Ohio Auditor of State

If I had a Million Dollars

Presented by:
The Public Integrity Assurance Team

Overview

- Background
- Investigation
- Audit Results
- Prosecution

Background

BACKGROUND

BACKGROUND
Background

Village of Mt. Sterling
- Madison County
- Population: Approx. 1700
- Approx. 1.73 square miles

Background

Joseph Johnson
- Hired by the Village in 1999 as Street Superintendent
- Became Village Administrator in January 2012
- Job duties included assisting Fiscal Officer with preparing disbursements, had authority to issue and sign Village checks, and electronically pay bills from Village accounts.
- Also processed bi-weekly payroll for the Village.

Background

Timeline of Events
- Joseph Johnson resigned as Village Administrator, effective January 14, 2016.
- Village Mayor, Charles Neff, resigned, effective February 9, 2016.
- On February 24, 2016, Madison County Sheriff’s Office and County Prosecutor’s Office contacted AOS.
- Concerned a number of assets were missing or unaccounted for.
Background
Timeline of Events (cont.)
- Village identified a $9,599 check to a vendor for a lawn mower.
- Check was written by Mr. Johnson and support was not maintained.
- The Village contacted the vendor and obtained a copy of the invoice.
- The Village could not locate the lawn mower.

Investigation
- Mayor's computer hard drive had been erased.
- The Bureau of Criminal Investigations contacted by Village to assist in the investigation.
- AOS contacted PERS to make them aware of investigation and inquire status & amount of Mr. Johnson's retirement funds.
- PERS account had been cashed out.
- AOS designated a special audit of Village.
Investigation

Mr. Johnson's PERS had been cashed out.

HOW?

The Village Fiscal Officer falsely reported Mr. Johnson's last day as 11/29/15

Investigation

However, Mr. Johnson did not resign until 1/14/16.

This allowed Mr. Johnson to cash out his accumulated PERS money.

Investigation

After an examination of Mr. Johnson's personal bank account, determined he had used PERS money to purchase home in Jackson County.
Investigation

Non-Payroll Expenditures
• Checks to Mr. Johnson
• Checks to Vendors
• Credit Cards

Payroll Expenditures
• Payments to Mr. Johnson

Investigation

• Village officials indicated Mr. Johnson had a Village issued credit card with no oversight by anyone at the Village.
• Through an examination of the credit card statements from December 2012 through November 2015, we noted:
  • 890 purchases, totaling $317,341
  • No itemized receipts maintained
  • Contacted 34 vendors and obtained 338 receipts and invoices, totaling $234,325
Investigation

- Mr. Johnson purchased over 50 vehicles and motorcycles for personal use during the four years he was Village Administrator.
- Seven vehicles purchased, totaling $24,507, the down payment was paid using Mr. Johnson’s Village issued credit card.
- Mr. Johnson traded these seven vehicles in toward his next vehicle purchase.
Investigation

**2013 DODGE CHARGER**

Traded in 2014 Ford Fusion & $2,000 down payment with Village issued credit card.

<table>
<thead>
<tr>
<th>MAKE/IN OTHER CREDITS</th>
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Identified $1,000 credit card charge on Mr. Johnson's Village issued credit card.

Investigation

Mr. Johnson used the $1,000 as a down payment to purchase a 2013 Chevy Cruze for a Village Employee.

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Investigation

- Also, on 3/24/15, Mr. Johnson received a check from the Village's payroll system for $15,267.56.
- This check was not authorized.

Mr. Johnson used the proceeds to obtain a cashier’s check for the balance of the vehicles purchase price.

Investigation

- Mr. Johnson purchased a 9,000 lb. overhead automotive lift with his Village issued credit card.
  - The lift cost $2,450.
  - The lift was installed at his residence.

Investigation

Mr. Johnson used his Village issued credit card to purchase 5 trailers for personal use.
- One trailer on 1/4/13 from Rocks Trailer Sales, Inc. for $7,143;
- One trailer on 6/6/14 from Custom Cabs and Trailers, Inc. for $7,070;
- One trailer on 12/19/14 from Rocks Trailer Sales, Inc. for $11,587;
- One trailer on 7/1/15 from Rocks Trailer Sales, Inc. for $8,154;
- One trailer on 9/9/15 from Rocks Trailer Sales, Inc. for $5,324.
Investigation

• On 10/15/15, Mr. Johnson purchased a 40 foot Nuckle Boom and attachments with a Village check for $8,645.
• The Village never had or used a Nuckle Boom.

Investigation

<table>
<thead>
<tr>
<th>Description</th>
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<th>Date</th>
<th>Rate</th>
<th>Amount</th>
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<tbody>
<tr>
<td>40' Nuckle Boom</td>
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<td>12/10/15</td>
<td>1,000.00</td>
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<td>12/10/15</td>
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<td>36' Nuckle Boom</td>
<td>12/10/15</td>
<td>1,000.00</td>
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<tr>
<td>48' Nuckle Boom</td>
<td>48' Nuckle Boom</td>
<td>12/10/15</td>
<td>1,000.00</td>
<td>1,000.00</td>
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Investigation

• In early 2016, Mr. Johnson attempted to return or sell back the Nuckle Boom.
• Indicated the Village had purchased a newer and safer “boom” and he was moving so did not need it.
• The vendor declined to buy it back from Mr. Johnson; however, they would attempt to sell it for Mr. Johnson.
• Vendor sold the Nuckle Boom for $4,000.
• Mr. Johnson received the $4,000 check for the Nuckle Boom.
Investigation

- On 4/3/13, Mr. Johnson purchased a 12x20 storage shed for $5,283, with his Village issued credit card.
- The shed was delivered to Mr. Johnson’s residence.

Investigation

- On 11/8/13, Mr. Johnson sold the Village a 12x20 storage shed for $5,200.
- Village had already paid for the storage shed back in April 2013.
- We were unable to determine whether the Village ever received the shed. This size shed was not a part of Village property at the time of our audit.

Investigation

Mr. Johnson purchased two watches for two Village employees who had been employed by the Village for at least 25 years.
He purchased these two watches on his Village issued credit card.
Investigation

• During our examination of reimbursements to Mr. Johnson, we identified a check for $6,090.

• Support for check included another generic receipt from Mr. Johnson for a 8x12 storage shed and 2 watches.

• Mr. Johnson included the watch invoice from Meyer’s Jewelers.

Investigation

• No detail provided on the shed he received reimbursement for.

• Watches were already paid by the Village by the Village credit card.

Investigation

• Mr. Johnson also used his Village issued credit card for a personal vacation during Christmas 2014.

• Mr. Johnson spent 4 nights at the Westin Cape Coral Resort as Mariana Villa in Cape Coral Florida.
Investigation

• Upon arriving at the resort, Mr. Johnson upgraded his room.
• The 4 night stay totaled $1,468.

Audit Results

• Mr. Johnson received reimbursement payments totaling $85,733 that were not for Village purposes and not supported by documentation or supported only by a check stub.
• Mr. Johnson also signed and issued 26 Village checks to vendors for personal or non-Village related expenditures totaling $78,844.
• Mr. Johnson was assigned six additional Verizon wireless telephone numbers during the Period, totaling $5,989, and paid by the Village. We were unable to determine whether these additional telephone numbers were for Village purposes.

Audit Results

• Mr. Johnson spent $228,420 on personal or other non-Village related transactions
  ➢ An additional $83,016 was unable to be determined as to whether the expense was for a Village related purpose.
  ➢ Redeemed credit card points valued at $3,731 for personal use – 2 Apple iPods, two video games, and gift cards to various vendors
• Mr. Johnson also charged $17,130 for personal out of state travel and ethanol purchases on the Village's fleet fuel cards during the Period. Through an examination of Mr. Johnson's subpoenaed personal bank account charges, we were able to determine the out of state fuel purchases corresponded with Mr. Johnson’s personal vacations. Ethanol fuel is used for high performance vehicles for which the Village did not maintain any such vehicles during the Period.
Audit Results

• Mr. Johnson was paid $368,682 in excess of the Village approved annual compensation for the Period.

• Mr. Johnson’s hourly rate of pay when hired as Village Administrator totaled $28.85 per hour. Upon his resignation, Mr. Johnson was being paid $47.65 per hour. We were unable to identify documentation to support the pay rate increase. During 2013, Mr. Johnson’s additional unapproved compensation was identified within the payroll system as either “other”, “advance” or “bonus” payments; all payments were taxed. However, we identified an instance in which Mr. Johnson issued an additional payment to himself for the amount of taxes calculated on one of those unapproved compensation payments.

Audit Results

• And then, beginning in 2014, Mr. Johnson started identifying his additional unapproved compensation as a miscellaneous income and therefore taxes were not being removed from the payments.

• On September 11, 2015, Mr. Johnson issued a $16,702 payment to himself. The payment was unsupported; however, the check stub indicated Mr. Johnson had a family emergency and was cashing in 350 hours of his accrued sick leave. An investigation conducted by AOS determined Mr. Johnson purchased a 2015 Dodge Challenger on September 30, 2015 for $16,414.

Audit Results
Audit Results

- In addition, the Village’s Employee Manual states, “(e)mployees who do not use any sick time within the year (November 30th to November 30th) may cash in 80 hours, with Village Administrator’s approval.” The Village did not maintain documentation supporting Mr. Johnson’s accrued sick leave balance or whether Mr. Johnson used any sick leave during the year. All of Mr. Johnson’s additional unapproved compensation was unsupported and lacked approval by Village Council.

Audit Results

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Checks to Mr. Johnson</td>
<td>$85,733</td>
</tr>
<tr>
<td>Checks to Vendors</td>
<td>$84,833</td>
</tr>
<tr>
<td>Credit Cards</td>
<td>$332,297</td>
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<tr>
<td>Payroll Payments</td>
<td>$368,682</td>
</tr>
<tr>
<td>Total</td>
<td>$871,545</td>
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<tr>
<td>Secondary Liable</td>
<td>$73,342</td>
</tr>
<tr>
<td>Total Finding to Mr. Johnson</td>
<td>$944,887</td>
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PROSECUTION
Prosecution

July 13, 2016 – indicted by Madison County grand jury on 30 counts:
• Engaging in a Pattern of Corrupt Activity – 1 count
• Theft in Office – 22 counts
• Theft – 1 count
• Money Laundering – 2 counts
• Tampering with Records – 1 count
• Failure to file tax returns – 3 counts

Search Warrants

• July 19, 2016 – ASS w/ assistance from the Madison and Jackson County Sheriff’s Office’s, National Insurance Crime Bureau
• Mr. Johnson was arrested without incident.
• Items seized included:
  • Television
  • Washer & Dryer
  • Video Game System
  • Vehicles
  • Motorcycle
  • John Deere Tractor
  • iPad
  • Safe
  • Guns
  • Trailer

Search Warrant

Property contained three buildings:
1. House & attached garage
2. Detached garage
3. Out building / Storage barn
Search Warrant

Search Warrant

Search Warrants

Madison Newsome Residence

- July 28, 2016 – AOS executed search warrant on a former Village employee’s residence.
- Investigation identified Mr. Johnson purchased items with Village funds and provided to employee.
- Items seized included:
  - Television
  - Washer & Dryer
  - Sofa, Love Seat, & Ottoman
  - Dining room table & chairs
  - Safe
  - Vehicle
Prosecution
August 23, 2016 – Informational Pretrial and Interview w/ Mr. Johnson

Prosecution
January 17, 2017 – Plea Deal – Guilty
• Engaging in a Pattern of Corrupt Activity – One count
• Theft – One count
• Theft in Office – 2 counts
• Money Laundering – 2 counts
• Tampering with Records – 1 count

Prosecution
March 6, 2017 – Sentencing
• 10 years in prison
• Ordered to pay $724,239 in restitution
• Ordered to pay audit costs of up to $43,460
• Forfeited all items and vehicles seized during the search warrant
• Forfeited home and property owned in Jackson, Ohio
Prosecution

- Scheduled for release on July 16, 2026.
- On March 30, 2017, Mr. Johnson appealed his sentence.
- His attorney removed himself as Mr. Johnson's counsel.
- His appeal was later withdrawn.

Additional Prosecutions / Charges

- Vicki Sheets – Village “Fiscal Officer”
- Plea guilty to a falsification misdemeanor charge on March 17, 2017
- Sentenced to 180 days in jail
- Jail sentence suspended and put on one year probation
- Fined $1,000
- 80 hours of community service, to be completed within 90 days
- Cannot hold a position of position of trust for one year
- Ms. Sheets is employed as a fiscal officer for a local township and library
- On March 24, 2017, the judge modified the probation to allow Ms. Sheets to hold her current employment.

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### Additional Prosecutions

**Bonnie Liff – Utilities Clerk and Administrative Assistant**

- Indicted on April 17, 2017:
  - Two counts of theft in office (F3)
- Plead Guilty on July 24, 2017:
  - One count of theft in office (F4)
  - Restitution of $21,444 – from her PERS account, which was frozen during the investigation (part of the plea deal for dropping second theft in office charge)
- Sentenced on August 17, 2017:
  - 10 days in jail
  - 2 years probation
  - Restitution of $21,444

### Additional Prosecutions

**Charles Neff, Mayor of Mt. Sterling**

- Indicted on April 17, 2017:
  - Two counts of theft in office (F3)
  - One misdemeanor count of falsification (M1)
  - One misdemeanor count of dereliction of duty (M2)
- Jury convicted on August 16, 2017:
  - One count of theft in office (F3)
  - One misdemeanor count of falsification (M1)
  - One misdemeanor count of dereliction of duty (M2)
- Sentenced on December 4, 2017:
  - 30 days in Tri-County Regional Jail
  - 3 years probation
  - Restitution of $9,350

### Additional Charges

**Tara Johnson – Mr. Johnson’s Wife**

- Sealed Indictment on January 11, 2017:
  - 4 counts of structuring (F4) – related to 4 checks just under $10,000 Ms. Johnson cashed from her and Mr. Johnson’s checking account in January 2016. During an interview with AOS, she admitted to cashing the checks at Mr. Johnson’s direction, in order to avoid filling out the bank paper work.
  - Changes were dismissed:
    - Ms. Johnson agreed to forfeit all items and vehicles seized during the search warrant executed on their residence;
    - Ms. Johnson agreed to forfeit the real estate property as partial restitution to the Village.
How Did This Happen?

- Lack of Council oversight
  - Did not review expenditures
  - Did not ask questions or ask for support.
  - Did not require the fiscal officer to be present at Council meetings; rather the Village Administrator presented the financial information.
- Segregation of Duties / Internal Controls
  - Village Administrator took control the finances – "fiscal officer" was part-time and only at the Village 8-12 hours a week.
  - Village Administrator took control of the administrative duties – Village Council became legislative only through ordinance passed in 2014.
THE PUBLIC INTEGRITY ASSURANCE TEAM

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