

STATE OF OHIO  
OFFICE OF THE INSPECTOR GENERAL

RANDALL J. MEYER, INSPECTOR GENERAL

REPORT OF  
INVESTIGATION



AGENCY: MONTGOMERY DEVELOPMENTAL CENTER  
OHIO DEPARTMENT OF DEVELOPMENTAL DISABILITIES  
FILE ID NO.: 2012-CA00025  
DATE OF REPORT: FEBRUARY 22, 2013

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*“Safeguarding integrity in state government”*

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STATE OF OHIO  
**OFFICE OF THE INSPECTOR GENERAL**

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RANDALL J. MEYER, INSPECTOR GENERAL

## REPORT OF INVESTIGATION

**FILE ID NUMBER:** 2012-CA00025

**SUBJECT NAME:** Doug Carter

**POSITION:** Business Administrator 3

**AGENCY:** Montgomery Developmental Center  
Ohio Department of Developmental Disabilities

**BASIS FOR INVESTIGATION:** Agency Referral

**ALLEGATIONS:** Theft in Office;  
Forgery;  
Failure to Exercise Adequate Oversight.

**INITIATED:** March 13, 2012

**DATE OF REPORT:** February 22, 2013

## **EXECUTIVE SUMMARY**

On March 12, 2012, the Ohio Department of Developmental Disabilities chief legal counsel notified the Office of the Ohio Inspector General and the Ohio State Highway Patrol of an alleged theft and forgery. Earlier the same day, the Credit Union of Ohio had contacted Montgomery Developmental Center (MDC) to question the validity of five MDC checks totaling \$25,824.12, each made payable to Doug Carter and deposited into Carter's personal bank account at the Credit Union of Ohio. Upon review of copies of the checks faxed by the Credit Union of Ohio, MDC Superintendent Nancy Banks and Operations Director Robert Dix recognized the name of the payee on the checks as Douglas Carter, the business administrator of MDC. Banks and Dix also determined the checks were not authorized, and while both of their names were signed as makers on the front of the checks, their signatures were not authentic.

The Ohio Department of Developmental Disabilities (ODODD) operates nine developmental centers providing developmentally disabled individuals and their families with specialized and intensive services in an effort to teach developmentally disabled residents the necessary skills to move to a less intensive setting. At each developmental center, bank accounts are maintained for residents' funds, and for the industrial and entertainment fund<sup>1</sup> used to pay for resident purchases, field trips, and other activities. These funds are overseen by the developmental center business administrator.

In April 2008, Doug Carter was promoted to a business administrator at the Warrensville Developmental Center located in Warrensville Heights, Ohio. On August 2, 2009, Carter transferred to the Montgomery Developmental Center located in Dayton, Ohio, and he continued to hold the title, business administrator. Carter was responsible for the day-to-day fiscal operations, was an authorized signatory on the bank accounts holding resident funds and donations deposited into the industrial and entertainment bank accounts for MDC. Carter's responsibilities also included cashing checks at the bank and reconciling the ledger activity with the bank account statements on a monthly basis.

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<sup>1</sup> As outlined in the Ohio Revised Code § 5119.36

This investigation reviewed checks issued payable to cash from the resident funds and the industrial and entertainment fund bank accounts from April 1, 2009, through August 31, 2009, at Warrensville Developmental Center, and from August 2, 2009, through March 12, 2012, at the Montgomery Developmental Center. From this investigative review, six checks were identified totaling \$4,516.50 issued from Warrensville Developmental Center payable to cash where Carter signed as an authorized maker, and also signed the second authorized maker's name, then endorsed and cashed each check for his personal use. In addition to the five unauthorized checks from the Montgomery Developmental Center totaling \$25,824.12, Carter also issued 133 checks totaling \$403,305.71 payable to cash from one bank account and two checks totaling \$6,290, payable to cash from a second bank account. For these 135 checks, Carter signed his name as an authorized maker, signed Robert Dix's name as the second maker, then endorsed and cashed the checks at the bank for his personal use. This investigation identified two primary methods used by Carter to conceal the issuance of these checks payable to cash involving the manipulation of QuickBooks, and various additional methods which were used on an infrequent basis.

In a July 9, 2012, interview conducted by the investigators,<sup>2</sup> Carter admitted to issuing checks to cash; signing both his name and signing Robert Dix's name on the checks as makers; and later endorsing and cashing the checks. Carter stated he deposited a portion of the cash into his personal bank account and spent the rest. This investigation confirmed Carter deposited some of the cash received into his personal bank account, and used some of the cash to purchase vehicles, jewelry, and cosmetic surgery services.

As Carter's supervisor, Operations Director Robert Dix was responsible for overseeing Carter's activities, ensuring monthly payments were sent to the Ohio Department of Developmental Disabilities, and ensuring bank account reconciliations were completed. This investigation determined that MDC's policies and procedures were outdated, MDC management did not compare bank account activity to QuickBooks ledgers used to record resident funds received and expended; and that Dix reviewed activity recorded in QuickBooks, but failed to review bank statements or canceled checks.

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<sup>2</sup> The investigation was conducted jointly by the Ohio State Highway Patrol and the Office of the Ohio Inspector General.

This investigation also determined the Ohio Department of Developmental Disabilities permitted each developmental center to write its own policies, did not verify each developmental center was sending a monthly remission of excess client funds as required by ODODD in its January 1, 2011, policy revision, and failed to monitor the developmental centers' compliance with internal policies and procedures as well as applicable state and federal laws.

Had MDC management reviewed bank statements, canceled checks, and compared the bank statement activity, and had ODODD checked to ensure the required funds were submitted on a monthly basis, Carter's illegal practices may have been caught as early as October 2009, significantly mitigating the risk of theft from the state of Ohio, and the developmentally disabled residents in their care. To strengthen internal controls and reduce the chance of theft in the future, this report of investigation contains recommendations relating to policies and procedures, safeguarding of developmental center residents' funds, strengthening ODODD and developmental center management oversight, and an increase in employee training. ODODD management is encouraged to establish a culture embracing a strict adherence to policy compliance and procedural practice.

Carter was placed on paid administrative leave March 12, 2012, and was terminated from employment on March 29, 2012. Dix was placed on paid administrative leave March 16, 2012, and was terminated from employment on April 13, 2012. The Office of the Ohio Inspector General and the Ohio State Highway Patrol worked cooperatively with the Montgomery County Prosecutor's Office during the course of the investigation. Doug Carter was indicted by a Montgomery County Grand Jury on February 22, 2013.

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## **INITIAL ALLEGATION AND COMPLAINT SUMMARY**

On March 12, 2012, Credit Union of Ohio representatives contacted Montgomery Developmental Center (MDC) Operations Director Robert Dix with concerns about five checks totaling \$25,824.12 issued from December 29, 2011, through March 5, 2012, drawn on MDC's client funds bank account to the order of Doug Carter, the business administrator of MDC and an authorized signatory on the account. ([Exhibit 1](#)) A review of the front of the check indicated the authorized signers on each of the checks were Dix and MDC Superintendent Nancy Banks.

At MDC's request, the Credit Union of Ohio faxed the five canceled checks to MDC and upon inspection, Dix and Banks both determined the checks ([Exhibit 1](#)) issued to Carter were fraudulent and that the signatures for Dix and Banks had both been forged.

On March 12, 2012, the Ohio Department of Developmental Disabilities chief legal counsel notified the Ohio State Highway Patrol and the Office of the Ohio Inspector General of the alleged theft and forgery.

Carter was placed on paid administrative leave on March 12, 2012, and was severed from employment March 29, 2012. Operations Director Dix was placed on paid administrative leave on March 16, 2012, and severed from employment April 13, 2012.

## **BACKGROUND**

### *Department of Developmental Disabilities*

The Ohio Department of Developmental Disabilities (ODODD) oversees a statewide support system and services provided to individuals with developmental disabilities and their families. Recognizing that some individuals are in need of specialized and intensive services that can be offered at a state facility, ODODD operates nine state developmental centers to provide these services to teach residents the necessary skills to move to a less intensive setting. Of the nine centers, residents' financial activity at Montgomery Developmental Center and Warrensville Development Center were reviewed as part of this investigation.

Montgomery Developmental Center (MDC) is located in Huber Heights, Ohio, and serves Preble, Montgomery, Greene, Butler, Warren, Clinton, Hamilton, and Clermont counties. MDC currently provides services to approximately 95 residents and offers the residents opportunities to attend two activity centers operated by Montgomery County Department of Developmental Disabilities. MDC also works with Montgomery County Department of Developmental Disabilities' organized employment organization, MONCO Enterprises, to provide the residents with employment opportunities.<sup>3</sup>

Warrensville Developmental Center (WDC) is located in Highland Hills, Ohio, and serves Ashtabula, Geauga, Trumbull, Summit, Portage, Medina, Richland, Ashland, Wayne, Stark, Mahoning, and Columbiana counties. WDC currently provides services to approximately 136 residents and offers the residents opportunities to attend nine worksites/activity centers and five different retirement centers operated by the Cuyahoga County Department of Developmental Disabilities.<sup>4</sup>

#### *Organizational Structure*

Each developmental center is managed by a superintendent who reports to ODODD Deputy Director Virginia Whisman. At each developmental center, there are directors for operations, programs, medical, nursing, human resources, and either a fiscal officer or a business administrator.

#### *Funding of Resident Activities*

Developmental center residents receive funding from various sources, such as: Social Security, Social Security Disability funds, Veterans Administration pensions, Railroad Pension funds, and pay from county workshops.<sup>5</sup> Residents' funds are deposited into a bank account in accordance with Ohio Administrative Code §5123-9-05 which defines how the funds should be accounted for and can be spent.

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<sup>3</sup>Source is <http://dodd.ohio.gov> website

<sup>4</sup>Source is <http://dodd.ohio.gov> website

<sup>5</sup> County workshops are operated by the county department of developmental disabilities to provide training and employment to disabled individuals.

Each resident receives a monthly personal needs<sup>6</sup> allowance and can keep a maximum balance of \$1,500<sup>7</sup> in the account. Residents can spend these funds on various items and services such as field trips, clothing, gifts, and other services not provided by the developmental center. The developmental centers use the QuickBooks<sup>8</sup>, a proprietary accounting software program to track each resident's personal needs account. Funds received exceeding the \$1,500 monthly allowance were remitted to ODODD to fund a portion of the resident's cost of care at the developmental center, called the "monthly superintendent sweep." Each month, the developmental center also reviews each resident's personal needs account to verify the resident's balance is not in excess of the \$1,500 maximum limit. ([Exhibit 2](#))

Occasionally, residents do not have sufficient personal needs funds available to participate in field trips, activities, or to purchase clothing or gifts. Ohio Administrative Code §5123-9-08 allows money<sup>9</sup> accumulated in the industrial and entertainment fund which are earmarked to pay the activity fees for residents costs or expenses when a resident's personal needs account balance is insufficient.

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<sup>6</sup> Prior to January 1, 2011, this allowance was established by policy to be \$200 a month. Beginning January 1, 2011, the allowances were reduced to between \$30 and \$105 a month dependent upon the type of income the resident received.

<sup>7</sup> This maximum was established by ODODD in conjunction with the Ohio Department of Job and Family Services to ensure residents remained Medicaid eligible.

<sup>8</sup> <http://quickbooks.intuit.com/>

<sup>9</sup> Monies deposited into this account include donations, vending machine commissions, and profits generated from the developmental center's commissaries.

## **INVESTIGATIVE SUMMARY**

On March 14, 2012, the Office of the Ohio Inspector General and the Ohio State Highway Patrol met with the Ohio Department of Developmental Disabilities (ODODD), and representatives from the Montgomery and Columbus Developmental Centers. Montgomery Developmental Center (MDC) representatives presented copies of five checks totaling \$25,824.12 made payable to Doug Carter from the client funds bank account. ([Exhibit 1](#)) These five checks were endorsed by Doug Carter and deposited into his personal Credit Union of Ohio bank account.

MDC Superintendent Nancy Banks and Operations Director Robert Dix stated the five checks were unauthorized and though the signatures appeared to be their names, they both attested that they did not sign them. During an earlier review of the client fund bank account statements from August 2011 through March 12, 2012, QuickBooks ledger postings, and a review of ODODD's revenue history for the MDC monthly superintendent sweeps, Dix also found:

- Checks that cleared the bank and were not recorded in QuickBooks;
- Records in Quickbooks showing checks issued to the Ohio Treasurer of State for three months representing the amount of the superintendent's sweep which had not cleared the client funds bank account;
- The central office for ODODD had no record of receiving three payments identified in QuickBooks as being issued to the Ohio Treasurer of State.

Based on this information, subpoenas were issued for the bank account activity for MDC's client funds bank account, and industrial and entertainment bank account. A review was performed for expenditure-supporting documentation maintained by MDC, and interviews were conducted to determine whether checks issued to cash from the two bank accounts were for MDC resident activities and expenses. Additionally, bank records, canceled checks, and documentation supporting checks issued payable to cash were requested from Warrensville Developmental Center for the period from April 1, 2009, through August 31, 2009.

*Warrensville Developmental Center*

During the meeting conducted on March 14, 2012, MDC representatives stated Carter was employed by Warrensville Developmental Center (WDC) in the capacity of business administrator until August 2, 2009. Financial records for the last five months Carter was employed at WDC were reviewed.

At WDC, Carter reported to Operations Director Randy Russell. During the interview conducted on April 19, 2012, Russell stated Carter was responsible for the day-to-day activities in the business office, which included the accounting for the civil service employees' payroll, a resident funds bank account, and the industrial and entertainment bank account. Russell explained Carter was authorized to deposit funds and sign checks drawn on the resident funds bank account,<sup>10</sup> the industrial and entertainment bank account, and was responsible for preparing monthly bank reconciliations for these accounts. However, Russell recalled Carter often failed to either perform the monthly reconciliation of the bank account, or ensure another person performed the reconciliation in his absence.

In performing impromptu reviews of business office records, Russell further noted instances when unspent funds were not returned in a timely manner; receipts supporting expenses were not provided; and funds were spent from an account of a resident no longer living at WDC. Russell stated that Carter was flexible on whether the staff and residents followed existing WDC policies. During this time period, Russell stated that he and Carter were traveling together in the same car to and from WDC because they both resided in Columbus.

During a May 16, 2012, interview, ODODD Deputy Director Virginia Whisman stated she received a phone call from Carter expressing concerns about the work environment at WDC, and the difficulties he was having working with Russell. These difficulties included, but were not limited to, a lack of training, unreasonable timelines established by Russell, and Carter's belief that Russell talked to him in a degrading manner. As a result, Whisman assigned Russell to perform tasks at other developmental centers until an evaluation could be completed. Russell

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<sup>10</sup> The name resident funds bank account at Warrensville Developmental Center is synonymous with the client funds bank account at Montgomery Developmental Center. Both accounts track monies received and expended by the residents at the respective centers. Each developmental center has chosen to call the account by a different name.

confirmed during the April 19, 2012, interview that he worked at other locations and from home for a period of a week or two and that an operations director from another center was sent to WDC to assess Carter's concerns.

Whisman provided notes from a follow-up conversation that she had with Carter on June 9, 2009, detailing the specific concerns he had, that he felt he would be unable to continue to work at WDC if Russell returned, and that if Russell returned, he would like to transfer to an open position at Montgomery Developmental Center (MDC). Whisman stated the decision was made to permit Carter to transfer to MDC because of the following reasons:

- An operations director from another developmental center concluded personality differences existed between Russell and the staff, including Carter. The operations director expressed in his report that there was a lack of confidence by the WDC superintendent and that he had received questionable answers and truthfulness to questions he asked. The operations director expressed that Carter showed a "lack of dedication to the facility" and ultimately expressed personal concerns that Carter was not capable of doing what he should be doing. The operations director recommended that management either develop an evaluation for Carter and "build a case" or consider revoking Carter's employment.
- ODODD was unable to determine whether Carter was the main cause of the problems at WDC.
- Carter had made an informal complaint about the working environment at WDC to Whisman.
- ODODD's internal assessment of the situation.

Whisman stated prior to approving this transfer that she had discussed the issues identified at WDC with then-MDC Superintendent Greg Darling, who agreed to the transfer. Whisman explained she had provided Carter with a memorandum detailing specific expectations for him at MDC and required Darling to provide progress reports on Carter's performance at MDC. After Carter's transfer to MDC, Whisman stated she received progress reports indicating Carter was doing well and that MDC could not understand why there had been so many issues at WDC.

On May 23, 2012, the investigators interviewed WDC Superintendent Wendy DiGregorio. DiGregorio stated Carter was promoted to the business administrator in April 2008 and was under the supervision of Operations Director Randy Russell. As business administrator, Carter oversaw the resident funds account clerks, was one of four authorized signers on checks for the resident funds bank account, and the industrial and entertainment bank account. DiGregorio stated that she, Carter, and Russell were authorized signers on the bank accounts and in the event they were absent, Food Service Director Carolyn Hope, was also authorized to sign checks.

Before the interview, DiGregorio provided documents and reported that she and current Operations Director Mark Trew identified six checks issued between June 12, 2009, and July 7, 2009, totaling \$4,516.50 payable to cash and that had been endorsed by Carter. [\(Exhibit 3\)](#) The front of the checks showed Carter and Hope as authorized makers. The cash from each of the six checks was neither allocated to residents for field trips nor personal expenses in the DCMIS computer system.<sup>11</sup>

On June 21, 2012, investigators reviewed the Excel spreadsheet provided by Mark Trew which contained DCMIS resident expense information and confirmed the six checks totaling \$4,516.50 [\(Exhibit 3\)](#) were not recorded as a resident expense. During an interview conducted on June 21, 2012, Food Service Director Carolyn Hope stated that as an authorized signer on the resident funds bank account, she reviewed documentation attached to checks submitted for her signature to verify the amounts and names matched before signing the check. If a discrepancy appeared, Hope stated she refused to sign the check until the problem was corrected.

When asked to review the authorizing signature for Carolyn Hope on canceled checks clearing the resident funds bank account during the months of June and July 2009, Hope identified 23 checks totaling \$17,448.82 and stated she did not sign the signatures on any of the 23 checks. [\(Exhibits 3 and 4\)](#) This investigation determined 17 of the 23 checks totaling \$12,932.32 [\(Exhibit 4\)](#) were issued for resident activities or expenses. The remaining six checks totaling

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<sup>11</sup> The DCMIS system was the system used prior to QuickBooks by the developmental centers to track the receipt and expenditure of residents' individual funds as well as demographical data about the residents. The use of the DCMIS system was discontinued when QuickBooks was implemented at each developmental center.

\$4,516.50 ([Exhibit 3](#)) were issued payable to cash, endorsed and cashed by Carter, and were not issued for residents' activities and expenses.

The investigators requested the KRONOS<sup>12</sup> timekeeping records and exception reports<sup>13</sup> for then-WDC Operations Director Randy Russell. From these records, it was determined Russell was not working at WDC ([Exhibit 5](#)) on five of the six days when the six checks totaling \$4,516.50 were issued.

When asked about his supervisor at WDC, Carter stated that Randy Russell, his supervisor at WDC, was a micromanager and expected him to do more work than one person would be able to do at WDC. Carter said that due to Russell's micromanaging, Russell was involved with and oversaw the daily activities performed by Carter, so Carter would not have been able to do what he did at MDC<sup>14</sup> at WDC. The investigators presented to Carter the six checks issued payable to cash which Carter had endorsed. ([Exhibit 3](#)) The earliest check was dated June 12, 2009, three days after his follow-up conversation with Whisman expressing his concerns about Russell and the difficult work environment at WDC.

After reviewing the checks, Carter admitted he signed Carolyn Hope's signature on the face of the checks and added his initials. Carter further admitted he did not have Hope's authorization to sign her name. Carter said he kept the \$4,516.50 in cash and explained that at the time he issued the checks, he felt he "deserved the money" and that there would be no repercussions.

**Accordingly, the Office of the Ohio Inspector General finds reasonable cause to believe wrongful acts or omissions occurred in these instances.**

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<sup>12</sup> ODODD implemented at the developmental centers an automated time and attendance computer system created by KRONOS to track hours worked and leave used by developmental center employees.

<sup>13</sup> An exception report is completed when an employee is unable to record their time in the KRONOS system due to being offsite and/or unable to access the KRONOS system.

<sup>14</sup> Carter was referring to his practice of issuing, signing, endorsing and cashing of unauthorized checks against MDC's bank accounts.

### *Montgomery Developmental Center*

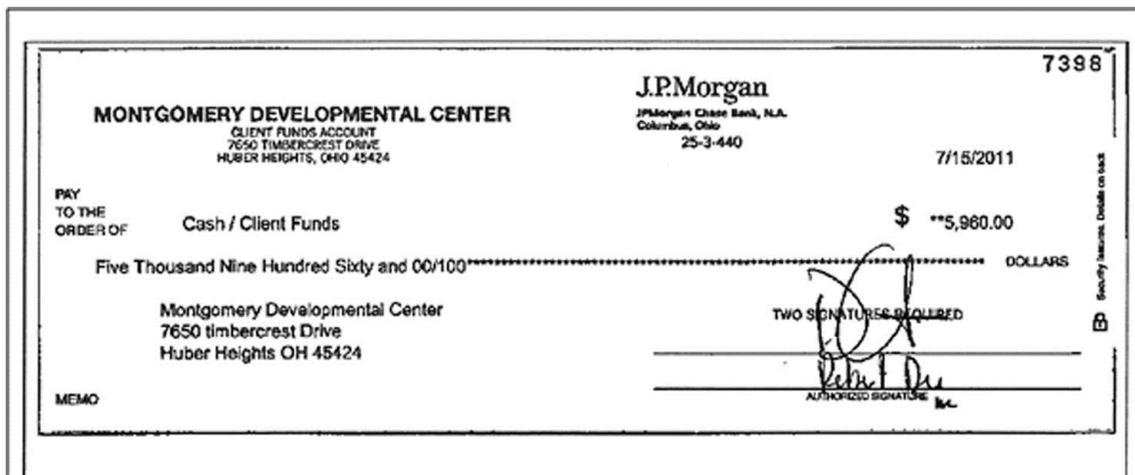
On August 2, 2009, Doug Carter transferred from Warrensville Developmental Center to MDC, and began overseeing the Montgomery Developmental Center business office. During a meeting held on March 14, 2012, and an interview conducted by the investigators on March 29, 2012, MDC Operations Director Robert Dix stated Carter's responsibilities included overseeing the three account clerks' daily activities, preparing the monthly bank reconciliations, allocating monthly allowances to MDC residents, preparing the monthly superintendent sweeps, and calculating the excess personal needs account amounts to be remitted to ODODD for the residents' cost of care at MDC.

During the interviews on March 29, 2012, and April 13, 2012, , MDC Account Clerk Freddie Mays stated that she processed the field trip requests, determined the type of tender needed to fund the field trips, and issued checks to cash for the amounts needed. Mays explained the field trips involved residents and support staff traveling to various locations such as local parks, Kroger, Target, or McDonalds. Mays said, in most cases, a field trip required funds to be disbursed to the residents to fund their meal or purchases they were going to make during the field trip. Mays explained the trip information and the amount of funds needed were documented on a field trip request form, approved, and forwarded to the developmental center business office for processing.

When determining the bank account to allocate the trip funds, Mays explained she first reviewed the resident's personal needs account balance in the QuickBooks client funds account, and if funds were available, she posted an entry to the resident's account indicating the funds were being spent for that trip. If the resident did not have funds available, Mays stated she made a list of those individuals, totaled the amount needed, and issued a check from the industrial and entertainment bank account to provide the balance. Mays stated that in some instances, Carter would also issue checks; however, she could not recall why.

During the interview conducted March 29, 2012, Mays stated the checks could be signed by two of three authorized signers: the superintendent, the operations director, and the business administrator. In some instances, Mays stated that she took the checks and the supporting

documentation to Carter for signature and then to either Operations Director Robert Dix or to Superintendent Nancy Banks to obtain an additional signature. At other times, Mays occasionally left the checks and the supporting documentation with Carter to obtain Dix's signature. Mays also stated she saw Carter sign Dix's name with his (Carter's) initials. When questioning this practice, Carter told Mays that Dix gave Carter permission to sign Dix's name, provided Carter put his (Carter's) initials next to the signature. The second signature shown below is an example of Carter signing Dix's name and placing his initials after the signature:



During an interview conducted July 9, 2012, Carter admitted he signed Dix's name on checks issued to cash and wrote his initials or a squiggle after Dix's signature when he kept the funds. Carter also stated Dix had provided him with approval on one specific occasion to sign Dix's name on the check, provided he wrote his (Carter's) initials after the signature. However, in an interview conducted on March 29, 2012, Dix said he had not given permission to Carter or anyone else to sign his name in this manner.

Again, during the interview conducted on July 9, 2012, Carter stated that Dix had only given him authorization to sign Dix's name once and that Dix had told him if a second signature was required, Carter should ask the superintendent to sign. Carter stated after receiving permission once to sign Dix's name, Carter felt he did not need to obtain further authorization from Dix. Carter admitted he continued to sign Dix's name whenever issuing a check that he intended to cash for his personal use.

During interviews conducted on March 29, 2012, and April 13, 2012, MDC Account Clerk Freddie Mays explained that once the residential care supervisors identified the next month's field trips, she calculated the tender denominations needed for the field trips.

In an April 26, 2012, interview, Account Clerk Joyce Kottman stated once Mays identified the currency needed for the field trips and informed the bank, Mays took a check payable to cash to the bank to collect the funds. After returning from a four-week leave of absence and returning at the end of October 2009, Kottman said Carter had changed her job assignment to handle payroll duties only and eliminated Kottman's interactions with the bank and involvement with the field trips. In addition, Kottman stated Carter typically, and Mays occasionally, went to the bank to obtain the needed tender for field trips and other activities. During the interview conducted on July 9, 2012, Carter stated he had concerns about Kottman and the other account clerks' safety when transporting large sums of cash between the bank and MDC, and discussed his concerns with Dix. Dix was responsible for establishing the policies on transporting cash, so he and Carter decided, while Kottman was off work, to adjust the procedures and designate Carter responsible for obtaining needed funds from the bank.

MDC Client Funds Procedure No 94-2-CR04 revised October 16, 2008, ([Exhibit 6](#)) provided that an account clerk other than the account clerk issuing the check would contact and collect the funds from the bank. The Spending Money Preparation Procedure, ([Exhibit 7](#)) provided the payroll clerk was responsible for phoning the change order to the bank, receiving the check, and going to the bank to pick up the change order. By making this procedural change, Dix and Carter deviated from MDC's established policy and failed to revise MDC's policy to match the new procedures. This change provided Carter control over when the checks were to be cashed at the bank, when deposits were to be made, and the responsibility of ensuring the cash obtained at the bank was returned to MDC.

During an interview conducted on April 26, 2012, Kottman said when returning from the bank, she would deliver the coins and currency to Mays to distribute for the upcoming month's field trips. In interviews conducted on March 29, and April 13, 2012, Mays said she distributed the funds by placing each resident's amount into a small envelope and attaching the envelope for

each participant to the field trip form. These funds and the related forms were then placed in a large envelope by resident house number and secured in the unlocked safe in the locked safe room in the business office for distribution to the shift supervisor. When the shift supervisor collected the field trip funds from the business office, Mays stated no receipt was issued documenting the transfer.

To track the funds spent by each MDC resident, Mays explained that she recorded an expense entry for the total monthly field trip amount in each resident's QuickBooks personal needs account. Once the field trip was completed, MDC's Spending Money and Field Trip Return of Funds Policy, ([Exhibit 8](#)) required the MDC staff person to place the trip form, any unspent funds, and receipts in a locked black box in the shift supervisor's office. This practice was confirmed during May 2012 interviews conducted by the investigators with shift supervisors who also stated that the black box was often unlocked and explained this was because there was not a large sum of money in the box.

The same policy required the developmental center business office to collect these forms and supporting documents three times a week and post any returned funds in QuickBooks within two weeks when spending money was used, and one week when field trips funds were used. Client Funds Procedure 94-08-CF09 revised September 30, 2008, required funds received from relatives, return of funds, and vendor refunds be deposited within five days and that all funds received must be deposited every Friday. ([Exhibit 9](#))

The investigator's review of deposits into the client funds bank account identified 52 deposits ranging from \$12.90 to \$1,908 of returned field trip funds, left over spending money, and miscellaneous funds received by MDC. The review determined that the deposits into the bank account were generally made between seven and 12 days, and in some instances, over three months, after the deposit slip was prepared.

During the interviews conducted on March 29, 2012, and April 13, 2012, Account Clerk Freddie Mays said that she reviewed the returned field trip forms and counted each resident's returned field trip funds. Mays stated she recorded a deposit for the returned field trip funds amount in

the resident's QuickBooks personal needs account and prepared a deposit slip for returned funds received for all residents to be re-deposited to the bank account from which the funds were originally withdrawn. Mays stated that once prepared, the deposit slip and the funds were placed in the unlocked safe in the locked safe room. Mays stated she then notified Carter that there was a deposit to be taken to the bank. Mays also indicated that Carter prepared deposit slips when needed.

When questioned about deposit slip dates being changed during an interview on July 9, 2012, Carter stated he made this change at the bank's request because there had been a significant delay between the date the deposit slip was prepared and the date it was being deposited. This lag was contrary to MDC policy requiring all funds to be deposited no later than Friday of the week of collection.

Both Mays and Kottman stated that the same process, as outlined above, was used to calculate and allocate spending<sup>15</sup> and carry<sup>16</sup> moneys distributed to the residents with the exception that a master ledger sheet was used to track the funds disbursed instead of a resident field trip form. Additionally, Mays and Kottman explained checks were also issued from the client funds bank account for resident personal purchases from their personal needs accounts, for spontaneous field trips,<sup>17</sup> and to remit excess funds received to ODODD for the resident's cost of care.

During the interview conducted on March 29, 2012, Mays explained MDC residents could make purchases using their personal funds. To do so, a purchase order request was completed and approved by the residential care supervisor, an additional employee, and Dix. Once approved, Mays assigned a number to the purchase order request form, recorded the request as an expense in the resident's personal needs account, and issued a check payable to cash.

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<sup>15</sup> Spending moneys are allowances given to the residents on a weekly basis to spend as they chose to do so.

<sup>16</sup> Carry moneys are those funds given to residents attending a county workshop to spend.

<sup>17</sup> Spontaneous field trips are unplanned trips which typically occur when the business office is closed. A spontaneous field trip form is completed identifying the field trip participants and the amount needed for spending money. These funds are borrowed from the spontaneous fund maintained in the shift supervisor's office. When the trip forms are submitted to the business office, Mays follows the same process to allocate the spent funds to the resident and issues a check to replenish the spontaneous fund for the cash spent on the field trip.

Mays stated Carter typically cashed the check at the bank, gave the cash to the staff member going with the resident to make the purchase, and required the staff member to sign a receipt acknowledging receipt of the funds. Once the purchase was made, Mays stated that any unspent cash was returned to the business office, recorded as a deposit to the resident's personal needs account, and a deposit slip was prepared. Mays stated she placed the deposit slip and returned funds in the unlocked safe in the locked safe room and notified Carter a deposit was ready to be taken to the bank.

On March 16, 2012, upon investigators' request, ODODD Budget Analyst Sam Jeyandran provided a QuickBooks report documenting the transactions recorded for the client funds account. In addition, Jeyandran provided a transaction history and a missing check report for the QuickBooks records for the client funds account. The missing check report identified 140 instances where one or more sequential check numbers were not recorded as issued.

On April 9, 2012, the Office of the Ohio Inspector General issued a subpoena to Chase Bank to obtain copies of the bank statements, canceled checks, and the deposit slips with documentation identifying what was deposited. Investigators also requested MDC Superintendent Banks to gather documentation supporting field trips, spontaneous trips, and checks issued payable to cash for the period August 1, 2009, through March 12, 2012.

#### Client Funds Bank Account

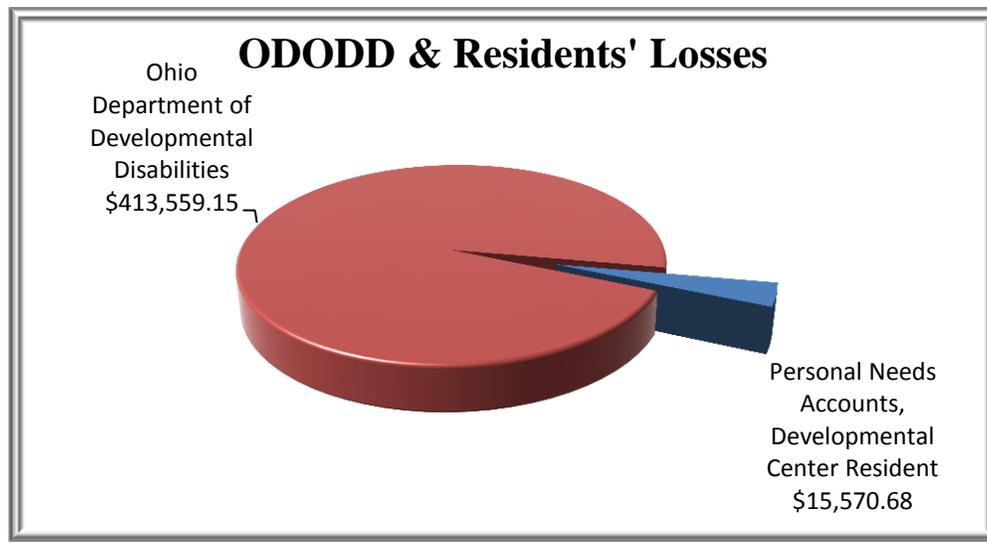
A comparison of checks recorded in QuickBooks to the checks in the client funds bank account revealed checks had cleared the bank account but were not recorded in their entirety or at all in QuickBooks. The investigators reviewed canceled checks, related supporting documentation, the QuickBooks Audit Trail, and voided or deleted reports to determine whether these checks were authorized and issued for MDC residents' activities and expenses.

The investigators first reviewed the five checks issued to Doug Carter totaling \$25,824.12 sent to MDC by the Credit Union of Ohio. ([Exhibit 1](#)) The authorized signatures on the face of the check reflected the names of MDC Superintendent Nancy Banks and Operations Director Robert Dix. During a meeting conducted on March 14, 2012, and an interview conducted on March 29, 2012, Banks and Dix stated their signatures were both forged and should not have been issued.

Subsequently, the investigators reviewed checks issued from the client funds bank account payable to cash, and examined available supporting documentation. The investigators determined through a review of QuickBooks ledgers and available documentation that 133 checks, totaling \$403,305.71 ([Exhibit 10](#)) and issued payable to cash from the client funds bank account, were issued for purposes unrelated to residents' activities and expenses.

During the interview conducted on July 9, 2012, Carter admitted to issuing checks from the client funds bank account payable to cash which he endorsed, cashed, and either kept the cash or deposited into his personal bank account. Carter also admitted to issuing the five checks payable to himself, totaling \$25,824.12, which he deposited into his personal bank account at the Credit Union of Ohio.

Of the 138 fraudulent checks totaling \$429,129.83, the investigation determined the funds taken by Carter were allocated between ODODD and MDC residents' personal needs accounts and apportioned as follows:



Carter's personal use of \$15,570.68<sup>18</sup> of resident personal needs account funds is a violation of Ohio Administrative Code Section §5123-9-05 which provides guidance on how these funds are to be expended on behalf of the developmental center residents. Upon receipt of repayment of the misappropriated funds, ODODD should deposit \$15,570.68 into the client funds bank account to fund the residents' personal needs accounts to replace the funds taken by Carter. MDC, in consultation with ODODD's central office, will be responsible for determining the allocation of these funds to each resident's personal needs account.

The investigation also noted Carter signed 133 checks as an authorized maker; then endorsed and cashed 108 of the checks, which contained visible initials or a notation of some type after Robert Dix's signature. During the review of the 133 checks conducted on June 28, 2012, Dix reiterated that he had not given anyone permission to sign his name, and confirmed the signature on 132 of the 133 checks were forgeries. ([Exhibit 11](#))

Investigators evaluated the recording of these unauthorized checks in QuickBooks to determine how their issuance was concealed from MDC's management. A review of the QuickBooks reports identified two primary concealment methods used by Carter to manipulate QuickBooks transaction data.

### **Method 1: Reissuance of a previously generated check**

The first method Carter used to manipulate transaction data was to reissue an authorized check previously recorded and printed from QuickBooks. During the interview conducted on July 9, 2012, Carter detailed how he executed this method of data manipulation:

- Log into QuickBooks at his desk using his assigned login id and password;
- Access a previously recorded transaction issued payable to cash;
- Modify the check date and check number;

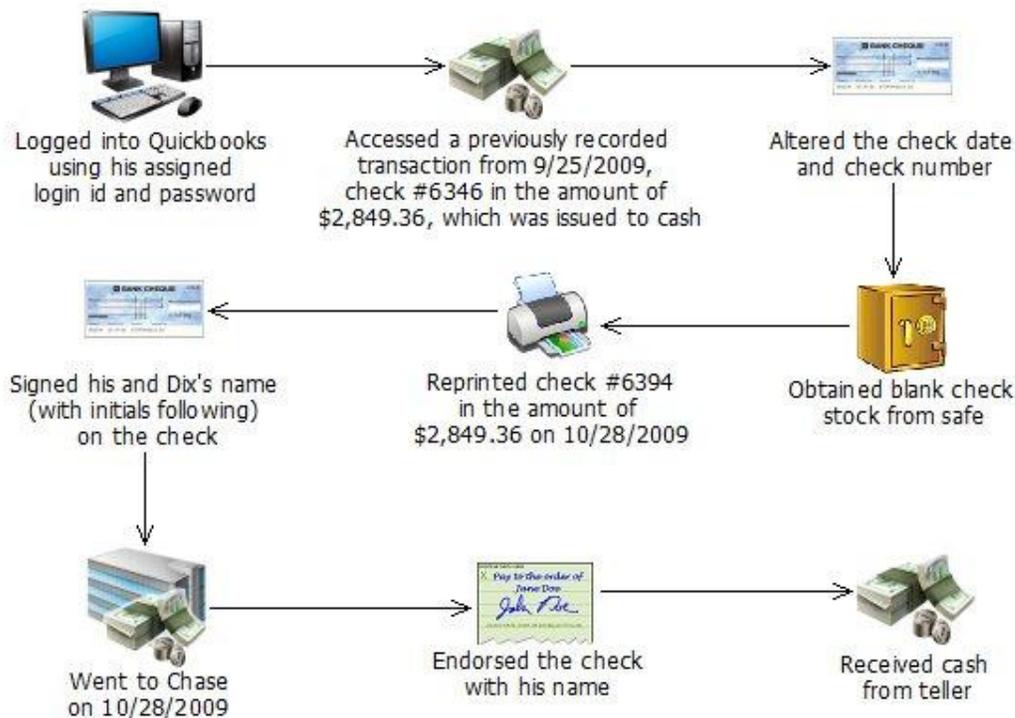
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<sup>18</sup> This amount was calculated as the difference between the QuickBooks Balance Sheet report for balances as of March 12, 2012, personal needs accounts excluding negative account balances of \$49,364.18 and a revised bank balance allocated to the personal needs account of \$33,793.50. The adjusted bank balance amount was calculated by taking the bank balance at 3/12/12 of \$40,891.62 and subtracting industrial and entertainment funds incorrectly deposited into the account and subtracting funds recorded as owed to vendors which had already been expensed from the personal needs account.

- Obtain blank check stock from the safe;
- Reprint the check;
- Sign his and Dix's name (with his initials or squiggles after it) on the check;
- Go to Chase Bank;
- Endorse the check;
- Receive cash from the teller; and
- On his return to MDC, go to Wright–Patt Credit Union and deposit some or all of the cash into his bank account.

By changing the check number and check date, Carter was able to reprint checks he could cash at Chase Bank, and keep the funds. Carter stated this method of reprinting and signing Dix's name allowed him to avoid detection. Without anyone else reconciling the bank statements, Carter confirmed the reprinted check, while decreasing the bank balance, was not recorded by anyone at MDC in either the residents' personal needs account balance or the overall ledger balance.

The following chart illustrates the process used by Carter to modify and reprint a previously issued transaction on check number 6394 dated September 23, 2009, for \$2,849.36:



Carter used this method to issue 71 checks payable to cash totaling \$153,412.65 that he endorsed and cashed at Chase Bank between October 29, 2009, and June 21, 2011, where the client funds bank account was held. ([Exhibit 12](#)) Carter admitted to using the cash for his personal expenses.

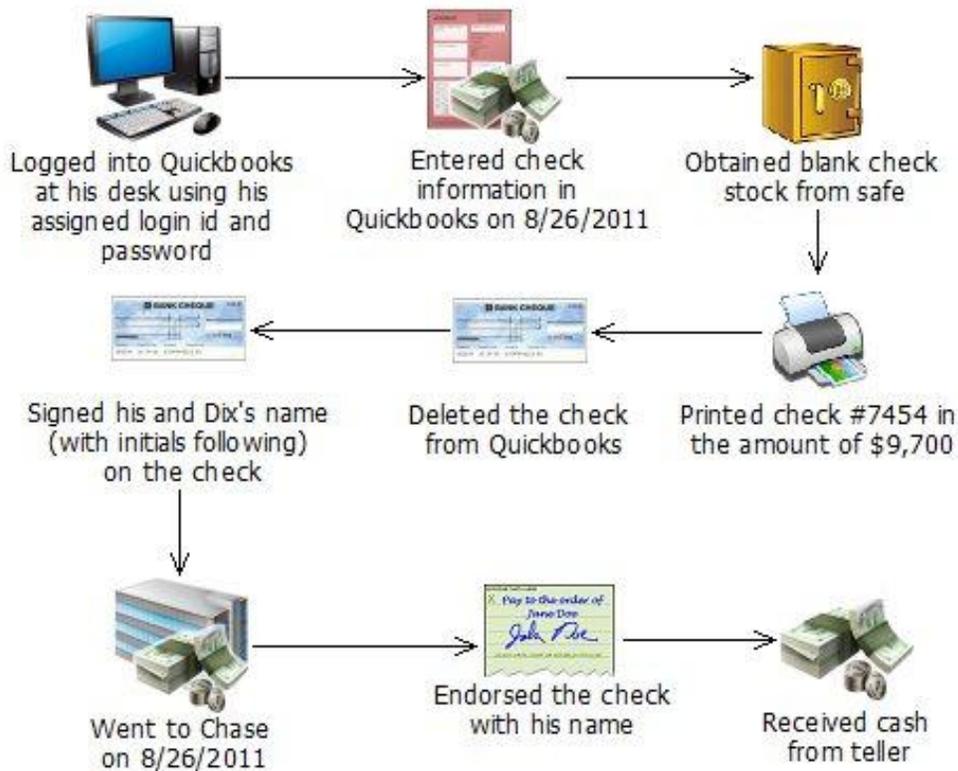
## **Method 2: Recording and Deletion of an Issued Check**

The second method Carter used to manipulate transaction data was to delete the record of a check being issued in QuickBooks after the check had been printed. During the interview conducted on July 9, 2012, Carter detailed how he executed this method of data manipulation:

- Log into QuickBooks at his desk using his assigned login id and password;
- Record the check information in QuickBooks payable to cash;
- Obtain blank check stock from the safe;
- Print the check;
- Delete the check from QuickBooks;
- Sign his and Dix's name (with his initials or squiggles after it) on the check;
- Go to Chase Bank;
- Endorse the check;
- Receive cash from the teller; and
- On his return to MDC, would stop at Wright–Patt Credit Union and deposit some or all of the cash into his bank account.

By deleting the check after it was printed from QuickBooks, Carter was able to generate checks which he could cash at Chase Bank, keep the funds, and conceal from his supervisors and staff responsible for reviewing the QuickBooks ledger that the check had been issued. During the interview conducted on July 9, 2012, Carter confirmed this method allowed Carter to avoid detection. Carter stated that these checks did not impact the residents' personal needs account balances because he did not record the expense in their MDC accounts.

The following chart illustrates the process used by Carter to create, issue, and delete a check from QuickBooks for check number 7454 issued on August 26, 2011, for \$9,700:



The investigation determined that Carter used this method to issue 38 checks between September 19, 2011, and March 9, 2012, totaling \$207,735. ([Exhibit 13](#)) Each check was endorsed by him and cashed at Chase Bank, where the client funds bank account was held. Carter admitted to using the cash for his personal expenses.

#### **Additional Concealment Methods Used by Carter:**

The investigation determined Carter used other methods of concealment including changing check numbers, changing amounts, not recording handwritten checks in QuickBooks, and voiding a check from QuickBooks even though it cleared the bank. ([Exhibit 14](#)) Each of these 24 checks totaling \$42,158.06, were endorsed by Carter and cashed at Chase Bank, where the client funds bank account was held.

During the interview conducted on July 9, 2012, Carter admitted to issuing checks to himself and cash, manipulating QuickBooks to conceal the unauthorized checks he issued from the system which he endorsed, cashed at Chase Bank, and kept the cash for his personal use.

#### Industrial and Entertainment Fund Bank Account

Ohio Administrative Code §5123-9-08 established the industrial and entertainment fund to account for donations, vending machine commissions, and any profits generated from the developmental center's commissaries to fund expenditures which exclusively benefit MDC's residents. During an interview conducted on March 29, 2012, MDC Superintendent Banks and Operations Director Dix confirmed the industrial and entertainment account received donations from the MDC Citizens Advisory Council, the MDC Parents Support Group, residents' parents or guardians, and through fundraisers held to provide funds for residents to participate in MDC activities and field trips.

The initial review of bank records for this account identified checks issued payable to cash where Robert Dix's signature was followed by initials or a squiggle. During the interview conducted on July 9, 2012, Carter stated that he issued checks, signed Robert Dix's name, placed his initials or squiggles behind Dix's name, endorsed and cashed the checks, and kept the cash for his personal use. From the instances identified in the investigation, the Office of the Ohio Inspector General issued a subpoena to Chase Bank obtaining the canceled checks and deposits for the industrial and entertainment bank account. On April 2, 2012, at the request of investigators, MDC Account Clerk Freddie Mays sent an email with an attached ledger and missing check report for transactions processed in the industrial and entertainment account.

The investigators compared the checks clearing the industrial and entertainment bank account to those recorded in the QuickBooks ledgers, available documentation, and conducted interviews to determine whether checks issued to cash were for resident activities and expenses. Of the 138 checks reviewed, the investigation identified check number 2399 issued for \$500 on July 28, 2010, and check number 2479 for \$6,290 issued on September 12, 2011, were drawn by Carter, included Carter's initials after Robert Dix's signature, were endorsed and cashed by Carter.

**(Exhibit 15)** During the interview conducted on July 9, 2012, Carter admitted issuing,

endorsing, and cashing both checks, and keeping the cash. Carter further stated that whatever remaining portion of the cash he did not deposit into his personal bank account, he had spent.

The investigation also identified three checks totaling \$4,441.51 ([Exhibit 16](#)) were issued from the industrial and entertainment bank account and then deposited into the client funds bank account. Investigators were unable to locate any supporting documentation for these payments and MDC employees could not locate documentation or explain why these transactions were made.

During the interview conducted on March 29, 2012, MDC Operations Director Dix could not explain why a payment would be issued from the industrial and entertainment bank account to the client funds bank account unless it was to reimburse an expense paid from the wrong fund. Interviews conducted with MDC staff revealed that Carter was the MDC employee who typically made the deposits at the bank. However, during the course of the investigation, it could not be determined that Carter made these deposits. Due to the restrictive nature of the application of industrial and entertainment funds as set forth in the Ohio Administrative Code, the investigation determined \$4,441.51 ([Exhibit 16](#)) was improperly deposited into the client funds bank account and should be returned to the industrial and entertainment bank account.

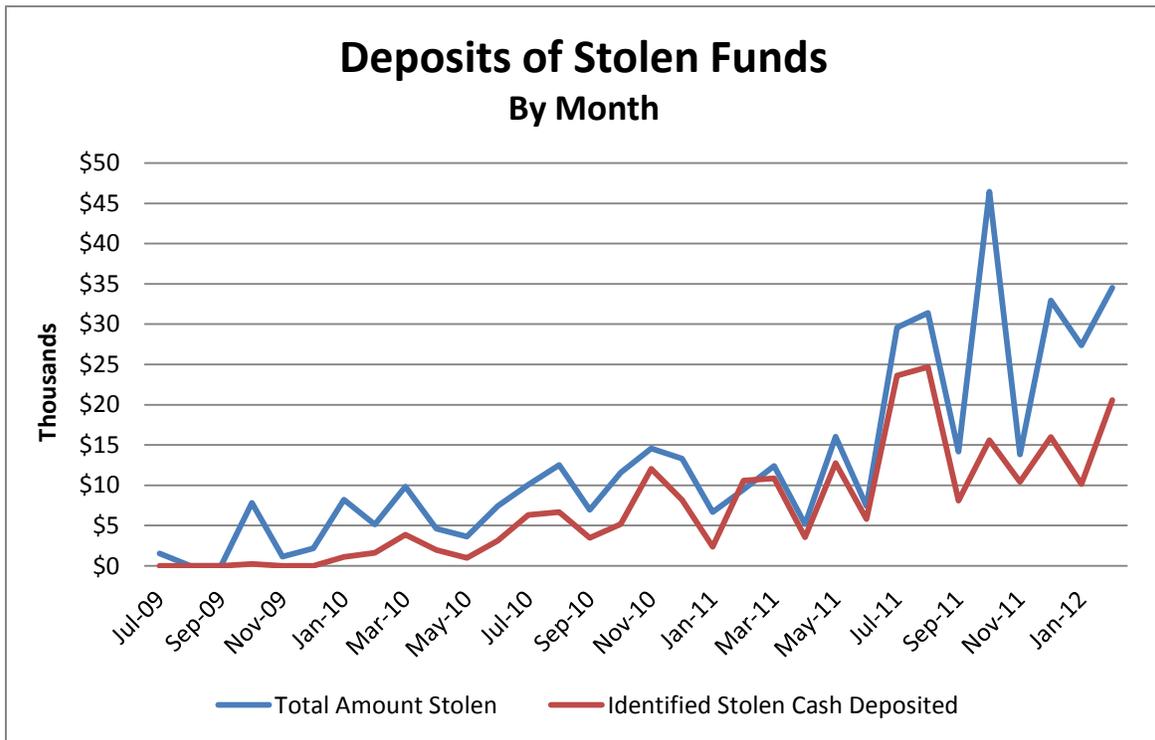
**Accordingly, the Office of the Ohio Inspector General finds reasonable cause to believe wrongful acts or omissions occurred in these instances.**

In summary, this investigation identified the following sources of the funds misappropriated by Carter:

<b>Developmental Center and Bank Account</b>	<b>Amount</b>
Warrensville Developmental Center resident funds bank account	<b>\$4,516.50</b>
(Montgomery Developmental Center client funds bank account payable to Carter- 5 checks)	25,824.12
(Montgomery Developmental Center client funds bank account payable to cash- 133 checks)	<u>403,305.71</u>
Montgomery Developmental Center client funds bank account - total of 138 checks)	<b>429,129.83</b>
Montgomery Developmental Center industrial and entertainment bank account	<b>6,790.00</b>
<b>Funds misappropriated by Doug Carter</b>	<b>TOTAL \$440,436.33</b>

### Spending of Stolen Funds

The Office of the Ohio Inspector General issued subpoenas obtaining Carter's personal bank records from the Credit Union of Ohio and Chase Bank. The following chart illustrates a comparison of funds stolen by Carter and the amount of stolen cash determined to have been deposited into Carter's personal bank account:



Further review by the investigators of Carter's personal bank account activity identified the following:

- Cash totaling \$267,949.09 was deposited into Carter's personal bank accounts during the period August 1, 2009, through March 30, 2012, of which 88 percent or \$234,572.99 of the cash was deposited in one or more deposits within seven calendar days after Carter cashed one or more unauthorized client funds or industrial and entertainment checks issued payable to cash. ([Exhibit 17](#))
- On August 26, 2011, Carter issued an MDC check payable to cash for \$9,700, endorsed, and cashed the check. Carter deposited \$7,000 in cash into his personal bank account on the same day and deposited an additional \$2,500 in cash on August 27, 2011. This

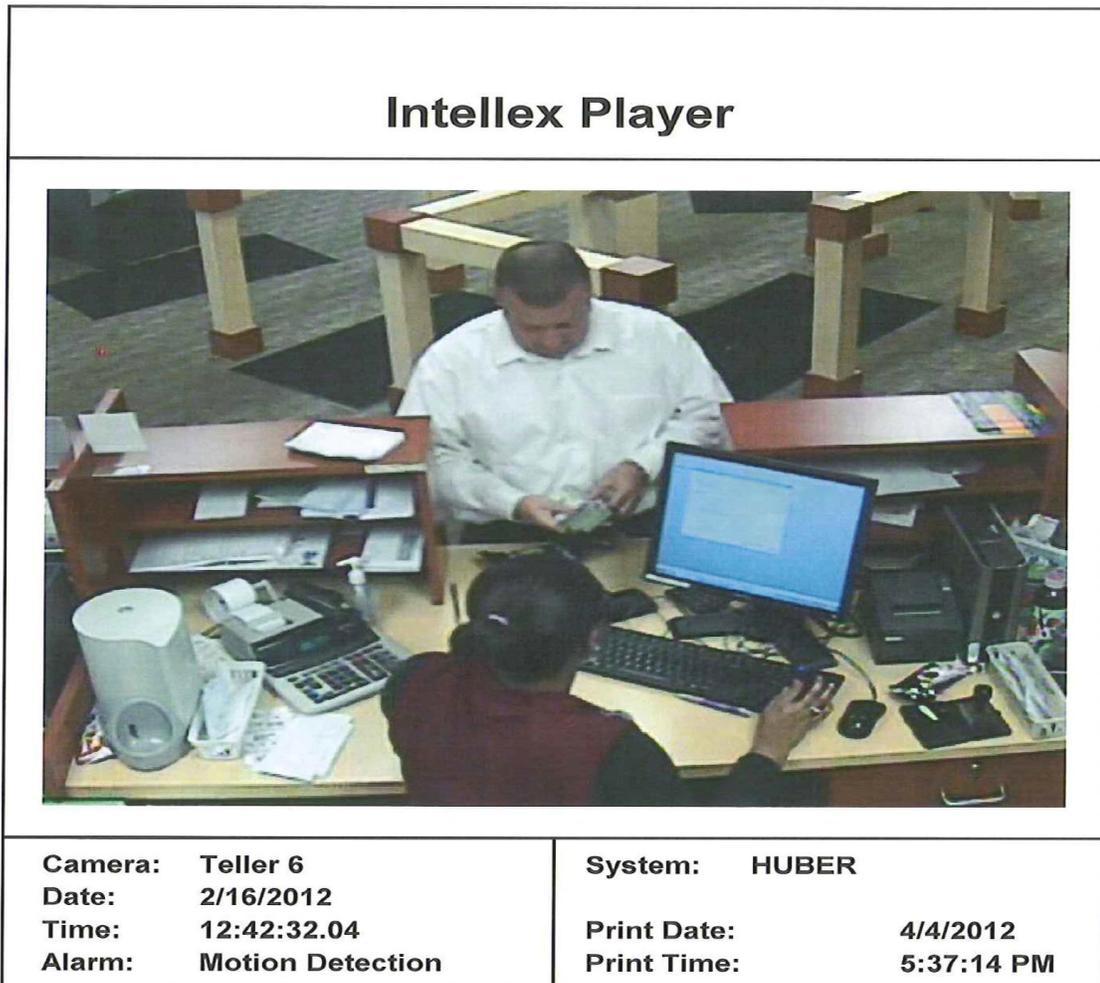
deposit occurred three days before Carter used his debit card to pay a plastic surgeon \$5,000 on August 29, 2011, and \$1,500 on August 30, 2011.

- On October 29, 2011, Carter used \$22,000 from a \$26,220 MDC check issued payable to cash on October 28, 2011, to purchase a \$22,000 cashier's check issued to CarMax from Kemba Financial Credit Union. Carter used this cashier's check and additional funds from his bank account to purchase a 2009 KIA Borrego totaling \$24,110.86. ([Exhibit 18](#))
- On December 14, 2011, Carter issued a check payable to cash for \$6,280 from the MDC client funds bank account, which Carter endorsed and cashed at Chase Bank. The investigation determined Carter deposited \$4,000 into his Credit Union of Ohio bank account on December 16, 2011, and on December 18, 2011, used the remaining cash of \$1,521.19 to purchase Pandora bracelets from Jared's Galleria of Jewelry, that he gave to his staff as Christmas gifts. ([Exhibit 19](#))
- Carter issued three MDC checks payable to himself dated December 29, 2011, for \$4,289.22; January 3, 2012 for \$8,025.63; and January 9, 2012 for \$2,685.15, which he deposited into his Credit Union of Ohio bank account on January 10, 2012. ([Exhibit 1](#)) On January 8, 2012, Carter issued a \$15,000 check from his Credit Union of Ohio bank account to Jack Maxton Chevrolet as a down payment on a 2011 Chevy Camaro SS. This check cleared his Credit Union of Ohio bank account on January 11, 2012. ([Exhibit 20](#))
- Carter issued a check for \$5,860.00 payable to cash dated February 10, 2012, from the client funds bank account, then endorsed and cashed the check. One day later, on February 11, 2012, Carter deposited \$5,000 in cash to his personal bank account. On February 12, 2012, Carter used his debit card to purchase a \$5,362.50 engagement ring from Andrews Jewelers.<sup>19</sup> ([Exhibit 21](#))
- On February 16, 2012, Carter issued a check payable to cash for \$5,280, endorsed and cashed the check, and deposited \$5,280 in cash into his personal bank account at Wright-Patt Credit Union. The following photograph taken by a Wright-Patt Credit Union surveillance camera shows the date and time that Carter deposited the cash into his

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<sup>19</sup> A member of Rogers ltd., Inc. family of stores.

personal bank account, and Carter is shown handling what appears to be a large stack of currency:



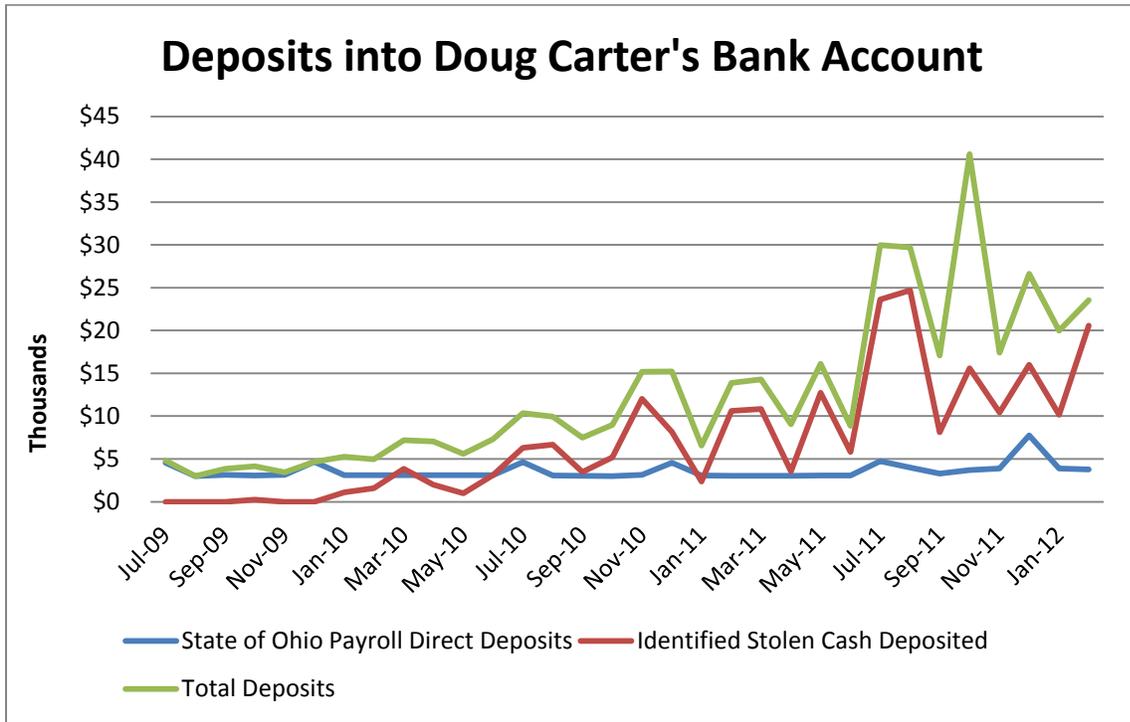
The deposit being made by Carter in the above picture is prior to a trip to Miami, Florida, where Carter proposed to his girlfriend on February 17, 2012. On February 20, 2012, the engagement ring previously purchased on February 12, 2012, was upgraded at Andrews Jewelers for an additional charge of \$1,222.64 on Carter's debit card. ([Exhibit 22](#))

- Carter issued four checks payable to cash during the period from March 5, 2012, through March 8, 2012, totaling \$20,862. On March 9, 2012, Carter purchased two cashier's checks from Wright-Patt Credit Union totaling \$17,586.35<sup>20</sup> and payable to Jared's Gallaria of Jewelry. The Office of the Ohio Inspector General issued a subpoena to

<sup>20</sup> The eventual use of the remaining \$3,275.65 in cash was not determined.

Jared's Galleria of Jewelry and receipts associated with purchases by Carter for diamond necklaces, earrings, bracelets, and other items. ([Exhibit 23](#))

The following chart shows the pattern of Carter's deposits at the Credit Union of Ohio for the period from July 1, 2009, through February 29, 2012:

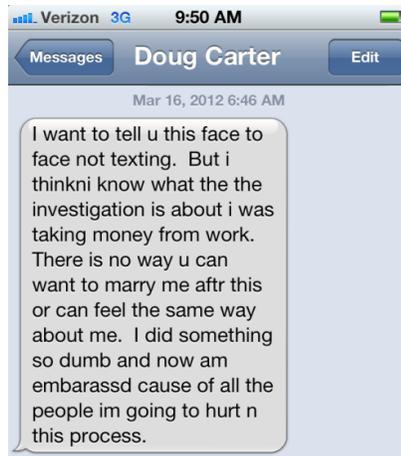


During this same period, Carter’s Credit Union of Ohio bank account reflected the following types of expenses:

<b>Credit Union of Ohio Account</b>	
<b>Expense Categories</b>	<b>Amount</b>
Retail	\$ 78,863.40
Food/Grocery	46,386.88
House	44,470.62
Auto	38,920.12
Bank Fees/Collections/Transfers	30,064.00
Travel/Entertainment	24,259.07
Medical	23,441.39
Utilities	19,486.26
Gas/Conv Stores	16,226.38
Vet	13,270.34
Gym	10,490.71
Misc.	10,187.97
Legal	9,388.50
Jewelry	6,797.15
Insurance	6,608.50
Education	5,567.95
Withdrawals	4,172.02
Childcare	2,962.35
	<u>\$ 391,563.61</u>

Based on an analysis of subpoenaed bank records and interviews conducted, Carter spent \$276,725.99 in excess of compensation received from the State of Ohio, his only legitimate source of income. Without depositing the stolen cash, Carter would not have been able to fund his lifestyle during this period.

On May 16, 2012, the investigators interviewed Carter's ex-fiancé who stated she called off the wedding on Friday, March 16, 2012, after receiving the following text message from Carter:



Carter's ex-fiancé stated that she did not know prior to receiving the text message that Carter was taking funds from his employer. Carter's ex-fiancé stated she questioned Carter repeatedly on his improved finances because Carter had previously been struggling with financial difficulties. She said Carter explained to her that he had received a salary increase and a recent inheritance. The investigators were not able to find any corroborating documentation supporting Carter's contention that he had received an inheritance.

During the interview conducted on July 9, 2012, Doug Carter admitted issuing checks payable to cash, signing Robert Dix's name on the checks with his initials or a squiggle, and endorsing and cashing the checks. Carter stated after cashing the checks at Chase Bank, he would deposit all, or a portion of the cash into his personal bank account at Wright-Patt Credit Union, stopping on his way back to MDC. Carter stated any remaining cash was either deposited at a later date or spent on purchases for his children, at Target, Kroger, or to pay other bills. Carter also admitted to using the cash to purchase a \$22,000 cashier's check on October 29, 2011, at Kemba Financial Credit Union which was used to buy a 2009 KIA Borrego. **(Exhibit 18)** When investigators asked Carter why he took the money, Carter explained that at the time he was writing the checks, he felt "he deserved the money" and did not think there would be any repercussions to his actions. However, Carter admitted that he knew it was wrong "to steal" these funds.

**Accordingly, the Office of the Ohio Inspector General finds reasonable cause to believe wrongful acts or omissions occurred in these instances.**

*Montgomery Developmental Center Management Oversight*

During a March 29, 2012, interview, Montgomery Developmental Center (MDC) Superintendent Nancy Banks said that she was responsible for supervising the executive staff, including the operations director, director of nursing, the program director and the chief investigator. Banks stated she was aware the client funds and industrial and entertainment bank accounts existed, and she was an authorized signer on both accounts. Banks explained that Operations Director Robert Dix was more involved with these accounts which were managed by then-business administrator Doug Carter.

During the interview conducted, Dix outlined his job responsibilities for the maintenance, dietary, and fiscal departments and stated that his duties included keeping the buildings in operational condition, budgeting, and signing the checks for the client funds and the industrial and entertainment bank accounts. During the March 29, 2012, interview, and another conducted on April 13, 2012, Dix explained Carter and his account clerk, Freddie Mays, were responsible for recording the daily activity for both accounts. Dix stated he performed periodic checks in QuickBooks to ensure the required funds were being remitted to ODODD's central office. However, Dix noted that he never looked at the bank statements or the canceled checks.

To determine where management failed to follow procedures, the investigation focused on two principal areas where MDC management was obligated to provide oversight: monthly superintendent and Medicaid sweeps, and monthly reconciliations.

### Monthly Sweeps to ODODD

During the interview, Dix stated that it was Carter's responsibility to allocate the resident's monthly allowance and calculate the amount to be sent to ODODD. Dix explained that Carter identified the funds received for each resident, recorded a deposit for the residents' monthly allowance to their personal needs account, deducted the total allowance amount from the amount received, aggregated the total, and issued a check called the "superintendent sweep" to the Ohio Treasurer of State for the amount owed to ODODD. Dix stated Carter also performed a second monthly calculation to determine whether resident's personal needs accounts exceeded the \$1,500 limit. Dix explained any amounts in excess of the \$1,500 limit were totaled, and a check for the amount, often referred to as the "Medicaid Sweep," was issued to ODODD. These funds were used by ODODD to assist in funding the cost of care for residents living at MDC.

Dix stated he was responsible for verifying that both sweeps were completed by Carter. Dix explained to verify the sweeps, he accessed QuickBooks bookkeeping program using his login id and password. Once in QuickBooks, Dix stated he confirmed the superintendent sweep account reflected a zero balance and that a check had been issued to the Ohio Treasurer of State. Dix said he also scanned the personal needs account balances for the residents to verify their personal needs account did not exceed \$1,500 and did not have a negative balance.

On March 16, 2012, upon investigators' request, ODODD Budget Analyst Sam Jeyandran exported a general ledger from QuickBooks documenting the transactions recorded for the client funds account, identifying all payments issued to the Ohio Treasurer of State for either the superintendent sweep, or the "Medicaid Sweep." The investigation determined that a payment by check was recorded as issued for both required sweeps each month.

However, a comparison of the payments shown in the general ledger against the checks that cleared the bank identified the following checks that were recorded in the QuickBooks ledgers but never cleared the bank:

Check No.	Sweep Type	Month	Amount
6730	“Medicaid Sweep”	April 2010	\$3,893.67
6878	Superintendent sweep	August 2010	35,547.69
6981	Superintendent sweep	October 2010	36,165.36
7122	Superintendent sweep	December 2010	19,649.34
7315	Superintendent sweep	May 2011	50,221.91
7479	Superintendent sweep	September 2011	54,229.21
7560	Superintendent sweep	November 2011	52,740.24
7604	Superintendent sweep	December 2011	52,929.55
7697	Superintendent sweep	February 2012	48,506.99
			<u>\$353,883.96</u>

Had Dix visually confirmed and compared the checks reflected in the ledger as issued to the Ohio Treasurer of State, to the checks actually clearing the bank as shown on the bank statement (which was a duty required under his job responsibilities), Dix could have identified discrepancies in the client funds bank account and QuickBooks records as early as April 2010. Instead, these discrepancies were not discovered until after the Credit Union of Ohio contacted Dix on March 12, 2012.

**Accordingly, the Office of the Ohio Inspector General finds reasonable cause to believe wrongful acts or omissions occurred in these instances.**

Client Funds and Industrial and Entertainment Bank Account Reconciliations

During the interview conducted on March 29, 2012, MDC Superintendent Banks stated that she was not involved in the reconciliation process and did not see the bank reconciliations for these two accounts. Banks stated she was not sure whether former Superintendent Greg Darling reviewed the bank reconciliations during his tenure. During the interview conducted on May 22, 2012, Darling stated that he was unsure as to whether he saw the monthly bank account reconciliations. Darling explained, prior to Carter’s arrival at MDC, the monthly bank

reconciliations had not been completed. Once the reconciliations were caught up, Darling stated that he required Dix to provide a monthly report on business office activities which included dates when the reconciliations were completed. Darling also said Dix was required to “sign-off” to certify the accuracy of the review of the reconciliation of each bank account.

MDC Bank Reconciliation Internal Audit Procedure 94-08-01IA ([Exhibit 24](#)) states “bank reconciliations were to be performed on a monthly basis by the Fiscal Officer or the Operations Director in his/her absence.” Though the policy does not require a supervisor to review the accuracy of the reconciliation, the policy does state, “When bank reconciliations are not performed each month, errors and irregularities could occur in the account that would not be detected in a timely manner.”

During the interview conducted on March 29, 2012, Dix explained he did not review the bank statements and related documentation supporting the monthly reconciliation. Instead, Dix stated he reviewed the Balance Sheet report from QuickBooks. This report reflects the balances as of a specified date for the bank account, amounts owed to vendors, and the balances of the residents’ personal needs accounts. Dix said he reviewed the industrial and entertainment bank account activity on a monthly basis because he had to report on its activity to the Citizens Advisory Council.

During the interview conducted on March 29, 2012, Account Clerk Freddie Mays stated that MDC received bank statements and CDs of bank activity from Chase Bank each month, and that both the CDs and bank statements were given to Carter. These statements were kept in folders in Carter’s office.

During an interview conducted on July 9, 2012, Carter explained the process he used to “reconcile” the Client Funds bank account. Carter stated he traced the deposits recorded on the bank statement to those recorded in QuickBooks to make sure all the deposits were posted. Carter then explained he would trace the checks which cleared the bank to QuickBooks and totaled the checks he issued payable to cash which were not posted to QuickBooks.

Carter stated that he would then determine the amount that he needed to reconcile the discrepancy in the QuickBooks ledger to the bank statement. Once calculated, Carter said he entered the amounts needed to issue a check to the Ohio Treasurer of State for the superintendent sweep or “Medicaid Sweep.” Once the account was reconciled, Carter stated he would adjust the entry to account for the money he took, and in some cases, voided the entire entry.

Even though former Superintendent Darling required Dix to review the bank reconciliations and document his monthly review, Dix admitted he did not review the monthly bank statements, canceled checks and reconciliation. Instead, Dix stated he only reviewed QuickBooks activity to verify that the required sweep checks were issued. Had Dix or another individual generated a bank reconciliation report from QuickBooks and traced the checks and deposits recorded in QuickBooks to the activity recorded on the bank statement, Carter’s practice of issuing checks payable to cash, concealing them in QuickBooks, signing Dix’s name with his initials or a squiggle, endorsing the checks, and keeping the cash could have been identified as early as November 2009 instead of in March 2012, when the Credit Union of Ohio, holder of Carter’s personal bank accounts, contacted Montgomery Developmental Center.

**Accordingly, the Office of the Ohio Inspector General finds reasonable cause to believe wrongful acts or omissions occurred in these instances.**

**Bank Account Deposits**

The investigators reviewed the deposit slips, supporting documentation, and associated QuickBooks postings to determine whether Carter had repaid any of the misappropriated funds into MDC accounts. As previously explained, residents participated in a wide variety of activities and field trips. To fund their participation, each resident’s personal needs account balance was reduced by fees to be paid and was increased when any unspent field trip funds returned were deposited into the client funds bank account.

During the interviews conducted on March 29, 2012, and April 13, 2012, MDC Account Clerk Freddie Mays explained her practice of calculating the amount to be deposited by first reviewing the returned field trip forms and adding up the cash enclosed, recording the amount returned in

QuickBooks, preparing the deposit slip, and then attaching the cash to the deposit slip and placing both in the locked safe room on top of the unlocked safe. Once this was completed, she notified Carter the funds were available for deposit.

Mays stated she did not receive a copy of the bank-negotiated deposit slip and did not verify if the deposits she prepared were deposited into the bank account by inspecting the bank statement. In the event that she did take a deposit to the bank, Mays stated she would give the negotiated deposit slip to Carter. During the interview conducted on July 10, 2012, when asked why all three copies of a deposit slip would be in Carter's file folder, and no deposit was reflected on the bank statement, Mays recalled seeing Carter with multiple deposit slips on his desk. Mays stated she knew that, in some cases, Carter would combine multiple deposits onto a single deposit slip.

Based on the review of MDC's deposit records, Carter never re-deposited funds taken from the unauthorized checks he issued and cashed but instead converted the cash for his personal use. The investigation also identified the following inconsistencies between the bank statement deposits and QuickBooks deposit postings:

- Nine deposit slips were prepared by Account Clerk Freddie Mays for a total of \$1,094.40. Each deposit slip was recorded in QuickBooks as a deposit. However, these deposit slips were found in file folders maintained in Carter's office, and did not correspond to any deposits on the bank statement. ([Exhibit 25](#))
- Noted deposit amounts and deposit dates reflected on the bank statement did not agree with deposit amounts and deposit dates recorded in QuickBooks for numerous deposits recorded in either the client funds bank account, or the industrial and entertainment bank account.

In the interview conducted on July 9, 2012, Carter confirmed that Mays prepared the deposit slips in the manner described above and notified him when the deposit was ready to be taken to the bank. Carter confirmed that he typically deposited the funds at the bank. To ensure all the deposits made it to the bank, Carter stated he traced the deposits recorded on the bank statement to those posted using the QuickBooks reconciliation feature. Carter was unable to explain why

all three copies of a deposit slip were located in his files, denied taking the \$1,094.40, reiterated that he only took funds from cashing checks issued payable to cash, and explained that these deposit slips could be the result of one of many errors made by Mays.

Had the QuickBooks reconciliation feature been used to reconcile the ledger activity to the bank statement activity, the discrepancies between the ledgers and bank records would be evident. Due to a lack of supporting documentation and numerous posting errors identified during this investigation, the Office of the Ohio Inspector General was unable to determine whether these inconsistencies were the result of posting errors or resulted in funds received not being deposited.

During the investigation and review of MDC's processes used to safeguard residents' funds, the following internal control weaknesses were identified which could result in future theft of resident funds if not resolved:

- Storing the key in an unlocked desk drawer for the locked room where the unlocked safe is located.
- Using a safe to hold field trip monies which is generally not locked because of the possible inability to open the safe due to its age.
- Storing unspent resident funds in an unlocked black box in a shift supervisor's locked office to which multiple individuals have keys.
- Accruing returned funds for up to a month before the business office staff collected the funds for processing and deposit.
- Allowing deposit slips and attached cash be held in the safe room for up to six weeks before the deposit slip and cash was taken to the bank for deposit.
- Not reconciling returned field trip funds and not depositing those funds into the bank account for up to three months after the trip occurred.
- Not issuing a receipt each time money changes hands to ensure the amount purported to be given by one individual was the amount received by the other individual.

- Changing QuickBooks deposit dates or amounts to match the dates or amounts reflected on the negotiated bank deposit slips. Differences should be recorded and noted as reconciling transactions in a separate entry within QuickBooks.
- Permitting QuickBooks users to alter a previously issued check by changing the date, check number, and reprinting checks which voids the previous transaction and adjusts the previously issued transaction amount to zero. These changes should only be made when documented with a justification as to why a change is needed, and only after obtaining documented supervisory approval.
- Not reviewing the QuickBooks Audit Trail and Voided/Deleted reports to verify that changes to the QuickBooks transaction data were for authorized reasons; and not requiring supervisory approval to make those changes.

*Ohio Department of Developmental Disabilities Developmental Center Oversight*

During the interview conducted on May 16, 2012, the Ohio Department of Developmental Disabilities Deputy Director Virginia Whisman said that each developmental center is operated as a separate entity with its own policies and procedures. Whisman stated that each center was required to develop their own desk manual detailing the policies and procedures for deposits to and expenditures from the client funds, and the industrial and entertainment bank accounts. Whisman said the developmental centers' operations director and superintendent are responsible for staff compliance of the developmental center's policies and procedures.

This investigation reviewed the involvement of the ODODD central office with the monthly sweeps submitted by the developmental centers, guidance provided to the developmental centers to ensure compliance with applicable rules and regulations, and the responsibilities for the developmental centers' oversight assigned to central office employees.

ODODD Oversight of Superintendent Sweeps

During a July 11, 2012, interview, former Accounts Receivable Supervisor Jamie Pardee explained each developmental center sent ODODD's Fiscal Administration Office a monthly superintendent sweep check for unearned income received by the residents in excess of their

monthly allowance. Pardee stated a second sweep<sup>21</sup> was sent ODODD's Fiscal Administration Office when the developmental center reviewed each resident's personal needs accounts and determined the balance exceeded the \$1,500 maximum. Pardee said some of the developmental centers sent both sweeps on the same check and others sent a separate check for each sweep. Pardee stated that periodically developmental centers might receive additional funds for the developmental center residents which were sent to the ODODD central office or a county department of job and family services. Pardee said when a check was received from a developmental center, the fiscal specialist opening the mail logged each check received on the corresponding check log documenting what developmental center the check came from and the date received. The fiscal specialist then gave the checks to another fiscal specialist for processing.

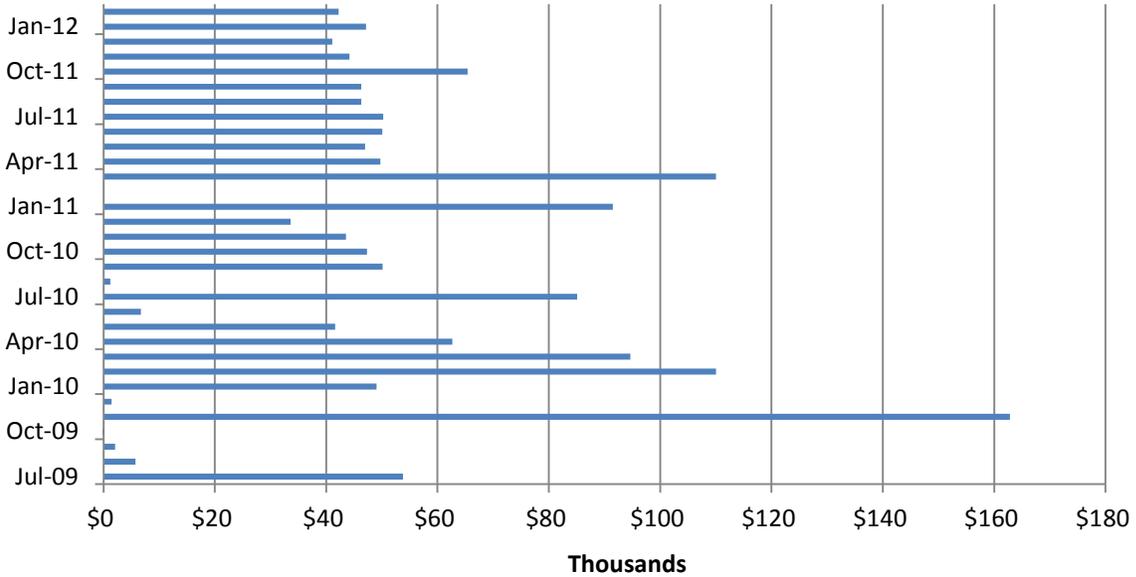
During an interview on July 3, 2012, Fiscal Specialist Vicki Gordon-Smith explained that she stamped the back of the checks received as "for deposit only" and attached the check to a pay-in form identifying what account code the check was to be posted to in the state of Ohio accounting system, Ohio Administrative Knowledge System (OAKS). Gordon-Smith stated she then accessed the OAKS system, and entered the check information and pay-in at a computer work station. Once the entries in OAKS were complete, Gordon-Smith said she presented the pay-in forms to her supervisor for approval. Once the pay-in forms were approved, Gordon-Smith stated she took the pay-in forms and the checks for deposit to the Ohio Treasurer of State's Office. Both Pardee and Gordon-Smith stated that a copy of the detail documenting receipt from the Ohio Treasurer of State and the pay-in form were sent to the developmental center to provide evidence the payment was received at the ODODD central office.

Investigators requested Budget Analyst Sam Jeyandran send a revenue report identifying the monthly sweep amounts sent to the ODODD central office by MDC and WDC. The following is a summary of Jeyandran's report:

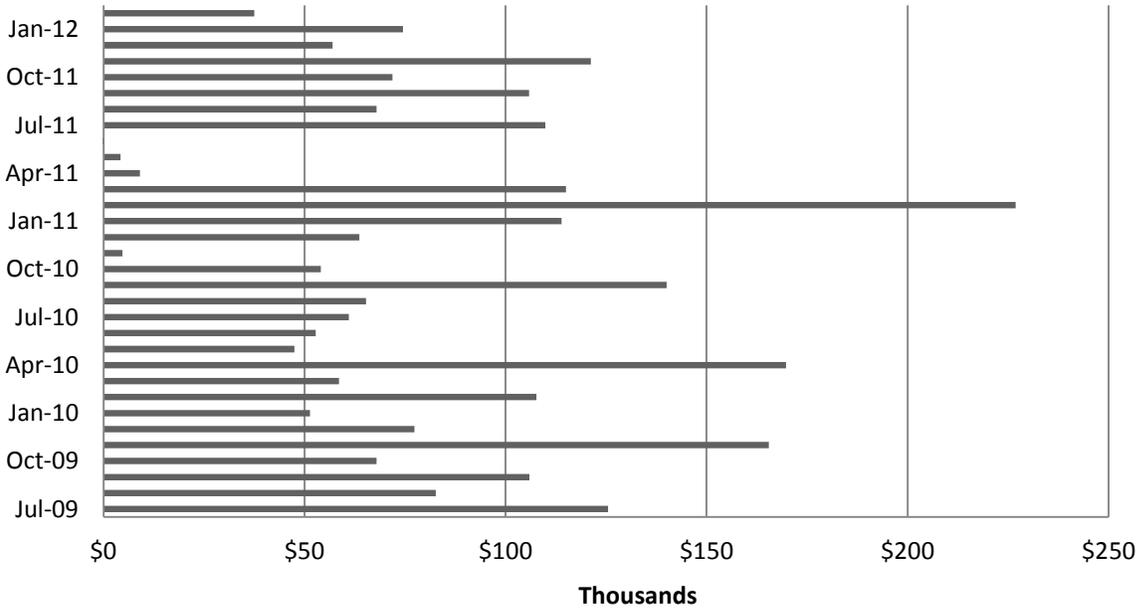
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<sup>21</sup> Montgomery Developmental Center refers to this second sweep as the "Medicaid Sweep."

### Monthly Sweeps Submitted by WDC



### Monthly Sweeps Submitted by MDC



The investigation identified months where the monthly sweeps were not submitted and varied significantly from month to month before a procedural change was implemented on January 1, 2011. Once ODODD changed the personal allowance amount received by the residents to a

specific amount each month, the month-to-month variance diminished at WDC. However, significant month-to-month variances continued to occur at MDC and for some months, no funds were submitted at all.

When Pardee was asked whether her staff monitored and verified that the developmental centers were submitting their monthly sweeps, Pardee stated they did not and she assumed Budget Analyst Sam Jeyandran was looking at this as part of his budget duties. Pardee stated she provided the check logs for the superintendent sweep and patient liability to Jeyandran on a quarterly basis.

Jeyandran stated that he reviewed quarterly and annual reports which included the developmental center sweep checks. Jeyandran explained that he would compare the quarterly totals and annual totals but knew timing differences existed and expected there to be variances between the quarterly amounts. Jeyandran stated that in total, MDC's revenue for cost of care did not vary significantly between fiscal years 2010 and 2011. However, he noticed during his review in March 2012 that a significant difference between fiscal year 2011 and 2012 existed.

Jeyandran also stated that the ODODD central office did not know how much they should be receiving from the developmental centers and the staff had not been trained to know when a variance should be considered an irregularity. Jeyandran explained at one point in time, the internal auditor was responsible to check the client funds accounts to ensure expenses were made in accordance with applicable Ohio Revised Code and Ohio Administrative Code sections. However, the internal auditor did not check the monthly sweep accounts. Jeyandran stated this practice of reviewing client funds ceased during the 2001 budget reductions.

During an interview conducted July 3, 2012, ODODD Deputy Director of the Division of Fiscal Administration Ann Rengert stated that, when she was hired, there was a bureau of support which she believed was responsible for working with the Medicare certifications, obtaining benefits for the residents, and other duties. Due to budget reductions, Rengert explained this department was eliminated in 2004-2005 and the duties were transferred to Budget Analyst Sam Jeyandran and the newly established accounts receivable department within business services. In

the interview conducted on June 29, 2012, Jeyandran stated that the bureau of support was responsible for tracking the monthly sweeps and was part of the business office. When asked what happened to the duties assigned to the bureau of support, Jeyandran stated it was apparent the duty of monitoring the monthly sweeps from the developmental centers was not delegated.

When asked how the accounts receivable department verified that the developmental centers were sending their monthly sweep checks, Pardee stated, prior to 2007, her staff could access a computer system which reported the sweeps taken from each resident's account by the developmental centers. Pardee said this allowed her staff to verify the accuracy of the checks submitted by the developmental center to ODODD. When OAKS was implemented, Pardee stated this system was deemed obsolete and was not replaced. Pardee stated, since no documentation was sent by the developmental centers with the checks, her staff was not able to verify the accuracy of the sweep amounts.

During the interview conducted on July 3, 2012, ODODD Fiscal Specialist Vicki-Gordon Smith stated that she had noted inconsistencies, as one month MDC would send a check, and then the next month they would not. However, Gordon-Smith admitted she did not tell anyone because her supervisor, Pardee, had recently left in December 2011, and that Business Services Chief Tonya Briggs was new and didn't know anything about the process. When Pardee was asked if there was a process in place for staff to notify someone if they identified a potential issue, Pardee stated no policies or procedures existed for the staff to notify a supervisor when this occurred.

During the interview conducted on July 3, 2012, ODODD Deputy Director of the Division of Fiscal Administration Ann Rengert confirmed that no policies or procedures existed to offer guidance when issues were noted while processing the monthly sweep checks received from the developmental centers. Rengert also stated that the only monitoring of the sweeps was performed during a management review of the monthly budget projections to determine whether expenditures were going to exceed appropriations.

Had the ODODD central office both verified the required monthly sweeps were being submitted each month and performed periodic reviews to confirm the accuracy of the sweep calculation,

Carter's failure to submit the monthly sweep could have raised a red flag alerting management of the stolen funds as early as April 2010.

In a July 3, 2012, interview, ODODD Business Services Chief Tonya Briggs stated that procedures were recently implemented to verify that sweep amounts were submitted on a monthly basis, explaining the developmental center is required to enter, into a spreadsheet, the amount of earned and unearned income for each resident. This spreadsheet is sent to both Briggs and Deputy Director Rengert each month for their review. Briggs stated that she and Rengert compare the prior month's activity to the current month. If the amounts have changed, Briggs stated the developmental center is required to send documentation and explanations supporting the change with the completed spreadsheet to her and Rengert. Briggs stated, once the variances have been reconciled, they then review the personal needs allowance amounts and determine whether the sweep amount received is considered reasonable.

During the interview conducted on July 3, 2012, Rengert stated that ODODD central office had recently trained the developmental center superintendents and the operation directors on the changes in policy and procedure for accounting for monthly sweeps. Rengert explained that at a training conducted on June 26, 2012, ODODD managers told the superintendents how the monthly sweep was calculated and what these sweeps were to be used for. Additionally, each superintendent was provided the monthly sweeps policy and template. The policy, effective April 26, 2012, required that the developmental centers submit the completed template for Rengert's and Briggs' review with the developmental center's monthly sweep check. Once Rengert or Briggs reviewed and approved the submission, the monthly sweep check was recorded as received in OAKS and deposited with the Ohio Treasurer of State.

#### ODODD Policies, Procedures, and Training for the Developmental Centers

During the interview conducted on May 16, 2012, ODODD Deputy Director Virginia Whisman said she was responsible for overseeing each developmental center, and managing each developmental center superintendent. When asked about policies and procedures implemented by the developmental centers, Whisman stated it was the operational director's responsibility to ensure policies and procedures were followed. Additionally, Whisman stated the superintendent

should also conduct reviews for compliance. When explaining to Whisman that each developmental center maintained their own policies and procedures and were not required to file these procedures with ODODD's central office, Whisman acknowledged the policies and procedures used by the nine developmental centers were not consistent.

During the interview conducted on July 3, 2012, ODODD Deputy Director of the Division of Fiscal Administration Ann Rengert recalled a template being sent to the developmental centers by the ODODD central office indicating the types of policies and procedures that were needed. Rengert said the developmental centers then had the ability to tailor the policies and procedures to their specific needs. Rengert stated ODODD considers the developmental centers to be independent and decentralized, and the development and implementation of the developmental center's policies and procedures to be the responsibility of the superintendent, operations director, and business administrator. However, Rengert recognized that the implementation of these policies should be checked by ODODD's central office to make sure the developmental centers are in compliance with state and federal laws and regulations, and state and agency policies and procedures.

When asked to identify any guidance the central office provided to the developmental centers on a policy for managing the monthly superintendent sweeps and Medicaid sweeps, Rengert stated that each developmental center was to adopt a policy based on the January 1, 2011, rule change. Rengert said a workgroup, consisting of developmental center and ODODD central office representatives, developed a template which was sent to the developmental centers for tailoring. Rengert further stated that much of the information about the policies and procedures in managing the monthly sweep was disseminated during the rule change and there was no formal training on the rules until June 26, 2012.

Investigators interviewed MDC Superintendent Banks on various dates, former MDC Superintendent Greg Darling on May 9, 2012, and WDC Superintendent Wendy DiGregorio on May 23, 2012. Each confirmed they had not received guidance on what policies and procedures were to be established at the developmental center and that each developmental center operated in a different manner. DiGregorio explained when she started with WDC, she had asked during

her orientation for a policy and procedures manual used by all of the developmental centers. DiGregorio stated that she was told each developmental center had its own policies and that each center was “its own little island.”

In the fall of 2010, ODODD mandated each of the developmental centers to use QuickBooks instead of the DCMIS<sup>22</sup> system to track the residents’ personal needs account activities. Interviews with MDC staff and WDC management revealed that the developmental centers did not implement QuickBooks at the same time. Additionally, very little training, if any, was provided to staff as to how transactions should be accounted for within the residents’ personal needs accounts maintained in QuickBooks. Investigators found that not only did each developmental center have its own set of policies and procedures, but also, differences existed in how resident revenue and expense transactions were recorded in the residents’ personal needs accounts.

At the time of this investigation, ODODD had permitted developmental centers to establish their own distinctive policies and procedures to manage resident personal needs accounts, process the monthly superintendent sweeps, posting of resident financial activity in QuickBooks, determine both the frequency of deposits, and decide what safeguards and supervisory reviews should occur. As a result, ODODD had nine developmental centers that processed and accounted for resident personal needs account activities in nine different ways which compounded ODODD’s inability to determine whether resident funds were managed appropriately and to ensure that all excess funds were remitted to ODODD for the residents’ cost of care.

As a result of the Credit Union of Ohio’s concerns about checks issued from MDC’s client funds bank account, ODODD’s Division of Fiscal Administration has begun to develop, revise, and implement common policies for all developmental centers to follow. These procedures will address the areas of monthly sweeps, QuickBooks access, segregation of duties, and cash management. ([Exhibit 26](#))

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<sup>22</sup> The DCMIS system was the system used prior to QuickBooks by the developmental centers to track the receipt and expenditure of residents’ individual funds as well as demographical data about the residents. The use of the DCMIS system was discontinued when QuickBooks was implemented at each developmental center.

### ODODD Developmental Center Monitoring and Oversight

During the interview conducted on May 16, 2012, ODODD Deputy Director Whisman stated, prior to her arrival at ODODD in July 2007, she understood the ODODD Bureau of Support was responsible for performing monitoring reviews, and checking the records at the developmental centers. Whisman was unable to explain what records the bureau of support reviewed, and stated it was the responsibility of the developmental centers' operations directors and superintendents to ensure compliance with their policies, procedures, and applicable state and federal laws and regulations.

During the interview conducted on July 3, 2012, ODODD Deputy Director of the Division of Fiscal Administration Ann Rengert stated ODODD was not:

- Reviewing whether the developmental centers were complying with the Ohio Revised Code and Ohio Administrative Code sections governing the client funds and industrial and entertainment funds at each developmental center;
- Monitoring the developmental centers to ensure they were checking residents' personal needs account balances or sending funds exceeding \$1,500 to ODODD in a timely manner;
- Overseeing or monitoring the activities of the industrial and entertainment accounts because of the ODODD central office perception that the developmental centers were seen as independent operations; and
- Requiring the developmental centers to submit policies and procedures to ensure residents' funds were managed in compliance with applicable Ohio Revised Code and Ohio Administrative Code sections or being safeguarded from theft.

Rengert stated she was not aware of any regular audits performed at either MDC or WDC, but there were annual audits performed by the Ohio Auditor of State and the Ohio Department of Job and Family Services. Rengert did not believe that either agency reviewed the client funds, or the industrial and entertainment bank accounts and supporting records in detail. Both WDC Superintendent DiGregorio and MDC Superintendent Banks confirmed they were not aware of any such reviews being performed by the ODODD central office.

During interviews conducted with Whisman on May 16, 2012, DiGregorio on May 23, 2012, and Rengert on July 3, 2012, each was able to recall an audit completed in 2009 at Warrensville Developmental Center as the result of a theft of resident burial funds that had been perpetrated by a former business administrator.<sup>23</sup> Whisman provided the investigators with a copy of the audit report issued on July 17, 2009, for Warrensville Developmental Center, which identified a lack of internal controls that enabled former WDC and ODODD employee Robert Smitherman to steal \$3,175 from WDC residents' burial accounts. The following are issues identified during the course of the investigation and recommendations to be implemented to deter future occurrences: ([Exhibit 27](#))

Issues Identified:

- Bank statements and cash journal were not reconciled to resident funds balances and activities;
- Reconciliations were not completed in a timely manner;
- Written procedures did not detail the procedure for reconciling the bank statement to the cash journal and to the residents' activities and balances;
- No evidence was found of documented reviews of monthly reconciliations by the operations director;
- Management did not institute a control procedure to ensure staff notified them when resident funds were identified and corrected in the report of transactions;
- Management did not review and approve needed changes to resident fund accounts and ledgers;
- Management did not maintain documentation supporting monthly sweeps;
- Resident fund check documentation did not contain all of the proper paperwork to substantiate the reason for the expenditure.

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<sup>23</sup> Developmental center residents were at one time permitted to have a separate passbook savings account to set aside up to approximately \$750 to \$800 to be used towards their burial expenses. In late 2010 or early 2011, these accounts were merged with the resident's personal needs accounts. ODODD implemented new procedures to set aside funds for burial costs which did not involve the use of a separate bank account.

Recommendations Issued:

- Establish written control procedures for the monthly reconciliation of the resident funds, and require reviews that include the process for the reconciliation and the review.
- Perform and document reviews of monthly reconciliations to assure adequate, complete, and timely reconciliations were performed and support was obtained.
- Establish control procedures to ensure developmental center staff notify ODODD when original document amounts require a change.
- Error correction reports should be generated monthly and be provided to a supervisor for review and approval.
- Implement document reviews to ensure that adequate, complete, and timely supporting documentation is obtained and maintained to substantiate expenditures.
- Establish monitoring and review procedures of staff receipts and the disbursement process to reasonably assure resident fund supporting documentation for disbursements and unspent cash is maintained and that the funds are accounted for in developmental center records.

During the interview conducted on July 3, 2012, ODODD Deputy Director of the Division of Fiscal Administration Ann Rengert stated that at the time of this audit, the ODODD internal audit department did not fall under her supervision and that she did not recall receiving a copy of this report. Had ODODD central office personnel reviewed the weaknesses exposed at Warrensville Developmental Center, implemented procedures to eliminate those weaknesses at all of the developmental centers, and monitored the developmental center-managed resident funds in accordance with the suggested policies and required state and federal laws and regulations, the probability of Carter being able to steal \$440,436.33 would have been greatly diminished.

In an effort to improve its oversight of the developmental centers, ODODD Division of Fiscal Administration has since implemented the following requirements ([Exhibit 26](#)):

- Central Office will review and evaluate the segregation of duties at the developmental centers twice a year, effective June 15, 2012.

- Central Office Fiscal Division will review the procedures developed by each developmental center for approval and will provide suggested changes as deemed necessary, effective July 1, 2012.
- Central Office will test procedures implemented at two developmental centers each quarter, effective July 1, 2012.

## **CONCLUSION**

In April 2008, Doug Carter was appointed business administrator at the Warrensville Developmental Center. On August 2, 2009, Carter was allowed to transfer to the Montgomery Developmental Center and continue to hold the position of business administrator. At both Warrensville Developmental Center and Montgomery Developmental Center, in addition to his primary duty of overseeing employees involved in processing the day-to-day financial transactions for the residents, Carter was responsible for signing checks issued payable to cash from the bank account holding funds received for the residents, and reconciling those bank accounts.

At Warrensville Developmental Center, Carter made complaints against his supervisor which resulted in his temporary removal from Warrensville Developmental Center. This provided Carter the opportunity to issue six checks payable to cash totaling \$4,516.50 during the period from June 12, 2009, through July 7, 2009, on which Carter signed his name, forged WDC Food Service Director Carolyn Hope's signature, and placed his initials after her name. Carter then endorsed and cashed the checks keeping \$4,516.50 for his personal use.

Two months after arriving at Montgomery Developmental Center, Carter changed the duties of one of his account clerks to strictly payroll duties, eliminating the clerk's management of the resident funds, and began cashing checks issued payable to cash and keeping the money for his personal use. By changing the responsibilities of key staff members, and having the opportunity to manipulate QuickBooks without management approval, Carter issued 133 checks payable to cash from the client funds bank account totaling \$403,305.71 and two checks payable to cash from the industrial and entertainment bank account totaling \$6,790 during the period from October 29, 2009, through March 8, 2012. Carter signed his name to these checks, forged

Operation Director Robert Dix's signature, endorsed and cashed the checks, and kept \$410,095.71 for his personal use. The lack of managerial oversight also allowed Carter to issue five checks for a total of \$25,824.12, inserting his own name as payee, forging both Dix and MDC Superintendent Nancy Banks' signatures as makers, then endorsing and depositing each check into his personal bank account.

On July 9, 2012, Carter admitted to issuing unauthorized checks payable to cash, signing his name, forging Dix's name and placing his (Carter's) initials after the signature, endorsing and cashing checks, and keeping the proceeds. Carter admitted concealing the issuance of the checks in QuickBooks through several different methods including reprinting a previously issued check, issuing and deleting the check, and voiding a check he issued then handwriting several checks equal to the amount of the voided check. Carter further admitted to:

- Taking funds from both the client funds, and the industrial and entertainment bank accounts. He stated that no one else at MDC or WDC was involved or knew what he was doing.
- Depositing a portion of the cash into his personal bank account, purchasing a cashier's check to purchase a car, and spent cash on purchases at Target, Kroger, for the benefit of his children, and to pay personal bills.
- Using stolen funds to purchase an engagement ring, jewelry for his wedding that was ultimately canceled, a 2009 KIA Borrego, and for the down payment on a 2011 Camaro which has since been repossessed.

The ineffective policies and procedures developed at Montgomery Developmental Center and management's lack of accounting oversight provided Carter the opportunity to take \$15,570.68 from MDC residents and \$420,349.15 from the Ohio Department of Developmental Disabilities. Neither MDC Operations Director Robert Dix, Superintendent Nancy Banks, nor former MDC Superintendent Greg Darling compared reconciliations of bank activity to the transactions recorded in QuickBooks, or reviewed transactions for compliance with MDC's established policies and procedures. Carter's supervisor, Robert Dix, did not review bank statements or canceled checks. Instead, Dix only reviewed the data entered into QuickBooks to ensure a

monthly check was being issued to ODODD for the monthly superintendent's sweep and also to check that no resident's personal needs account exceeded a required \$1,500 limit, or had a negative balance.

ODODD generated the right conditions for Carter to steal resident funds without being detected by allowing each developmental center to develop its own distinct policies and procedures for required monthly submissions, managing cost of care, segregation of duties, safeguarding and accounting for resident funds, and reconciliation of such funds. Additionally, ODODD failed to:

- Monitor the developmental centers financial submissions to ensure receipt of the monthly required distributions to ODODD;
- Notify the developmental centers of internal control weaknesses identified at one developmental center to ensure policy changes are executed at all of the developmental centers to comprehensively address the weaknesses; and
- Monitor the developmental centers' compliance with ODODD internal policies and procedures as well as applicable state and federal laws.

Business Administrator Doug Carter took a total of \$440,436.33 from the residents at Warrensville Developmental Center and Montgomery Developmental Center, and the Ohio Department of Developmental Disabilities. The Ohio Department of Developmental Disabilities should address the internal control weaknesses and recommendations identified in this report to prevent the possibility of future thefts of resident and taxpayer funds.

## **RECOMMENDATION(S)**

The Office of the Ohio Inspector General makes the following recommendations and asks the Ohio Department of Developmental Disabilities to respond within 60 days and submit a plan detailing how the recommendations will be implemented. The Ohio Department of Developmental Disabilities should:

1. Internally review the actions of all employees involved in this report to determine whether their conduct and practice warrants further administrative action or training.
2. Return funds improperly deposited into Montgomery Developmental Center's client funds bank account to the industrial and entertainment bank account, implement procedures to document the reason why funds are being transferred to the client funds bank account, and require supervisory approval prior to completing the transfer.
3. Compare bank deposits between the client funds and industrial and entertainment bank accounts for the period from August 1, 2009, through March 12, 2012, to deposits recorded in QuickBooks and resolve posting errors and determine the reason for the error. The errors identified during this investigation will be forwarded to the Ohio Office of Budget and Management's Office of Internal Audit for consideration while completing the engagement now in progress with the Ohio Department of Developmental Disabilities.

## **Policies and Procedures**

4. Consider the merits of standardizing operational policies and procedures for all developmental centers for business activities including but not limited to the posting of resident personal needs account and industrial and entertainment fund activity, processing of field trip funding requests, the security of field trip funds waiting to be spent and returned, and management oversight of business office activities.
5. Should the developmental centers continue to establish their own policies and procedures, ODODD should require the developmental centers to submit their respective policies and procedures for review and approval by ODODD central office for compliance with applicable Ohio Revised Code and Ohio Administrative Code Sections and to ensure resident funds are adequately safeguarded from potential theft or loss.

6. Expand the segregation of duties policies and procedures to include a clear definition of the duty and responsibility for each position and include a requirement for review and approval of the activities performed by account clerks and managers depositing resident funds, issuing checks, and reconciling the client funds and industrial and entertainment bank accounts maintained at each developmental center.
7. Develop and implement a policy requiring the developmental centers to follow a procedure and identify the frequency, method, and process of remitting amounts to the ODODD central office when a resident's personal needs account exceeds the \$1,500 maximum for the resident's Medicaid eligibility determination.
8. Update existing developmental center policies and procedures to require supervisory reviews of resident personal needs account balances, bank reconciliations, and canceled checks from bank accounts managed by the developmental centers to verify procedural compliance and identify the potential for issuance of unauthorized checks.
9. Revise existing developmental center procedures to ensure not only a monthly reconciliation of the QuickBooks client funds general ledger or cash journal to the transactions clearing the bank, but also to ensure that the bank account balance equals the total of the residents' personal needs accounts balances less outstanding purchases to ensure resident funds have not been spent for unauthorized purposes.

### **Safeguarding of Developmental Center Residents' Funds**

10. Consider the benefits of requiring a periodic or random shift of supervisors and business office employees receiving monies, to prepare deposit slips and deposit funds on a daily or regular basis. Once deposited, the individual making the deposit should provide the deposit slip with the supporting documentation to the business office to reduce the likelihood of theft. This will allow for a timely identification should a resident's personal needs account exceeds the \$1,500 maximum.
11. Continue to require the issuance of a receipt and the funds being exchanged be counted each time money changes hands at the developmental centers as required by the policy effective July 1, 2012.

12. Implement necessary safeguards to ensure cash for field trips and other activities is secured at all times and limit access to this cash. Such safeguards include the use of a locked safe or lock box that is locked at all times unless cash is being added or removed by an authorized employee and a witness, and requiring the employee and witness to sign a log stating the time and date, and the purpose for accessing the safe or lockbox.
13. Require developmental center staff to document the reason for a change to QuickBooks data and to obtain supervisory approval prior to changing the data, voiding a transaction, or deleting a transaction.

### **Developmental Center Management Oversight**

14. Require a person independent of the employees responsible for preparing the checks and making deposits to look for irregularities by reviewing the bank statements, deposit slips, and canceled checks received from the bank. Should irregularities be identified, further review should be completed to determine whether it is a bookkeeping error or involves missing funds.
15. Implement a policy requiring monthly reviews of the QuickBooks Audit Trail report and the voided/deleted report to verify that the changes to QuickBooks data are for authorized purposes.
16. Implement a policy prohibiting employees from authorizing another employee to sign their name on documents including but not limited to invoices, checks, and reports submitted to ODODD.
17. Each developmental center should update their desk manuals to reflect actual policies and procedures being used at the developmental center. Annual reviews of these manuals should be completed by management at both the developmental center and ODODD to determine whether revisions are required.
18. Require periodic evaluations of business office staff for compliance with approved developmental policies and procedures to identify weaknesses which require further training.
19. When a change in the position of the business administrator or fiscal officer occurs, developmental center management, in conjunction with central office staff, should conduct a review to determine whether noncompliance issues exist. Any such issues

identified should be corrected, when possible, prior to a new business administrator or fiscal officer being hired.

### **Ohio Department of Developmental Disabilities Oversight**

20. Complete quarterly tests of compliance with development center procedures and semi-annual reviews of developmental center's segregation of duties for compliance as specified in the recently issued ODODD Segregation of Duties and Cash Management policies.
21. Continue to monitor monthly developmental center sweep submissions for reasonableness and investigate any transactions which appear unreasonable or unusual.
22. Implement a system for central office and developmental center employees to report irregularities noted during the submission of the monthly superintendent sweeps, "Medicaid Sweeps," and to obtain additional information to resolve each irregularity when identified.
23. Establish a monitoring protocol for ODODD central office employees to conduct reviews at the developmental centers to determine whether the developmental center is complying with applicable policies, procedures, and state and federal regulations.
24. ODODD's Division of Fiscal Administration should implement a system to notify all developmental centers when noncompliance or irregularities are identified during a review, what the noncompliance was, and the correct way to process the transaction in an effort to minimize future noncompliance at other developmental centers.

### **Training**

25. Provide training to the developmental center superintendents, operations directors, business administrators, and account clerks on what their duties entail, management's expectations of each employee, how transactions are required to occur and be recorded, and what to do when a transaction deviates from the established expectations, policies, and procedures.
26. Provide periodic refresher trainings to review the process for recording transactions in QuickBooks, use of available reports, and review the correct way to process transactions which have been identified during the periodic reviews as recorded incorrectly.

## **REFERRALS**

The Office of the Ohio Inspector General will forward a copy of this report of investigation to:

- 1) The Montgomery County Prosecutor's Office for consideration of whether additional criminal charges should be filed.
- 2) The Cuyahoga County Prosecutor's Office for consideration of whether charges should be filed.
- 3) The Ohio Office of Budget and Management Office of Internal Audit for review and consideration during their current engagement and when conducting future engagements involving the developmental centers operated by the Ohio Department of Developmental Disabilities.
- 4) The Ohio Auditor of State as the agency responsible for the audit of the Ohio Department of Developmental Disabilities.

**[Click here for exhibits 1-27 combined.](#)**



STATE OF OHIO  
**OFFICE OF THE INSPECTOR GENERAL**

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RANDALL J. MEYER, INSPECTOR GENERAL

**NAME OF REPORT: Montgomery Developmental Center**  
**FILE ID #: 2012-CA00025**

**KEEPER OF RECORDS CERTIFICATION**

**This is a true and correct copy of the report which is required to be prepared by the Office of the Ohio Inspector General pursuant to Section 121.42 of the Ohio Revised Code.**

**Jill Jones**  
**KEEPER OF RECORDS**

**CERTIFIED**  
**February 22, 2013**

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