

### **11. International Corrections Community Association Second Annual Conference**

STAR sent six of its employees to the September 9-12, 2013 "What Matters Series" conference in Reno, NV. This required purchasing six flights totaling \$2,949.60 and paying \$2,610 to register six employees for the conference. On Friday, September 6<sup>th</sup>, six employees went to Columbus, Ohio to stay overnight because their flight was scheduled to leave on September 7<sup>th</sup> at 11:40 am. On September 6<sup>th</sup>, the employees ate at a restaurant and purchased 44 beers totaling \$153.95. The total purchase at the restaurant was \$306.51 and included a \$50 tip paid with a STAR credit card issued to Josh Saunders. STAR paid for the alcohol and tip totaling \$203.95 with its family fund<sup>3</sup>.

---

<sup>3</sup> STAR's employees have an account that employees contribute to through participation in jeans days and vending commissions. The monies collected are used for employee related disbursements, such as wedding gifts for fellow employees; baby shower gifts for fellow employees; and food and supplies for an STAR Community Justice Center, Scioto County

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

The employees arrived on Saturday, September 7<sup>th</sup>. Though the conference did not commence for another two days, STAR paid for meals totaling \$486.42 and lodging for three rooms totaling \$310.44. On September 8<sup>th</sup>, Mr. Saunders purchased a meal including \$30.70 in alcohol paid for by STAR's family fund. PIAT and/or BCI interviewed all six employees who attended the conference; five stated they did not attend the pre-conference on September 9<sup>th</sup>. On September 9<sup>th</sup>, Mr. Philabaun purchased a meal for three totaling \$109.01 with his STAR credit card at a restaurant located near Lake Tahoe in Carnelian Bay, CA from 1:51 pm to 3:04 pm during a portion of the pre-conference. Mr. Philabaun acknowledged he dined at a restaurant with an executive director of another correctional center, that executive director's nephew, Mr. Saunders and another STAR employee. Mr. Philabaun believed other STAR employees went to the restaurant, but he could not remember who exactly. We interviewed April Neal, STAR's Intake Manager, and she acknowledged she went to a restaurant in Lake Tahoe with Mr. Philabaun, Mr. Saunders, and an executive director of another correctional center. All the employees we interviewed acknowledged going to Lake Tahoe on another afternoon and they went to a public beach and had a cookout. Mr. Philabaun stated STAR employees went to Lake Tahoe (and skipped the second half of the conference) because the sessions that afternoon did not apply to STAR employees. All of the employees we interviewed acknowledged they did not attend the entire conference and only attended sessions that pertained to them as a STAR employee. One employee we interviewed stated he only attended the opening session on September 10<sup>th</sup> and one session on September 11<sup>th</sup>. That employee also indicated he skipped conference sessions one day to play in a poker tournament with another STAR employee. The other STAR employee acknowledged she played in a poker tournament, but doubted it was during the conference and thought it was probably in the evening.

### **16. Society for Human Resources Management (SHRM)**

Mr. Saunders was registered to attend the SHRM annual conference in Orlando, FL from June 22-25, 2014. On March 4, 2014, STAR used Mr. Philabaun's credit card to pay for the deposit on a hotel room in Orlando for June 20-24, 2014 and his wife and child were included on the receipt. On March 5, 2014, STAR used Mr. Philabaun's credit card to purchase a flight to Orlando, FL for Mr. Saunders departing on June 20, 2014 and returning on June 28, 2014 which included cost for three checked bags. We interviewed Mr. Philabaun and he stated that STAR's business office usually set up travel and had used his credit card to make purchases before, but he was not aware that his card was used to make these purchases. On May 15, 2014, Mr. Saunders used his STAR credit card to purchase three nights of lodging through Expedia totaling \$701.58, however, the receipt did not document the dates of the lodging. STAR's Incident Report states the hotel room purchased through Expedia was for three nights, June 25-27, 2014 in Clearwater, FL. On July 2, 2014, Mr. Saunders' wife issued a check totaling \$323.40 directly to US Bank for a portion of the room and STAR paid for the remaining \$378.18. On June 25, 2014, Mr. Saunders paid for the remaining lodging costs totaling \$715.52 for the room in Orlando from June 20-25, 2014. While in Florida, Saunders used his credit card to purchase a rental car totaling \$663.16 for the period of June 20-28, 2014. On June 28, 2014, Mr. Saunders used his credit card to make a purchase totaling \$151.60 at a Sheraton Hotel in Clearwater, FL. Per STAR 's Incident Report, it states "Upon returning back, the business office staff asked for a receipt and Mr. Saunders did not provide one. He stated it was a charge for float rentals and would pay it back to STAR. In late August after being reminded several times by the business office, he supplied a check for \$151.60 to STAR." The purchase was paid with a check issued by Mr. Saunders' wife directly to US Bank on August 29, 2014. In addition, Mr. Saunders used his card to purchase meals totaling \$102.07 on June 20<sup>th</sup> which was two days prior to the conference and meals totaling \$102.62 two days after the conference. Upon review of credit card transactions made during this conference we determined four receipts totaling \$147.21 submitted to STAR were not the original receipt from the vendor and had been created. These false receipts were for purchases made at: Maggiano's, an Italian restaurant in Orlando; Carrabba's, an Italian restaurant in Clearwater; Racetrac686, a fueling station in Sanford, FL; and CLWR Parking in Clearwater. The receipt submitted for Racetrac686 stated it was for a breakfast buffet.

---

annual employee Christmas dinner. STAR accounts for this activity separately from operating activity of STAR.

# SUPPLEMENT TO THE SPECIAL AUDIT REPORT

## 20. EOCC Visit and CORJUS Programming Meeting

Per interviews with STAR employees we determined that there was a CORJUS Program Director's Meeting scheduled on February 25, 2015 at the EOCC in Wintersville, OH. These meetings are held quarterly and usually attended by directors from each of the CBCF's in CORJUS, Inc. Initially, Deputy Directors Matt McClellan and Shannon Bishop were going to attend the meeting. Mr. Philabaun told us that Mr. Saunders was contacted by the EOCC Executive Director and requested if they would be willing to meet with him and his management staff to discuss STAR's reentry program, vocational program, and budgeting.

On February 23, 2015, a purchase order requisition was prepared by the Business Office for 12 hotel rooms at \$210 per room and 18 meals at \$56 per day. This requisition was prepared based on six employees staying in a hotel two nights and eating meals for three days. The purchase order requisition was not authorized by the Deputy Director or the Executive Director. Per interviews with STAR employees, we determined that Mr. Saunders, Shannon Bishop, John Adkins, and Matt McClellan took Mr. Saunders' personal vehicle to Pittsburgh, PA on February 23, 2015, arriving around 6:00 pm. Mr. Philabaun and J.T. Holt took Mr. Holt's personal vehicle and arrived in Pittsburgh later in the evening. We determined the hotel in Pittsburgh where the employees stayed overnight was approximately 45 miles east of Wintersville. On February 23<sup>rd</sup>, we determined the employees were allowed to receive a lunch and dinner. The lunch and dinner rate in Pittsburgh per the U.S. General Services Administration in FY 2015 was \$18 and \$36 respectively and for six people totaled \$324. Mr. Saunders purchased lunch in Charleston, WV for \$69 and dinner at Andrews Steakhouse at River Casino totaling \$494 for the employees which included alcohol and tips. The alcohol and tips were reimbursed by Mr. Philabaun totaling \$137, however, they still exceeded the daily meal allowance per STAR's policy. Also, we identified two transactions on Mr. Saunders' and Mr. Adkins' STAR credit cards totaling \$44 for taxis on February 24, 2015 at 12:42 am and 2:17 am that were authorized by Mr. Philabaun to be paid from STAR's family fund. Mr. Adkins acknowledged they had been drinking and got a taxi and it was his understanding they could get transportation. Mr. Holt acknowledged they purchased taxis because they had been out for his 30<sup>th</sup> birthday and were drinking alcohol and it was his understanding it was valid through their per diem. The employees we interviewed stated they met with the EOCC Executive Director on February 24<sup>th</sup> and went to breakfast and later returned to the hotel lobby to meet and discuss CBCF items. After meeting with the EOCC Executive Director at the hotel lobby, the employees went bowling. Employees we interviewed stated they bowled and continued to meet and talk with the EOCC Executive Director. We identified one transaction made by Mr. Adkins at 1:35 pm at Latitude 360 to purchase food. We reviewed Latitude 360's website and determined they offer bowling. Later in the evening Mr. Saunders purchased dinner for the employees totaling \$298 which included \$36 in alcohol that was reimbursed by Mr. Philabaun. We interviewed Mr. Philabaun and he stated he did not know alcohol was purchased with STAR's credit card until after Mr. Saunders had been terminated. Mr. Philabaun indicated he paid for the alcohol because STAR's credit card account was due and they needed to pay their account. On February 25<sup>th</sup>, the employees departed Pittsburgh and went to Wintersville.

All of the employees took a tour of the EOCC facility, however, only Mr. McClellan and Ms. Bishop stayed and attended the CORJUS, Inc. meeting. Mr. Saunders had a transaction totaling \$82.79 for a party of four at Applebee's in Hurricane, WV at 2:06 pm which is approximately 210 miles southwest of Wintersville. This transaction included the purchase of an alcoholic beverage totaling \$2 and was later reimbursed by Mr. Philabaun.

## **FINDINGS FOR RECOVERY SECTION**

### Finding for Recovery Partially Repaid Under Audit - Alcohol and Tips

**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. The Bulletin further states that the Auditor of State's Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Also, Section IV.A.1-2 of STAR's travel and meal reimbursement policy in part states "No reimbursements will be permitted for alcoholic beverages, tips, and gratuities."

During the Period, we identified two transactions made by Josh Saunders using a STAR credit card to purchase alcohol at restaurants related to the Reno, NV trip totaling \$184. The alcohol purchases were paid with STAR's family fund and the family fund account withdrawal request form was authorized by Josh Saunders and Ed Philabaun. We identified 15 transactions totaling \$242 made by STAR employees using STAR credit cards to pay for tips related to a meal.

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 an illegal expenditure is discovered, is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State ex rel. Village of Linndale v. Masten*, 18 Ohio St.3d 228 (1985). 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.

In accordance with the forgoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Josh Saunders in the amount of \$108 in favor of the ODRC operating grant fund and additionally against Mr. Saunders in the amount of \$234 and against Ed Philabaun, jointly and severally in favor of the family fund; John Adkins in the amount of \$35 in favor of the ODRC operating grant fund; James Holt in the amount of \$11 in favor of the ODRC operating grant fund; and Ed Philabaun in the amount of \$38 in favor of the ODRC operating grant fund.

Mr. Philabaun repaid \$234 by issuing a personal check to STAR's family fund on February 3, 2017. Also, Mr. Philabaun repaid \$38 by issuing a personal check to STAR's operating grant fund on February 3, 2017. Mr. Adkins repaid \$35 by issuing a personal check to STAR's operating grant fund on February 3, 2017. Mr. Holt repaid \$11 by issuing a personal check to STAR's operating grant fund on February 3, 2017. As of the date of this report, Mr. Saunders has an unpaid balance of \$108.

### Finding for Recovery Repaid Under Audit - Recognition Event

Section C.2 of STAR's subsidy grant agreement for community-based correctional facilities and programs with the Ohio Department of Rehabilitation and Correction states "All expenditures made by the Grantee [i.e., STAR] with funds received as state financial assistance through this grant shall be governed by laws of the State of Ohio. Executive Order 2007-09S restricts the use of public funds for food-related expenses. In order to comply, utilization of state grant funds to purchase food and meal related products are prohibited for anyone other than resident offenders. This includes, but is not limited to recognition events, staff retreats and retirement parties, committee meetings, training sessions and working lunches, ACA audit meetings, graduation and other recognition ceremonies, and offender group events. This does not include reimbursement for food purchases made in compliance with travel expense guidelines. This restriction is not intended to prohibit the ability of agencies to provide meals on-site for staff if staff purchases said meals."

Also, Section II.D.4 of STAR's travel and meal reimbursement policy prohibits spending STAR funds on meals and incidentals for employee recognition, volunteer recognition, or thank you events.

On October 13, 2011, STAR was presented with the Clifford Skeen Award at the Ohio Justice Alliance for Community Corrections conference. STAR issued a check totaling \$225 to purchase 10 meals for the awards luncheon at the conference and STAR employees not registered to attend the conference came to attend the luncheon only. After the conference STAR rented a conference room for \$450 at the Gordon Biersch Brewery Restaurant and purchased 35 meals at \$29 per meal totaling \$1,465 to celebrate the award. STAR only registered eight employees to attend the conference. STAR's policy only allowed a \$29 per diem, which, for eight employees, means STAR should not have spent more than \$232 for this event. A purchase order requisition for the meals and the room rental was authorized by Mr. Saunders and Mr. Philabaun.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

In addition to the meals, Mr. Philabaun purchased seven hotel rooms totaling \$531 for some STAR employees who attended the luncheon and stayed for dinner at Gordon Biersch, though, these employees were not registered to attend the conference. Also, Mr. Saunders and Mr. Philabaun authorized STAR to rent a bus for their exclusive use during the evening totaling \$300.

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 an illegal expenditure is discovered, is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State ex rel. Village of Linndale v. Masten*, 18 Ohio St.3d 228 (1985). 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.

In accordance with the forgoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Ed Philabaun in the amount of \$531. Further, a finding for recovery for public monies illegally expended based upon their actions in authorizing the above-referenced illegal expenditures is hereby issued against Josh Saunders and Ed Philabaun, jointly and severally, in the amount of \$1,758 in favor of the ODRC operating grant fund.

Mr. Philabaun repaid \$531 by issuing a personal check to STAR's operating grant fund on February 3, 2017. In addition, Mr. Philabaun repaid \$1,758 by issuing another personal check to STAR's operating grant fund on February 3, 2017. These payments resulted in no remaining balance.

### Forged Receipts

During the Period, we identified 12 forged receipts totaling \$727 submitted to the Scioto County Auditor's Office for purchases made by Mr. Saunders with his STAR credit card (See the Creating Receipts comment in the Management Comments section below for more detail on the forged receipts). Disbursements from the ODRC operating grant fund are subject to Scioto County's payment approval process. The Scioto County Auditor must approve (i.e., certify and encumber) certain payments when STAR commits to make a payment. During an interview with BCI, Mr. Saunders admitted to creating receipts for transactions for which STAR did not have the original receipt and could not obtain a copy from the vendor.

Without appropriate supporting documentation it is not possible to determine if the expenditures were for a proper public purpose. The failure to maintain adequate support for expenditures could result in a loss of accountability over the finances of STAR, making it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

In accordance with the forgoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Josh Saunders in the amount of \$727 in favor of the ODRC operating grant fund.

### Finding for Recovery Partially Repaid Under Audit - Lodging, Meals, and Transportation for Days Prior to and After Conference

Section III.B of STAR's travel and meal reimbursement policy states "If travel commences before 6:00 am to attend a morning conference, meetings, etc. lodging accommodations will be provided for the night before."

During the Period, we identified six conferences or meetings (CORJUS Annual Meeting 2011 and 2012, OJACC 2011 and 2012, ICCA, SHRM) where STAR paid for employees' lodging and other travel-related expenses more than one day before or after the conference. We identified 13 transactions totaling \$1,916 for lodging, 17 transactions totaling \$960 for meals, and three transactions totaling \$238 for transportation.

In addition, we identified one instance where STAR purchased a hotel room totaling \$114 for Mr. Philabaun in Columbus, OH on October 15, 2014. STAR did not have proper documentation to support Mr. Philabaun staying overnight on this date.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

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 an illegal expenditure is discovered, is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State ex rel. Village of Linndale v. Masten*, 18 Ohio St.3d 228 (1985). 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.

In accordance with the forgoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Matt McClellan in the amount of \$75, in favor of the ODRC operating grant fund; Ed Philabaun in the amount of \$417 in favor of the ODRC operating grant fund; Josh Saunders in the amount of \$1,887 in favor of the ODRC operating grant fund; Cary Williams in the amount of \$53 in favor of the ODRC operating grant fund; and Josh Saunders and Ed Philabaun, jointly and severally, in the amount of \$796 in favor of the ODRC operating grant fund.

Mr. McClellan repaid \$75 by issuing a personal check to STAR's operating grant fund on February 6, 2017. Mr. Philabaun repaid \$1,213 by issuing personal checks to STAR's operating grant fund on February 3, 2017. Mr. Williams repaid \$53 by issuing a personal check to STAR's operating grant fund on January 24, 2017. Mr. Saunders repaid \$475 by issuing personal checks to STAR's operating grant fund on July 2, 2014 and August 29, 2014. As of the date of this report, Mr. Saunders has an unpaid balance of \$1,412.

### Finding for Recovery Partially Repaid Under Audit - Lodging

Section III.C of STAR's travel and meal reimbursement policy states "Lodging must occur outside of Scioto County and be more than 45 miles from STAR and employee's residence. Maximum allowable expense, per OBM guidelines, is \$70 plus tax per calendar day plus applicable taxes or the lowest government rate in the area with approval from the Executive Director/designee."

In February 2015, Josh Saunders purchased six hotel rooms for two nights totaling \$2,508 at a rate of \$209 per room in Pittsburgh, PA with his STAR credit card. Per the U.S. General Services Administration, the maximum lodging rate in Pittsburgh for February 2015 was \$128 per night which for six hotel rooms for two nights would total \$1,536.

On December 9, 2014, John Adkins, Shannon Bishop, Josh Saunders, and Ed Philabaun attended a CORJUS Christmas party in Columbus, OH and Josh Saunders purchased four hotel rooms for the night totaling \$676 at a rate of \$169 per room with his STAR credit card. Per the U.S. General Services Administration, the maximum lodging rate in Columbus for December 2014 was \$106 per night. We determined that there was a monthly CORJUS meeting scheduled for December 10, 2014 at 10:00 am, however, Mr. Adkins could not have attended this meeting because he purchased a meal at a restaurant in Columbus at 10:16 am.

In accordance with the forgoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Josh Saunders in the amount of \$1,161; and John Adkins in the amount of \$169 in favor of the ODRC operating grant fund.

Mr. Adkins repaid \$169 by issuing a personal check to STAR's operating grant fund on February 3, 2017. As of the date of this report, Mr. Saunders has an unpaid balance of \$1,161.

### Finding for Recovery Partially Repaid Under Audit - Unallowable Meal Purchases

During the Period, we identified 33 transactions totaling \$1,000 made by STAR employees to purchase meals at a conference, where the meal was provided by the conference and included as part of the registration fee paid by STAR.

During the Period, we identified 14 transactions totaling \$602 made by STAR employees to purchase meals during times when they were registered to be attending a conference.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

In accordance with the forgoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Matt McClellan in the amount of \$93; Cary Williams in the amount of \$108; John Adkins in the amount of \$138; Shannon Bishop in the amount of \$102; Ed Philabaun in the amount of \$437; and Josh Saunders in the amount of \$724 in favor of the ODRC operating grant fund.

Mr. McClellan repaid \$93 by issuing a personal check to STAR's operating grant fund on February 6, 2017. Mr. Williams repaid \$108 by issuing a personal check to STAR's operating grant fund on January 24, 2017. Mr. Adkins repaid \$138 by issuing a personal check to STAR's operating grant fund on February 3, 2017. Ms. Bishop repaid \$102 by issuing a personal check to STAR's operating grant fund on February 6, 2017. Mr. Philabaun repaid \$437 by issuing a personal check to STAR's operating grant fund on February 3, 2017. As of the date of this report, Mr. Saunders has an unpaid balance of \$724.

### Finding for Recovery Partially Repaid Under Audit - Meal Purchases Exceeding the Daily Allowance

Section II.B of STAR's travel and meal reimbursement policy states "The cost of meals to the facility shall be no more than the daily amount allowed based on travel location and the current rates of the U.S. General Services Administration".

During the Period, we determined it was common practice for STAR employees to purchase meals as a group and account for their daily meal allowance based on the number of employees that were traveling. We identified three instances totaling \$130 where individual STAR employees purchased meals whose cost exceeded the daily amount allowed in the location of their travel.

In accordance with the forgoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against John Adkins in the amount of \$18 and Josh Saunders totaling \$112 in favor of the ODRC operating grant fund.

Mr. Adkins repaid \$18 by issuing a personal check to STAR's operating grant fund on February 3, 2017. As of the date of this report, Mr. Saunders has an unpaid balance of \$112.

### Personal Expenses

We identified multiple instances where STAR paid for employees' personal travel expenditures. First, Josh Saunders used his STAR credit card to purchase meals totaling \$183, including kids' meals, while on a summer school program with his family in North Carolina. We identified two transactions Mr. Saunders made totaling \$9 to purchase meals for his child and one transaction totaling \$174 for multiple room service charges that included kids' meals.

Second, in June 2014, Mr. Saunders attended a conference in Orlando, FL and brought his wife and child with him. Mr. Saunders purchased a flight to the conference including three checked bags totaling \$119. We determined that two of the checked bags totaling \$79 should not have been paid for by STAR. We identified six transactions where he purchased meals for his wife and child and the expenses related to them totaled \$91. Lastly, we identified one transaction totaling \$50 to purchase fuel in Clearwater, FL. Clearwater, FL is on the Gulf Coast and is approximately two hours by car away from Orlando, FL. Consequently, we determined this transaction was not related to Mr. Saunders' travel for the SHRM conference.

Third, on September 23 and 24, 2014, Mr. Saunders purchased two meals totaling \$92 in Columbus, OH. STAR's Incident Report states Mr. Saunders had a budget meeting with no location scheduled on his calendar. STAR reported there was no record of a training or conference during this time and there was no purchase order request prepared and authorized for the expenses.

Fourth, during the Period, we identified the following purchases Mr. Saunders made with his STAR credit card: three transactions totaling \$30 to purchase Advil, Pepto Bismol, beverages and snacks not associated with a meal that we determined were personal expenses; and one transaction totaling \$26 where the receipt submitted did not document what was purchased and the purchase was not authorized with a purchase requisition.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

In accordance with the forgoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Mr. Saunders in the amount of \$551 in favor of the ODRC operating grant fund.

### Finding for Recovery Partially Repaid Under Audit - Transportation

During the Period, we identified 21 transactions totaling \$616 made by STAR employees to purchase taxi transportation while attending conferences; however, taxis were not necessary because the STAR employees either used STAR vehicles or their personal vehicles to attend the conferences. Per review of the taxi receipts submitted, we identified 7 of the 21 transactions occurred during times from 12:00 am to 2:50 am, 5 of the 21 transactions occurred during times from 1:00 pm to 11:00 pm; and 9 of the 21 transactions did not have a time recorded on the receipt.

In accordance with the forgoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against John Adkins in the amount of \$22 in favor of the family fund and in the amount of \$34 in favor of the ODRC operating grant fund; Shannon Bishop in the amount of \$55 in favor of the ODRC operating grant fund; JT Holt in the amount of \$63 in favor of the ODRC operating grant fund; Ed Philabaun in the amount of \$117 in favor of the ODRC operating grant fund; and Josh Saunders in the amount of \$295 in favor of the ODRC operating grant fund, \$22 in favor of the family fund, and \$8 in favor of the commissary fund.

Mr. Adkins repaid \$56 on February 3, 2017 by issuing a personal check in which \$22 was posted to STAR's family fund and \$34 was posted to STAR's operating grant fund. Ms. Bishop repaid \$55 by issuing a personal check to STAR's operating grant fund on February 6, 2017. Mr. Holt repaid \$63 by issuing a personal check to STAR's operating grant fund on February 3, 2017. Mr. Philabaun repaid \$117 by issuing a personal check to STAR's operating grant fund on February 3, 2017. As of the date of this report, Mr. Saunders has an unpaid balance of \$325.

### Finding for Recovery Partially Repaid Under Audit - Expenses Paid with STAR's Family Fund

As noted in the Fraud Examination Report, STAR employees have a "Family Fund" that employees contribute to through participation in jeans days and vending commissions. The monies collected are used for employee related disbursements, such as wedding gifts for fellow employees; baby shower gifts for fellow employees; and food and supplies for an annual employee Christmas dinner. The money in this fund is donated by STAR employees and STAR accounts for this activity separately from all operating activity.

During the Period, we identified five transactions totaling \$76 for travel-related expenses that were paid with STAR's family fund and the family fund withdrawal request form was authorized by Mr. Philabaun. We identified one transaction totaling \$21 for a travel-related expense that was paid with STAR's family fund and the family fund withdrawal request form was authorized by Mr. Saunders.

We identified two meals purchased with Family Fund monies that were not for reasons consistent with the fund's purpose. Mr. Saunders used his STAR credit card to purchase a meal totaling \$107 for the business office staff. Mr. Philabaun purchased the other meal totaling \$52 for a lunch meeting and the family fund withdrawal request forms were authorized by Mr. Saunders.

In accordance with the forgoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Josh Saunders in the amount of \$128 and against Ed Philabaun in the amount of \$128 in favor of the STAR's family fund.

Mr. Philabaun repaid \$128 by issuing a personal check to STAR's family fund on February 3, 2017. As of the date of this report, Mr. Saunders has an unpaid balance of \$128.

On October 10, 2016, STAR's governing board approved a 'Family Fund Purchases' policy. We recommend STAR continue to pursue improvements to their policies and periodically evaluate the effectiveness of all changes to their process.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

### Finding for Recovery Partially Repaid Under Audit - Expenses Paid with the Commissary Fund

Ohio Rev. Code Section 2301.58 permits community-based correctional facilities (CBCF) to establish commissaries. Para. (A) of the statute states “The money in the fund shall only be used to pay for the costs of the following expenses:

- 1) The purchase of materials, supplies, and equipment used in any library program, educational program, vocational program, rehabilitative program, religious program, medical services program, or recreational program operated by the facility for the benefit of the residents;
- 2) The construction, alteration, repair, or reconstruction of a facility under the control of the facility governing board for use in any library program, educational program, vocational program, rehabilitative program, religious program, medical services program, or recreational program operated by the facility for the benefit of the residents;
- 3) The payment of salaries, wages, and other compensation to employees of the facility who are employed in any library program, educational program, vocational program, rehabilitative program, religious program, medical services program, or recreational program operated by the facility for the benefit of the residents;
- 4) The compensation of vendors that contract with the facility for the provision of services for any library program, educational program, vocational program, rehabilitative program, religious program, medical services program, or recreational program for the benefit of the residents;
- 5) The purchase of other goods and the payment of other services that are determined, at the discretion of the director, to be goods and services that may provide additional benefit to the residents;
- 6) The costs for the auditing of the resident program fund.

As the Supreme Court noted in *State ex rel. Locher v. Menning*, 95 Ohio St. 97, 99 (1916), with respect to expenditures of public money “the authority to act in financial transactions must be clear and distinctly granted and, if such authority is of doubtful import, the doubt is to be resolved against its exercise.” While there is no guidance specifically regarding CBCF commissary funds, Ohio Rev. Code Section 341.25 governing county jail commissary funds is quite similar and has been analyzed extensively. Ohio Rev. Code Section 2301.58 refers repeatedly to “the benefit of the residents.” Ohio Attorney General Opinion 2004-006 analyzed similar language in Ohio Rev. Code Section 341.25 specifically “for the benefit of persons incarcerated at the jail” and noted the following (citing Ohio Attorney General Opinion 2000-031 at 2-194 (emphasis added)):

...The commissary fund statute sets forth a clear requirement that the profits must be used only for supplies, equipment, training and education, or treatment services “for the benefit of persons incarcerated in the jail.” R.C. 431.25(B). Thus, the basic test to be met is that a particular expenditure has its purpose the benefit of jail inmates....

In some cases, any expenditure made for any aspect of the operation or management of the jail is for the benefit of inmates, because it is to the benefit of inmates that the jail be properly managed, competently staffed, and adequately equipped. However, it would not be a reasonable reading of the statute to allow profits from the commissary fund to be used simply for the general operation of the jail. Responsibility for providing, funding, staffing and operating a jail facility that meets minimum standards has been delegated to the sheriff and the board of county commissioners, and that responsibility exists apart from any monies in the commissary fund.

Ohio Attorney General Opinion 2008—031 further notes that while sheriffs have discretion to determine what benefits inmates, the restrictive language of Ohio Rev. Code Section 341.25 indicates the profits from commissary funds may not be expended to meet statutory duties pertaining to the operation of the jail and the care of inmates. Consequently, commissary fund profits cannot properly be spent to fulfill the basic duties of operating a jail.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Similarly, while Ohio Rev. Code Section 2301.58(A)(5) provides commissary funds may be used for expenses determined “at the discretion of the director” to provide “additional benefit to the residents,” this clause cannot be read out of context with the surrounding clauses. Under well-established rules of statutory construction, the clause shall be read in harmony with, and not in contrast to, the rest of the statute. See *Turner v. Hooks*, 2016-Ohio-3083, ¶ 41 (4th Dist. 2016):

Under the rule of *ejusdem generis*, where in a statute terms are first used which are confined to a particular class of objects having well-known and definite features and characteristics, and then afterwards a term having perhaps a broader signification is conjoined, such latter term is, as indicative of legislative intent, to be considered as embracing only things of a similar character as those comprehended by the preceding limited and confined terms.

If para. (5) were taken out of context and to its logical conclusion, commissary funds could be spent on anything the CBCF director wished to have. Therefore, commissary funds governed by Ohio Rev. Code Section 2301.58 are subject to the same restriction as those governed by Ohio Rev. Code Section 341.25.

Regarding the commissary fund at STAR, we identified and determined the following credit card transactions were paid with commissary funds and were not paid in accordance with Ohio Rev. Code Section 2301.58:

- Three meals totaling \$116 made by Ed Philabaun for lunch meetings with judges. One transaction totaling \$33 was authorized by Ed Philabaun, one transaction totaling \$33 was authorized by Josh Saunders, and one transaction totaling \$50 was authorized by Ed Philabaun and Josh Saunders.
- 15 transactions totaling \$622 to purchase meals, food, and beverages made by Sharon Hart for STAR Governing Board meetings, a Judicial Advisory Board meeting, DRC meetings, audit meetings, and a management and clergy meeting. One transaction totaling \$52 was authorized by John Adkins; three transactions totaling \$116 were authorized by Ed Philabaun; ten transactions totaling \$439 were authorized by Josh Saunders; and one transaction totaling \$15 was authorized by Matt McClellan and Ed Philabaun.
- One meal totaling \$17 made by Matt McClellan while he was traveling to attend a CORJUS meeting. The transaction was authorized to be paid from the commissary fund by Josh Saunders.
- Two transactions totaling \$106 made by Josh Saunders to purchase meals for meetings which were both authorized by Josh Saunders. One meal totaling \$41 was for a dinner for potential vocational program investors. A receipt was not submitted for the meal and Josh Saunders issued a letter documenting the event as supporting documentation. On the commissary fund account withdrawal request form authorized by Josh Saunders it states “All monies not supported by receipts are reimbursed by requestor.”
- One transaction totaling \$240 made by Sharon Hart to pay for STAR employees to participate in a golf outing at the OJACC conference was authorized to be paid from the commissary fund by Josh Saunders.
- Three transactions totaling \$178 made by Shannon Bishop to purchase meals while attending training were authorized to be paid from the commissary fund by Josh Saunders.
- Three transactions totaling \$17 to pay for tips on meals and transportation. One transaction totaling \$7 was made by Ed Philabaun, one transaction totaling \$5 was made by Matt McClellan, and one transaction totaling \$5 was made by Sharon Hart. All three transactions were authorized to be paid from the commissary fund by Josh Saunders.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

- One transaction made by Josh Saunders on a Sunday totaling \$120 at Walmart to pay for food and beverages. The commissary fund withdrawal request reported the purpose was for public relations and was authorized by Josh Saunders.

In addition, we identified and determined the following non-payroll disbursements were not paid in accordance with Ohio Rev. Code Section 2301.58:

- One disbursement totaling \$38 to Mr. Philabaun for a lunch meeting with the STAR Governing Board authorized by Josh Saunders.
- Six disbursements totaling \$1,120 for STAR employees to participate in various golf outings: First, Josh Saunders and Matt McClellan each participated in three outings, at \$195 per person for a total of \$390. Second, Ed Philabaun participated in three golf outings totaling \$210. Third, Adam McPheters and Chris Kimbler participated in one outing totaling \$85 per person for a total of \$170. Fourth, Danny Reynolds and John Adkins participated in one outing totaling \$55 per person for a total of \$110. Lastly, we were unable to determine who participated in one outing totaling \$240 that was authorized by Josh Saunders and Ed Philabaun.
- One disbursement totaling \$200 for a sponsorship at the Ironton City Schools foundation golf tournament authorized by Josh Saunders.
- One disbursement to purchase a retirement gift for a governing board member totaling \$110 authorized by Josh Saunders and Ed Philabaun and one disbursement totaling \$53 to purchase a retirement gift for an employee authorized by Josh Saunders.
- One disbursement totaling \$51 to purchase flowers for an ill governing board member authorized by Josh Saunders.
- One disbursement totaling \$500 to make a contribution to the Roy Rogers-Dale Evans Collectors Association to promote the association and help with the event of the Roy Rogers Festival and Roy Rogers Memory's Museum authorized by Josh Saunders.

In accordance with the forgoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Sharon Hart in the amount of \$627; Matt McClellan in the amount of \$200; John Adkins in the amount of \$55; Adam McPheters in the amount of \$85; Chris Kimbler in the amount of \$85; Danny Reynolds in the amount of \$55; Ed Philabaun in the amount of \$371; and Josh Saunders in the amount of \$421 based on their individual expenditures or benefitting personally from the expenditure; Josh Saunders in the amount of \$1,239 for authorizing expenditures; and Ed Philabaun and Josh Saunders, jointly and severally, in the amount of \$350 in favor of STAR's commissary fund.

Ms. Hart repaid \$627 by issuing a personal check to STAR's commissary fund on February 3, 2017. Mr. McClellan repaid \$200 by issuing a personal check to STAR's commissary fund on February 6, 2017. Mr. Adkins repaid \$55 by issuing a personal check to STAR's commissary fund on February 3, 2017. Mr. Kimbler repaid \$85 by issuing cash to STAR on February 6, 2017 and it was deposited by STAR into their commissary account on February 6, 2017. Mr. Reynolds repaid \$55 by issuing a personal check to STAR's commissary fund on February 3, 2017. Mr. Philabaun repaid \$946 by issuing two personal checks to STAR's commissary fund on February 3, 2017. As of the date of this report, Mr. Saunders has an unpaid balance of \$1,520.

On October 10, 2016, STAR's governing board approved a 'Commissary Account Purchases' policy. We recommend STAR continue to pursue improvements to their policies and periodically evaluate the effectiveness of all changes to their process.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

### Finding for Recovery Repaid Under Audit - CORJUS

The CORJUS, Inc. Articles of Incorporation states it is a non-profit corporation formed “to own, operate, and maintain an association exclusively devoted to the improvement and promotion of the programs and professions, to promote reforms in the law, to facilitate the administration, and to elevate the standard of integrity involved in the Community Based Corrections Facilities (CBCF) and Community Correction Act programs.” Mr. Philabaun is a trustee for CORJUS, Inc. and attends monthly meetings for CORJUS with other CBCF directors.

On October 9, 2013, CORJUS, Inc. had a monthly meeting at the Drury Inn in Grove City, OH and Mr. Philabaun purchased a meeting room totaling \$108 with his STAR credit card for the meeting. The purchase order request was approved by Josh Saunders and Mr. Philabaun. There is no provision, either in the Revised Code or in STAR’s policies, permitting use of STAR funds for this purpose.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Ed Philabaun in the amount of \$108 and in favor of the ODRC operating grant fund.

Mr. Philabaun repaid \$108 by issuing a personal check to STAR’s operating grant fund on February 3, 2017.

### Equipment Purchased not Located at STAR

During the Period, we identified two transactions totaling \$350 made by Josh Saunders with his STAR credit card to purchase an iPad mini, a portable charger, and a case all of which were shipped to his personal residence. We inquired with STAR to determine if the items purchased were located at STAR. STAR’s Deputy Director of Operations stated that the items purchased were not located at STAR.

Also, STAR’s Incident Report stated after Mr. Saunders was terminated, STAR identified purchases of a laptop and HDMI cable made by Mr. Saunders totaling \$306 that were not located at STAR. We confirmed the laptop and cable was purchased by Mr. Saunders using his STAR credit card.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public property converted or misappropriated is hereby issued against Josh Saunders in the amount of \$656 and in favor of the ODRC operating grant fund.

### **FINDING FOR ADJUSTMENT**

Section C.2 of STAR’s subsidy grant agreement for community-based correctional facilities and programs with the Ohio Department of Rehabilitation and Correction states “All expenditures made by the Grantee [i.e., STAR] with funds received as state financial assistance through this grant shall be governed by laws of the State of Ohio. Executive Order 2007-09S restricts the use of public funds for food-related expenses. In order to comply, utilization of state grant funds to purchase food and meal related products are prohibited for anyone other than resident offenders. This includes, but is not limited to recognition events, staff retreats and retirement parties, committee meetings, training sessions and working lunches, ACA audit meetings, graduation and other recognition ceremonies, and offender group events. This does not include reimbursement for food purchases made in compliance with travel expense guidelines. This restriction is not intended to prohibit the ability of agencies to provide meals on-site for staff if staff purchases said meals.”

We identified one transaction on December 13, 2013, made on Mr. Philabaun’s STAR credit card totaling \$448 to purchase lunch from Chick-fil-A for a staff Christmas party that was paid with funds from the ODRC operating grant. The purchase order requisition was authorized by Mr. Saunders and a stamped signature was used to authorize the purchase by Mr. Philabaun. Similarly, in December 2012, a STAR employee used a STAR credit card to purchase lunch from Chick-fil-A for a staff Christmas party and STAR paid for the transactions using their family fund.

In accordance with the foregoing facts, a Finding for Adjustment in the amount of \$448 is hereby issued against STAR’s family fund in favor of the ODRC operating grant fund.

# SUPPLEMENT TO THE SPECIAL AUDIT REPORT

## MANAGEMENT COMMENTS

### Credit Card Policy

STAR did not have a credit card use policy to provide guidance regarding allowable expenses, limitations, or required supporting documentation. During the Period, we noted the following conditions with credit card use by STAR employees:

- Cardholders did not maintain receipts for purchases.
- STAR employees used credit cards not assigned to them.
- Cardholders used credit cards for personal purchases.
- Cardholders used credit cards for purchases not related to STAR operations or not allowed per STAR policies and reimbursed STAR by paying directly to STAR's credit card account.

Failure to provide detailed guidance regarding required supporting documentation, allowable expenses, and purchase limits; and failing to review the charges for personal expenses could result in personal purchases or purchases not related to the operations of STAR being paid by STAR.

We recommend STAR adopt a formal credit card policy and develop written procedures that could include the following provisions:

- A stipulation specifying who is authorized to use the credit card;
- A stipulation that the credit card should not be used for personal expenses even if they are reimbursed;
- Limits on the amount a cardholder can spend;
- Restrictions on the type of vendors and merchants from whom purchases can be made;
- Specific prohibitions on the types of goods or services that may be purchased (e.g. entertainment, alcoholic beverages, personal services, etc.);
- A requirement that cardholders retain copies of all original, signed receipts;
- Segregation of duties between the cardholder and the approving card authorizing manager;
- Establish on-line monitoring for credit card transactions;
- A stipulation that all payment information should be maintained in accordance with STAR's records retention schedule;
- A requirement that cardholders cannot benefit through any type of awards program offered in connection with credit card use (e.g., frequent flier miles);
- A stipulation that cardholders immediately notify their direct supervisor if the credit card is lost or stolen.

Additionally, we recommend procedures be implemented that include a detailed examination of charges and resolution of questioned items. We further recommend this policy and procedures are reviewed and approved by the Board.

On October 10, 2016, STAR's governing board approved a 'Company Credit Card / Credit Accounts' policy. We recommend STAR continue to pursue improvements to their policies and periodically evaluate the effectiveness of all changes to their process.

### Purchases not related to STAR

During the Period, we identified 24 transactions totaling \$1,885 made by STAR employees to purchase personal items or items not allowed per STAR's policies that included the following:

- Groceries;
- Alcohol;
- Tips;
- Meals exceeding daily per diem;
- Memberships for Sam's Club;
- Lodging; and
- Airfare

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

STAR employees issued payments directly to STAR's credit card account or reimbursed STAR for the purchases.

In addition, we identified four transactions totaling \$628 made by Mr. Philabaun on his STAR credit card to purchase meeting rooms for CORJUS Inc. meetings at the Drury Inn hotel in Grove City, OH. Mr. Saunders was the Treasurer for CORJUS, Inc. and issued payments from their account directly to STAR's credit card account to reimburse STAR. We also identified five transactions totaling \$3,054 made by Mr. Saunders on December 9 and 10, 2014 with his STAR credit card to purchase the following items:

- Heritage Golf Club – The credit card statement shows the transaction was for \$2,554 on December 9<sup>th</sup>. Though no invoice was submitted to STAR for this purchase, BCI obtained a copy of the invoice from the golf club. The receipt shows the purchase was for a CORJUS holiday event from 5:30 pm – 11:30 pm in Hilliard, OH and included food totaling \$870 for 30 people, alcoholic beverages totaling \$1,110, and taxes and service charges totaling \$574. During interviews with STAR employees, we confirmed Mr. Philabaun, Mr. Saunders, Mr. Adkins, and Ms. Bishop attended the CORJUS holiday event and stayed overnight in a hotel paid with STAR funds.
- Singh Taxi Service – Per review of the credit card statement this transaction was for \$80 on December 9<sup>th</sup>. No receipt was submitted for this purchase.
- 5411 Inc. – The credit card statement shows there were two transactions totaling \$170 on December 10<sup>th</sup>. Per an internet search we identified 5411 Inc. as Columbus Solid Gold, an adult gentlemen's night club, located at 5411 Bethel Sawmill Road. BCI interviewed Mr. Saunders and he acknowledged using his STAR credit card at a strip club in Columbus, OH. Mr. Saunders stated he was at the strip club with two other directors. We assisted BCI in an interview with Mr. Adkins and he acknowledged that he was at the strip club with Mr. Saunders and a director from another facility. No receipts were submitted to STAR for these purchases.
- Holiday Inn - Per review of the credit card statement this purchase was for \$267.50 on December 10<sup>th</sup> and \$16.50 was later refunded to STAR. No receipt was submitted to STAR for this purchase.

Mr. Saunders issued two checks on February 11, 2015 and February 19, 2015 totaling \$3,054 from CORJUS, Inc.'s account directly to STAR's credit card account.

If employees use a STAR credit card to purchase personal items or items not related to STAR it could result in unallowable expenses being paid for by STAR and finding for recoveries issued against the employees making the purchases.

We recommend STAR employees only use Facility credit cards to purchase items related to STAR operations.

### Attending Conferences

During the Period, we reviewed expenditures related to 13 conferences STAR employees were registered to attend. By reviewing receipts for meal expenditures we determined employees had meal expenses that occurred at the same time they were registered to attend a session, but at a different location than twelve of the conferences, indicating they did not attend at least portions of the conferences. In some instances the meals were purchased in different cities than the conferences and, based on the distance, indicated the employees had left the conferences and were returning home. Also, we verified through an interview that employees attending the summer school program in North Carolina (see p.9 above) did not attend all of the sessions they were registered to attend.

During interviews with STAR employees we determined it was common for employees not to attend all conference sessions if they believed individual sessions did not pertain to their positions at STAR.

If employees are not attending sessions they are registered to attend, STAR is paying for services that do not benefit the employees and could be considered an improper use of STAR funds. We recommend employees attend all sessions they are registered to attend at conferences and if the sessions do not pertain to the employees STAR should consider the cost/benefit for the employee to register and attend the conference.

# SUPPLEMENT TO THE SPECIAL AUDIT REPORT

## Purchase Order Requisitions

STAR's purchasing procedures state "Staff members requesting to purchase items or services for the facility prepare a requisition and submit the requisition to his/her supervisor for approval. The requisition will then be given to the Business Office. The Deputy Director/designee will determine if the purchase is appropriate and if adequate funds are available. Approval by the Deputy Director/designee and the Executive Director/designee authorizes the purchase."

During review of purchase order requisitions we identified numerous requisitions in which STAR used a stamp of the Executive Director's signature to approve purchase order requisitions. During an interview with the Executive Director we were told that STAR's business office has a stamp with his signature and it was used to approve purchase order requisitions when he was out of the office.

The use of a signature stamp could result in purchase order requisitions being approved without the knowledge of the Executive Director and used to purchase items that are not for purposes related to STAR operations. We recommend STAR not use a signature stamp to approve purchase order requisitions but rather the requisitions should be reviewed and approved by the Executive Director.

## Cost of Meals

During the period of July 1, 2011 through July 31, 2013, STAR's travel/meal reimbursement policy stated STAR would reimburse employees no more than \$7.00 for breakfast, \$10 for lunch, and \$15 for dinner per person. During the period of August 1, 2013 through July 13, 2015, the policy stated STAR would reimburse employees for meals no more than the daily amount allowed based on travel location and the current rates of the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).

During the Period, we identified the following issues related to the cost of meals for STAR employees for travel purposes:

- During the period of July 1, 2011 through July 31, 2013, we determined STAR followed the rates allowed by the U.S. GSA rather than the costs documented in their policy.
- Prior to employees traveling, STAR's business office prepared purchase order requisitions documenting the number of meals allowed and the total amount allowed as a group rather than by person.

When calculating the daily amount allowed for meals the business office included the meal rate and the incidental expenses rate. Per [www.gsa.gov](http://www.gsa.gov), the incidental expenses rate is \$5. GSA's website discusses incidental expenses in their frequently asked questions and it states [The Federal Travel Regulation Chapter 300, Part 300-3](#), under Per Diem Allowance, describes incidental expenses as: [F]ees and tips given to porters, baggage carriers, hotel staff, and staff on ships. Therefore, based on the description of incidental expense provided on GSA's website we determined the incidentals expense rate should not have been included in the STAR's per diem calculation.

Also, STAR's business office did not adjust the employees' daily amounts allowed for conferences that provided meals as part of the registration fee, meaning STAR purchased two sets of meals for employees attending these conferences.

- When more than one employee was traveling to the same location STAR accounted for their daily meal costs as a group rather than by individual employees. Failure to properly calculate the daily amount allowed for employees on the purchase order requisition prior to travel could result in employees purchasing meals that exceed the actual daily amount allowed per their policy and could result in findings for recovery.

We recommend STAR review its policy and calculate the daily cost of meals allowed per the policy and have employees account for their meals individually rather than by a group of employees.

# SUPPLEMENT TO THE SPECIAL AUDIT REPORT

## Travel the Day Before a Conference or Meeting

Section III.B. of STAR's travel and meal reimbursement policy states "If travel commences before 6:00 am to attend a morning conference, meetings, etc. lodging accommodations will be provided for the night before." Section II.A of STAR's travel and meal reimbursement policy addresses meals and incidentals when traveling, however, it does not address when an employee can leave the day before a conference and which meals are reimbursable.

During the Period, we identified eight instances where STAR employees arrived in the early afternoon the day before the conference or meeting was scheduled to begin. We identified nine transactions totaling \$576 to purchase lunches during these time periods. The conferences STAR employees were registered to attend were early in the morning and they were eligible for lodging the night before the conference per STAR's policy.

If STAR does not have a policy to determine when an employee can travel the day before a conference and which meals are reimbursable it could result in employees being paid for time not worked and an excessive amount being reimbursed for meals.

We recommend STAR create and adopt a board approved policy to address when an employee can travel and which meals are reimbursable when the employee is eligible to receive lodging the night before a conference or meeting.

## Forged Receipts

STAR's Incident Report identifies 13 credit card receipts that appeared to have been forged and were submitted as documentation for expenses. Twelve of the 13 receipts reported were for transactions made by Josh Saunders and one receipt was for a transaction made by Cary Williams. Regarding Mr. Williams' transaction, the Incident Report states Mr. Williams did not have a receipt upon returning from Wilmington, NC and STAR's business office contacted the vendor in an attempt to get a receipt. When they were unable to obtain a copy, Mr. Saunders produced one.

We obtained copies of the 13 receipts and verified the following discrepancies:

- All 13 receipts appeared to have been generated from the same source even though the transactions were from 12 different vendors.
- One receipt had a vendor name that did not agree to the credit card statement and two receipts had vendor names incorrectly spelled.
- There were four receipts for three vendors that did not look like receipts submitted by other STAR employees from the same vendor.

In addition to the 13 receipts previously mentioned, we identified two other receipts Mr. Saunders submitted that we determined were forged. Mr. Saunders made a purchase at Bourbon Ridge Retreat totaling \$40. The receipt submitted for the purchase reported the expense was for cleaning. BCI contacted the vendor and they told BCI they don't charge for cleaning services and stated the purchase made by Mr. Saunders totaling \$40 was for fire wood. A finding for recovery was proposed for this transaction. Mr. Saunders made a purchase at The Dub Pub totaling \$76 for a meal and submitted a receipt that had a logo of the Dub Pub and listed the items purchased on a full sheet of paper. BCI contacted The Dub Pub and reported the Dub Pub indicated they do not provide full sheets of paper as receipts and the logo was the same as their logo but anyone could have copied it off the internet. In addition, the receipt submitted by Mr. Saunders did not look like receipts submitted by other STAR employees for the Dub Pub. We proposed a finding for recovery for these transactions.

Moreover, on May 13, 2015, Sharon Hart issued a written statement to STAR admitting she created receipts for Ed Philabaun and JT Holt. During an interview with BCI, Ms. Hart confirmed she created receipts with the assistance of a STAR business office employee, Jamie Sanders, for transactions totaling approximately \$165 that were all paid together.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

BCI requested copies of the receipts that were created and Ms. Sanders provided five receipts totaling \$164.58 and a copy of the voucher from the Scioto County Auditor's Office. Ms. Hart stated they did not have the original receipts for these purchases and needed receipts to submit to the Scioto County Auditor's office so the credit card bill could be paid, in order to avoid incurring late fees. The receipts were for a restaurant purchase totaling \$43.87 and parking for \$15 made by Mr. Philabaun, and a restaurant purchase totaling \$42.62 and two taxi purchases totaling \$63.09 made by Mr. Holt in March, 2015. Ms. Hart stated they created the receipts on a website Ms. Sanders found on the internet using Ms. Sanders' computer in the business office. During an interview with BCI, Ms. Sanders confirmed she found the website at the request of Ms. Hart. Ms. Sanders stated after the receipts were submitted to the Auditor's office Ms. Hart told her not to speak of what they did because it was illegal. Ms. Hart reported in her written statement to STAR "Many times Mr. Saunders told me I needed to stop being so black and white and that there was a whole world of gray that needed to be considered. I was instructed to not tell people 'no,' but to find a way to make it happen. All of this led me to feel my job/position would be in jeopardy if I didn't find the world of gray." Ms. Hart stated on the same day she and Ms. Sanders created the receipts they had a meeting with Mr. Saunders and two other business office employees. During the meeting, Ms. Hart stated she told Mr. Saunders that she had created receipts and was never doing it again. Ms. Hart stated that Mr. Saunders told her that he was proud of her. Ms. Sanders confirmed Mr. Saunders' statement and stated he told Ms. Hart that he was happy she was on board. Ms. Hart and Ms. Sanders stated they were never asked by Mr. Saunders, Mr. Philabaun, or Mr. Holt to create receipts and they did not create any more receipts after this incident which occurred in April 2015.

BCI obtained copies of the restaurant purchases from the vendor. Additionally, we obtained the original receipt for the restaurant purchase made by Mr. Philabaun, which STAR found in Mr. Saunders' desk after he was terminated. We determined the purchases made by Mr. Philabaun were for valid travel expenses and therefore did not propose a finding for recovery. Mr. Holt's restaurant purchase was determined to be an allowable meal purchase. However the taxi fares were for Mr. Holt while he was attending a conference in Columbus. Since STAR provided transportation for the conference, we determined the taxi fares were unallowable.

STAR paid for credit card transactions made by employees that did not have supporting documentation from the vendors where the purchases were made resulting in finding for recoveries issued against employees.

If a STAR employee forgets to obtain a receipt or loses a receipt for purchases made with a STAR credit card the employee should attempt to obtain a copy of the receipt from the vendor and submit it to STAR. If the employee is unable to obtain a copy of the receipt from the vendor we recommend STAR require the employee to reimburse for the transaction to ensure STAR is not purchasing any items or services that are not for a proper public purpose or not in compliance with STAR's policies.

# SUPPLEMENT TO THE SPECIAL AUDIT REPORT

**Objective No. 2** - Examine supporting documentation for certain non-payroll disbursements made by STAR to ensure they were for a purpose related to STAR operations and made in accordance with grant agreements and the Ohio Revised Code.

## PROCEDURES

In order to test Objective 2, we performed the following procedures:

1. We obtained expense transaction ledgers for the STAR ODRC operating grant from the Scioto County Auditor's Office for the Period.
2. We obtained expense ledgers for STAR's commissary account and family fund account from STAR for the Period.
3. We obtained bank statements and cancelled checks for STAR's commissary account and family fund account for the Period.
4. We identified all payments issued to Mr. Saunders and Mr. Philabaun for the Period.
5. We identified payments made by STAR that were reported in a civil suit filed by Mr. Saunders against STAR.
6. We scanned all payments made to US Bank from STAR's commissary account and identified any transactions that were not made in accordance with the Ohio Revised Code.

## RESULTS

During the Period, STAR issued 46 payments totaling \$6,376 to Mr. Philabaun for cell phone, mileage, and travel expense reimbursement. STAR also issued 38 payments to Mr. Saunders for cell phone and mileage reimbursement totaling \$2,866. During review of the reimbursements we identified some instances where cell phone statements were not submitted in a timely manner resulting in noncompliance with their cell phone policy.

We identified 12 non-payroll disbursements totaling \$2,072 issued by STAR from its commissary account that were not made in accordance with Ohio Revised Code Section 2301.58(A). We issued a finding for recovery for these disbursements and reported it in Objective 1.

We reviewed a payment for \$500 made by STAR to Keith Frazier, a former STAR employee, on June 4, 2012 and assisted BCI in an interview of Mr. Frazier. Mr. Frazier provided us with email correspondence between him and Mr. Philabaun. An e-mail dated May 17, 2012, shows Mr. Frazier requesting Mr. Philabaun to retain Mr. Frazier for ten hours of work at STAR so Mr. Frazier could earn money to pay his monthly COBRA insurance payment. On May 24, 2012, Mr. Frazier emailed Mr. Philabaun and submitted an invoice for ten hours at \$50 per hour totaling \$500 to perform quality assurance work including chart reviews. Mr. Frazier requested for Mr. Philabaun to let him know when he wanted to schedule his time to work. Also, on May 24, 2012, a purchase order requisition was prepared and signed by the former Deputy Director, Josh Saunders and approved and signed by Mr. Philabaun. The invoice submitted by Mr. Frazier was approved with a stamp of Mr. Philabaun's signature. On June 5, 2012, Mr. Philabaun emailed Mr. Frazier and stated "your check was mailed out today". On June 7, 2012, Mr. Frazier emailed Mr. Philabaun and notified him that he had received and endorsed the check to him from the Scioto County Auditor's Office for \$500. On June 25, 2012, Mr. Frazier emailed Mr. Philabaun and asked "when do you want me to earn my last check." On June 26, 2012, Mr. Philabaun forwarded the email sent by Mr. Frazier to Mr. Saunders and asked him "when is a good time for Keith to come in and do the QA?" Mr. Frazier admitted he never performed the work he was paid to do by STAR. Mr. Frazier stated he attempted to contact STAR to schedule a time to perform the work he agreed to do, but they never responded.

# SUPPLEMENT TO THE SPECIAL AUDIT REPORT

## NONCOMPLIANCE CITATIONS

### Contract with Private Vendors for Services

Section C.3 of STAR's subsidy grant agreement with the Ohio Department of Rehabilitation and Correction states "All contracts by the Grantee with private vendors for services must be in writing, contain performance criteria, have itemized service costs, indicate responsibilities of parties involved, state conditions for termination of the agreement and be approved by the Governing Board before their implementation."

In addition, STAR's Executive Director Duty/Authority policy (No. 1420) procedure section 3c states in part "The executive director is authorized to carry out day-to-day operations, without prior official action from the facility governing board including execute service agreements within the grant and purchase order authorization guidelines that reasonably benefit the facility or its programs up to \$20,000 annually per agreement."

In 2015, STAR was in the process of expanding and moving into the former Ohio River Valley Juvenile Corrections Facility which was next to STAR's building at the time. STAR employees told us that STAR representatives met with an ODRC representative who instructed the STAR employees they would need to landscape the outside of the new building they were moving into prior to the opening.

Acting upon this statement, STAR contacted Tri-State Nurseries to obtain a bid for landscaping the facility grounds. On February 25, 2015, Tri-State Nurseries submitted an estimate totaling \$23,250 to landscape the outside of the new building. STAR employees indicated that the bid they received for exterior landscaping services was so low, they decided to obtain a bid to landscape the interior grounds of the new building as well. On April 10, 2015, Tri-State Nurseries submitted an estimate totaling \$25,000 to landscape the interior grounds of the new building.

On April 17, 2015, STAR's business office prepared two purchase order requisitions totaling \$24,000 and \$25,000 for Tri-State Nurseries to landscape the outside and the interior grounds, respectively, of the new building and they were both authorized by Mr. Philabaun. STAR's agreements with Tri-State Nurseries were not signed by anyone at STAR and were not approved by the governing board. In addition, the agreements between STAR and Tri-State Nurseries did not contain performance criteria or state conditions of termination of the agreement. The services reported in the agreement were itemized; however, the cost of the services was not itemized and only provided in total. Also, the agreements did not indicate the responsibilities of the parties involved and during interviews with STAR employees we were told residents working in STAR's vocational program helped to perform some of the same work that was itemized on the agreement and performed by Tri-State Nurseries.

The agreements provided by Tri-State Nurseries stated "50% of job cost due prior to start of work. Balance due upon completion". On May 19, 2015, Tri-State Nurseries faxed an invoice dated May 18, 2015 to STAR for landscaping outside of the new building totaling \$23,500. On May 27, 2015, STAR issued a check from their operating grant fund to Tri-State Nurseries to pay the invoice. On June 10, 2015, Tri-State Nurseries faxed an invoice to STAR for landscaping the interior grounds of the new building totaling \$25,000. On June 15, 2015, STAR issued a check from its operating grant fund to Tri-State Nurseries to pay the invoice.

Per interviews with STAR employees, we determined the opening of the new building was delayed several times which delayed the landscaping to be performed by Tri-State Nurseries until the fall of 2015, well after the final bills had already been paid. Also, STAR employees told us Tri-State Nurseries did not perform one of the items in the agreement because it was determined it was not necessary and alternative services were performed instead. We spoke to Tri-State Nurseries in March 2016 and they reported they still had planting to do per their agreement. The grand opening of the new building was on April 4, 2016.

We recommend STAR's governing board approve all agreements with private vendors for services and ensure they are in compliance with all other grant requirements prior to the agreements being implemented. In addition, we recommend STAR consider obtaining quotes from multiple vendors prior to entering into an agreement with vendors to ensure they are receiving the best offer available.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

### Cell Phone Usage Policy

STAR's cell phone usage policy (No. 1432) procedures state "Cell phone usage will be reimbursed at a flat rate of \$45 per month by completing form #0018 reimbursement request along with a copy of their monthly cell phone statement. The completed request for reimbursement must be submitted to the Business Office for processing within 30 days of the statement date."

During the Period, we identified six instances where the completed request for reimbursement was not submitted to the Business Office for processing within 30 days of the statement date. The six requests for reimbursements that were submitted late ranged from 36 to 67 days. We recommend STAR require all employees to submit their monthly cell phone statement and completed reimbursement form to the Business Office for processing within 30 days of the statement date to ensure they are in compliance with their policy.

### **MANAGEMENT COMMENT**

During the Period, we identified two instances in which STAR paid vendors prior to them completing the services they agreed to provide to STAR and in one of the instances the work still has not been completed as of the date of this report.

Failing to withhold final payment reduces the leverage held by STAR to ensure the project is completed to its satisfaction.

We recommend STAR verify all work has been completed by the vendor prior to paying for the services in full to ensure the work has been completed and they have received all of the services for which they paid.

# SUPPLEMENT TO THE SPECIAL AUDIT REPORT

**Objective No. 3** - Examine leave records to determine if STAR is in compliance with its employee leave policy.

## PROCEDURES

In order to test Objective 3, we performed the following procedures:

1. We obtained STAR's leave policy in effect during the Period.
2. We obtained a 'Personal Leave Report' as of 6/30/15 from the Scioto County Auditor's Office reporting the vacation leave balances of STAR employees.
3. We interviewed STAR employees regarding administrative leave days.
4. We obtained administrative leave records for the Period.

## RESULTS

During our testing of Objective 3, we learned STAR employees were earning administrative leave days, similar to additional vacation days, though STAR had no administrative leave policy and the governing board never approved its use. We interviewed STAR employees and were told directors receive five paid administrative days off each calendar year and are to be used during the year received. It was explained to us these administrative leave days are provided as compensation to directors because they are required to be on call various weekends throughout the year as administrative duty officers. We were also told that STAR has annual awards for staff. As part of those awards, STAR will present a Directors award to certain employees each year and provide them with one administrative leave paid day off. STAR's business office tracks the use of administrative leave days in an excel spreadsheet.

In 2014, we identified five deputy directors and the executive director who received and used five paid administrative leave days, however, we also observed that Mr. Saunders received an additional three administrative leave days described as 'training days' in the leave records. We interviewed the business director, Sharon Hart, who maintained the administrative leave records. She stated Mr. Saunders received additional days because he had some travel on weekends for training. No other STAR employee we interviewed was aware of receiving administrative leave days for travel on weekends related to training and Mr. Philabaun told us he never authorized additional administrative leave days for Mr. Saunders. In addition, Ms. Hart received three days of paid administrative leave. She told us she was provided administrative leave days off because of time she spent working during an American Corrections Association (ACA) audit. Also, we determined five employees received one administrative leave paid day off for receiving a STAR Director's award.

In 2015, we identified six deputy directors and the executive director who received and used five paid administrative leave days. We identified three employees that received and used three paid administrative leave days including Ms. Hart. The other two employees were promoted to directors in 2015. We identified one business office employee who received and used two paid administrative leave days. These were documented on the spreadsheet which noted the employee worked on the ACA audit. We identified seven employees who used one paid administrative leave day each for receiving a STAR Director's award. In addition, we identified four employees who received and used one paid administrative leave day, however, the reason for the administrative leave was not documented. We inquired why these four employees received administrative leave days to which STAR provided an explanation for each employee including: assisting in training new staff, going above the call of duty, volunteering to attend functions after normal work hours, and being willing to switch schedules when needed. STAR stated these administrative leave days were approved by a deputy director.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

We reviewed the STAR vacation leave policy and determined they may accrue vacation leave for a period not longer than three years. We reviewed the vacation leave balances of all STAR employees at June 30, 2015 and identified six employees that had vacation leave balances exceeding three years.

### FINDING FOR RECOVERY PARTIALLY REPAID UNDER AUDIT

During the period of January 1, 2014 to December 31, 2015, Mr. Philabaun authorized STAR directors including himself to receive and use 10 paid administrative leave days. Mr. Philabaun's employment contract with STAR in part states "the employee's regular work week shall be eight (8) hours a day, five days a week, for a total of forty hours per week. It is recognized and understood by the employee that his duties may require him to be at work more than forty hours per week and that he is not entitled to any overtime." In addition, Mr. Philabaun did not have authority to grant administrative time off to himself. Mr. Philabaun received and used ten paid administrative leave days during this period that were not approved by the board.

In addition, we determined Mr. Saunders was authorized by Mr. Philabaun to receive and use five days of administrative leave in 2014, however, he used and was paid for eight days of administrative leave resulting in him being paid for three days of administrative leave he was not entitled to receive.

In accordance with the forgoing facts and pursuant to Ohio Revised Code Section 117.28, we computed the value of each administrative leave day in terms of the employees' salaries and hereby issue a finding for recovery for public money illegally expended against Mr. Philabaun in the amount of \$3,818 and Mr. Saunders in the amount of \$865 in favor of the ODRC operating grant fund.

On February 3, 2017, STAR reduced Mr. Philabaun's vacation balance by 77.0224 hours. Mr. Philabaun's hourly rate as of February 3, 2017 was \$49.57 resulting in a repayment to STAR of \$3,818. As of the date of this report, Mr. Saunders had an unpaid balance of \$865.

### NONCOMPLIANCE CITATIONS

#### Administrative Leave

Ohio Rev. Code Section 2301.55 (A) (1) states "Upon the advice of the judicial advisory board, the facility governing board of a community-based correctional facility and program or district community-based correctional facility and program shall appoint a director who, or enter into a contract with a nonprofit or private entity that, shall control, manage, operate, and have general charge of the facility and program and shall have custody of its property, files, and records. When a facility governing board, upon the advice of the judicial advisory board, enters into a contract for the management, operation, and control of a facility and program, an agreement that includes, at a minimum, terms and conditions established by the department of rehabilitation and correction shall be in effect with the chosen contractor. When a facility governing board, upon the advice of the judicial advisory board, appoints a director, the facility governing board shall fix or approve the compensation of the director of the facility and program and other professional, technical, and clerical employees who are necessary to properly maintain and operate the facility and program."

During the Period, STAR provided paid administrative leave days to the executive director, deputy directors, and certain other employees. At the time of such allowances, STAR did not have an operative policy permitting paid administrative leave, and the approval of the STAR governing board was not secured so as to authorize the provision to employees of paid administrative leave. In addition to the fact that STAR did not have a paid administrative leave policy, STAR did not have any official criteria to be utilized in determining which employees would receive administrative leave, and how much administrative leave individual employees could receive and use. Per discussion with representatives of STAR, staff believed Mr. Philabaun had the authority to provide STAR employees with administrative leave based upon the authority given to him by STAR's governing board through their Executive Director Duty/Authority policy.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Absent some clear prohibition of the practice or a definitive enunciation of limited employee compensation, there existed “apparent authority” for the Executive Director to authorize paid administrative leave for employees as additional compensation in consideration of additional service and effort. The employees who were allowed paid administrative leave at the direction of the Executive Director, performed services incident to the provision of such leave, and accepted the payments in reliance on the apparent authority of the Executive Director.

On October 10, 2016, subsequent to these discussions, STAR’s governing board approved an Administrative Time Off’ policy. The policy states the following:

- I. Administrative time off may be issued with approval from a director for the following reasons:
  - a. Annual director award recipients
  - b. Excellent results on various facility audits
  - c. Staff going above and beyond their normal job expectations
  - d. At the discretion of the Executive Director or designee
- II. Once a director has approved the administrative time, an email will be sent to the business office that will include the staff member’s name, amount of time awarded, explanation of why it was awarded, and the date it must be used by.
- III. Staff who wish to use administrative time off will email their supervisor for approval and their supervisor will enter the time into Access1Source<sup>4</sup> as miscellaneous time and add an explanation explaining how the time was awarded.

The ‘Administrative Time Off’ policy approved by the governing board does not include criteria which are sufficient to articulate the circumstances in which the Director may allow paid administrative leave days to STAR employees. Further, the policy does not address how many days a STAR employee may receive and when it is to be used. In addition, reference in the first sentence of the policy suggests that any “director” may allow paid administrative leave. It is suggested that the discretion to allow such leave be limited solely to the Executive Director. Item I.d. is so vague as to afford no limitations on the authority of the Executive Director to permit paid administrative leave, and thereby usurps the authority of the Board to set standards and limitations for the compensation of employees. If STAR does not clearly define the purpose for providing administrative time off and the number of days allowed this could result in the abuse of administrative time off awarded and used.

We recommend STAR revise its administrative time off policy to clearly define when the Executive Director can issue administrative time off to STAR employees and the criteria (i.e. Directors being on call as an Administrative Duty Officer) for issuing the administrative time off, and otherwise to comply with observations and comments set forth above. In addition, we recommend administrative time off be reported to and tracked by the Scioto County Auditor’s Office in the same way that vacation leave and sick leave currently are reported and tracked. .

### Vacation Leave

STAR’s vacation leave policy states in part ‘with the permission of the department manager, vacation may be accrued for a period not longer than three years. However, it is the policy of STAR that employees take vacation in the year that it is earned. Every effort will be made to schedule any employee’s vacation in the year in which it is earned.

When terminating employment, accrued vacation will be paid in accordance with ORC 124.134 after one full year of continuous employment.

At June 30, 2015, we identified six employees that had vacation leave balances that exceeded three years of accrued vacation. The six employees’ balances exceeding three years ranged from 9 hours to 136 hours in excess.

---

<sup>4</sup> STAR’s time keeping system.

## SUPPLEMENT TO THE SPECIAL AUDIT REPORT

If STAR does not monitor the leave balances of its employees it could result in STAR paying accrued vacation for a terminated employee at a balance that exceeds their policy. We recommend STAR employees follow the leave policies in place and we recommend STAR ensure when an employee terminates their employment with STAR they are not paid for any accrued vacation exceeding three years.

### MANAGEMENT COMMENT

#### Records Retention Schedule

We requested administrative leave usage records from STAR for the years 2011 through 2015 and STAR was only able to provide records for 2014 and 2015. STAR employees told us that they had a computer virus and it corrupted some of their files including their administrative leave usage records from 2011 through 2013. STAR did not have a backup of these files and did not have any hard copy reports.

According to STAR's retention schedule STAR is required to maintain payroll records for three years after an AOS audit. Though this would not constitute a violation of Ohio's Public Records Act if a virus destroyed the files (i.e., STAR itself did not destroy its records), STAR's audit for the period of July 1, 2012 through June 30, 2014 is still pending. Accordingly, STAR should have 2012 and 2013 administrative leave usage records for 2012 and 2013 audit purposes.

We recommend STAR maintain proper backup of all files and maintain the records as required per their records retention schedule.



# Dave Yost • Auditor of State

STAR COMMUNITY JUSTICE CENTER

SCIOTO COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 21, 2017