

STATE OF OHIO
OFFICE OF THE INSPECTOR GENERAL

RANDALL J. MEYER, INSPECTOR GENERAL

REPORT OF
INVESTIGATION



AGENCY: DAYTON CORRECTIONAL INSTITUTION
FILE ID NO.: 2013-CA00004
DATE OF REPORT: JUNE 11, 2014

The Office of the Ohio Inspector General ... The State Watchdog

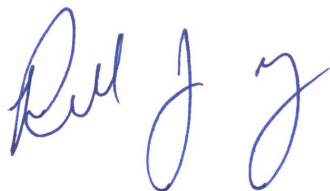
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Statutory authority for conducting such investigations is defined in *Ohio Revised Code §121.41* through *121.50*. A *Report of Investigation* is issued based on the findings of the Office, and copies are delivered to the Governor of Ohio and the director of the agency subject to the investigation. At the discretion of the Inspector General, copies of the report may also be forwarded to law enforcement agencies or other state agencies responsible for investigating, auditing, reviewing, or evaluating the management and operation of state agencies. The *Report of Investigation* by the Ohio Inspector General is a public record under *Ohio Revised Code §149.43* and related sections of *Chapter 149*. It is available to the public for a fee that does not exceed the cost of reproducing and delivering the report.

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The Inspector General’s Office remains dedicated to the principle that no public servant, regardless of rank or position, is above the law, and the strength of our government is built on the solid character of the individuals who hold the public trust.



Randall J. Meyer
Ohio Inspector General



STATE OF OHIO
OFFICE OF THE INSPECTOR GENERAL

RANDALL J. MEYER, INSPECTOR GENERAL

REPORT OF INVESTIGATION

FILE ID NUMBER: 2013-CA00004

SUBJECT NAME: David Ragland

POSITION: Business Administrator 2

AGENCY: Dayton Correctional Institution

BASIS FOR INVESTIGATION: Referral

ALLEGATIONS: Criminal Conduct;
Theft of State Property;
Falsification of Records;
Failure to Comply with State or Department Rules,
Procedures, or Policies;
Failure to Exercise Adequate Oversight of
Agency/Departmental Functions/Activities.

INITIATED: February 5, 2013

DATE OF REPORT: June 11, 2014

EXECUTIVE SUMMARY

On December 4, 2012, the Ohio Department of Rehabilitation and Correction (ODRC) submitted a memo to the Ohio State Highway Patrol (OSHP) and the Office of the Ohio Inspector General alleging a Dayton Correctional Institution (DCI) business administrator had paid, during the period of July 1, 2011, through November 9, 2012, \$77,030 from the Industry and Entertainment fund to individuals without entering into personal service contracts.

On February 5, 2013, a joint investigation was opened to determine whether Industry and Entertainment funds had been properly spent. State law requires these funds only be spent for the entertainment and welfare of the inmates at each institution and requires the institution director to establish rules and regulations for properly expending the money. This investigation identified a lack of oversight by DCI wardens and the Ohio Department of Rehabilitation and Correction Division of Business Administration. The wardens at DCI failed to review monthly bank account reconciliations, failed to review ledgers, or did not sign the approval forms sent to the Division of Business Administration for expenditures exceeding \$500. Nor did the wardens sign or negotiate contracts for art classes, music workshops, or for other services provided by independent contractors.

As part of its oversight of local institutional funds including the Industry and Entertainment fund, ODRC Division of Business Administration relied on internal management audits and other information submitted by DCI to verify that the institution was in compliance with rules and regulations. However, this investigation and ODRC's December 2012 audit of DCI identified instances of noncompliance which raises an issue of whether the Ohio Fiscal Standards used by ODRC actually provide assurance that DCI local funds were managed and accounted for in accordance with applicable rules and regulations.

Dayton Correctional Institution Business Administrator David Ragland was responsible for overseeing the institution's financial activities, including purchasing supplies; entering into contracts for goods and services; and supervising the cashier's office, which was responsible for managing the Industry and Entertainment fund.

This investigation reviewed payments issued from the Industry and Entertainment fund for the period of January 1, 2011, through January 11, 2013, and determined Ragland controlled the entire purchasing process for the music and art programs paid from the fund, including making decisions on purchases, establishing instructor rates for the art class and music workshop instructors, and preparing the supporting paperwork and issuing checks to many of the vendors providing the goods or services. Additionally, this investigation determined that Ragland failed to adequately supervise Account Clerk Supervisor David Gedeon and identified instances in which Gedeon failed to comply with applicable rules and regulations.

DCI spent 56 percent of the Industry and Entertainment fund on music and art programs, of which approximately 46 inmates, or 5 percent of DCI's inmate population (as of September 2013) participated. This level of participation was contrary to OAC §5120-5-04 which states that "... no disbursements will be approved for items to be used for the benefit of an individual inmate, inmate group, or employees."

Ragland was placed on administrative leave on January 22, 2013, and retired from ODRC on October 31, 2013.

TABLE OF CONTENTS

	Page
Initial Allegation and Complaint Summary	1
Background	1
Investigative Summary	5
Industrial and Entertainment Fund	6
Art Program	7
Music Program	7
Music Workshops	8
Promotional CDs	9
Music Equipment	10
Performances	10
I & E Fund Expenditure Approval	11
Additional Areas of Concern	12
Commissary Trust Accounting System	14
Other DCI Issues	16
Dayton Correctional Institution Management Oversight	18
Cashier's Office Oversight	18
Business Administrator's Oversight	19
Inmate Personal Trust Fund Account Checks Issued to David Gedeon	20
Ohio Department of Rehabilitation and Correction	
Division of Business Administration Oversight	21
Fiscal	21
Training for Policy Changes	22
Audit	24
Conclusion	26
Recommendation(s)	31
Referral(s)	36

INITIAL ALLEGATION AND COMPLAINT SUMMARY

On December 4, 2012, the Ohio Department of Rehabilitation and Correction (ODRC) submitted a memo to the Office of the Ohio Inspector General alleging a Dayton Correctional Institution (DCI) business administrator issued payments totaling \$77,030 during the period of July 1, 2011, through November 9, 2012, from the DCI Industrial and Entertainment (I & E) fund bank account to individuals without entering into personal service contracts. On December 21, 2012, Ohio State Highway Patrol (OSHP) Captain Jim Wernecke emailed the Office of the Ohio Inspector General stating OSHP Investigative Supervisor Sergeant Ross Reed had met with DCI regarding this memo. DCI Warden Jeff Lisath informed Sergeant Reed that ODRC would be conducting an audit to determine what issues exist. The audit scope involved a review of I & E fund disbursements for the period of August 31, 2011, through October 23, 2012, for compliance with ODRC policies and procedures.

On January 28, 2013, OSHP, ODRC, and DCI representatives met to discuss the results of ODRC's investigative fiscal audit. After this meeting, the OSHP Office of Investigative Services contacted and requested the Office of the Ohio Inspector General's assistance in reviewing DCI's financial records. On February 5, 2013, the Office of the Ohio Inspector General opened an investigation to provide assistance and to determine whether DCI expended I & E funds in accordance with ODRC policies, procedures, and applicable state laws.

BACKGROUND

The Ohio Department of Rehabilitation and Correction (ODRC) is charged with the supervision of felony offenders in the custody of the state, including providing housing, following their release from incarceration, and monitoring the individuals through the parole authority. The department also oversees the community control sanction system that provides judges with sentencing options to reduce the inmate population. There are currently 31 correctional institutions throughout the state. The director of ODRC is appointed by the governor and confirmed by the Ohio Senate. ODRC is funded through General Revenue Funds, federal funding, and revenue earned through sales from the Ohio Penal Industries.¹

¹ Source: biennial budget documents.

On October 1, 2009, former ODRC Director Terry Collins issued an executive order consolidating the management of Montgomery Education and Pre-Release Center (MEPRC) and Dayton Correctional Institution. In the Fall 2011, ODRC closed MEPRC and transferred the use of MEPRC to the Ohio Adult Parole facility on January 6, 2012. Dayton Correctional Institution (DCI) was opened in 1987 and is located on 75 acres in Dayton, Ohio, with a prison population of 883 female inmates as of September 2013.² DCI³ is managed by a warden, two deputy wardens, and a business administrator.

The business office is responsible for the financial activities of the institution and is managed by Business Administrator David Ragland. Ragland's responsibilities include purchasing supplies and entering into contracts for goods and services provided to DCI; inventorying DCI assets; supervision of warehouse, commissary, and cashier's office employees; and preparing the budget. The DCI cashier's office is responsible for managing DCI's local funds, including the Industrial and Entertainment fund. Responsibilities include, but are not limited to, depositing funds, recording activity in the Cashier's Commissary Trust Accounting System (CACTAS),⁴ and issuing checks for expenses incurred. The cashier's office is managed by Account Clerk Supervisor David Gedeon.

Policies and Procedures

Ohio Revised Code §5120.131 states with the approval of ODRC's director that each institution may establish the following funds:

- (A) Industrial and entertainment fund created and maintained for the entertainment and welfare of the inmates of the institutions under the jurisdiction of the department. The director shall establish rules and regulations for the operation of the industrial and entertainment fund.

² Source is <http://www.drc.ohio.gov/Public/dci.htm>

³ Prior to June 22, 2008, DCI was managed by a warden and three deputy wardens. The position of deputy warden of administration was eliminated and duties were transferred to the remaining two wardens and the business administrator.

⁴ CACTAS is a computer system used by the correctional institutions to document receipts and disbursements in a ledger for each checking account, maintains an updated balance, and is used to reconcile the account's ledger activity to the bank statement.

(B) Commissary fund created and maintained for the benefit of inmates in the institutions under the jurisdiction of the department.

This section also provides “commissary revenue over and above operating costs and reserve shall be considered profits. All profits from the commissary fund operations shall be paid into the industrial and entertainment fund and used only for the entertainment and welfare of inmates. The director shall establish rules and regulations for the operation of the commissary fund.”

Ohio Revised Code §5120.25 states:

The department of correction shall keep in its office a proper and complete set of books and accounts with each institution, which shall clearly show the nature and amount of every expenditure authorized and made at such institution, and which shall contain an account of all appropriations made by the general assembly and of all other funds, together with the disposition of such funds.

The department shall prescribe the form of vouchers, records, and methods of keeping accounts at each of the institutions, which shall be as nearly uniform as possible. The department may examine the records of each institution, at any time.

The department may authorize any of its bookkeepers, accountants, or employees to examine and check the records, accounts, and vouchers or take an inventory of the property of any institution, or do whatever is necessary, and pay the actual and reasonable expenses incurred in such service when an itemized account is filed and approved.

In accordance with these Ohio Revised Code sections, ODRC has established the following administrative rules for the operation of these funds:

- Ohio Administrative Code §5120-5-04 provides all funds designated for the entertainment and welfare of inmates be deposited into this fund and contains restrictions for purchases exceeding \$500 and outside entertainment performances. Disbursements from this fund “shall be used for purchases which exclusively benefit inmates” and that “no disbursements will be approved for items to be used for the benefit of an individual inmate, inmate group, or employees.” ([Exhibit 1](#))

- Ohio Administrative Code §5120-5-02 (F) states “commissary revenue exceeding operating costs and cash reserves shall be considered profits. Profits from the commissary operation shall be paid into the industrial and entertainment fund.”

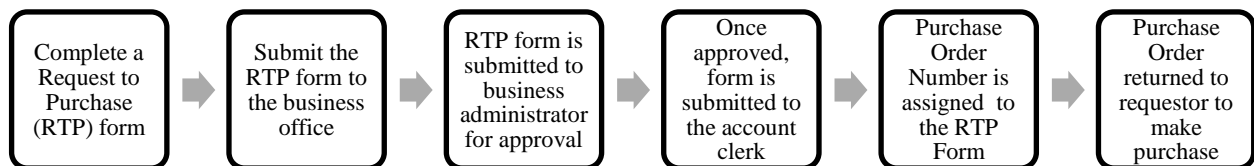
(Exhibit 2)

Additionally, ODRC developed policies; procedures; and the CACTAS users, cashier’s, commissary, and business operations manuals to provide employees guidance for operating and managing these funds in accordance with applicable Ohio Revised Code and Ohio Administrative Code sections.

The business operations manual also states that ODRC will purchase items in accordance with applicable policies and procedures implemented by the Ohio Department of Administrative Services, the Ohio Office of Budget and Management, Chapter 5120 of the Ohio Revised Code, and Chapter 5120-5 of the Ohio Administrative Code.

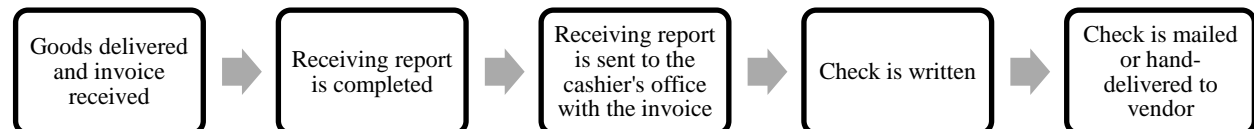
Purchasing Process

To purchase goods or services using Industrial and Entertainment funds (I & E), ODRC policies and procedures require the following steps to be completed:



If the estimated purchase exceeds \$500, OAC §5120-5-04 (D) (Exhibit 1) requires approval to be obtained from the ODRC Division of Business Administration chief. This section also permits the warden to authorize up to six outside entertainment performances per fiscal year with a maximum of \$750 to be paid to an individual performer and a maximum of \$1,500 to be paid for a group performance.

Upon receipt of the approved goods, the following process was performed:



Goods received at the warehouse were entered into DCI's computer system. DCI employees receiving goods after warehouse hours or at DCI's front gate completed a hard copy pre-numbered receiving report and forwarded it with the invoice to the cashier's office for payment.

ODRC Policy 22-BUS-14 provides DCI staff guidance when initiating contracts for personal, professional, and contractual services. The policy permits non-competitive contracting for services "that involve highly skilled judgment or training, artistic ability, or other attributes and whose quality depends upon the individual's expertise and knowledge" and describes the information to be included in the contract and on the invoice when submitted for payment. ([Exhibit 3](#)) State of Ohio Financials Process Manual Appendix C summarizes the documentation requirements for personal service payments in excess of \$500. ([Exhibit 4](#))

INVESTIGATIVE SUMMARY

During an interview conducted by the Office of the Ohio Inspector General on September 25, 2013, Dayton Correctional Institution Warden Jeff Lisath stated a DCI employee filed an incident report in the fall of 2012 alleging inappropriate conversations between James Pate, a contract art instructor, and the inmates. Lisath asked DCI Captain Howard Hall to investigate the allegation. During a September 25, 2013, interview conducted by the Office of the Ohio Inspector General, Hall recalled questioning DCI Business Administrator David Ragland, who stated Pate did not have a contract with DCI and that he (Ragland) used I & E funds to pay Pate approximately \$9,000 for his services. After Hall reported this information, Lisath questioned whether additional vendors were receiving similar payments.

On November 22, 2012, Hall sent Ragland a request for supporting invoices for payments made to eight vendors. ([Exhibit 5](#)) On November 23, 2012, Ragland responded:

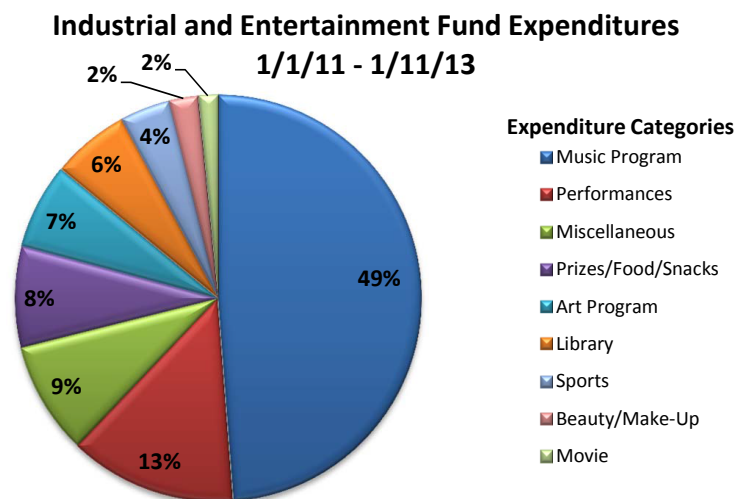
We typically don't require individual contracts, background checks or Federal ID numbers of companies or individuals that we casually do business with. I have the invoices for the individuals in question and I will forward you those. I cannot give you documentation that I simply don't have. We are audited once a year by the Bureau of Audits and this information that you are asking for has never been required, requested or discussed. I will also forward you a copy of the last fiscal audit.

Lisath reported to ODRC Deputy Director of Administration Annette Chambers-Smith that he was concerned about Ragland issuing payments without a contract, and Lisath questioned whether the services were being provided. Chambers-Smith stated during a September 23, 2013, interview with the Office of the Ohio Inspector General that she reported these allegations to ODRC Chief Legal Counsel Greg Trout. To determine whether the issues identified were just paperwork errors, Trout asked ODRC External Audit Manager Lisa Pataky⁵ to complete an audit of the I & E fund transactions for September 8, 2011, through November 7, 2012. Pataky found nine vendors were paid for services without personal service contracts being entered into; supporting documentation for 100 CACTAS payments could not be located; generic invoices were used; and for 11 payments, the visitor pass logs did not provide any evidence to show that the vendor was at DCI to perform the services billed.

On January 22, 2013, DCI Warden Jeff Lisath placed DCI Business Administrator David Ragland on paid administrative leave while an investigation on fiscal compliance and internal controls was completed. Ragland retired on October 31, 2013.

Industrial and Entertainment Fund

Ohio Administrative Code §5120-5-04 states that these funds are to be used exclusively to benefit the inmates and purposes as described in [Exhibit 1](#). The Office of the Ohio Inspector General subpoenaed I & E fund canceled checks for January 1, 2011, through January 11, 2013, and identified the following disbursement categories:



⁵ Pataky was assigned a temporary working level position as external chief auditor prior to becoming the external audit manager.

Interviews with DCI employees confirmed expenditures in the miscellaneous, prizes/food/snacks, library, sports, and beauty/make-up categories were for the benefit of all DCI inmates. However, based on the allegations and interviews conducted, further investigation of the expenditures for the art program, music program, and performance category disbursements was performed.

Art Program

Ragland explained in an August 7, 2013, interview with investigators that he met Pate while working at the Montgomery Education Pre-Release Center (MEPRC)⁶ and had asked Pate to provide art workshops at DCI. Ragland stated Pate agreed to provide the workshops on Tuesdays and that the workshops were overseen by DCI and MEPRC's recreation departments. Ragland stated that, while he did not require Pate to enter into a contract, Ragland issued Pate a check for the services provided to seven or eight inmates for a workshop lasting approximately two to three hours. Interviews with DCI employees confirmed these workshops were being provided to DCI inmates but indicated there were approximately 16 inmates participating per week.

Ragland admitted to creating the invoices to support payments made to Pate and that Ragland usually paid Pate \$150 per week. Ragland stated he determined the amount to reimburse Pate for art materials he brought to DCI and that Pate did not give him receipts. Ragland further explained feeling he had gotten Pate "real cheap for that 150 so I had no problem, you know, giving him that extra, that particular time..." and that "for the most part, I know that (stutters) what art supplies cost." Ragland admitted to not researching what other correctional institutions paid for this type of program because "we think outside the box."

Music Program

Ragland explained during an interview with investigators that the female inmates wanted to learn how to use the music equipment, play instruments, etc. Ragland stated that he worked with the recreation department to develop and manage an informal group called "Making the Band," whose mission statement was to help inmates learn how to express themselves through music.

⁶ MEPRC ceased operations in 2011.

However, Ragland's management of this informal inmate group is prohibited by ODRC Policy 73-GRP-01 which states that, "No administrative person having direct supervision over the business office and/or cashier's office shall be allowed to serve as a group advisor or group supervisor." In addition, Ragland stated that the "Making the Band" group was a recreational program, but was not approved by the ODRC Central Office.

When asked whether DCI employees were aware of this program, in which the inmate group and Ragland were trying to start up a band, Ragland replied, "I mean I didn't go and advertise like hey, guess what I'm doing, you know." Ragland stated that former Warden Mack "was good with it," had approved the idea in 2006 prior to the female inmates' arrival, and that Lisath was not there at the time. Ragland stated that he received the initial approval from Mack and stated that "he never left so ... he approved it."

In a July 31, 2013, telephone conversation with the Office of the Ohio Inspector General, former Warden Lawrence Mack⁷ recalled that a music program started at DCI in either 2004 or 2005, and had ended because there were no more funds. When asked if the program was restarted when DCI switched from male to female prisoners, Mack replied, "No, what they were doing was uh, there was a program that the whole state was involved in and that's when we kind of started the music back up, but we really didn't start the program back up all the way." Mack recalled the inmates created a CD for submission as part of a statewide project. Lisath stated on September 15, 2013, that he also was not aware that Ragland was operating a music program or that Ragland was overseeing an informal inmate music group called "Making the Band."

Music Workshops

Interviews with DCI employees confirmed that several musicians came to DCI to provide the inmates workshops lasting up to three hours each; that the musicians typically came in on the same day of the week, and the inmates were divided into groups at this time. Ragland replied about the number of participants, "If I had to guess... 30, give or take." When asked whether the program was limited to just the 30 participants or open to all of the inmates, Ragland responded

⁷ Lawrence Mack retired from ODRC in 2012 and is currently employed as the warden of a private prison in Mississippi.

that the program was open to all of the inmates and when the inmates performed at an event, it benefited all of the inmates. Ragland clarified that “it was usually the, the inmates who showed some interest in that [they] were the ones that were participating. And a lot of them didn’t show an interest as far as — I mean a big group didn’t show an interest of playing the guitars.”

However, Recreation Director Cedric Tolbert recalled in a July 24, 2013, interview that there were approximately 100 female inmates that tried out for the available spots in the band.

Like the art classes, Ragland stated he did not enter into a written agreement with the musicians for these workshops. This investigation determined each musician was typically paid \$480 for each session. When asked how the \$480⁸ amount paid was negotiated, Ragland responded, “I don’t know. I just used that number” and “that if you go over \$500 then you go to do the, you know, approval and all that. Looks better than (stutters) \$499.99.” Ragland defended the \$480 by stating “depending upon who you are, it’s all subjective, but that’s, that’s reason — very reasonable; especially when all these bands are making 3500, you know, a night or individuals making a thousand dollars, so to get them for that ... was a steal.” Ragland stated, “... for the most part ...” the individuals were paid on the same day they performed the workshop, but there were instances they were paid at a later date if he missed them.

Promotional CDs

The investigation identified 18 payments totaling \$8,700 for promotional CDs purchased from several musicians from August 2, 2012, through October 31, 2012. Ragland explained during an August 7, 2013, interview that the promotional CDs are sometimes called “bootleg CDs” and contain different compilations of music by different artists. Ragland stated that this was a way for the female inmates to stay updated on music trends. Ragland stated that he purchased these CDs and gave “them to my — the recreations, I give them out on the yard.” Tolbert confirmed that a few of the musicians came to DCI, but was unable to provide specific dates. Tolbert stated during a July 24, 2013, interview with investigators, he was “skeptical” about distributing the CDs “because you, know, you break one, you stab somebody ...” Ragland stated that there were around 40 CDs in each box purchased and that he did not track which inmates had received a CD.

⁸ Expenditures of \$500 or more from the I & E fund required ODRC Central Office approval.

When asked how he came up with the price of \$480 per box, Ragland responded, "... cause the stuff was worth more than \$500.00 and I'm like I, I can't — I ain't going to give you that."

When asked if this price was a way to stay below the \$500 limit so he would not have to obtain additional approval, Ragland responded, "Yeah." When asked for an explanation as to how these musicians received payment when the visitor log did not reflect they were there, Ragland responded "I, I, I don't know what to tell you," but stated that the musicians came to DCI with the CDs.

Music Equipment

From January 3, 2011, to October 16, 2012, DCI also made 41 purchases from the I & E fund totaling \$17,190.01 to purchase and repair music equipment. Ragland explained that he "... for the most part ..." determined when additional music equipment was needed. When making these purchases, Ragland stated he would pick up the item and take it to the warehouse.

However, the documentation supporting the purchase did not reflect the item was received by the warehouse and was not included in its inventory. DCI could not provide an inventory of the musical equipment for comparison to the items purchased. When questioned how Account Clerk Supervisor Gedeon or ODRC audit staff would be able to identify the location of the items purchased, Ragland replied, "they probably wouldn't." Ragland stated that, with the consolidation of MEPRC and DCI, an institution-wide inventory had not been completed for two to three years.

Performances

DCI employees stated during interviews with investigators that DCI has outside entertainment come to the institution for performances at Yard Day, Re-Entry Day, and for Black History month. Yard Day was described as a big picnic and recreational day for the inmates where DCI hires vendors to provide food and entertainment. Re-Entry Day was described as an event where various not-for-profits visit DCI to provide information to inmates about the transition from DCI back to their communities, services available to them, and also includes performances by outside entertainers. For Black History month, motivational speakers, bands, and dance groups perform

at DCI. The investigation determined DCI issued 30 checks totaling \$26,890 for performances from September 13, 2011, through December 19, 2012.

The Office of the Ohio Inspector General identified from a review of available invoices and Request to Purchase forms that performances were paid on the following dates:

Fiscal Year	Dates Performances Paid
2012	September 13, 2011; February 7, 2012; February 13, 2012; February 14, 2012; February 21, 2012; February 24, 2012; March 2, 2012; March 26, 2012; April 27, 2012; June 28, 2012
2013	July 24, 2012; September 18, 2012; December 19, 2012

During an August 7, 2013, interview, Ragland admitted to organizing the musical acts for DCI’s Yard Day and Reentry Day. When asked whether the groups paid either DCI or himself a fee to participate in Yard Day or Reentry Day, Ragland responded, “No.” Ragland stated that he entered into a verbal agreement with the bands, prepared the invoices for the performances, that the date on the invoice was the date paid, and that he did not document the date when the performance occurred. When asked how he settled on a price with the musical acts, Ragland replied, “I tell them just what I’m paying them.” DCI could not provide a schedule of events. Because the dates listed above are dates payments were issued and are possibly not when the performance occurred, the Office of the Ohio Inspector General is unable to determine whether DCI paid for more than six performances permitted by OAC§5120-5-04 in a fiscal year.

I & E Fund Expenditure Approval

If the estimated purchase exceeds \$500, OAC §5120-5-04 (D) requires approval to be obtained from ODRC’s Division of Business Administration (DBA) chief. The Office of the Ohio Inspector General identified 12 forms sent to ODRC Central Office where the warden’s signature contained initials behind it. ([Exhibit 6](#))

In an August 7, 2013, interview with investigators, Ragland stated that purchases in excess of \$500 required ODRC DBA approval. When asked who was required to sign the form sent to ODRC DBA, Ragland replied, “for the most part, we signed for the warden on that.” When

asked whether the warden gave him approval to do that, Ragland replied, “Yeah. When we first got here – most – for the most part, all the wardens gives you an approval to do --- to sign their name on things like that ‘cause they entrust you to, you know, to do that. And then when Lisath got here, we --- that’s one of the first things we axed [sic] him.” When shown the forms submitted to ODRC DBA, Ragland stated that the “DR” after the warden’s handwritten name was Ragland’s initials. ([Exhibit 6](#))

In a July 31, 2013, telephone conversation, former Warden Lawrence Mack recalled having to sign forms to send to the ODRC Central Office to obtain approvals for purchases in excess of \$500. When asked if he gave either Ragland or Gedeon permission to sign the forms on his behalf, Mack replied, “No,” and that, “I would have preferred to sign that kind of stuff myself.”

During an interview conducted by the Office of the Ohio Inspector General on September 25, 2013, Lisath stated that he did not separately instruct Ragland and Gedeon on using Lisath’s signature. However, Lisath recalled that during an executive staff meeting, Lisath instructed the executive staff to continue to operate in the same manner while he learned how DCI operated. Lisath recalled instructing Ragland and Gedeon to stop using his signature on documents and guessed this occurred in either November or December 2012.

Additional Areas of Concern

Interviews conducted by the Office of the Ohio Inspector General revealed the following:

- In an August 7, 2013, interview, Ragland admitted to creating invoices for vendors who did not provide them for the services rendered. Ragland used blank invoices he purchased from an office store, prepared the invoices indicating a workshop had been provided, and dated the invoices the date the individual was paid, not the date the services were provided. Contrary to ODRC Policy 22-BUS-14, ([Exhibit 3](#)) each invoice Ragland prepared did not include the vendor’s known address or tax identification number.
- Although documents for Inmate Personal Trust Fund activity for 2008, 2009, and 2010 were provided to investigators for review, DCI management could not locate 209

invoices and contracts supporting I & E fund expenditures paid between January 1, 2011, and January 3, 2013, totaling \$102,440.40. ([Exhibit 7](#))

- Ragland and Gedeon purchased goods and services without completing the required Request to Purchase form required by ODRC's Cashier's Manual Section I Part I.
- Personal service contracts were not entered into with vendors providing inmates with such services as art classes and music workshops throughout the year. When asked why he did not enter into a personal service contract, Ragland stated, "I don't know..." and "... no specific reason I mean it just worked." Many of these vendors received multiple payments for similar amounts totaling in excess of \$600 each calendar year.
- Contrary to ODRC Policy 34-PRO-07, Ragland stated he did not complete background checks or obtain federal identification numbers for vendors providing workshops. Ragland stated that this was not something he had done during the 20 years in his position, that this question had never come up, and stated that no one else other than he and/or the recreation department knew these individuals were coming to DCI.
- Ragland explained that he would issue multiple checks on the same date for different service dates because one check would exceed the \$500 threshold. Ragland stated he was not sure if it would require ODRC Central Office approval because each invoice was less than the \$500. Ragland stated that it was "... easier to just go ahead and write the two checks and be done with it."
- Ragland admitted on August 7, 2013, to signing vendor names on invoices after payment had been made in an effort to avoid audit issues in the future. This was contrary to ODRC Policy 22-BUS-14 ([Exhibit 3](#)) which requires independent contractors to sign their invoice when submitting it to DCI for payment.
- Vendors received their payments in person, through the mail, or by a check that was left for them at the DCI front desk. Ragland indicated that the vendors were not required to sign for payments received from the front desk.
- The business office did not issue or request the Ohio Office of Budget and Management to issue an Internal Revenue Service Form 1099⁹ to vendors who received payments in excess of \$600 per calendar year for workshops or art classes provided. Ragland stated

⁹ IRS Form 1099-MISC is issued by the payor to report to the U.S. Internal Revenue Service and the payee, non-employee compensation of \$600 or more annually.

during an August 7, 2013, interview that this had never come up since he had been a business administrator and that he relied upon the ODRC auditors to "... tell me what I'm doing wrong." An IRS Form 1099 should have been issued to the following vendors:

Payments Received by Art and Music Vendors from DCI

Vendor	CY 2011	CY 2012
Daniel Cook	-	\$ 1,960.00
David Caldwell	-	\$ 1,000.00
Deron Bell	\$ 5,720.00	\$ 7,380.00
Devin Favors	-	\$ 5,360.00
Doris Terrell	\$ 1,550.00	\$ 2,130.00
James Pate	\$ 7,250.00	\$ 7,350.00
Jamil Oliver	-	\$ 700.00
Jonathan Jennings	\$ 3,480.00	\$ 2,930.00
Kevin Kerr	\$ 700.00	-
Latisha Taylor	-	\$ 1,920.00
Lucius Allen	\$ 12,060.00	\$ 22,820.00
Mark Ackridge/Aldridge/Akridge	\$ 5,820.00	\$ 5,280.00
Nancy Sells	\$ 899.00	-
Quentin Daniels	\$ 5,820.00	\$ 5,280.00
Quincy Tarver	-	\$ 1,475.00
Sonja Milsap	\$ 750.00	\$ 5,360.00
Terry Harris/Hot Enchiladas	-	\$ 1,500.00
Tracie Brown	\$ 2,400.00	\$ 4,820.00

- Inmates did not sign in on days when they were participating in the music program or art class. Gedeon stated in a June 19, 2013, interview that the inmates should have passes to go to the class, but was not sure this was followed. Ragland stated during an August 7, 2013, interview that he believed the inmates should have been signing out of the housing units, but stated that he "... ventured to say they're not doing it."

Commissary Trust Accounting System (CACTAS)

The Office of the Ohio Inspector General interviewed ODRC Division of Business Administration External Audit Manager Lisa Pataky on April 3, 2013. Pataky explained, prior to the implementation of the CACTAS computer system, each institution used a check register and cash journal to track each fund's activity, which was reconciled to the monthly bank statement.

Pataky stated that CACTAS was implemented in 2006 for the Inmate Personal Trust Fund, several years later for the I & E fund, and that ODRC Central Office had to issue a direct order to DCI effective September 1, 2011, to use CACTAS to record I & E fund activity.

In a March 27, 2013, interview with investigators, Gedeon explained the account clerks performed most of the work in CACTAS, and that he completed the reconciliations. Gedeon later stated Ragland had issued checks, recorded them in the manual check register, and failed to enter them into CACTAS. Gedeon explained that he identified this occurred during the reconciliation process. Gedeon also admitted to completing the monthly reconciliations by comparing the amounts shown on the bank statement to what was recorded in CACTAS. When asked if he would actually review each of the canceled checks to make sure the payees agreed to what was recorded in CACTAS, Gedeon replied in a June 19, 2013, interview, saying, “No. I would never do that.” Gedeon further explained he would only look at the copies of canceled checks if he had a problem with the reconciliation.

When discussing his use of CACTAS, Gedeon admitted to investigators on March 27, 2013, to sharing his username and password for CACTAS with an account clerk until she was assigned her own account, which is contrary to ODRC Policy 05-OIT-17. Section (B)(4) states, “all employees and contractors with access to DRC information technology systems are prohibited from sharing their unique, individual usernames and passwords with anyone.”

The Office of the Ohio Inspector General obtained from Pataky a computer file showing all disbursements recorded in CACTAS for the period January 1, 2011, through January 11, 2013, and compared this information to I & E fund bank account records obtained by subpoena. From this comparison and through interviews of DCI and ODRC employees, the Office of the Ohio Inspector General identified:

- Checks cashed by the bank were not recorded in CACTAS as issued ([Exhibit 8](#));
- Checks were recorded as issued in CACTAS, but did not clear the bank ([Exhibit 9](#)); and
- Duplicate check numbers were recorded in CACTAS. ([Exhibit 10](#))

This investigation also determined that CACTAS does not prevent a user from issuing a duplicate check or a check that will result in a negative account balance. Also, CACTAS permits a user to print multiple checks with the same check number and payee information.

In an August 7, 2013, interview with investigators, Ragland stated it was Gedeon's responsibility to verify all of the checks issued were entered into CACTAS. For checks that cleared the bank which were not recorded in CACTAS, Ragland explained this could be because he recorded checks he issued in the check register, and not CACTAS. Ragland stated he did not know he was required to record the checks issued into CACTAS and referred the investigators to Gedeon for further explanation.

Other DCI Issues

During this investigation, the Office of the Ohio Inspector General identified the following areas of concern which we are referring to ODRC for further review:

- Failure to maintain visitor logs for 161 days, from January 1, 2011, through January 11, 2013, documenting arrival and departure of individuals providing workshops. This investigation also noted the logs were often not dated and often did not document what time the visitor left nor even documented that the visitor had left.
- Gedeon did not transfer funds from the Inmate Personal Trust Account to the Commissary bank account on a monthly basis for inmate commissary purchases and only transferred funds when he needed money to pay bills from the Commissary bank account.
- During a June 19, 2013, interview, Gedeon said that while the manual requires a monthly transfer be made from the Commissary to the I & E fund; however, Gedeon stated that he transferred funds when the I & E fund balance was low. During an August 7, 2013, interview with investigators, Ragland admitted he felt it was not a big deal if the profit was not transferred on a monthly basis.
- Gedeon stated during a June 19, 2013, interview, that the "rule" is the inmate can receive up to \$100 cash when they are released and the rest of their balance in a check. However, Gedeon stated that "typically we'll go a little higher than that 'cause you don't really want a check ... and we'd just as soon not write one." ODRC policy 78-REL-03 Inmate

Minimum Release Amount provides “an inmate may receive up to \$100 in cash, and the remainder shall be paid by a check.”

- During a June 19, 2013, interview, Gedeon admitted that there is a log in the warehouse that no one manages/administers. Ragland also admitted that he did not always sign the visitor log when entering and leaving the warehouse and stated that although employees accessing the warehouse after hours should sign the logs, “... a lot of times they don’t.”
- ODRC’s Business Office Manual Section IV Part G(1) states, “if merchandise such as machinery, building materials, etc., must be delivered elsewhere, the department head receiving the material is responsible to have a receiving report completed and forwarded to the business office and warehouse.” Of the 69 invoices paid from the I & E fund, only six purchases were documented as received by the warehouse.
- Investigators determined a lack of accountability existed in the collection and depositing of funds from employee activity fundraisers. The business office was unable to verify funds raised were provided for deposit since no documentation was maintained to track items sold. Additionally, the business office did not provide a receipt to the employee verifying the amount collected was received for deposit. Therefore, the business office and the members of the Employee Activity Committee (EAC) are unable to verify all funds raised were given to the business office and deposited into their bank account.
- During a June 19, 2013, interview with investigators, Gedeon stated that, until recently, the business office maintained a cash “slush fund” off the books for the EAC fund and that he conducted business from this fund in cash. Since transactions occurred in cash, this activity was not recorded in CACTAS. Gedeon stated that he recently deposited “a little over \$6,000” in cash into the bank account because of recent accusations that funds were being misappropriated. Gedeon admitted that he controlled the “slush” fund and that there were no controls in place to prevent him from taking cash out of the “slush” fund. Maintaining this fund is contrary to ODRC Policy 24-CAS-03(A)(1) which requires “... funds for deposit in locally approved accounts shall be deposited at a minimum of once per week.” Ragland stated during an August 7, 2013, interview that he was not aware this account existed.
- Instead of conducting EAC business in cash, Gedeon stated that he told the staff that purchases would be required to go through the normal purchasing process. Gedeon

admitted the rules have always been there, but they were “ignored” which is contrary to the requirements established in Cashier’s Manual Section 1 Part I. When asked if ODRC Central Office was aware of this practice, Gedeon responded, “Heck no.”

Dayton Correctional Institution Management Oversight

Cashier’s Office Oversight

The Office of the Ohio Inspector General interviewed Gedeon on March 27, 2013, June 19, 2013, and September 25, 2013, to discuss Ragland’s oversight of DCI’s Cashier’s Office. Gedeon described Ragland’s oversight as “fairly passive.” Gedeon stated he did not believe that Ragland or anyone else at DCI reviewed the monthly reconciliations. During the investigation, DCI employees commented during interviews with investigators that they felt Gedeon had an issue with following ODRC policies and procedures and that Ragland did not hold Gedeon accountable for performing his assigned responsibilities correctly.

On August 7, 2013, the Office of the Ohio Inspector General interviewed David Ragland about his oversight of the departments he was responsible for managing. When asked how he ensured his staff was following ODRC policies and procedures, Ragland responded, “well, for the most part they, they have their own supervisors. We kind of trust them or, or, or rely upon their uh --- we rely upon them to do their job. And we have audits once a year.” When asked specifically about his oversight of the cashier’s office, Ragland stated, “David [Gedeon] requires little or no supervision. So I really didn’t have the need to do that.” Interviews with DCI employees supported Ragland’s statement that he spent little time supervising the fiscal staff. These interviews revealed that Ragland spent much of his time overseeing the music program and informal inmate group called “Making the Band,” neither of which are duties reflected in his job description.

Although required by his job description to “plan, supervise training of staff” and to “plan, administer fiscal programs,” Ragland did not review CACTAS check registers, bank statements, or reconciliation of local fund accounts; petty cash fund or inmate release imprest fund cash boxes; and did not review activities in the Inmate Personal Trust Fund Account. When it came

to ODRC's audit of DCI records, Ragland stated he was not involved until the audit report was provided and that he relied upon the auditors to "... tell me what I'm doing wrong."

Business Administrator Oversight

Ohio Department of Rehabilitation and Correction Division of Business Administration Chief Kelly Sanders stated in an email that the business administrators were directed to report to the warden of the institution, effective June 22, 2008. Gedeon stated during interviews conducted on March 27, 2013, and June 19, 2013, that former Warden Mack was not involved in the financial side and that Lisath was not particularly involved. Gedeon further commented, "I mean if you have people who are supposed to do that why would you want to? And if you have people who are supposed to be competent to do it, what role do you really have? A warden is a senior administrator ... His job is to supervise the (inaudible) and not one of my supervisors and it's not to micromanage things at the business office." Gedeon explained the fiscal offices are typically not monitored and that "the fiscal offices run on trust and most people will not break that."

Ragland confirmed in an interview with investigators that neither the current nor the previous warden had any involvement in the accounts maintained by Gedeon. To the best of his knowledge, Ragland stated the warden had not asked for any reports documenting how the I & E fund was spent. Ragland stated he could not recall former Warden Mack or current Warden Lisath reviewing a bank reconciliation or the Request for Approval form sent to ODRC's Central Office for approval of I & E expenditures exceeding \$500. Ragland explained that while the warden did hold monthly staff meetings, he would not bring up any concerns about the cashier's office and instead resolved them himself.

In a July 31, 2013, telephone interview, former Warden Mack acknowledged that David Ragland reported to him. Mack stated Ragland did not provide him with reports on the local accounts but that on occasion, he would request and review reports on the Inmate Personal Trust Fund and other local funds. On September 25, 2013, during an interview conducted by the Office of the Ohio Inspector General, current Warden Lisath also stated that he receives reports when he asks for them. Lisath explained that when an individual accepts a warden's position, the expectation

is that the people reporting to the warden in those positions are the people who should keep you out of trouble.

Inmate Personal Trust Fund Account Checks Issued to David Gedeon

On June 7, 2013, the Ohio State Highway Patrol Office of Investigations notified the Office of the Ohio Inspector General that DCI employees had identified 22 checks totaling \$19,452.94, issued from July 8, 2008, through January 29, 2010, to DCI Account Clerk Supervisor David Gedeon. DCI management expressed concerns about these checks and whether these checks were issued for a DCI business reason. In a June 19, 2013, interview with investigators, Gedeon explained DCI maintains an Inmate Trust fixed change fund to pay inmates monies due to them on the day of their release from DCI.

To reimburse this fund, Gedeon stated the account clerk issued him a check. Gedeon stated that he endorsed the check, cashed it at the local bank, and returned the cash received to the Inmate Trust fixed change fund to fund future release payments. The amounts disbursed to inmates are recorded in CACTAS by an account clerk and that Gedeon only records this information during the account clerk's absence.

ODRC's Cashier's Manual Section I Part D Item 6¹⁰ requires when the Inmate Trust Fixed Change fund used for release is below 50 percent of the allowed amount (\$1,000), a check is to be issued and cashed to replenish the fund. The manual states the checks are to be made payable to the cashier by name and title and be endorsed. The Office of the Ohio Inspector General compared the amount of each of the 22 checks to funds recorded in CACTAS as released to inmates and determined each check, except for one issued October 27, 2008, agreed with release entries recorded in the inmate accounts in CACTAS. However, DCI employees could not locate the supporting release paperwork documenting that the inmates had received the cash amounts recorded in CACTAS. The ODRC records retention schedule indicates these receipts for inmate funds (FIS-0008) are to be retained in the office until audited and the report is released.

¹⁰ This policy was effective January 20, 2011.

Ohio Department of Rehabilitation and Correction
Division of Business Administration Oversight

Fiscal

During a September 23, 2013, interview with the Office of the Ohio Inspector General, ODRC Division of Business Administration Chief Kelly Sanders stated that her job responsibilities included overseeing local funds at the institutions and developing policies and procedures for expenditures of local fund monies. Sanders explained that ODRC uses the same guidance provided by the Ohio Office of Budget and Management and the Ohio Department of Administrative Services, as well as ODRC policies and procedures, to administer these funds. Sanders explained her involvement includes supervision of purchases in excess of \$500, approval of new inmate groups, and establishing policies and procedures related to inmate group bank accounts.

Sanders stated she has delegated her approval authority for purchases in excess of \$500 to Administrative Professional 4 Sherice Josey. Sanders said it was ODRC policy that a written contract between the artist or band and the correctional institution costing \$500 or more should exist and should be submitted with the Request for Approval form. Josey stated in a September 23, 2013, interview that, each time she received a Request for Approval form from a correctional institution, she reviewed it to ensure the correctional institution followed ODRC policy and procedural guidelines for the items purchased. Josey stated she approved the form, kept a copy, and send it back to the employee who originated the form. Josey stated each Request for Approval form should have attached backup documentation that indicates whether three bids were obtained or if the item to be purchased was sole source.

Josey provided copies of the Request for Approval forms and back up documentation submitted by DCI which consisted of the Request for Approval form and a Request to Purchase form. Each was for an expenditure of \$500 or more from the I & E fund, but none of the forms had contracts attached as required by the State of Ohio Financials Process Manual Appendix C. ([Exhibit 4](#))

Josey and Sanders reviewed the Request for Approval forms obtained from DCI and stated it was not unusual to see the initials of the business administrator behind the warden of the institution's

name. When asked whether the warden should know what is being signed, Sanders replied, “Yes.”

The following instances indicate a lack of communication and oversight by ODRC’s Division of Business Administration over the correctional institution’s local funds:

- Although inmate groups cannot be established until approved by the warden and the Division of Business Administration chief, the ODRC Central Office does not maintain a listing of active inmate groups, and instead relies upon the accounts identified in CACTAS.
- The correctional institutions are not required to notify ODRC DBA when an inmate group account ceases to exist, unless the correctional institution wants to close the bank account, which requires DBA Chief approval. Additionally, an unused inmate group bank account can remain dormant and not be used for an extended period of time.
- ODRC DBA does not track whether the correctional institution is exceeding the maximum number of performances within a fiscal year and relies upon the correctional institution for tracking their compliance.
- ODRC DBA does not require the correctional institution to submit a report of how local funds will be spent during the year with the exception of the Employee Activity Committee fund.

Training for Policy Changes

Interviews with DCI employees indicated that most staff training occurs on the job. Gedeon stated during a September 25, 2013, interview, that when CACTAS was initially implemented in 2006, training was held. Sanders stated during a September 23, 2013, interview that there was no formal practice for training cashiers and business administrators on ODRC policies and procedures.

Gedeon explained policy changes are sent by email, unless there are significant revisions. In that case, Gedeon stated that ODRC Central Office held video conferences to discuss significant policy or procedural changes. With the exception of a new or major revision to a policy or procedure, Sanders stated that the revised policy is just sent via email through cashier and

business office distribution lists and that no acknowledgement receipt or form is submitted indicating the employee has received, reviewed, and agreed to follow the policy. If it was a totally new policy or the policy received major revisions, Sanders stated that ODRC would hold a video conference to discuss the changes. However, Sanders stated that “refresher” meetings are not routinely held for employees so that they may have the opportunity to review current policies and procedures.

Both Sanders and ODRC Deputy Director of Administration Annette Chamber-Smith stated that a fiscal training had been offered to the wardens the summer of 2013. Chambers-Smith explained prior to the warden trainings that Division of Business Administration employees had gone to Noble Correctional Institution and used its warden to test the training and to develop “cheat sheets” to help the warden in determining if there were problems in the institution. Chambers-Smith stated this gave the wardens the ability to question things they normally would not have known or been able to question.

Sanders provided agendas for the warden trainings held on August 17, 2012; August 24, 2012; and February 12, 2013, where this and other topics were discussed. Topics discussed included signature authority, separation of duties, cashbook balances and the warden’s responsibilities; commissary oversight; conservation; food services; safe housing; job order contracting; recycling; grants; purchasing issues; MBE guidelines; leave management; budgets; and warden evaluations. ([Exhibit 11](#))

Sanders recalled there was an ODRC training offered in July 2012 on various topics, and that the business administrators were invited. Sanders explained that the business administrators are mostly decentralized and meetings are not routinely held for them to discuss issues that may have arisen. Sanders stated that included in the July 12, 2012, training were discussions regarding MBE/Edge Programs, OPI Orders, an Audit Update, Conservation Update, Budgets and Reporting, Ohio Shared Services, Job Order Contracting, and a Division of Business Administration Update. The Business Administration Update included topics and issues surrounding commissary administration, reading bank statements, and what issues business administrators should be looking out for in their roles as administrators.

Audit

ODRC Deputy Director of Administration Annette Chambers-Smith stated shortly after starting in this position that she strategized with then-ODRC Fiscal Audits and Accounting Control Section Chief Auditor Wendall Oakes to revise the audit process. Chambers-Smith stated prior to this revision, correctional institutions were audited once every three years; that it would take the “better part” of a year for the report to be completed; the results were not provided in a timely manner; and the audit staff were reviewing every transaction in certain categories instead of sampling.

A review of audits conducted by ODRC external audit staff for DCI activities from October 1, 2004, through July 31, 2011, identified personal service contract monitoring forms were not being completed; certain bank reconciliations for specific months were not completed; vouchers did not have receiving reports attached; purchase orders were not approved or approved after the fact; invoices were missing or dated after the payment date; and expenditures exceeding \$500 from the I & E fund did not have the required ODRC DBA approval.

Chamber-Smith stated she presented the idea to Section Chief Auditor Oakes to include parts of the fiscal audit in the annual ODRC Internal Management Audit. Chambers-Smith stated that Oakes and other ODRC employees developed and implemented the ODRC Ohio Fiscal Standards in November 2010. ([Exhibit 12](#)) The Ohio Fiscal Standards were reviewed annually as part of the Internal Management Audit, were not repeated during the fiscal audit, and allowed the auditors to concentrate on the remaining items during their fiscal audit.

ODRC Division of Business Administration External Audit Manager Lisa Pataky explained during an April 3, 2013, interview with investigators that the local accounts are currently audited annually. This audit includes reviewing the bank reconciliations to verify there were either no reconciling items or the reconciling items were resolved the next month and verifying the accuracy of the reconciliation by obtaining the bank statement. If no errors were noted, Pataky stated the audit staff generally did not review the detailed vouchers. Pataky stated the correctional institutions do receive a couple of weeks’ advance notice and that the last month’s reconciliation is typically audited.

For each audit, an audit report is generated by the audit staff. Pataky and Sanders confirmed that at one point in time, all of the correctional institution audit reports were made available on ODRC's Intranet website. However, this practice has since been discontinued. When questioned whether audit conclusions were shared with other correctional institutions, interviews with ODRC employees revealed that ODRC management believed the issues related to the audits were often institution specific. In particular, ODRC management did not share audit conclusions with other correctional institutions to serve as reminders, or use the audits to develop refresher trainings for cashier and business office personnel.

The first two Ohio Fiscal Standards audits conducted for the period December 1, 2010 – July 31, 2011, and August 1, 2011 – July 20, 2012, involved selecting 10 transactions each year and determined DCI was compliant with the Ohio Fiscal Standards. However, the ODRC fiscal investigative audit conducted by Pataky for the period July 1, 2011, through November 9, 2012, identified numerous instances of non-compliance with ODRC policies and procedures. In addition to those instances reported on page 6, the review determined the Requests to Purchase were not dated; not approved; or were approved after the invoice date; and that ODRC DBA approval was not obtained for 34 expenditures of I & E funds of \$500 or more.

When asked whether she was concerned that DCI had passed the Ohio Fiscal Standards when Pataky had identified numerous instances of noncompliance, Chamber-Smith stated she was concerned, wanted to adjust the Ohio Fiscal Standards, and was told to wait until the completion of the Office of the Ohio Inspector General's and Ohio State Highway Patrol's investigations. Chamber-Smith stated that she agreed to wait on revising their system, but stated that the last auditor who completed DCI's audit of the Ohio Fiscal Standards had received corrective counseling. Chambers-Smith stated the counseling was given because it was very clear to Pataky that the audit staff had "cherry-picked items that were okay" to report upon. Chambers-Smith stated that she felt that the audit staff was deliberately picking sample sets so they would not find any problems.

CONCLUSION

The Ohio Department of Rehabilitation and Correction Division of Business Administration and Dayton Correctional Institution management were responsible for ensuring the DCI business administrator and account clerk supervisor complied with ODRC policies, procedures, manuals, and OAC§5120-5-04. This investigation reviewed the actions of the business administrator, account clerk supervisor, and the oversight provided by DCI and ODRC management.

ODRC Division of Business Administration was statutorily responsible for the oversight of correctional institution local funds, including the I & E fund. This investigation determined the division's oversight was limited to approving Requests for Approval for purchases of \$500 or more, and approving new inmate groups or changes in inmate group bank accounts. In addition, the investigation determined that a formalized training process for cashier office and business office personnel does not exist. Relying on current employees to provide on-the-job training and not providing formalized training programs can result in employees being poorly trained, who may then process transactions in a manner contrary to ODRC policy.

Additionally, the Division of Business Administration relied upon the audits conducted by the Fiscal Audits and Accounting Control Section and their review of the monthly cashbook submissions to identify non-compliance issues. When non-compliance was identified, an action plan was required to be submitted on how the institution was going to correct the issue. However, this investigation determined prior to auditing in accordance with the Ohio Fiscal Standards, ODRC external audit staff identified the same types of observations occurring at DCI for multiple audits. Once the Ohio Fiscal Standards were implemented, ODRC audit staff reported 100-percent compliance with the Ohio Fiscal Standards for periods December 1, 2010 – July 3, 2011, and August 1, 2011 – July 20, 2012. However, a subsequent ODRC audit identified significant non-compliance by DCI with ODRC policies and procedures. The policy and procedural violations identified in this report raise an issue of whether the Ohio Fiscal Standards used by ODRC actually provide assurance that DCI local funds were managed and accounted for in accordance with ODRC policies, procedures, manuals, and OAC §5120-5-04. This investigation also determined the ODRC audit staff:

- Did not identify bank accounts were being used for a different purpose than they were established;
- Failed to question significant inconsistencies in vendor signatures on DCI invoices;
- Failed to identify inaccuracies between CACTAS ledgers and the bank statements and that checks were not recorded sequentially in CACTAS.
- Failed to question that the invoices did not contain vendor mailing address, dates the services were provided, and in some instances, signature of the vendor as required by ODRC Policy 22-BUS-14 (effective 1/21/11).

The above instances show that the lack of in-depth audits prevented ODRC external audit staff from identifying potential non-compliance with ODRC policies and procedures. DCI's significant improvement from having audit observations to 100-percent compliance with the new standards should have raised a question as to what had changed. In actuality, an ODRC audit revealed that things had not changed and identified several non-compliance issues, of which some had been reported previously.

DCI wardens were responsible for managing the institution and supervising the DCI business administrator. This investigation determined the DCI wardens failed to review monthly bank account reconciliations, failed to review ledgers, or did not sign the approval forms sent to the Division of Business Administration for expenditures exceeding \$500. Additionally, the wardens did not sign or negotiate contracts for art classes and music workshops, or for other services provided by independent contractors.

The investigation determined Ragland controlled the entire purchasing process for the music and art programs. Investigators found that Ragland decided what would be purchased; set the amounts to be paid for art classes and music workshops; prepared the associated paperwork including vendor invoices and Requests to Purchase forms; and issued the checks to the vendors providing the goods or services, contrary to Cashier's Manual Section 1 Part I. This section states, "segregation of duties should be followed when approving vouchers and signing checks. The check and a copy of the invoice are to be sent to the vendor." When the investigators commented that it is "a little concerning when one person has complete control," Ragland replied

in an August 7, 2013, interview, "... trust me, I, I understand that. But that's a small, a small --- in the big scheme of things, that's small... --- just a small thing, so, you know, that happens."

Investigators were unable to determine whether the art classes and music workshops had occurred because DCI was unable to provide a schedule for when these activities actually happened. DCI could not provide this information because of numerous reasons, including: the date Ragland issued the vendors the check was the same as the date of the invoice; the invoices did not reflect the date when the service was provided; and in some instances, the visitor logs reflected the vendors were not present on the date they received payment. However, in interviews with investigators, DCI employees stated that these workshops had occurred and that they had observed the workshop's vendors on DCI grounds.

Based on available documentation and known types of services provided, DCI used I & E Funds to pay a vendor a total of \$14,683.72 for a weekly art class with up to 16 participants and to pay a group of vendors at least a total of \$74,017 for weekly music workshops with approximately 30 participants. DCI Business Administrator David Ragland explained during an August 7, 2013, interview that the programs were available to all of the inmates, though only a few participated. However, Recreation Director Cedric Tolbert stated in a July 24, 2013, interview that inmate tryouts were made available to all inmates before the band was formed.

Ragland stated the music program involved an informal inmate group called "Making the Band," and was an inmate recreational activity; however, "Making the Band" was not an approved inmate activity by the ODRC Central Office or the warden. From January 1, 2011, through January 11, 2013, DCI spent 56 percent of I & E funds on music and art programs of which approximately 46 inmates, or 5 percent of DCI's total September 2013 inmate population participated. Forty-nine percent of the I & E funds was spent on music activities including the informal inmate group "Making the Band." The level of participation is contrary to OAC §5120-5-04 which requires that "no disbursements will be approved for items to be used for the benefit of an individual inmate, inmate group, or employees."

This investigation determined:

- Contrary to ODRC Policy 73-GRP-01 which prohibits an administrative person having direct supervision over the cashier's and/or business office from serving as a group advisor or supervisor, Ragland served as the group advisor for the informal inmate group "Making the Band," made decisions of what equipment to purchase, and determined what musicians would provide the workshops.
- State of Ohio Financials Processing Manual Appendix C requires personal service contracts \$500 or more to be documented in writing. Ragland did not enter into personal service contracts with vendors providing music workshops or art classes during calendar years 2011 and 2012.
- Ragland failed to complete background investigations on vendors that he used infrequently, which included those providing the music workshops and art classes who gain entrance to DCI as required by ODRC Policy 34-PRO-07
- Cashier's Manual Section 1 Part I required a Request to Purchase form be completed for each purchase; however, forms were prepared at the time of the purchase, after the fact, or not at all.
- ODRC Policy 22-BUS-14 (effective 1/21/11) requires a request for payment be made by submitting an invoice with the contractor's name, address, federal employer ID number (FEIN) or Social Security number (SSN); dates services performed, pay requested; and the contractor's signature. Invoices prepared by Ragland did not contain an address, FEIN or SSN, and in some instances, the contractor's signature. Ragland admitted to signing contractor's names on invoices to avoid an audit finding.
- ODRC's Business Office Manual Section IV Part G(1) states "if merchandise such as machinery, building materials, etc., must be delivered elsewhere, the department head receiving the material is responsible to have a receiving report completed and forwarded to the business office and warehouse." Only 6 of the 69 invoices paid from the I & E fund were documented as received by the warehouse. Ragland failed to submit the receiving reports he created to the warehouse for its records.

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

When asked specifically about his oversight of the cashier's office for compliance with ODRC policies and procedures, Ragland stated, "David [Gedeon] requires little or no supervision. So I really didn't have the need to do that." Additionally, Ragland admitted to investigators that he took a "hands-off" approach to supervising Gedeon; did not review CACTAS ledgers or bank reconciliations; and did not review cash boxes Gedeon maintained in his office. Neither Mack nor Lisath reviewed monthly bank reconciliations or other supporting documentation to verify from a high level that ODRC policies and procedures were being followed and that I & E funds were being spent to benefit the entire inmate population. Lisath explained that when an individual assumes the warden's position, the expectation is that the staff the warden manages is responsible for keeping the warden out of trouble.

As the Account Clerk Supervisor, David Gedeon was responsible for overseeing the activities of his staff, complying with applicable ODRC policies and procedures, and completing monthly reconciliations of the local accounts. This investigation determined Gedeon failed to comply with the following policies and procedures:

- Cashier's Manual Section 1 Part I which requires a Request to Purchase form be completed for each purchase. Gedeon did not ensure a Request to Purchase form was completed prior to a purchase being made, or that there was a separation of duties between who made the purchase and who issued the payment.
- ODRC Policy 05-OIT-17 (B)(4) prohibits employees with access to ODRC computer systems from sharing their usernames and passwords with anyone. However, Gedeon admitted on September 25, 2013, to sharing his username and password with a staff member.
- ODRC Policy 78-REL-03 states that "an inmate may receive up to \$100 in cash, and the remainder shall be paid by a check." Gedeon admitted that while the rule limits \$100 in cash, that "typically we'll go a little higher than that 'cause you don't really want a check ... and we'd just as soon not write one."
- ODRC Policy 24-CAS-03(A)(1) which requires "funds for deposit in locally approved accounts shall be deposited at a minimum of once per week." However, Gedeon stated during a June 19, 2013, interview with investigators that up until recently the business office maintained a \$6,000 cash "slush fund" off the books for the Employee Activity

Committee fund and that he conducted business from this fund in cash. Since transactions occurred in cash, this activity was not recorded in CACTAS.

During interviews with investigators, Gedeon also admitted that the normal purchasing processing rules in the Cashier's Manual Section 1 Part I have always been in effect, but that he "ignored" them and made cash purchases using the approximate \$6,000 Employee Activity Committee "slush" fund. Gedeon stated this "slush" fund was deposited when an employee alleged the fund was being used inappropriately.

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

RECOMMENDATION(S)

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

1. Review the conduct of the employees named in this report of investigation and consider whether further administrative action is warranted.
2. Review the additional concerns and non-compliance issues identified in this report and consider whether policy or procedural revisions should be made. When issuing revised policies and procedures, ODRC should consider requiring employees acknowledge receipt of the revisions.

Policies and Procedures

3. Update business operation, cashier, and CACTAS manuals to document required frequencies to transfer funds between correctional institutional funds required by the Ohio Administrative Code for the Inmate Personal Trust, Commissary, and I & E funds; clarify requirements of whether it is the invoice or a check amount of \$500 or more that

requires ODRC Central Office approval to ensure funds are transferred as required and spent for an allowable purpose.

4. Update existing cashier's office and business office manuals to address the removal of items from the warehouse after hours or when the storekeeper and staff are unavailable. These manuals should also include the documentation required to be completed when removing inventory items to ensure the electronic inventory is updated.
5. Revise ODRC policies, procedures, and manuals to include the required number of signatures on checks issued from local accounts, identify backup signatories if a designated signatory is unavailable, and train those additional signatories on what their review of the documents should include prior to signing the check.
6. Consider implementing a policy requiring vendors collecting their payment at the front gate to sign a document stating they received the payment.
7. Consider revising ODRC policies to restrict who is authorized to make purchases on institutional accounts maintained with vendors.
8. Consider implementing a policy requiring receipts to be provided to employees when funds are advanced to and unspent funds are returned for purchases made on behalf of the correctional institution.
9. Recommend discussing with the Ohio Office of Budget and Management how to implement a process to ensure vendors paid from local funds in excess of \$600 in a calendar year will be issued an IRS Form 1099 MISC.
10. Implement a written policy permitting wardens to grant their signatory authority, require the warden document in writing who they have granted signature authority to, when it is granted, and require this information to be submitted to ODRC division of business administration and external audits to verify only those with authority are signing documents submitted to ODRC's Central Office.

11. Implement a policy prohibiting the use of cash slush funds to avoid ODRC purchasing policies and require all off-the-book funds considered public monies to be deposited into an established or new checking account and implement controls to ensure funds are accounted for and spent in accordance with ODRC policies and procedures.
12. Establish policies and procedures for the distribution and tracking of musical instruments and promotional CDs circulated among inmates. If safety concerns are determined, implement a policy restricting these items from leaving the recreation department.
13. Establish policies and procedures setting the frequency for counting the petty cash and inmate release change funds; require two individuals be present during the count, document the amount counted in the funds, and require the individuals to sign verifying the fund reconciled to its established amount.

Record Keeping

14. Recommend DCI maintain documents supporting payments issued from local funds in accordance with approved records retention schedules.
15. Recommend ODRC require visitor logs to contain the visitor's signature, arrival time, departure time, and verification the visitor had left. Determine when employee signatures should be required on visitor logs when entering various correctional institution buildings and departments. It is suggested periodic reviews of these logs be completed to ensure these procedures are followed.

CACTAS

16. Recommend adjusting CACTAS to require users document whether the required division of business administration approval was obtained for purchases \$500 or more prior to permitting a check to be issued.
17. Consider implementing programming changes in CACTAS to prevent the issuance of a check when funds are not available; from issuing duplicate check numbers; and require

the user to enter an explanation as to why a check is being reprinted. These explanations should be reviewed by the audit staff during the annual audit to verify the check was reprinted for a valid business reason.

Warden's Oversight

18. Require annual approval by the warden of programs to be offered, inmate groups in existence, identification of staff associated with the group, and require this be sent to the ODRC Central Office for consideration when conducting the annual audit. Upon receipt of this report, ODRC Central Office personnel should verify the inmate groups, advisors, and programs have been approved in accordance with ODRC policies and procedures.
19. Recommend the warden verifies on a periodic basis that the required background searches on contractors and volunteers with access to DCI inmates were completed, retained, and reviews the justification of whether identified criminal convictions impact the contractor's or volunteer's ability to perform their duties.
20. Require periodic evaluations of business office staff for compliance with approved institutional policies and procedures to identify weaknesses which may require further training.
21. Consider developing a process for documenting the number of inmates participating in a program, submitting this information to the warden, and requiring the warden to review the program to determine whether the services are being provided for the entire inmate population.
22. Consider implementing a periodic review of volunteer and contractor identification cards issued to verify the card was issued in accordance with ODRC policy, for authorized individuals, and determine whether the cards previously issued should be revoked.

Central Office Oversight

23. Implement a system requiring correctional institutions to report on a periodic basis the number of performances below and above \$500 to the division of business administration to allow them to monitor and verify the correctional institutions have not exceeded the maximum number of performances in a fiscal year as indicated in OAC §5120-5-04.
24. Implement a program requiring monthly monitoring of the electronic cashbook to ensure it is completed in its entirety and conduct periodic scanning of local fund disbursements for unusual transactions and obtain additional documentation to verify the expenditure was in accordance with Ohio Revised Code Chapter 5120.
25. Email the wardens, business office, and cashier office personnel each time a significant instance of policy or procedural non-compliance is identified as the result of an internal management audit or the closure of a pending investigation. The emails should include generic references to the parties, institutions, departments or divisions involved but with sufficient detail to permit the reader to identify what policies or procedures were not followed.

Training

26. Provide training to the wardens, business administrators, account clerk supervisors, and account clerks on what their duties entail; management's expectations of each employee, including their required oversight; how transactions are required to occur and be recorded; and what to do when a transaction deviates from the established expectations, policies, and procedures.
27. Conduct periodic refresher training for business office and cashier's office personnel of when personal service contracts are required and how to negotiate the rates; what elements are required to be included on an invoice; segregation of duties in the purchasing process within the cashier's and business offices; reconciliation of bank accounts which includes verifying the accuracy of information entered into CACTAS; recording transactions in CACTAS; and the frequency of transferring of commissary

profits to the I &E fund and from the Inmate Personal Trust Fund to the commissary fund; inmate release process.

Fiscal Audits

28. Consider implementing procedures to ensure records and monthly reconciliations selected for audit are selected randomly at the time of the arrival of the audit team to reduce the likelihood of correctional institution staff altering or creating records to conceal instances of non-compliance or criminal activity.
29. Recommend for each audit that the auditor selects transactions to verify the issues were corrected.
30. When conducting audits, it is recommended the CACTAS ledger be exported to Excel and the audit staff sort the checks by payees and amounts and search for instances of non-compliance such as not obtaining ODRC Central Office approval for an expenditure \$500 or more, failing to obtain a personal service contract, and unusual vendors.
31. For Ohio Fiscal Standards that have been complied with by all correctional institutions in one audit cycle which are then removed from the next audit cycle, consider revisiting these standards in future audits to ensure the correctional institutions remain in compliance.

REFERRAL(S)

This report of investigation will be provided to the Ohio Auditor of State, the Ohio Office of Budget and Management, the Ohio Department of Taxation, and the U.S. Internal Revenue Service for consideration.

[\(Click here for Exhibits 1 – 12 combined\)](#)



STATE OF OHIO
OFFICE OF THE INSPECTOR GENERAL

RANDALL J. MEYER, INSPECTOR GENERAL

NAME OF REPORT: Dayton Correctional Institution

FILE ID #: 2013-CA00004

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
June 11, 2014

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