



PUTNAM COUNTY

SPECIAL AUDIT

FOR THE PERIOD JANUARY 1, 2020 TO DECEMBER 31, 2020

PUTNAM COUNTY
TABLE OF CONTENTS

TITLE	PAGE
Report.....	1
Appendix	
Schedule of Finding for Recovery	4

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OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
FraudOhio@ohioauditor.gov
(800) 282-0370
Report fraud: 866-Fraud-OH

Putnam County
245 E. Main St.
Ottawa, Ohio 45875

To the Board of County Commissioners and the Veterans Service Commissioners:

Background

The Auditor of State, Special Investigations Unit (SIU) conducted a criminal investigation and special audit of the Putnam County Veterans Service Commission (the VSC) predicated on allegations regarding the inappropriate financial administration of a military banner program.

The investigation began in December 2020, after SIU received a complaint from the Putnam County Prosecutor and Auditor alleging Executive Director Kristi Powell was administering a military banner program with checks to be made payable to herself and off the books of the County.

After the information obtained from interviews and preliminary examination of military banner program records was considered, a special audit was declared by the Auditor of State.

This engagement was conducted in accordance with the [Auditor of State Special Investigations Unit, Quality Standards](#).

Suspect

Kristi Powell was hired as a Veterans Service Officer on January 21, 2014. Ms. Powell was promoted to Executive Director on June 2, 2020. She was placed on administrative leave on November 19, 2020 and resigned on April 14, 2021.

Scheme

Planning for the VSC's military banner program began in late 2019 with the first payments received in 2020. Therefore, we defined our audit period (the Period) as January 1, 2020 to December 31, 2020. The banner program was advertised on the VSC Facebook page, VSC website and local newspapers. The price charged for a banner was \$150. The VSC Commissioners did not formally approve the price charged. The March 3, 2020 minutes stated "S.O. Powell reported.... The banners will cost \$150.00 each and be hung from May to November." The amount charged by the banner company for each banner was either \$89.00 or \$99.00, depending on the promotion at time of order. In addition, the banner company charged \$30 for each bracket required to hang the banner.

Checks were made payable to Ms. Powell. She then took the checks and/or cash to Huntington Bank, where Ms. Powell has a personal bank account. She would cash the checks and obtain a cashier's check to be made payable to the banner company for the amount of the invoice. The balance of cash resulting from cashing the checks would be given to Ms. Powell. The cash was maintained in an envelope in a drawer of Ms. Powell's office desk. The June 9, 2020 minutes stated "Kristi also explained to the Board the process of how the \$150 checks for the purchase of a banner is handled. Kristi noted she receives all the checks for the round of Banners, she cashes the checks at the local bank, receives a cashier's check, and overnights the cashier's check to the vendor or supplier of the Banners. The Board found no problem with this process although the Putnam County Auditor may question the handling of it." On November 10, 2020 the Putnam County Auditor, Robert Benroth, presented the VSC with a public records request of the Banner Program.

We determined \$14,200 in cash and \$87,405 in checks were collected, totaling \$101,605 for the banner program. The total amount of invoices and cashier checks payable to Military Tribute Banner was \$88,678. This leaves \$12,927 in cash remaining. Through interviews of two employees, we determined two expenditures for a retirement party totaling \$367 were paid with cash collected from the banner program. As a result, \$12,560 should have been remaining. On November 18, 2020, Ms. Powell deposited \$11,297 in cash with the Putnam County Treasurer. After Ms. Powell was placed on administrative leave, VSC employees discovered an additional \$150 cash in Ms. Powell's office desk which was subsequently deposited with the Putnam County Treasurer on December 3, 2020. After accounting for these two deposits, \$1,113 in cash remains unaccounted for. In addition, there was one check in the amount of \$150 which was not cashed and therefore is unaccounted for. Regarding the retirement party, Ms. Powell instructed a VSC employee to inquire with the Putnam County Auditor's Office if the costs could be paid from VSC funds. The Putnam County Auditor's Office advised the purpose of the expenses was not allowable to be paid with public funds. Likewise, we concluded that the expenditures for the retirement party were not for a proper public purpose, thereby illegally expended.

Findings

Based on the special audit procedures and investigation, the Auditor of State confirmed the allegation that Ms. Powell ran the military banner program off the County's books.

We issued \$1,263 in findings for recovery for public money that has been collected but not been accounted for and \$367 for public money which has been illegally expended during the Period.

The full details of the findings for recovery are located in the Appendix.

Prosecution

At the conclusion of the special audit and investigation, the special audit results were presented to the Auditor of State Special Prosecutor, serving by appointment of the Putnam County Prosecuting Attorney. The Special Prosecutor declined to pursue criminal charges.

The exit conference was waived by the VSC; however, the Veterans Service Commissioners, County Commissioners and Management were given five days to respond to this special audit report. The Auditor of State did not receive a response.



Keith Faber
Auditor of State
Columbus, Ohio

May 16, 2023

APPENDIX
SCHEDULE OF FINDING FOR RECOVERY



APPENDIX

FINDINGS FOR RECOVERY

Funds Unaccounted For

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 VSC's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

The financial administration of the military banner program, including the amount to charge, was not formally approved by the VSC Commissioners. Kristi Powell, Executive Director, administered the finances of the military banner program. Ms. Powell was responsible for collecting money, ordering, and subsequently paying the banner company with little to no oversight.

One hundred and fifty dollars was charged for a banner. Payment could be made by check, money order or cash. Checks were made payable to Ms. Powell. Ms. Powell would take checks and/or cash to the bank in exchange for a cashier check made payable to Military Tribute Banner for the amount of the invoice. Any remaining excess cash was given to Ms. Powell. During the Period, we identified \$1,263 collected for the banner program but not deposited.

Expenses Not For Public Purpose

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 government 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.

During the Period, we identified \$367 paid with banner cash collections for a retirement party which is not for a proper public purpose.

Finding For Recovery Conclusion

Under Ohio law, public officials are strictly liable for all public money received or collected by them or their subordinates under color of law. Ohio Rev. Code § 9.39; *Cordray v. Internatl. Preparatory School*, 128 Ohio St.3d 50 (2010). The VSC Commissioners are responsible for the oversight of VSC finances. The VSC Commissioners were aware of the financial administration of the military banner program by Ms. Powell.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a finding for recovery for public money that has been collected but unaccounted for is hereby issued against Kristi Powell, Stan Oren, Kenny Dunstan, Randy Gasser, Michael Morman and Dennis Hanneman, jointly and severally, in the amount of \$1,263, and in favor of the County's General Fund. Additionally, a finding for recovery for public monies illegally expended is hereby issued against Kristi Powell in the amount of \$367 and in favor of the County's General Fund.

OHIO AUDITOR OF STATE KEITH FABER



PUTNAM 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 7/11/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

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