How to Catch a Thief

Presented by: Kevin Saionzowski, CPA, CFE

Workshop Objectives

- Discuss two AOS cases involving theft of local government money.
- Show examples of how the funds were diverted.

Village of Mechanicsburg

How did it start?

- Fraud Hotline call from concerned employee indicating a potential theft of public monies.
- Meeting with Village Officials who expressed similar concerns.
- Meeting with County Prosecutor regarding the potential allegations.
Village of Mechanicsburg
Summer Celebration Account

- Donations for the annual fireworks celebration were deposited into this account.
- Ms. Cantrell was responsible for depositing the donations received.
- Both Ms. Cantrell and the Mayor were required to sign for any withdrawals.

Receipts

In an April 16, 2004 interview, Ms. Cantrell provided the following information about Village of Mechanicsburg Income Tax Collections:

- Used a triplicate receipt book to issue receipts for payment.
- Typically wrote the amount paid on the tax return.
- Receipts were totaled, agreed to the daily receipt journal, and the deposit slip.

Something about Susan

During the initial interview, Ms. Cantrell admitted:

- Issuing receipts for cash payments and taking the money.
- Destroying receipts issued for cash payments.
- Withdrawing cash from the Summer Celebration account for her personal use.
- Taking between $6-7,000 of Village monies.
Receipts

<table>
<thead>
<tr>
<th>Receipt No</th>
<th>Receipt Date</th>
<th>Receipt Amount</th>
<th>Type of Tender</th>
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<tbody>
<tr>
<td>30004</td>
<td>11/16/01</td>
<td>$329.44</td>
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</tr>
<tr>
<td>30005</td>
<td>11/16/01</td>
<td>$380.04</td>
<td>CK</td>
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<td>30006</td>
<td>11/16/01</td>
<td>$408.94</td>
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<td>30007</td>
<td>11/19/01</td>
<td>$50.00</td>
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<td>$25.18</td>
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<tr>
<td>30013</td>
<td>11/26/01</td>
<td>$1,484.00</td>
<td>CK</td>
</tr>
</tbody>
</table>

$3,745.30

Variance: $1,316.42

Voided Receipts

What should you see:

- All copies of “void” receipt should still be in the receipt book with an explanation of why voided.
- Should be a subsequent receipt issued to the same individual.
- Review of the voided receipt by a supervisor.

What we saw instead:

- Void written on the yellow and/or pink copy of the receipt and the white copy missing.
- Adjustments in the Income Tax computer system reducing the taxpayer’s liability.
- 36 receipts totaling $3,756 were taken by Ms. Cantrell.
Summer Celebration Account
Ms. Cantrell used this account to “launder” employer payroll tax withholdings by:

- Depositing payroll remittances from employers or taxpayer’s payments into the savings account.
- Withdrawing cash from the savings account without the authorization of the Mayor and spending it.
- A portion of this money was deposited into her bank account.

Summer Celebration Account – Depositing of Taxpayer funds

Summer Celebration Account – Deposits into Ms. Cantrell’s Account
Summer Celebration Account – Unauthorized Withdrawals

Summer Celebration Account – Deposits into Ms. Cantrell’s Account

Susan’s Payroll

- The Village Clerk’s salary was established at $15,000 per year.

- While reviewing Ms. Cantrell’s personal bank account, we noted that she was paid $19,986 during 2003.

- Upon review of minutes and payroll ledgers for 1996 through April 2004, we confirmed Ms. Cantrell was overpaid $15,847.
Village of Mechanicsburg – Former Clerk’s Personal Account

Ms. Cantrell’s deposits also included 20 checks written by the Village to vendors. We noted the following:

- The checks did not include an address of the vendor.
- The checks were signed by Ms. Cantrell when she was Clerk.
- The endorsement appeared to be handwritten by Ms. Cantrell as each check also had James Cantrell and Susan Cantrell written on the back.

Lessons Learned

- Do not rely on the bank tellers to ensure checks issued to the entity are deposited only into the correct accounts.
- Review endorsements on checks returned by the bank.
- Make sure checks prepared have an invoice to support the payment and the check is completed prior to signing.

Something About Susan

In the June 24, 2004 interview Ms. Cantrell admitted to:

- Depositing vendor checks into her personal account.
- Voiding receipts and taking the money collected.
- Utilizing the Summer Celebration account to take money.
- That she had taken approximately $15,000.
Something About Susan

When asked where the money went, Ms. Cantrell stated she:

“took money every way I could from the Village. I just bought normal stuff, clothes, whatever. I don’t gamble or anything. James has a separate account. He pays for everything with the house, mortgage, utilities….”

Where’d it all go?

A review of the activity in Ms. Cantrell’s account identified:

- Wal-Mart - $3,248
- Lottery/convenience stores - $8,443
- PAWS - $15,251
- Bank overdraft charges - $17,645

Cause and Effect
Mechanicsburg

Charged with:

- 5 Counts of Theft in Office
- 3 Counts of Money Laundering
- 2 Counts of Tampering with Records

Conviction:

- 10 year Prison Sentence
- $1,000 Fine
Cause and Effect
Mechanicsburg

Restitution ordered:
➢ $81,603 in stolen monies to be repaid to the Village
➢ $25,000 to repay the Village for the cost of the special audit

Village of Port William

How did it start?
– While performing a neighboring township’s audit an alert AOS employee noticed a suspicious transfer to the Village account
– Inspection of Township minutes showed evidence of alterations on approval for transfer

Village of Port William

Background
➢ The township clerk
➢ Michelle (Mickey) Ellis – former Village of Port William clerk.
➢ Village’s clerk was Michelle’s husband Rick Ellis.
➢ AOS was told Michelle was still handling the Villages Clerk position.
Village of Port William

Background

- After finding this transfer a decision was made to open the Port William audit one year early.
- Michelle Ellis was not prepared for the audit.

What we found

What we should have found!
What we found

Five Renewed Performance, Inc. invoices totaling $63,617

Closer examination warranted more investigation

What we found

What we should have found!
What we should have found!

Difference
$10,925

What we found

What we found
What we should have found!

<table>
<thead>
<tr>
<th>Date</th>
<th>Check #</th>
<th>Payee</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
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<td>10030</td>
<td>First Premier</td>
<td>$603.79</td>
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<tr>
<td>11/30/01</td>
<td>10050</td>
<td>Sally John</td>
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<td>10/31/01</td>
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<td>Advanta Services</td>
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<td>AT&amp;T</td>
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</table>

$55,905.57

Lessons Learned

- Examine unusual notations or inconsistencies in documentation.
- Review payments other than payroll compensation to employees.
- Make sure checks prepared have an invoice to support the payment and the check is completed prior to signing.
Where’d it all go?

Funds were spent for:

- Cell Phones
- Concerts/Professional Wrestling Events
- Psychic Hotline
- To support a secret family.

Cause and Effect
Port William

Charged with:

- 1 Count of Theft
- 1 Count of Forgery
- 1 Count of Tampering with Records

Conviction:
- 30 Days in Jail

Restitution Ordered:
- $55,905.57 in stolen monies to be repaid to the Village
- $12,000 to repay the Village for the cost of the special audit
- Restitution was made at sentencing
Special Audit Section
88 East Broad Street
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www.FraudOhio.com
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(614) 466-3786

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Closing

Comments

Q & A