

THEFT IN OFFICE
DON'T LET IT HAPPEN TO YOU



Presentation by Jim Link, CPA
Clerk of the Lima Municipal Court
with the Direction & Help of Many,
Many Important People!

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AGENDA

- BACKGROUND
- IDENTIFYING THE PROBLEMS
- INVESTIGATION
- PROSECUTION
- RESTITUTION

QUESTIONS

1. How many counties have dealt with Theft in Office ?
2. What would you do as Treasurer / Deputy Treasurer if you suspected an employee was "borrowing" and "re-paying" the Pre-Pay (Escrow) account ?
 - a. You knew that person was having financial difficulties ?
 - b. Was a single parent ?
 - c. Didn't have any support from family ?
 - d. Has a Special Needs child ?



REPORTING FRAUD WHO DO I TALK TO ?

**SUSPECT IT?
REPORT IT**

Reporting Fraud

Complaints of fraud in Ohio's governments may be made any time by any public employee or private citizen.

Ohio Revised Code § 117.103 requires all public employers to notify employees of the methods of reporting fraud. New hires must verify in writing, within 30 days, that they have been advised of the system, and the Auditor of State's (AOS) office will verify compliance during regular audits. The AOS has created a [Fraud Reporting Model Form \(pdf\)](#) to help employers comply with these requirements.

Request a Public Log Fraud Report

• The Ohio Auditor of State maintains a public log of fraud reported through the Ohio Fraud Report System. It includes the date of the report, the entity complained of, the nature of the complaint, and the status of the review of the complaint. To request a copy of the log, email ogu@ohioauditor.gov

OHIO AUDITOR OF STATE



How We Investigate Fraud & Noncompliance

- 1. We Receive a Tip
- 2. We Evaluate the Tip
- 3. A Special Audit or Investigation Begins
- 4. We Work with Prosecutors to Determine Whether There is a Case

Ohio Fraud Reporting

• If you suspect misuse and/or misappropriation of public money, you can report suspected fraud several ways to the Auditor of State. Go to the bottom of the [Reporting Fraud](#) page for more information on how to report fraud.

OHIO AUDITOR OF STATE STATISTICS

Since January 2019:



102
CONVICTIONS
FOR FRAUD...



ON **178**
CHARGES,
RESULTING IN...



174
FINDINGS
FOR RECOVERY

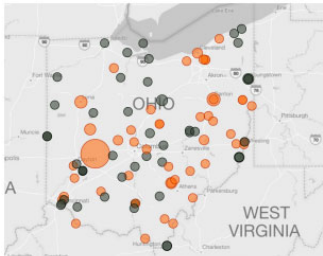


\$18,367,049
TOTAL FINDINGS
SO FAR...

The Auditor's Special Investigations Unit is dedicated to rooting out fraud and bringing the culprits to justice.

FIGHTING FRAUD | FraudOhio@ohioauditor.gov

Interactive Map of Convictions



RED FLAGS (AOS)

- Special Investigations Unit
- Reporting Fraud
- Fraud Red Flags
- Cybersecurity
- Convictions Map
- SU Convictions Report.pdf

Red Flags

▲ Important note: The presence of one or even many red flags is not in and of itself a conclusive indication that fraud exists, but rather is meant to heighten awareness. The following categories list behaviors that might indicate fraud.

- 1. General Red Flags
- 2. Purchasing, Inventory
- 3. Corporate Credit Cards
- 4. Portable Assets
- 5. Accounts Receivable
- 6. Payroll
- 7. Behavior Changes

The Association of Certified Fraud Examiners is the world's largest anti-fraud organization and the premiere provider of anti-fraud training and education.

● For more information and resources to combat fraud, visit www.aofe.com

Questions?

THINGS TO REMEMBER

*People do what you Inspect,
Not what you Expect*

*What is the Main Difference between a
Good Leader and a Bad Leader?
The One Who "Cares"*



BACKGROUND




WHAT DOES OUR COURT DO ? 2 JUDGES & 2 MAGISTRATES	
TRAFFIC / CRIMINAL (TR/CR) DIVISION	CIVIL DIVISION
<ul style="list-style-type: none"> • Initiation of Most Felony Cases • Almost All Misdemeanor Cases • 14,000 Cases Filed in 2022 • \$2.4 Million in Receipts in 2022 	<ul style="list-style-type: none"> • Breach of Contracts • Torts • Evictions • 3,000 Cases Filed in 2022 • \$2.5 Million in Receipts in 2022

FINANCIAL AUTHORITY BY DIVISION	
TRAFFIC / CRIMINAL DIVISION Government vs. Individuals / Organizations	CIVIL DIVISION Governments, Individuals & Organizations
<ul style="list-style-type: none"> • Laws enacted by the Ohio Legislature • Rules of Superintendence for the Courts of Ohio • Judicial Orders • <u>Clerk of Court</u> is the "Official Scorekeeper" for what is Owed by Defendants 	<ul style="list-style-type: none"> • Same as TR/CR • Same as TR/CR • Same as TR/CR • <u>Plaintiff / Plaintiff's Attorney</u> is the "Official Scorekeeper" for what is Owed by Defendants

INVESTIGATION TEAMS	
LIMA MUNICIPAL COURT	OHIO AUDITOR OF STATE SPECIAL INVESTIGATION UNIT
<ul style="list-style-type: none"> • Jim Link, Clerk of Court • Matt Schmunk, Systems Admin • Pam Osmon, Civil Chief Deputy • Brent Riemesch, Accountant • Brenda Benedict, TR/CR Chief Deputy • Terri Hammer, TR/CR Trainer & Collection Manager 	<ul style="list-style-type: none"> • Brandy Reed, Senior Forensic Audit Manager • Robert F. Smith, Assistant Legal Counsel • Field Investigators • Field Auditors

CIVIL CASE FLOW	
<u>PAPER</u>	<u>MONEY</u>
COMPLAINT & SERVICE	FILING FEE \$\$ RECEIVED
SUMMONS	
SERVICE COMPLETED	
PLAINTIFF WINS	
GARNISHMENT FILED	GARNISHMENT FEE \$\$ RECEIVED
GARNISHMENT TO BANK / EMPLOYER	
INTERIM REPORT	GARNISHMENT \$\$ RECEIVED
FINAL REPORT & SATISFACTION	

Successor's Perspective
 Pam Osmon, Chief Deputy Clerk



My Service History

Stressors:

- Staff Turnover
- The Investigation

THE BIG MESS
 Why Didn't Someone Catch it Sooner ?

SOFTWARE CONVERSION ISSUES

MISSING COMPUTER & PAPER DOCUMENTS

GETTING BANK RECORDS

\$78,468.64 LIES & ALIBIS

UN-CLEARED CHECKS IN SOFTWARE



IT Perspective
Matt Schmunk, Systems Administrator



- Where to start
- Data and paper documents missing
- \$78,000 system adjustment (Lie)
- Data strewn everywhere
- Extracting data in a usable format
- Personal

Questions?

MOST COMMON QUESTIONS

1. WHERE DID THE \$\$ COME FROM ?
2. HOW DID SHE DO IT ?
3. WHY DIDN'T ANYONE CATCH THIS SOONER ?
4. WHY DID IT TAKE SO LONG ?



CREATE A PERSONA

- 1. Co-Workers didn't think she was "Smart Enough" to Steal
- 2. Led Co-Workers to Believe She had "Influence" with a Clerk
- 3. Wanted Everyone to Like Her
- 4. Gave Lavish Gifts to Staff
- 5. Pre-Audit "Panic Attacks"
- 6. Hovering over Auditors



RED FLAGS – OVERSIGHT ?

FINANCIAL

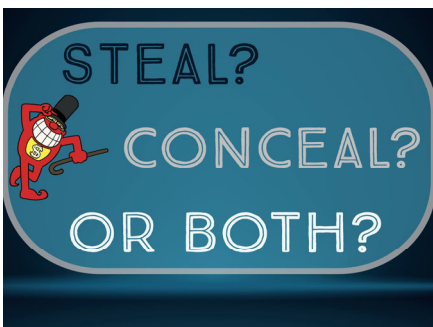
- 1. Missing Cash from Deposits
- 2. Delayed Payouts
- 3. Bank Reconciliations Didn't Work
- 4. Calls from Plaintiffs' Counsel for \$\$
- 5. Kept a Secret Ledger
- 6. Took Work Mail Home (checks)



PERSONAL

- 1. Personal Bills Coming to the Office
- 2. Collections Calls from Creditors
- 3. Hired Family to Shred Court Docs
- 4. Blaming Software for \$\$ Errors
- 5. Took Very Little Time-Off











**HOW DID SHE DO IT ?
(METHODS)**

- Deposit Shortages / Overage
- Check Substitutions
- Check Lapping
- Altered Receipts
- Fictitious Receipts
- Re-Depositing Court Checks
- Computer Transfers
- Altering Money-In Codes (State & City)
- TR/CR Cash Checks for Civil Division
- Destroyed:
 - Check Stubs Prior to being Scanned
 - Mass Shredding before Retiring
 - Payment History not Available Online
- Used Staff Initials to Alter/Create Fictitious Receipts

**HOW DID SHE DO IT ?
(METHODS)**

- Held Deposits for Days/Weeks
- Multiple Days Deposits on Same Day
- Only She Took \$\$ to Bank on Theft Days
- Altered Daily Balancing Worksheets
- Ordered Master Key for All Desk Drawers
- Secretly Taking Garnishment Checks from Locked Drawer
- No Time Frame for Receipt Processing
- Court Security Intercepting Personal Mail after Retirement
- Solely Responsible for Clerk Personnel Records, Payroll & Accounts Payable
- Confess-A-Lie

**ACCOUNTANT'S PERSPECTIVE
BRENT RIEMESCH**

Anxiety over what it could mean for the Court
 Fascinated to be seeing something I had studied in school
 Astonished to see so much \$\$ stolen
 Stress – afraid of making a mistake & jeopardizing the criminal prosecution
 Affected my work – testing data for weeks & months vs my regular tasks
 Brought a fresh set of eyes to the mountains of testing data



WHERE DID THE \$\$ COME FROM ?

CITY FILING FEES

STATE FILING FEES

BANKRUPTCY "STAY" CASES

SATISFIED CASES



**YOU DON'T KNOW
WHAT YOU DON'T KNOW**

Where is the \$78,468.64 Variance ?

In the Payouts ?

In the Receipts ?

Both ?

How far Back Does it Go ?



**DISCOVERED FOUL PLAY
WHO IS GOING TO DO ALL THE WORK?**

Lima City Auditor ?

Auditor of State ?

Secretary of State ?

UH, You Know Who...



**DISCOVERED FOUL PLAY
WHO IS GOING TO INVESTIGATE ?**

- Lima Police Department ?
- Allen County Sheriff ?
- Hire an Investigator ?
- Secretary of State ?
- Auditor of State ?



RESEARCH LEADING TO PROSECUTION

- Extract Computer Data:
 - Re-Construct Work Batches
- Obtain Bank Data:
 - What's Available ?
 - What do we Need ?
- Match Bank-to-Book Deposits
- Setup Testing
- Be Able to Explain our Work & Results with an "Average Person"


**BOOK TO BANK TO THEFT ANALYSIS
LIMA MUNICIPAL COURT - CIVIL DIVISION
FOR THE PERIOD AUGUST 1997 THROUGH DECEMBER 2012**

K:\CIVIL CM\ DAILY WORK REPORTS\State vs Barnett Presentation\State vs Barnett Presentation.xlsx\Book-Bank-Theft

CALENDAR YEAR	BOOK TOTALS	BANK TOTALS	EXCESS / (DEFICIT)	THEFT TOTALS
1997	448,033.52	448,319.12	285.53	(546.00)
1998	1,063,805.48	1,064,069.48	264.00	(1,400.71)
1999	1,154,041.00	1,144,281.00	(9,760.00)	(9,419.20)
2000	1,411,940.61	1,404,217.71	(7,722.90)	(9,617.41)
2001	2,039,488.77	2,022,926.88	(16,561.84)	(20,306.41)
2002	2,734,098.97	2,714,550.58	(19,548.34)	(21,703.47)
2003	2,336,801.30	2,314,448.40	(22,352.90)	(25,460.99)
2004	2,393,811.31	2,369,754.48	(24,056.83)	(26,338.20)
2005	2,750,994.46	2,725,444.71	(25,549.71)	(15,436.94)
2006	2,431,612.09	2,422,527.29	904.71	(21,768.60)
2007	2,385,137.69	2,265,520.25	1,199.64	(48,269.20)
2008	2,322,074.34	2,329,172.71	7,098.39	(40,130.70)
2009	2,370,421.01	2,376,668.12	6,247.06	(10,671.70)
2010	2,259,812.12	2,265,890.35	6,078.20	(12,164.94)
2011	2,572,561.01	2,574,567.25	2,006.20	(20,044.20)
2012	2,862,399.97	2,862,781.93	381.91	(7,240.00)
TOTALS	32,410,645.14	32,312,329.79	(98,315.64)	(134,270.00)


PROSECUTION TESTING, RESULTS, ANALYSIS & REVISIONS	
Auditor of State (AOS)	Lima Municipal Court
<ul style="list-style-type: none"> • Interviewing Defendant, Current & Former Staff • Pulling Bank Records • Testing 2009 – 2012 • Work Paper Review • Summary Reports • Preparing for Trial 	<ul style="list-style-type: none"> • Pulling Data for AOS Testing • Obtaining Deposit Details • Setup Testing Models • Testing 1997 – 2011 + • Test Review & Reporting • Leave Testing • Computer System Analysis • Preparing for Trial

PROSECUTION THE LEGAL PROCESS	
<ul style="list-style-type: none"> Grand Jury & Indictments Prosecution Team Switch Arrestment Evidentiary Hearing Pre-Trials Alford Plea Sentencing 	

STATE vs. BARNETT Allen County Common Pleas Court Case # CR 2018 0168	
	

BY THE NUMBERS		
Statistics:		
Theft Period:	July 1997 – May 2012	
Investigation & Resolution Period:	January 2013 – December 2023	
Transactions Reviewed:	677,000 +	
Results:		
	<u># of Cases</u>	<u>Amount</u>
Theft	1,100 +	\$ 334,000 +
Balance Due	2,700 +	\$ 374,000

BY THE NUMBERS		
Statistics:		
LMC Period:	July 1997 – December 2008 + (Saturation)	
AOS Period:	January 2009 – June 2012 (Variance Days)	
Costs:		
AOS Investigation	\$ 95,079	
AOS Additional Help	15,000	
Balance Bank-to-Book	<u>+ 75,147</u>	
Total	\$185,226	Paid by City of Lima
Internal Costs	Only God Knows	

Successor's Perspective Pam Osmon, Chief Deputy Clerk	
	Stressors: Constant Changes What is the New Normal ? Am I Doing what I'm Supposed to Do ?

**RESTITUTION
GETTING THE \$\$**

Findings for Recovery: (AOS)

- Defendant - \$334k
- Previous Clerk – Strict Liability - \$134k
- Previous-Previous Clerk - \$198k



Bonds vs. Insurance:

- Finding Bonds & Policies
- Wrangling with Insurance Company

City of Lima = Funding Authority:

- \$\$ to Pay Victims
- \$\$ to Balance Bank-to-Book
- Secretary of State – Collections Division

**RESTITUTION
THEFT VICTIMS = \$334 K, 1,100+ CASES**



1. Which Party on the Case ?
2. Corresponding with Law/Collection Firms
3. Developing a Research Infrastructure:
 - a. Research Tools:
(TR/CR Records, LexisNexis, State Records, Local Law Enforcement, Property Records, Other Courts, Law Firms, Facebook & Google, etc.)
 - b. Finding Personal Identifiers
4. Legal Process:
 - a. Notices
 - b. Hearings
 - c. Payouts
5. Deceased Victims & Prison Inmates

**RESTITUTION
OLD CASE BALANCES = \$374 K, 2,700+ CASES**



1. Which Party on the Case ?
2. Corresponding with Law/Collection Firms
3. Finding Participants (same as Theft Victims)
4. Legal Process: (same as Theft Victims, but only for Deceased Victims)

QUESTION: WHAT WOULD HAPPEN IF YOUR COUNTY AUDITOR DIDN'T MAKE DISBURSEMENT OF COLLECTION ?

HOW TO PREVENT / DETECT THEFT IN OFFICE

Readers' Choice
Best Elected Official



Scott Zumbrink
Treasurer



*Darke Countians –
I appreciate your
positive vote of
confidence.*

TRUST, BUT VERIFY

- Oversight: Setting the Tone at the Top
- Segregation of Duties
- Staff Training
- Cross-Training (Eliminate Gaps & Silos)

HOW TO PREVENT / DETECT THEFT IN OFFICE

DAILY RECONCILIATIONS

- Cash Received to Cash Deposited
- Checks Received to Checks Deposited
- Credit Cards Received to Deposits
- Balance Bank-to-Book Daily
- Balance Treasurer-to-Auditor Daily (Form 6)
- Randomly Balance Cash Drawers
- Don't Cash Checks for People = Judges
- Eliminate "Slush" Funds

HOW TO PREVENT / DETECT THEFT IN OFFICE

SECURITY

- Alarm System / Panic Buttons & Test Them
- Double Check Locked Doors at Closing
- Keep All Cash, Checks & CC Info in Safe / Vault
- Security Cameras (Cycle Days ?)
- Check Points of Entry
- Do Background Checks on New Hires
- Have a Cash Handling Policy

Additional Resource Info

<https://www.score.org/resource/article/10-ways-prevent-employee-theft-and-fraud>

Questions?
