# Ohio Association of Public Treasurers

## When Officials Pocket Public Funds

Presented by Sara M. Costanzo

October 8, 2025

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# Today's Agenda

- Theft in office, embezzlement and fraud
- Federal and state laws
- Red flags
- Avoiding losses
- Case examples

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# Theft in Office, Embezzlement and Fraud

# Just the Facts

- The Law:
  - Where a public official uses his or her position to commit a theft offense. The offense, involves using the office to aid the crime or stealing public property.
- Statistic:
  - Since 2019, the Ohio Auditor Special Investigations Unit has secured 142 convictions, finding $24,244,657

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# Just the Facts

## Special Investigations Unit convictions since January 2019

All of these cases involved the work of the Auditor of State's SIU, including forensic audits, fraud investigations, and/or prosecutions.

Conviction Type

All

Restitution Amount

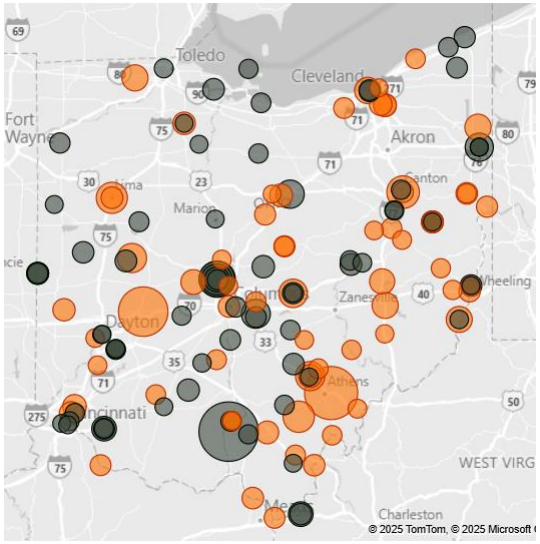
$0.00 $3,230,974.40

144
Convictions

$13,996,703.30
Sum of Restitution

An asterisk (*) denotes a case resolved with a sentence of Diversion in lieu of conviction

Orange denotes a ***Theft in Office*** conviction

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# Requirements to Report

- ORC 4113.52
  - Requires all state officials and employees employed by or appointed to a state agency to report alleged fraud, theft in office, or the misuse or misappropriation of public money by a state official or employee to the inspector general
- ORC 117.103
  - All other state employees and elected officials are to report suspected fraud, theft in office, or misuse or misappropriation of public money to the Auditor of State's (AOS) fraud-reporting system

# Ways to Report

- 1. Call 866-Fraud-OH (866-372-8364)
- 2. Use the App (Read more)
- 3. Submit a fraud complaint online
  - https://ohioauditor.gov/fraud/reportit/Complaint.aspx
- 4. Email a tip
  - fraudohio@ohioauditor.gov
- 5. Write a letter
  - 65 East State St., PO#1140, Columbus, OH 43215

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# Theft in Office

# Theft in Office

- A theft in office charge applies when a public official – any public employee – uses his or her office to commit one of the various crimes categorized as theft:
  - tampering with records, forgery, telecommunications fraud, and passing bad checks, among others.
  - https://ohioauditor.gov/news/pressreleases/details

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# Theft in Office

- Section 2921.41
- (A) No public official or party official shall commit any theft offense, … when either of the following applies:
  - (1) The offender uses the offender's office in aid of committing the offense or permits or assents to its use in aid of committing the offense;
  - (2) The property or service involved is owned by this state, any other state, the United States, a county, a municipal corporation, a township, or any political subdivision, department, or agency of any of them, is owned by a political party, or is part of a political campaign fund.

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# Theft in Office

- Severity of Offense
  - Fifth-degree felony: For offenses involving smaller amounts of property or services.
  - Fourth-degree felony: For theft valued between $1,000 and $7,499.
  - Third-degree felony: For theft valued at $7,500 or more.
  - Second-degree felony: For theft valued between $150,000 and $749,999.
  - First-degree felony: For theft valued at $750,000 or more.

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# Theft in Office

- Former Carrollton Exempted Village Schools Treasurer Pleads Guilty to Felony Count of Theft in Office
  - The former treasurer, Amy Spears, for the Carrollton Exempted Village Schools pleaded guilty Thursday after an investigation revealed she had stolen money from the district and then fabricated records in an attempt to hide the activity.
    - cashed a district check for $5,000 that she had made out to herself
    - received reimbursements from the district totaling about $22,000 for college classes during times when not enrolled, based on fraudulent documents she created

# Theft in Office

- Former Executive Director of Allen County Regional Transit Authority, Shelia Haney
  - illegally diverted the proceeds from vehicles sales to a political action committee to pass a new levy for additional money to the Transit Authority.
  - received reimbursements for personal travel not related to Transit Authority business.
  - Sentenced to 30 Months in Prison Following Theft Conviction

# Theft in Office

- Former Fiscal Officer for the Village of New Concord in Muskingum County Indicted in Alleged Theft of More Than $450,000
  - The Muskingum County Grand Jury has handed down an indictment against the former fiscal officer for the Village of New Concord, Lynn Marlatt, in the alleged theft of more than $450,000 in public funds.
    - a local bank contacted village officials about suspicious activity involving a dormant village bank account.
    - multiple check, debit card, and other withdrawals by Marlatt without authorization, with the stolen funds allegedly used for debt payments and other personal expenditures. She also allegedly altered vendor invoices and village checks to conceal her activities.

# Embezzlement

# Embezzlement – Ohio elements – ORC 2945.64

- Failure or refusal to pay over or produce public money by a person charged with the collection, receipt, transfer, disbursement, or safekeeping of such money, whether belonging to this state, a county, township, municipal corporation, or board of education, or other public money, or to account to or make settlement with a legal authority of the official accounts of such person
  - A fiduciary relationship exists between the accused and the alleged victim.
  - The accused had access to the property in question because of this relationship.

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# Embezzlement - fiduciary

- Different from regular theft because the person who takes the money or property generally has trusted and legitimate access to the valuables before they take them for their own use
- Can take a variety of forms:
  - A cashier taking a small amount of cash out of a cash register on a single occasion
  - A more sophisticated embezzlement scheme, using phony vendors and invoices to steal millions of dollars over a period of years

# Embezzlement *statistics*

- Since January 2019
  - The Auditor's Special Investigations Unit has secured 100 convictions for fraud on 219 charges
  - resulting in 168+ findings for recovery.
  - Total findings so far: $20,674,714

https://ohioauditor.gov/publicintegrity/default.html

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# Embezzlement 2025

•Scioto County Commissioner and wife indicted: In August 2025, a Scioto County Grand Jury indicted a county commissioner and his wife in a public corruption probe. The case involves alleged bribes and public contracts tied to the Southern Ohio Port Authority and a local business park.

•East Cleveland Mayor convicted: The Ohio Ethics Commission reported that East Cleveland Mayor Brandon King was found guilty of theft in office and other corruption charges in May 2025. A former city councilman was also found guilty.

# Embezzlement

- Morgan County Ag Treasurer, Stanley Strode, Repays $47,172.61 Under Audit After Investigation Reveals Funds Were Used For Personal Purposes
  - used funds donated initially for fairgrounds improvements for personal purposes, including a loan to purchase a timeshare and mortgage and credit card payments.
  - failed to provide supporting documentation for donor repayments related to a new fair barn.

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# Types of Embezzlement

# Types of Embezzlement

- Adjusting journal entries
- Void schemes
- Check substitutes
- Fictitious vendors
- Expense report padding


**Hiscox Embezzlement Watchlist*

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# Adjusting Journal Entries

- Background:
  - Certain situations require changes to the balance on a customer's account to correct billing errors, such as inaccurate meter readings or erroneous late fees.
  - Employees typically remedy these mistakes by creating entries in the entity's billing system, called non-cash adjustments.
    - This either increases or decreases the account balance to the proper amount owed.

# Adjusting Journal Entries Cont.

- For example: an employee who receives a customer's payment does not record the transaction as a payment in the billing system.
  - The employee pockets the cash and creates a fraudulent adjustment to lower the customer's account balance back to zero.
  - Employees are more discreet and steal only part of a customer's payment, adjusting the account balance only enough to offset the stolen amount.

# Case Example

- Former McArthur Utility Clerk, Cathy Stoughton Indicted on Theft
  - facing one felony count of theft in office, four felony counts of tampering with records, and a misdemeanor count of soliciting improper compensation.
  - was solely responsible for preparing utility bills and collecting, posting, and depositing utility payments.
  - she had failed to deposit portions of utility payments between January 2021 and April 2024

# Void Schemes

- Background:
  - As many entities transition to web-based payment options, cash registers still prove useful for citizens who prefer to pay in person for utility payments, title and permit fees, and other public services.
  - Wherever cash registers are present, there also exists a need to cancel erroneous payments through voids.
  - When this procedure goes unchecked, local government dollars are left vulnerable to thieves who characteristically seek opportunities for fast money and an easy way to sweep their crimes under the rug.

# Void Schemes Cont.

- The tactic works by manipulating an entity's paper trail to appear as if a customer's payment was refunded.
  - After a customer makes a payment, the offending employee re-enters the billing system and voids the transaction.
  - This maneuver shows the funds exiting the entity's system, allowing the employee to pocket the customer's payment with little evidence left on the government's side of the transaction.

# Substitute Check Scheme

- Local governments occasionally receive atypical revenue in the form of mailed checks for rebates, insurance claims, and other one-off payments.
  - These unexpected checks are a welcome sight for thieves looking for fast money and an easy cover-up.
- In a check-substitution scheme, an employee with access to the entity's mail stumbles upon one of these checks and sets it aside until it is time to strike.

# Substitute Check Scheme Cont.

- For example: a fiscal officer receives a letter that contains a $100 rebate check for an equipment purchase.
  - Instead of recording the check in the accounting system, the fiscal officer discretely slides the check into a desk drawer and waits for a few customers to make cash payments.
    - The perpetrator must wait for enough customer cash payments to accumulate to a sum that covers the check amount and avoids drawing attention.
    - Then the fiscal officer substitutes the rebate check for an equal value of $100 from the customer payments.

# Substitute Check Scheme Cont.

- A deposit slip that lists $500 in cash will no longer match the actual amount of cash inside the bank bag if someone substitutes a $100 check.
  - While the overall amount recorded on the deposit slip is still accurate, only $400 in cash is present in the bank bag.
  - The bank bag now contains an extra $100 check that is absent from the deposit slip and the accounting system.

# Fictitious Vendors

- Background:
  - Fictitious vendor fraud generally involves an employee in a position where they can create, authorize, or approve payments to vendors.

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# Fictitious Vendors Cont.

- An employee may set up a legitimate-looking business and create invoices from that business, submitting them to the company for work that was never done, or goods that were never provided.
  - The company or employee will approve the payment and send it to fraudulent company.
  - The employee will deposit the payment for their own use, in some cases using money laundering techniques to distance themselves from the cash.

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# Fictitious Vendors Cont.

- Employees who engage in fictitious vendor embezzlement may start out converting small amounts of money, testing their scheme, and later get more ambitious, possibly taking millions of dollars before their fraud is ever detected.

# Case Example

- Former Eastern Ohio Housing Development Executive Director, Kaycie Antonik Sentenced to Prison in Theft of More Than $2.3 Million
  - False invoices for Antonik's husband's company
  - Fraudulent reimbursement and payroll checks to herself
  - Improper purchases using the Eastern Ohio Housing Development debit card, and
  - Cash withdrawals made at a West Virginia casino.

# Expense Report Padding

- Background:
  - Expense reimbursement fraud makes up about 15% of business fraud.*
  - It takes an average of about 24 months before expense report fraud is detected.

*The Association of Certified Fraud Examiners

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# Expense Report Padding Cont.

- Types of expense report fraud:
  - Claiming non-business related items
  - Inflating acceptable expenses – a $5 Uber turns into a $15 Uber charge (generally receipt is missing)
  - Overcharging the company card
  - Double billing – charging an item more than once, under separate events/trips
  - Exceeding the limits for allowable expenses - splitting large amounts into two or three items on the expense report

# Case Example - Padded Overtime

- Finding for Recovery Issued Against Former Hocking County Sheriff's Office Chief Deputy, Caleb Moritz For Accrued Vacation Overpayment
  - overpaid for accrued vacation time when he left the job.
  - severance included 12 vacation hours that were improperly accrued and additional unused vacation hours over and above what was allowed in the department's labor contract.

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# Fraud

# Fraud

- Involves the improper appropriation of property or money that someone has been entrusted with, to utilize it for their own benefit
  - Chapter 2913 of the Ohio Revised Code states that fraud, as a criminal act of deception, means
    - knowingly deceiving another or causing another to be deceived by any false or misleading representation, withholding information, preventing another from acquiring information, or by any other conduct, act, or omission.

# Incentives or Motivation/Pressures

Personal financial pressures:

- Standard of living
- Living beyond means
- High personal debts or poor credit
- Student loan repayments
- Extended family issues
- Vices
- Unexpected crisis
- Change in life situation

Organizational financial pressures:

- Staffing issues
- Workload increase for those who remain
- Reimbursement reductions
- Shrinking budgets
- Increase in costs
- Regulatory pressures

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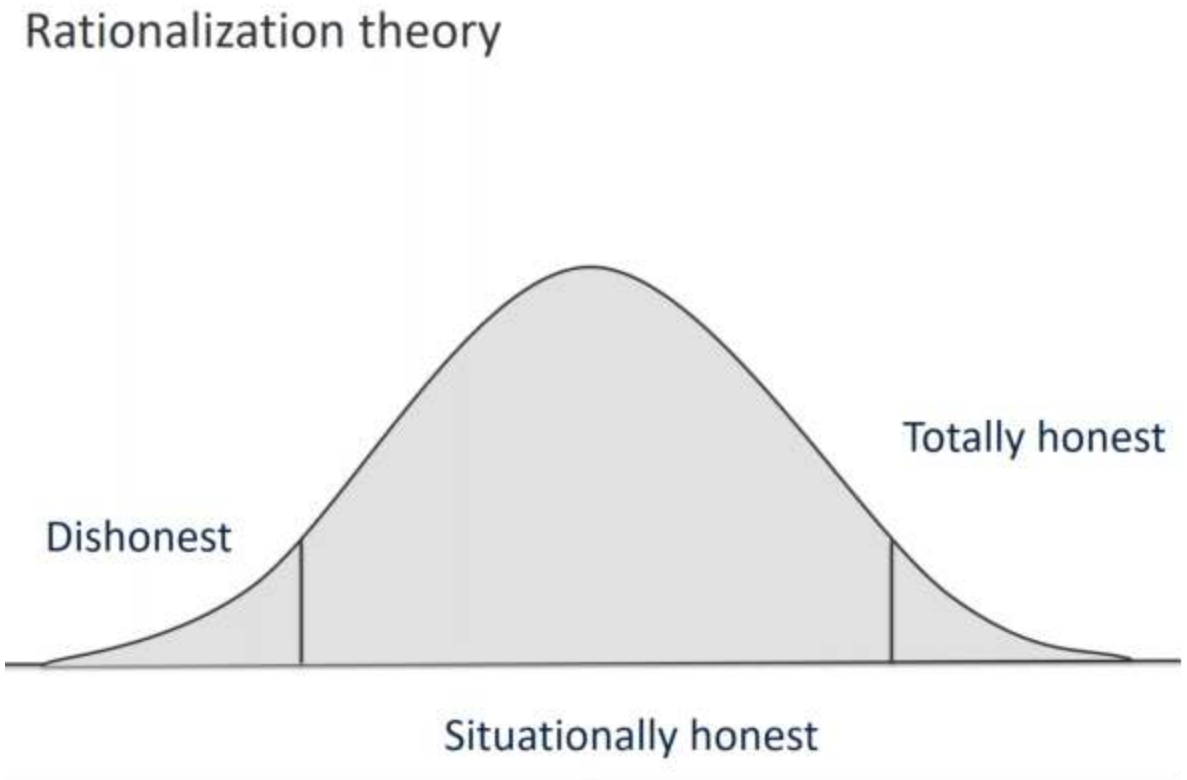
# Rationalization

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# Fraud Statistics

- Fiscal Year 2025
  - 1,704 tips submitted regarding suspected fraud
  - 140 average number of open cases
  - 18 convictions

  https://ohioauditor.gov/publications/docs/2025_AOS_annual_report.pdf

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# Fraud

- Former fiscal officer, David Peterson, was paying himself for numerous positions and purchasing several items from a power-equipment dealer for personal use.
  - misappropriated expenditures totaling $31,711.46.
    - was overpaid for his time serving individually as the mayor and fiscal officer due to improper calculations for the partial years of service, a total of $17,299.99
    - made five purchases of various equipment with village funds for his personal use, resulting in a loss to the village of $12,152.78.


# Laws

# Federal Laws – Penalties

- **Prison:** Someone convicted of a federal fraud crime faces serving time in a federal.
- **Fines:** The fine for any conviction of a federal fraud law can be extremely high.
- **Restitution:** Restitution is paid by perpetrators of fraud to the victims in order to compensate them for their losses.
- **Probation:** A federal judge can impose a federal probation sentence individually or in combination with a fine or a term of imprisonment in some situations.

# Ohio Laws

- January 8, 2021
  - Increased the penalties to an F-2 for stolen amounts between $150,000 and $750,000 and an F-1 for amounts of loss greater than $750,000.
  - Anyone who is found guilty of theft in office would be disqualified from holding any future public office, employment or position of trust in the state.
  - Requires the offender to pay back the forensic audit cost when the victim is a public entity.

# Ohio Laws

- Fraud Reporting
  - All public offices, including community schools, must provide information about the fraud reporting system and the means of reporting fraud to all new hires.
    - All new employees must confirm that they received this information within thirty days after beginning employment.
  - Ohio Revised Code §117.103 requires the Auditor of State to confirm during the course of an audit, as provided in Ohio Revised Code §117.11, that public offices have so notified new employees.
    - The statute provides two ways to verify compliance: by signature acknowledgement or in a manual.

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# Ohio Laws - Statutes of Limitations

- Felonies and misdemeanors
  - The general time limits are:
    - Six years for felonies
    - Two years for misdemeanors
    - Six months for minor misdemeanors
  - (Ohio Rev. Code Ann. § 2901.13 (2019).)

# Ohio Laws - Statutes of Limitations

- Theft-related and fraud offenses
  - **Identity fraud:** Six years after the crime, or if this period has expired, five years after discovery of the offense
  - **Misconduct by public servant:** Any time while the person remains in office or in their position, or two years after leaving office or the position
  - **Offenses involving fraud or breach of fiduciary duty:** One year after discovery of offense (if the underlying time limit has expired)
  - **Felony theft ($1,000 or more):** Six years after the crime
  - **Misdemeanor theft (less than $1,000):** Two years after the crime

# Red Flags

# Red Flags

- “In most cases of public officials who lie, cheat, and steal from the public coffers, there are ample warning signs that should have been reported to investigators,” Ohio Auditor Faber said.
- “We want people to be able to spot red flags of potential corruption and fraud and know how to report their suspicions to the appropriate authorities.”

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# Red Flags

- Depending on the individual, the job, and the type of fraud, it can take years to discover fraud. In some cases, fraud may never be discovered at all.
- A number of red flags can alert the possible fraud.
- Be aware of behavioral red flags.
- Set up and monitor a strong system of internal controls.
- Utilize anti-fraud controls.
- Utilize data analysis software.

# Red Flags *Cont.*

- General Red Flags

- **Employee lifestyle changes: expensive purchases**
- **Refusal to take vacation or sick leave**
- **Poorly defined duties without adequate monitoring**
- **Behavioral changes of substance abuse or gambling problems, or just fear of losing job**
- **High employee turnover**
- **Management decisions dominated by an individual or small group**
- **Disrespect for regulatory bodies**
- **Excessive or unauthorized voided receipts**
- **Lax or inexperienced accounting personnel**
- **Inordinate number of manual checks**
- **Excessive number of checking accounts**
- **Frequent changes in banking accounts**
- **Frequent changes in external auditors**
- **Under-market-value sales of company assets**
- **Significant downsizing in a healthy market**
- **Continuous rollover of loans**
- **Excessive number of year-end transactions**
- **Unsupported transactions or adjusted journal entries**
- **Unexpected overdrafts or declines in cash balances**
- **Service contracts for which there is no product**
- **Photocopied or missing documents**
- **Altered records**
- **Refusal by company to use serial-numbered documents**
- **Compensation program that is out of proportion**

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# Red Flags *Cont.*

- Purchasing, Inventory

- **Abnormal number of expenses, supplies or reimbursements**
- **Purchases that bypass normal procedures**
- **Handwritten or typed invoices vs. computer-generated invoices**
- **Increased complaints about products or service**
- **Acceptance of gratuities or significant "promotional" items**
- **Handwritten check endorsements vs. stamped endorsements**
- **Abnormal inventory shrinkage**
- **Prepayment of goods or services**
- **Frequent use of sole-source contracts**
- **Pressure to expedite payments**
- **Lack of physical security over assets/inventory**
- **Charges without shipping documents**
- **Payments to unapproved vendors**
- **High volume of purchases from new vendors**
- **Vendors without physical addresses**
- **Vendor addresses that match employee addresses**
- **Inventory that is slow to turn over**
- **"Consulting" contracts for which there is no end product**
- **Numerous duplicate payments, then pocketing the refund**
- **Purchasing agents who pick up vendor payments rather than having them mailed**

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# Red Flags *Cont*.

- Corporate Credit Cards
  - **Minimal or no supporting documentation for charges (for example, summary charge slips vs. detailed receipts)**
  - **No or minimal policies regarding access and use of credit cards**
  - **No or unreasonably high limits**
  - **No restrictions on types of purchases**
  - **Inappropriate charges noted on statements**

# Red Flags *Cont*.

- Portable Assets
  - **Poor physical safeguards of property**
  - **Unauthorized transfer or disposal of assets**
  - **Missing records such as canceled checks or vendor invoices**
  - **Inadequate record-keeping**
  - **Unexplained increase in property loss**
  - **Unexplained increase in particular purchases**

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# Red Flags *Cont*.

- Accounts Receivable
  - Excessive number of voided receipts, customer discounts and returns
  - Customers complaining they are receiving non-payment notices
  - Unauthorized bank accounts
  - Unauthorized voided receipts, customer discounts, or returns
  - Unauthorized account adjustments or write-offs
  - Untimely deposits
  - Sudden activity in a dormant bank account
  - Unjustified cash transactions
  - Large number of account write-offs
  - Unreconciled bank accounts
  - Cash register shortages or overages
  - Increase in past-due accounts
  - No collection efforts on past-due or written-off accounts
  - Cash payments when checks are expected
  - Unexplained drop in revenue despite same level of sales
  - Discrepancies between bank deposits and posting

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# Red Flags *Cont*.

- Payroll
  - **Overtime charged during a slack period**
  - **Employees with duplicate Social Security numbers, names or addresses**
  - **Overtime charged for those who normally would not have overtime wages**
  - **Inconsistent overtime hours for a cost center**
  - **Budget variations for payroll by cost center**
  - **Employees with few or no payroll deductions**

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# Red Flags *Cont*.

- Behavioral Changes
  - **Borrowing money from co-workers**
  - **Easily annoyed at reasonable questions**
  - **Bragging about significant new purchases**
  - **Creditors or collectors appearing at the workplace**
  - **Excessive drinking or gambling beyond the ability to stand the loss**
  - **Providing unreasonable responses to questions**
  - **Refusing vacations or promotions for fear of detection**
  - **Carrying unusually large sums of money**
  - **Rewriting records under the guise of neatness in presentation**


# Avoiding Losses

# Avoiding Losses – Any Recovery


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# Avoiding Losses

- Control cash receipts – issuing for all cash transactions in duplicate.
- Post all payments to a billing system.
- Routinely reconcile money in hand with documented deposits.
- Prepare bank deposit slips daily.

# Avoiding Losses *Cont*.

- Review spending trends over time between similarly- situated employees.
- Educate employees and train managers on approving expense reports.
- Consider an automated expense management system.
- Use purchase orders.

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# Case Examples

# Case Example – Excess Vacation Days

- Finding for Recovery Against Former Wellington Exempted Village Schools Superintendent, Edward Weber
  - requested and was paid for 50 of 56 vacation days he had accrued. However, those 50 days were not deducted from his earned time off total, and he was paid an additional $25,200.50 in June and July of 2024.

# Case Examples – Fake employees

- Former Deputy Auditor for City of Nelsonville, Stephanie Wilson
  - Diverted city funds over several years, including "engaging in a false employee payroll scheme involving an account held jointly with her son…into which payments were direct deposited and then transferred out to an account" in her name
  - Pleaded guilty to counts of tampering with records, forgery, telecommunications fraud, and theft in office
    - Sentenced to 59 months in prison; ordered to make restitution totaling nearly $292,000. She also was fined $20,000

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# Case Example - Vacation Time – Stipend Overpayments

- Former COTA Payroll Administrator Indicted on Theft, Other Counts after Manipulating Timesheets and Pocketing Unearned Wages
  - Ashanti Power entered work hours for two former COTA employees and modified their direct deposit information so that the funds would be deposited into her own account.
  - Other personal payroll discrepancies involving Powell, including unapproved pay rates and unapproved vacation sell backs.
  - The total alleged theft amount was more than $12,000.

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# Case Example – Theft and Tampering

- Former Byesville Utility Clerk, Julie Neff, Who Was Convicted in Theft of More Than $43,000
  - identified $43,259.16 in stolen funds and $454.26 in fees owed as a result of late payments on Neff's personal utility account.
  - restitution order and finding for recovery totals include $84,058.20 in audit costs.

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# Case Example – Misappropriating Funds

- $3.2 Million Finding for Recovery Against Former South Central Ohio Computer Association Executive Director, Shawn Clemmons
  - misappropriated funding to hide financial difficulties at SCOCA, using new federal reimbursements to pay previous years' bills.
  - misappropriations cost 55 school districts more than $3 million in lost reimbursements and additional fees.

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# About Weltman

# About Weltman

- Nationally-recognized full service creditors' rights firm
- We represent creditors in:
  - Real estate default matters
  - Bankruptcy
  - Consumer and commercial collections
  - Commercial litigation
  - Municipal debt collections
    - Tax
    - Utility
    - Nuisance
    - Property damages

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# About Weltman

- We strictly adhere to compliance and security standards, with a premium on reputation management.
- To learn more about our leadership in accounts receivable management, visit weltman.com.

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# Questions?

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Please feel free to contact me anytime:


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