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Ohio Auditor of State



A Tale of Two Thieves
A Case Overview

Presented by: Randall Meyer
Chief of Investigations
Special Investigations Unit

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Overview

- Discuss two recent simultaneous thefts in which over \$300,000 tax dollars were stolen from one small village.
- Provide examples of how the funds were diverted for personal use.
- Provide examples of the evidence used in the case.



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Village of Lockland

- Size: 1.22 sq. miles
- Population: 3,426
- Village Budget: \$7 mil
- September 30, 2003 – Declared to be in Fiscal Watch




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Village of Lockland Mayor's Court

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How We Got Involved

- Early April 2007, Mayor's Court Clerk alleged two receipts collected by police officers totaling \$500 were missing.
- Internal Affairs investigation conducted.
- Polygraph tests were administered to select police officers and the Mayor's Court Clerk.
- Results – Mayor's Court Clerk found to be deceptive.

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Dana Mynatt
Mayor's Court Clerk



- Mayor's Court Clerk for 14 years
- Reports to Village Mayor

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Dana's Duties

Responsible for:

- Maintaining receipt books for payments and bonds received.
- Posting payments received to CAPIAS.
- Prepared Court Docket and posted Court's decisions into CAPIAS.
- Preparing the deposit slips for checks, money orders and cash received.
- Settled credit card payments received on a periodic basis.
- Distributed fines, costs and bonds received.

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Planning the Work

In a May 29, 2007 interview, Dana explained:

- The process followed when creating the case, receipting and depositing payments received, and distributing the payments received.
- Records maintained to support the Court's actions.
- The posting of activity to CAPIAS and the process she followed when the system crashed.
- Her view of the events leading up to and involved during the internal investigation.

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Planning the Work

- Contacted the computer software vendor to determine what electronic records could be provided.
- Identified bank accounts maintained by the Mayor's Court to determine the number of subpoenas to be issued.
- Identified areas to review and the objectives for those areas.

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- ### Planning the Work
- Audit Objectives:
- Were traffic fines and court costs collected and deposited.
 - Were cash bonds received deposited and distributed.
 - Were drug fines posted according to the Ohio Rev. Code.
 - Were traffic fines and costs distributed to the Village and the Treasurer of State.
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- ### Working the Plan
- Subpoenas were issued to Fifth Third Bank to obtain:
 - Deposit slips and supporting deposit information into the Court's bank accounts
 - Canceled checks and documentation supporting withdrawals from the account
 - June 12, 2007 -- Follow-up interview with Ms. Mynatt.
 - June 28, 2007 -- Staff begins reviewing available records.
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Meanwhile, at the Hall of Justice
The 2005 - 2006 financial audit
is in progress and....

Another theft is alleged

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Payroll Department

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How We Got Involved

- July 9, 2007 – Von Lehman contacted Auditor of State staff about an alleged payroll theft.
- July 10, 2007, AOS met with Von Lehman regarding the alleged theft .
- July 11, 2007 – Met with Village Administrator regarding alleged theft.
- At this meeting, two letters from Debra Reynolds dated July 9, 2007 were provided.

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Debra Reynolds,
Payroll Clerk



- Payroll and Utility Clerk for 6 years
- Reported to the Village Finance Manager



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Debra J. Reynolds

- Duties included processing weekly payroll; remitting payroll withholdings on a monthly basis; reconciling the payroll bank account; generating utility bills; and posting payments and/or adjustments to the utility accounts.
- Employees were paid on a bi-weekly, weekly or monthly basis.



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Typical Payroll Process

Employee
Debra J Reynolds, 908 Church St., Reading, OH 45215

Earnings and Hours	Qty	Rate	Current	YTD Amount
Hourly Rate	72.00	13.38	963.36	13,594.08
Sick Hourly Rate	8.00	13.38	107.04	374.64
Vacation Hourly Rate				695.76
Longevity personal				180.00
			1,070.40	321.12
				15,165.60

EMPLOYER SIGNAL
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Debra's Interview

Statement of Debra Reynolds
 I would write checks to myself from the payroll account. After writing the check I would void it from the system and then ~~actually~~ actually debit the check. I would divide the money between the departments on the payroll sheet that I gave to the finance director to put in the computer. I would then cash the checks and ~~use~~ would spend most of the money away. I would go to the gambling table a few times a week and was constantly buying ~~lottery~~ tickets. I also spent a lot of money on food. There was never any thought of doing this for someone else or taking any other money from the Village. I am very willing to cooperate with the auditor of the Village in this matter.

Debra Reynolds
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Mayor's Court Night

- Court was held in Village Council chambers twice a month.
- The Mayor, Dana, Solicitor, and Police Chief participated in Court.
- Defendants were sent to the police department for payment of their fees.
- Police officers issued receipts for payments received.
- Receipts were posted to CAPIAS by Dana over the next couple of days.

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For those who do not appear

- Defendants could also pay their fines via mail, in person or by phone.
- Depending upon the time of day, either Dana or a police officer issued the receipt for the payment received.
- Receipts were posted to CAPIAS by Dana when she had the time.

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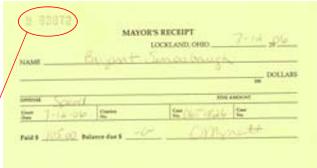
Scheme Number One

Manual receipts not deposited




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Summary Cash Receipts Page: 1

FROM: 63823 TO: 63906 07/14/2006

Receipt #	Date	Case #	Charter #	Paid By	Amount
63875	07/12/06	0671966A	76762A	SMITH, BRUCE	100.00
63871	07/12/06	0671966A	76762A	HUNTER, JEFFREY	100.00
63873	07/12/06	0672075A	76762A	ATKINSON, JAMES	100.00
63874	07/12/06	0672076A	76762A	WAGLAND, CRAIG	100.00
63875	07/12/06	0671962A	76762A	MCNEESE, DANIEL	100.00
63876	07/12/06	0672076A	76762A	SPADAFORA, NICHOLAS	100.00
63877	07/12/06	0672065A	76762A	HICKMAN, GAIL	100.00

Note: 63872 is not included in this report.




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Total for Scheme One – CAPIAS in Operation

Year	No. of Receipts	Amount
2006	141	\$26,072.00




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Items Substituted



Total for Scheme Two

Period	No. of Receipts	Amount
1/1/05 - 12/31/05	28	\$3,981.40
1/1/06 - 12/31/06	223	29,167.00
1/1/07 - 4/12/07	115	13,333.00
	366	\$46,481.40

Scheme Number Three

Manual Receipt and CAPIAS Alterations

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Receipt #	Date	Case #	Citation #	Paid By	Amount
63901	07/14/2006	06T0486A	75316A	WATSON, KENNETH	100.00
63901A	07/14/2006	06T0486A	75316A	WATSON, KENNETH	60.00

Note: 63901 totals \$160 in CAPIAS and not \$460.

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Total for Scheme Three – Part 1

Instances in which the manual receipt was altered and a lesser amount was posted in CAPIAS:

Period	No. of Receipts	Amount
1/1/05 - 12/31/05	9	\$ 780
1/1/06 - 12/31/06	25	3,500
	34	\$ 4,280

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Total for Scheme Five

Period	No. of Receipts	Amount
1/1/06 - 12/31/06	6	\$ 614
1/1/07 - 4/15/07	2	260
	8	\$ 874



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- ### Other Schemes
- Substituting checks received from Hamilton County Municipal Court for drug fines for cash collected. (8 checks totaling \$806)

 - Improperly remitting fines and court costs and substituting payments received for cash collected. (8 cases totaling \$1,130)
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- ### Difficulties Encountered
- Missing receipt books containing 459 traffic payment and 96 bond receipts.
 - Missing 1,022 case jackets.
 - Unable to access CAPIAS case information beginning mid October 2007.
 - Unable to retrieve Excel spreadsheet tracking bonds received, forfeited, and refunded due to a computer crash.
- 

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Lessons Learned

- Always look for gaps in the numerical receipt sequence on receipt ledgers.
- Reconcile manual receipts to computerized receipts and deposits.
- For voided receipts, verify a duplicate receipt was issued.
- Determine whether payments collected are deposited timely.

Grand Total of Funds Taken By Dana

Scheme One	\$92,284.00
Scheme Two	76,980.40
Scheme Three	12,867.00
Scheme Four	2,680.00
Scheme Five	874.00
Other Schemes	<u>1,936.00</u>
	\$187,621.40

Dana's Interview September 24, 2007

- Met at the Cincinnati Regional Office.
- Requested explanation what happened to the cash shortages identified in these schemes.
- Requested explanation for the increase in cash deposited into her bank account.

Year	Month	Month Total
2005	September	\$ 475.00
2005	October	\$ 1,100.00
2005	December	\$ 830.00
2006	January	\$ 200.00
2006	February	\$ 400.00
2006	March	\$ 2,100.00
2006	April	\$ 2,900.00
2006	May	\$ 1,100.00
2006	July	\$ 300.00
2006	August	\$ 320.00
2006	September	\$ 1,480.00
2006	October	\$ 1,100.00
2006	December	\$ 1,900.00
2007	February	\$ -
2007	March	\$ -
2007	April	\$ -
		\$ 15,290.00

What Happened to Dana

Charged with:

- 2 Counts of Tampering with Records
- 1 Count of Theft in Office
- 1 Count of Unauthorized Use
- 1 Count of Forgery

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Dana's Pre-Sentence Investigation Statement

"When I was there, I knew things weren't done right but I thought that's how things were done everywhere – being a small, little corrupt town."

"Everyone did what they wanted. There was no cash register. We just threw money in a drawer. We would take money out for lottery tickets and we were supposed to pay it back but we never did."

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What Happened to Dana

Pled guilty to:

- 1 Count of Theft in Office
- 1 Count of Tampering with Records

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Dana Mynatt,
former Mayor's Court Clerk

Convicted: 4years Prison



Restitution: \$187,621.40 plus cost



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Grand Total of Funds Taken By Debra

	No. of Checks	Total Amount
2003	31	\$ 20,527
2004	37	31,116
2005	33	28,734
2006	37	31,821
2007	18	15,818
	156	\$ 128,016



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Grand Total of Funds Taken By Debra & Dana

Dana	\$ 187,621.40
Debra	\$ 128,016.00
Total	\$ 315,637.40

Meeting new friends at Marysville Correctional

PRICELESS!



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What Happened to Debra

Charged with:

- 1 Count of Theft in Office
- 1 Count of Tampering with Records

Pled guilty to:

- 1 Count of Theft in Office

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Debra Reynolds, former Payroll Clerk

Convicted: 5 years Community Control



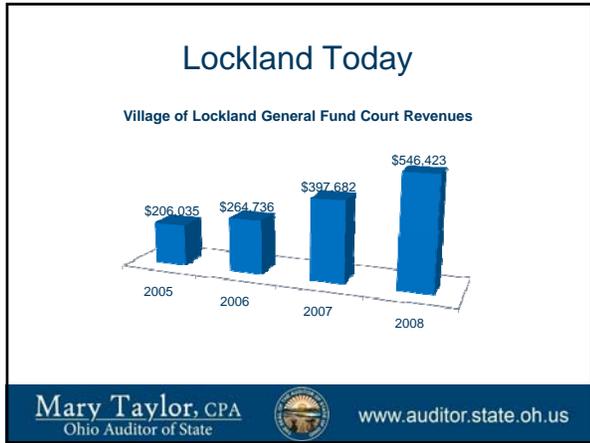
Restitution: \$60,105 plus cost

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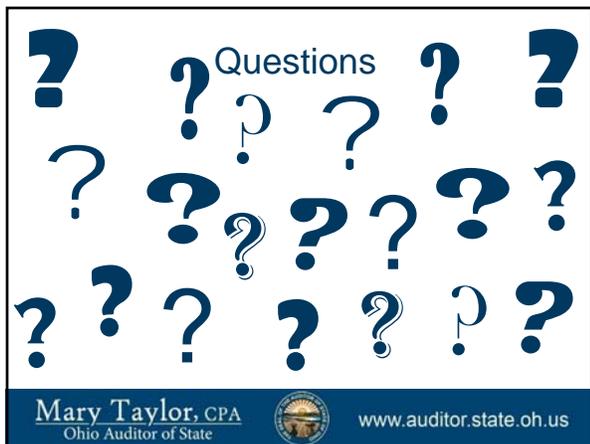
Lockland Today

- Released from Fiscal Watch on October 20, 2008.
- Able to provide employee raises.
- In past 18 months purchased three police cruisers.

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