



CLARK COUNTY
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FRAUD EXAMINATION REPORT

Clark County
P.O. Box 1325
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Springfield, OH 45501

To County Officials:

Summary

The Auditor of State, Special Investigations Unit (SIU) conducted a criminal investigation and special audit of Clark County (the County) predicated on a suspected fraudulent vendor scheme conducted by the County Auditor's Office Director of Fiscal Services.

The investigation identified over \$1.8 million of misappropriated checks issued to a fictitious vendor which resulted in a finding for recovery and supported criminal charges against former Director of Fiscal Services, Robert Vanderhorst.

On February 14, 2022, Robert Vanderhorst was indicted by the Clark County grand jury on one count of theft in office. On April 25, 2022, the original indictment was dismissed and a subsequent indictment of Mr. Vanderhorst was made by the Clark County grand jury on one count of theft in office and two counts of aggravated theft.

On August 25, 2022, Mr. Vanderhorst entered a negotiated plea of guilty to aggravated theft, in violation of Ohio Rev. Code § 2913.02(A)(1) (felony of the 2nd degree) and theft in office, in violation of Ohio Rev. Code § 2921.41(A)(1) (felony of the 3rd degree).

On September 15, 2022, the Honorable Judge Douglas M. Rastatter sentenced Robert Vanderhorst to seven years in prison and mandatory post-release control for up to three years but not less than eighteen months. In addition, Judge Rastatter ordered Mr. Vanderhorst to pay restitution of \$1,873,979.39, which includes the theft amount and cost of prosecution. Lastly, Judge Rastatter ordered the following items to be forfeited to the County:

- Any monies contained in the Wesbanco bank account in the name of Robert M. Vanderhorst, DBA R&M;
- Any monies contained in the Wesbanco bank account in the name of Robert M. Vanderhorst and Denise L. Vanderhorst;
- A silver 2019 Mazda;
- Mr. Vanderhorst's monthly Ohio Public Employees Retirement System distribution in the amount of \$4,293.53; and
- All of the monies in the defendant's deferred compensation accounts¹.

¹ Mr. Vanderhorst had an account with the Ohio Public Employees Deferred Compensation Program and County Commissioners' Association of Ohio Deferred Compensation Program.

Background

The investigation began on December 9, 2021, after SIU received a noteworthy memo from the Auditor of State's Office (AOS) Financial Division based on information communicated to them by the County Prosecutor. It was alleged Robert Vanderhorst was engaging in a possible fraudulent vendor scheme. The County Prosecutor notified the AOS a County vendor account, R&M, had no address on record in the financial system, and a cancelled warrant to R&M dated January 14, 2021 in the amount of \$110,000, was endorsed with a stamp that documented R&M and a bank account number but no signature. The County Prosecutor's Office subpoenaed bank account documents for R&M, and the subpoena response indicated the R&M bank account was opened on September 12, 2000 by Robert Vanderhorst. Per review of the bank account, transfers from the R&M account were made to a bank account with the same last four digits as the bank account on file at the County for Robert Vanderhorst's payroll direct deposit. A vendor activity report from the County's financial system documented warrants issued to R&M totaling over \$900,000 from 2013 through 2021. On December 10, 2021, members of SIU's investigative team met with the County Prosecutor to discuss and obtain documents related to the alleged theft. SIU issued additional subpoenas and on January 12, 2022, a search warrant was executed at the County Auditor's Office and at Robert Vanderhorst's personal residence. Robert Vanderhorst was terminated from his position at the County on January 12, 2022.

After the information obtained from interviews, preliminary examination of County and subpoenaed records, and the search warrant was considered, a Special Audit was declared by the Auditor of State.

Scope and Approach

We defined our audit period as covering January 1, 2005 through January 12, 2022 (the Period) based on the risk factors identified.

The specific objective we tested to establish whether fraud was committed at the County, was to identify all warrants issued by the County to R&M and identify where the warrants were deposited. The objective and procedures are described more fully in the attached Supplement to the Fraud Examination Report for the Period.

This engagement was conducted in accordance with the Auditor of State Special Investigations Unit, Quality Standards.

Findings

Based on the Special Audit procedures and investigation, the Auditor of State confirmed the allegation that Robert Vanderhorst misappropriated expenditures over a span of 17 years.

Robert Vanderhorst, the Director of Fiscal Services, was employed by the County from March 11, 1991 through September 8, 1995, and December 2, 1996 through April 30, 2018, when he retired. Mr. Vanderhorst was rehired on May 1, 2018 and remained employed through January 12, 2022. SIU's investigation and special audit determined Mr. Vanderhorst was able to manipulate the internal controls for issuing non-payroll warrants as a result of a lack of management oversight and failure by the County to have proper segregation of duties. Therefore, Mr. Vanderhorst was able to issue warrants totaling \$1,860,613 to a fictitious vendor for his personal benefit.

Our report includes a finding for recovery. In general terms, a finding for recovery means that an individual or entity (e.g. a vendor) illegally spent or received public money. Pursuant to Ohio Rev. Code Section 117.28, when the Auditor of State's office issues a finding for recovery, the individual or entity can repay the amount voluntarily, or the finding for recovery also empowers the public office's statutory legal counsel or the Attorney General's office to institute legal proceedings to collect that amount.

We issued a finding for recovery in the amount of \$1,873,979 against Robert Vanderhorst for misappropriated expenditures during the Period.

In addition to the finding for recovery, we issued management recommendations regarding management oversight, segregation of duties, and vendor files. The full details of the finding for recovery and management recommendations are located in the Appendix.

On November 30, 2022, we held an exit conference with the following individuals representing the County:

John Federer, County Auditor
Pamela Littlejohn, County Treasurer
Melanie Flax-Wilt, County Commissioner
Dave Crews, County Auditor's Office
Patty Wilson, County Treasurer's Office

Jennifer Hutchinson, County Administrator
Daniel Driscoll, County Prosecutor
Sasha Rittenhouse, County Commissioner
Beau Thompson, County Prosecutor's Office

The attendees were informed they had five business days to respond to this fraud examination report. A response was received on December 1, 2022. A response was provided by John Federer and was evaluated in the final preparation of this report.



Keith Faber
Auditor of State
Columbus, Ohio

October 18, 2022

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**SUPPLEMENT TO THE FRAUD
EXAMINATION REPORT**



SUPPLEMENT TO THE FRAUD EXAMINATION REPORT

Objective – Identify all warrants issued by the County to R&M for the Period and identify where the warrants were deposited.

PROCEDURES

Review of County Financial System

We obtained County financial system reports which included detail expense reports, vendor activity reports, general ledger reports, and a vendor listing for the Period. Using the reports, we identified all warrants issued by the County to R&M and determined if there was supporting documentation for the warrants.

R&M and Robert Vanderhorst Bank Account Activity

We obtained cancelled warrants available for all of the warrants issued by the County to R&M for the Period to identify where the warrants were deposited.

We issued a subpoena to the bank related to the R&M account and obtained the bank account agreement, bank statements, and deposit detail. We reviewed the bank statements and confirmed the source of all monies deposited, identified all bank account transfers and the bank account receiving the transfers for the Period.

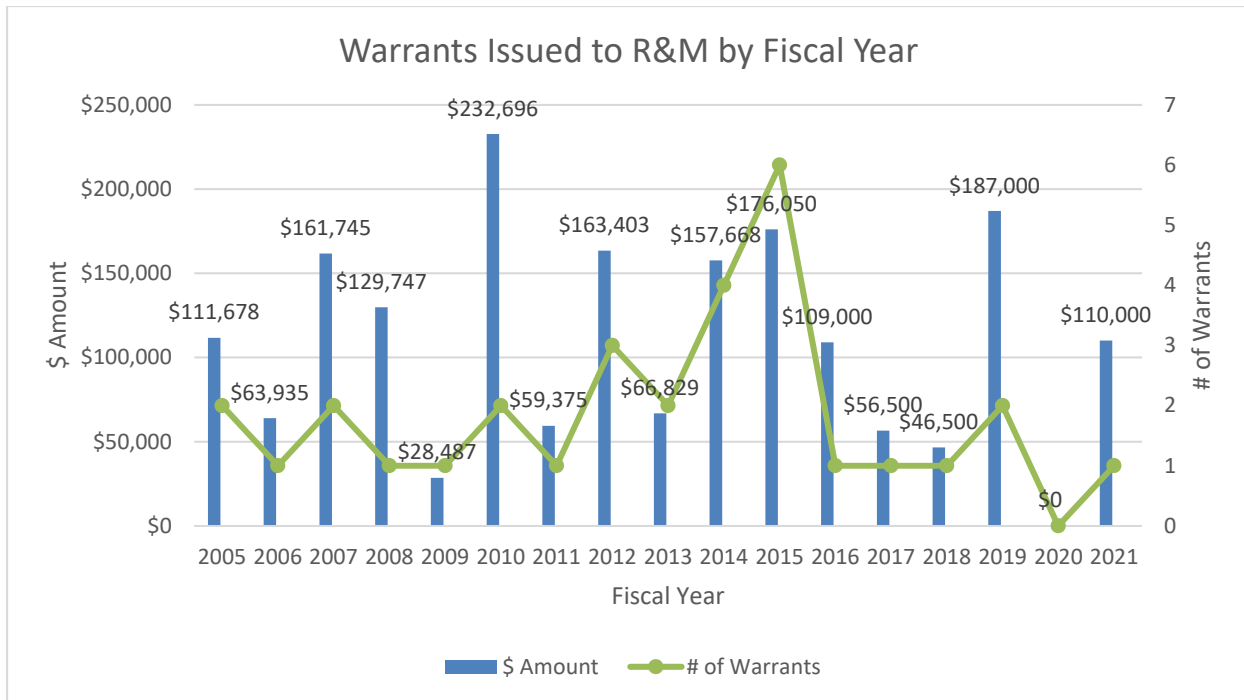
We issued a subpoena to the bank receiving transfers from the R&M account and obtained bank statements, deposit detail, and cancelled checks. We reviewed the bank account documentation to identify who received the bank account transfers from R&M and how the money was spent.

RESULTS

Review of County Financial System

The County provided detail expense reports for the years 2005 through 2012 and vendor activity reports for R&M for the years 2013 through 2022. For the Period, the County issued 31 warrants totaling \$1,860,613 to R&M. Per a County detail expense report, one warrant issued to R&M in 2006, documented the purpose was a refund for parcel #330-07-10-403-009. We obtained a parcel report from the County and it documented the owner of the parcel was R&M Materials Handling Inc. and was sold to Konecranes Inc. on January 13, 2002.

SUPPLEMENT TO THE FRAUD EXAMINATION REPORT



There were no invoices or other documentation submitted indicating goods and/or services were provided to the County by R&M for the warrants issued. R&M did not have any vendor information (i.e. business address, phone number, contact person, etc.) recorded in the County’s financial system and the County did not have a W-9 on file for R&M. The County confirmed there was no review of the vendor listing for completeness and inactive vendors were not removed.

R&M and Robert Vanderhorst Bank Account Activity

We reviewed the activity in the R&M bank account and identified transfers from the account to another bank account. We obtained bank account information for the account receiving the transfers and found that it was owned by Robert Vanderhorst.

Due to retention schedules, the bank was not able to provide bank account documents for the entire Period for R&M and Mr. Vanderhorst’s personal account. We were able to obtain some additional bank account documents for R&M and Mr. Vanderhorst during the execution of the search warrant at Mr. Vanderhorst’s personal residence. The time periods we were able to obtain bank account documents for R&M and Mr. Vanderhorst were as follows:

Account:	Period:	Documents Obtained:	Method Obtained:
Vanderhorst	1/11/2009 – 2/10/2009	Bank statement	Search Warrant
R&M	4/1/2009 – 4/30/2009	Bank statement	Search Warrant
R&M	1/1/2010 – 3/31/2010	Bank statement	Search Warrant
Vanderhorst	8/11/2014 – 1/12/2022	Bank statements, deposit detail, cancelled checks	Subpoena
R&M	7/1/2015 – 1/12/2022	Bank statements, deposit detail	Subpoena

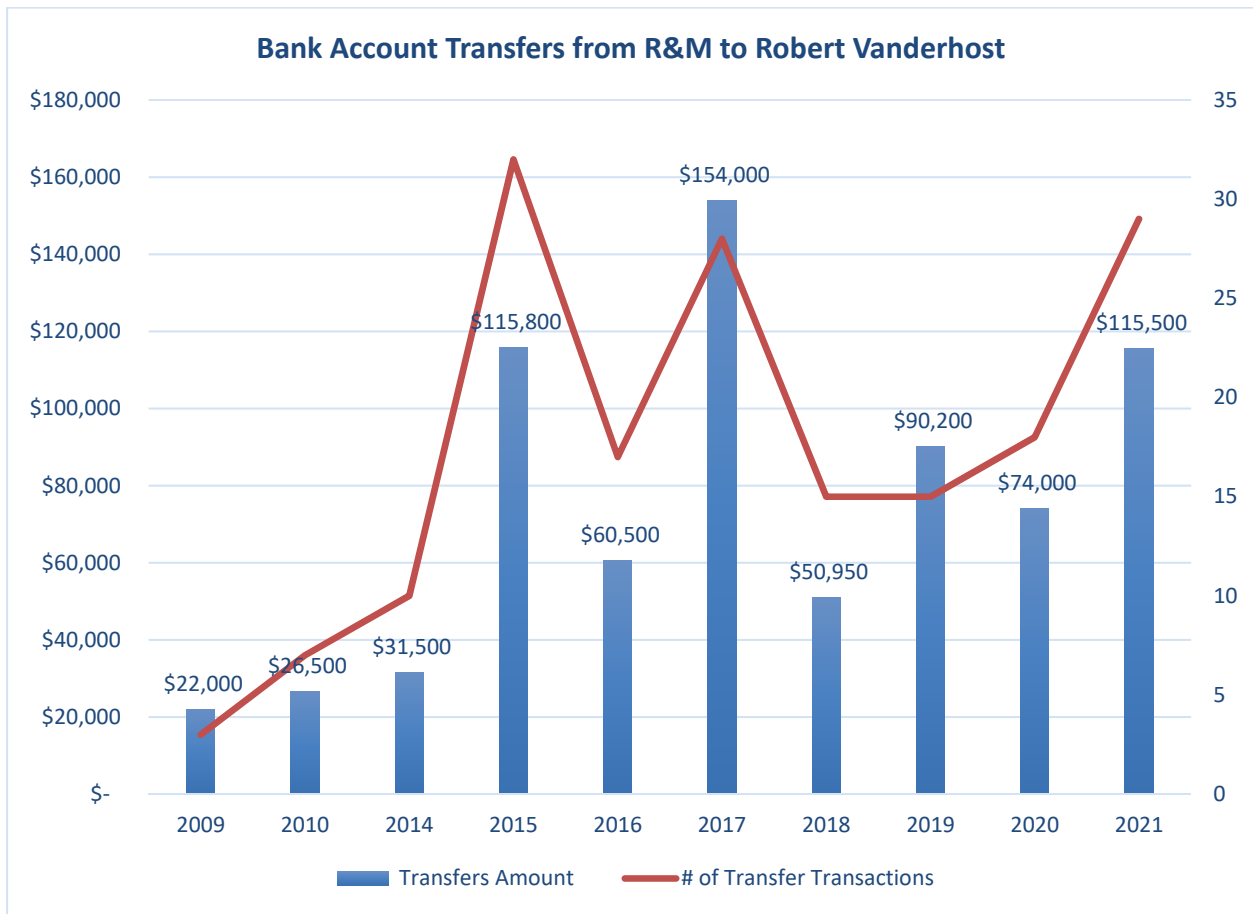
SUPPLEMENT TO THE FRAUD EXAMINATION REPORT

For the Period, we reviewed the County’s cancelled warrants and R&M bank statements that were available and identified 22 warrants totaling \$1,101,436 issued to R&M by the County were deposited into the R&M bank account opened by Robert Vanderhorst. We confirmed all deposits to the R&M bank account were warrants issued by the County and there were no other sources of revenue (excluding bank interest payments).

For the Period, we reviewed bank account activity for the bank statements available for R&M and Mr. Vanderhorst and identified the following:

- 174 transfers totaling \$740,950 from the R&M bank account to Mr. Vanderhorst’s personal account.
- 45 withdrawals totaling \$18,256 from the R&M account. Four withdrawal slips totaling \$7,050 were endorsed with Mr. Vanderhorst’s signature.

We confirmed all expenditures from the R&M account were transfers to Mr. Vanderhorst’s personal account, withdrawals, and bank fees.



SUPPLEMENT TO THE FRAUD EXAMINATION REPORT

For the Period, we reviewed Mr. Vanderhorst's bank statements available for his personal account and didn't identify transfers with other bank accounts indicating monies were obtained from another fraudulent source. Additionally, we reviewed the bank statements and cancelled checks and identified payments to the following:

- Credit card companies totaling over \$750,000;
- Mortgage loan account totaling over \$145,000;
- Wyndham Vacation and Club Wyndham Plus totaling \$128,154²;
- Credit union and bank totaling \$46,757 for vehicles;
- Checks issued to cash or Robert Vanderhorst and cash withdrawals totaling \$33,429;
- Car dealerships totaling \$12,600;
- Elite Catering Events totaling \$7,868;
- Contractor totaling \$6,500 to build deck at Mr. Vanderhorst's personal residence;
- Wright State University totaling \$4,425.

For the period of November 11, 2012 through January 12, 2022, we reviewed transactions related to one of Mr. Vanderhorst's credit card accounts noted above. Per review of the transactions we identified the following:

- Transactions occurring outside of the state of Ohio indicating travel. Transactions indicated over 30 trips including multiple times to Florida and Tennessee;
- Interest and late fees totaling \$13,736;
- Payments to Princess Cruises Passages totaling \$5,965.

² SIU located a Club Wyndham account summary statement at Robert Vanderhorst's personal residence during the search warrant. Statement documented contracts at Wyndham Vacation Resorts Panama City Beach and Wyndham Bonnet Creek Resort. Bonnet Creek Resort is in Orlando, FL.



APPENDIX
SCHEDULE OF FINDING(S) FOR RECOVERY
AND MANAGEMENT RECOMMENDATIONS

APPENDIX

FINDING FOR RECOVERY

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, **Ohio Attorney General Opinion 82-006** indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005** Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

For the Period, the County issued 31 warrants totaling \$1,860,613 to R&M, a fictitious vendor used by Robert Vanderhorst to issue County warrants for his personal use.

On September 15, 2022, Judge Rastatter ordered restitution of \$1,873,979 against Robert Vanderhorst in Case #22-CR-0364, which included special audit costs incurred by the County and investigation costs incurred by the Auditor of State.

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code § 117.28**, a finding for recovery for public property converted or misappropriated, is hereby issued against Robert Vanderhorst in the amount of \$1,873,979 in favor of the following:

County Fund/Entity	Amount
Undivided General Tax	\$728,288
Real Estate Assessment	638,500
Undivided Common School	183,172
Undivided Estate Tax	95,201
Unclaimed Warrant	93,256
Undivided Flood Control	78,925
Miami Conservation District	29,094
Undivided Library/Local Government Support	8,961
Undivided Urban Redevelopment	5,216
General	2,911
Auditor of State	10,455
Total	\$1,873,979

APPENDIX

MANAGEMENT RECOMMENDATIONS

Management Oversight

County management is vitally important to ensure the County establishes and maintains effective internal controls. These individuals are responsible for monitoring the practices and activities of the County employees, to ensure the achievement of operational and financial objectives.

Our audit noted the following conditions, which are indicative of weak and inadequate oversight by the County:

- No supporting documentation was submitted for expenses made to R&M, and the County did not verify goods and/or services were received.
- From 2005 through 2010, the County issued nine warrants totaling \$728,288 to R&M from the Undivided General Tax Fund referenced as refunds. R&M received two refunds in 2005, 2007, and 2010; in one of these years the refund was for the same amount.
- R&M warrants were issued from Agency funds that were previously inactive or had minimal activity.
- R&M warrants issued from the Unclaimed Warrants fund were not cross-checked by the County to the unclaimed funds report.
- R&M warrants referenced as refunds in the financial system were issued from Agency Funds and the Real Estate Assessment Fund that typically don't have refunds issued from them.
- Eighteen warrants issued to R&M were for whole dollar amounts.

Due to inadequate management oversight, Mr. Vanderhorst was able to circumvent the County's internal controls to issue illegal expenditures to a fictitious vendor for his personal benefit.

We recommend the County assess the internal control procedures related to the County's expenditure process, which could include, but is not limited to the following:

- Require employees to submit an invoice for payment and document the goods and or services were received and by who/when.
- Periodically review funds for unusual expenses, especially funds that previously were inactive or had minimal activity.
- Perform a review of high-dollar warrants.
- Perform a review of vendors receiving multiple warrants in the same year for the same amount.
- Perform year to year review of refunds issued to vendors by the County.
- Review the warrants issued from the Unclaimed Warrants fund and cross check the warrants to the unclaimed funds report to ensure it is for unclaimed funds.
- Perform a review of warrants issued to vendors for whole dollar amounts.

Segregation of Duties

Ohio Admin. Code § 117-2-01(D)(4) requires, in part, that entities plan for adequate segregation of duties or compensating controls. Segregation of duties provides two significant benefits: (1) a deliberate fraud is more difficult because it requires collusion of two or more persons and (2) it is more likely an error will be detected. When designing the County's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

Proper segregation of duties is not possible when only one or two people has the capability to handle all aspects of the internal control cycle. Mr. Vanderhorst was essentially the internal control, which allowed him to circumvent some of the internal controls the County had implemented. Mr. Vanderhorst bypassed the internal control of the Commissioners' to approve the warrants by selecting "None" in the financial system for the approval department for R&M warrants issued from the Commissioners' controlled funds. Therefore, Mr. Vanderhorst had the capability to prepare and process a warrant with no assistance or reviews from other employees or management.

APPENDIX

Controls were not developed by management and in place to compensate for the lack of segregation of duties. The lack of segregation of duties led to public monies being misappropriated.

We recommend the County implement controls such as the review of warrants issued from the financial system with the approval department marked as "None" to ensure proper documentation has been submitted and the expenditure has been reviewed, and proper segregation of duties so one employee doesn't have the capability to prepare and process a warrant.

Vendor Files

If the County needs to issue a warrant to a vendor in which the vendor's data is not stored in the County's financial system, the County must input the data in the financial system prior to issuing a warrant to the vendor. The County inputs the data based on the information on the purchase order submitted by the employee requesting the warrant to be issued, or if an Auditor controlled fund, then the information on the invoice submitted by the employee requesting the warrant. The employee requesting the warrant also has the vendor complete a Form W-9 and the employee submits the Form W-9 to the County. The Form W-9 is an Internal Revenue Service (IRS) form completed by the vendor and includes information such as name, address, and taxpayer identification number. The Form W-9 is used by the County to accurately prepare a 1099 which reports payments made to vendors to the IRS.

Our audit noted the following conditions:

- The County did not have a Form W-9 on file for R&M.
- The vendor profile in the financial system for R&M was not complete and lacked an address, phone number, and email address.
- The County did not periodically review the vendor files in the financial system for accuracy, completeness and removal of inactive vendors.

Due to a lack of controls for creating, reviewing and maintaining vendor files in the County's financial system Mr. Vanderhorst was able to issue warrants to a fictitious vendor with an incomplete vendor profile in the financial system and no Form W-9 maintained by the County.

We recommend the County implement procedures to periodically review the vendor listing for accurate and complete vendor profiles in the financial system, ensure each vendor has a complete Form W-9 on file with the County and the vendor profile agrees to the Form W-9. We recommend the County regularly review the vendor listing, remove inactive vendors from the financial system and investigate any suspicious vendors.

OHIO AUDITOR OF STATE KEITH FABER



CLARK COUNTY SPECIAL AUDIT

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 12/15/2022

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This report is a matter of public record and is available online at
www.ohioauditor.gov