Ohio Association of Public Treasurers

Financial Misconduct in Public Office

Presented by Sara M. Costanzo

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Today's Agenda

- Misappropriation
- Bribery & Kickbacks
- Conflicts of Interest
- Self-Dealing
- Theft in office, embezzlement and fraud
- Laws

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Definitions

- Misappropriation - Stealing or misdirecting public funds for personal or unauthorized use.
- Bribery & Kickbacks - Accepting money or gifts to influence official decisions or contracts.
- Conflicts of Interest - Failing to disclose financial ties that impact official duties.
- Self-Dealing - Using a position to secure contracts or benefits for oneself, family, or associates.
- Theft in office – use of public office to commit one of the various crimes categorized as theft (tampering with records, forgery, telecommunications fraud, and passing bad checks, among others).

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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

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

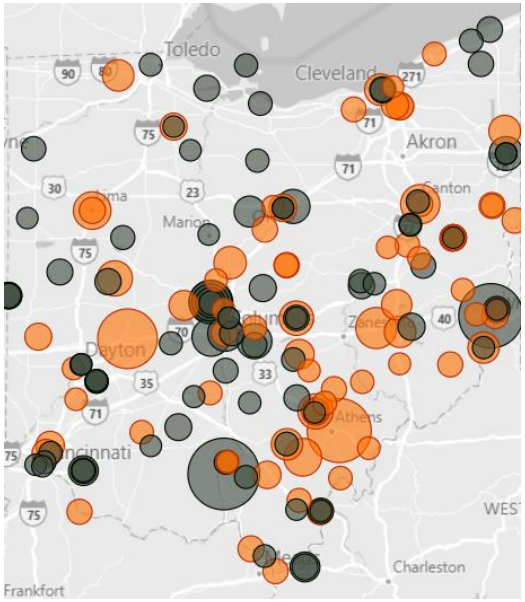
Orange bubbles denote a ***Theft in Office*** conviction

Restitution Amount

$0.00 $3,230,974.40

168 Convictions

$18,111,597.92 Sum of Restitution



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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

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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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Misappropriation

Misappropriation

- Ohio Revised Code, Section 2921.41
- Misappropriation of public funds in Ohio is prosecuted primarily as "theft in office" under ORC 2921.41, carrying severe criminal penalties and permanent disqualification from public office.

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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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Case Example – Misappropriating Funds

- June 2026 - Federal and state authorities announced charges against 14 individuals in Ohio accused of misappropriating nearly $60 million in public funds.
  - "Operation Playground Therapy," where federal investigators said an alleged Medicaid fraud scheme involving community-based programs for children in Ohio led to more than $30 million in improper billings and the seizure of cash and 14 luxury vehicles. Four people have been indicted.
    - $1.4 million from the Paycheck Protection Program, which assisted businesses during the COVID-19 pandemic.
    - $15 million from elderly Americans through an alleged romance scheme.
    - A Butler County man charged with defrauding Ohio Medicaid to the tune of $12 million.

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Case Example – Misappropriating Funds

- **Former school leader sentenced for misusing money**
  - Community-school administrators who “squandered” public funds to enrich themselves at the expense of “the lives of countless children, often from disadvantaged backgrounds.”
    - In this appeal, a jury agreed with the state auditor and plaintiff-appellee State of Ohio, ex rel. Attorney General Dave Yost (“State”) and found defendant/third-party plaintiff-appellant Stephanie Millard jointly liable for $392,847 in public funds misappropriated during Millard’s tenure as third-party-defendant-appellee Cincinnati College Preparatory Academy’s (“CCPA”) fiscal officer. (appeal denied 2026)

Bribery & Kickbacks

Bribery & Kickbacks

- Section 2921.02
- Under Ohio law, a public servant or party official convicted of bribery is forever disqualified from holding any public office, employment, or position of trust in the state.
- Bribery is a felony of the third degree
  - Public corruption laws and penalties gained intense scrutiny following the $60 million racketeering and bribery case involving former Ohio House Speaker Larry Householder, who was convicted and sentenced to 20 years in federal prison.

Kickback Scheme

- Former Scioto County Commissioner Sentenced to 30 Months in Prison for Involvement in Public Contracting Kickback Scheme
  - COLUMBUS – A former Scioto County commissioner was sentenced to 30 months in prison Wednesday after he admitted involvement in a kickback scheme involving the Southern Ohio Port Authority and a Portsmouth-area business park, Auditor of State Keith Faber announced.
  - Unlawful interest in a public contract between the Southern Ohio Port Authority and an out-of-state company for a building at the Southern Ohio Aeronautical Regional (SOAR) Business Park, adjacent to the Greater Portsmouth Regional Airport.
    - Bryan Davis also was ordered to pay about $68,000 in restitution after pleading guilty to felony counts of theft in office, receiving stolen property and filing an incomplete/false tax return.
    - Horton received kickbacks for securing a public contract for construction at the SOAR Business Park, and Davis used his position as county commissioner to secure the contract and public funding involved, among other alleged crimes

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Theft in Office

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 McArthur Utility Clerk Sentenced to 18 Months in Prison Following Conviction on Theft in Office, Other Counts
  - *COLUMBUS* — A former utility clerk for the Village of McArthur in Vinton County was sentenced to 18 months in prison following her conviction in the theft of water and sewer bill payments.
  - Cathy Stoughton also was ordered to pay restitution of $125,557.29, with her state retirement account liquidated to go toward the balance.
    - She was solely responsible for preparing utility bills and collecting, posting, and depositing utility payments. SIU determined that she had failed to deposit portions of utility payments between August 2018 and June 2025.

Conflicts of Interest

Conflicts of Interest (and more)

- Ohio's conflict of interest law prohibits public officials and employees from participating in any official actions, decisions, or votes that definitely and directly affect themselves, their family members, or their business associates.
- Under R.C. 102.03(D) and (E), public employees and officials cannot use the authority or influence of their office to secure anything of value or personal gain for themselves or closely related parties.

Conflicts of Interest (and more)

Common Types of Conflicts

- **Official Decisions:** Voting or deliberating on budget appropriations, grants, or zoning changes that directly benefit a family member's business or a private employer.
- **Gifts and Finances:** Accepting expensive gifts, money, or special favors from individuals or entities doing business with the public agency.
- **Public Contracts:** Restrictions under R.C. 2921.42 prohibit officials from authorizing public contracts with companies where they or their family members have a financial or ownership interest.
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Conflicts of Interest (and more)

- Former Genoa Township Office Assistant and Her Husband Indicted in Scheme Involving Identity Theft and Rigged Contract Bidding
  - *COLUMBUS* — A former Genoa Township office assistant and her husband were indicted Thursday on multiple felony charges in an alleged scheme that involved identity theft and rigged contract bidding.
    - Chris Ann Preston faces eight total counts, including engaging in a pattern of corrupt activity, identity fraud, theft in office, telecommunications fraud, tampering with records, and having an unlawful interest in a public contract.
    - Her husband, Richie Allen Preston, faces seven counts, including engaging in a pattern of corrupt activity, identity fraud, telecommunications fraud, tampering with records, and grand theft.
      - the Prestons stole the identity of an experienced commercial contractor, renewing that individual's master license without his knowledge and then using it to bid on commercial work they were not qualified to perform.
      - Chris Ann Preston used her position with the township to access bids and estimates from contractors on township projects. The couple used the information to adapt and design their own bids to ensure they were awarded contracts. In one case, they were paid for work that had to be completed by other contractors.

Self-Dealing

Self-Dealing

- In Ohio, "self-dealing" by public officials is strictly prohibited under the Ohio Ethivs Law (found in Chapter 102 of the Ohio Revised Code) and related criminal statutes.
  - These laws ensure that state and local government decisions are objective and not compromised by personal financial gain.

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Self-Dealing

- Former Richland County Board of Mental Health and Addiction Services Executive Director Convicted on Seven Criminal Counts
- COLUMBUS – The former executive director of the Richland County Board of Mental Health and Addiction Services (RCMH) was found guilty Thursday of seven criminal counts following an investigation by the Auditor of State's Special Investigations Unit (SIU) into improper contracting.
  - Trolian used his public position to secure a contract for training that he knew would benefit his wife, among other issues, and Wachs used his public position to secure a contract that benefited himself and his company.
    - The jury convicted Joseph Trolian on one felony count of having an unlawful interest in a public contract, three misdemeanor counts of having an unlawful interest in a public contract, and three misdemeanor counts of conflict of interest.
    - Wachs pleaded guilty in January 2026 to misdemeanor counts of conflict of interest and received a six-month, suspended jail sentence and one year of community control and was ordered to perform 100 hours of community service.

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Penalties

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 - 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

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Red Flags

Red Flags

- 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**

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**

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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**



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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- We strictly adhere to compliance and security standards, with a premium on reputation management.
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Questions?

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Please feel free to contact me anytime:



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