



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF ITHACA
DARKE COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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Village of Ithaca
Darke County
611 Main Street
Ithaca, Ohio 45304

To the Mayor:

Background

The Auditor of State (AOS), Special Investigations Unit (SIU) conducted a criminal investigation and special audit of the Village of Ithaca (the Village) predicated on suspected theft by the former fiscal officer.

The investigation began on March 30, 2022, after SIU was contacted by the Darke County Sheriff's Office. It was alleged former fiscal officer, David Peterson, was paying himself for numerous positions and purchased several items from a power equipment dealer which were not accounted for in Village inventory nor approved for purchase by Council.

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

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

Suspect

Mr. Peterson served as the Village Mayor from January 1, 2012, through April 30, 2020. Shortly after becoming Mayor, he terminated the Fiscal Officer and assumed those duties as well. Mr. Peterson continued as Fiscal Officer until August 31, 2021, when he was terminated.

Schemes

We examined records from January 1, 2012, through January 31, 2022 (the Period). Shortly after Mr. Peterson was terminated, the Village Mayor and new Fiscal Officer discovered several unauthorized purchases of equipment, numerous reimbursements and overpayment of salary by Mr. Peterson. These unauthorized expenditures occurred undetected due to a lack of monitoring by Council and a lack of segregation of duties as a result of overlapping Fiscal Officer and Mayor duties resulting in full control over every process at the Village by Mr. Peterson.

Nonpayroll

In November 2021, December 2021, and March 2022, the Village Solicitor requested Mr. Peterson return keys, Village records (including the Village checkbook) and Village equipment to the Village Mayor. On April 8, 2022, Mr. Peterson returned some Village records and a key to the Village and explained that the tractor and other equipment were his own personal equipment. Throughout April and May 2022, Mr. Peterson continued to return items to the Village, including an attachment for a tractor, a Stihl sprayer, Stihl pressure washer, Stihl pole pruner, a John Deere mowing deck, and other miscellaneous equipment.

We examined four invoices with 14 items purchased by Mr. Peterson from Boone's Power Equipment totaling \$4,625.94 paid with Village funds and noted the following:

- Three of these items, Mr. Peterson reimbursed the Village for totaling \$1,057.42 in May 2022.
- One item, a 72-inch blade, purchased for \$1,200 was never returned to the Village by Mr. Peterson.
- Ten of these items were returned to the Village by Mr. Peterson as noted above. The Village maintained possession of these returned items; therefore, we calculated depreciation on these items based upon the number of days Mr. Peterson possessed these items resulting in \$994 owed to the Village.

Three additional items purchased from a different vendor were also returned to the Village by Mr. Peterson. After accounting for depreciation, the depreciable value lost by the Village is \$701.36. An additional item returned by Mr. Peterson he claimed to be the purchase of a Frontier Flex Wing Mower purchased on February 28, 2018, for \$8,200. When the Darke County Sheriff's Office Detective personally observed the item, it was a large root grapple and not the item originally purchased. This item was never returned to the Village.

Reimbursements

We noted 16 reimbursements to Mr. Peterson by the Village totaling \$2,258.69. A majority of the reimbursements in the check memo indicated "village supplies"; however, there was no supporting documentation on file at the Village or provided by Mr. Peterson.

Payroll

Mr. Peterson was overpaid for his time serving individually as the Mayor and Fiscal Officer due to improper calculations for the partial years of service. Furthermore, the Mayor and Fiscal Officer positions were determined to be incompatible resulting in additional overpayments to Mr. Peterson. The overpayments are described below:

	Allowable Salary	Amount Paid	Overpayment
Mayor	\$13,333.32	\$13,466.65	\$ 133.33
Fiscal Officer	\$ 333.34	\$ 833.34	\$ 500.00
Incompatible Salary	\$ 0.00	\$16,666.66	\$16,666.66
Totals	\$13,666.66	\$30,966.65	\$17,299.99

Findings

Based on the special audit procedures and investigation, the Auditor of State confirmed the allegation that David Peterson misappropriated expenditures over a span of 10 years.

We issued \$38,845.46 in findings for recovery for misappropriated expenditures, which included audit costs during the Period.

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

Prosecution

At the conclusion of the special audit and investigation, a prosecution packet was presented to the Darke County Prosecutor.

On January 25, 2024, Mr. Peterson was indicted by the Darke County grand jury on one count of Grand Theft and one count of Theft in Office.

On September 5, 2024, Mr. Peterson entered a negotiated plea of guilty to one count of Theft in Office in violation of Ohio Rev. Code § 2921.41(A)(2), a felony of the fourth degree.

On October 31, 2024, the Honorable Judge Travis L. Fliehmman ordered the felony charge stayed subject to David Peterson's completion of a substance abuse / mental health intervention program for a period up to sixty months under specific stipulations, which includes payment of restitution totaling \$37,788.04.

The Court advised upon payment of all restitution, court costs, and fees of supervision, the Court would consider a request to terminate in lieu of conviction.

The exit conference was waived by the Village; however, the Mayor was given five days to respond to this special audit report. A response was not received from the Village.

A handwritten signature in black ink, appearing to read "Keith Faber". The signature is fluid and cursive, with the first name "Keith" and last name "Faber" clearly distinguishable.

Keith Faber
Auditor of State
Columbus, Ohio

December 10, 2024

APPENDIX
SCHEDULE OF FINDINGS FOR RECOVERY



APPENDIX

FINDINGS FOR RECOVERY - REPAID UNDER AUDIT

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

Proper segregation of duties is not possible when only one or two people handle all four aspects of the internal control cycle (record keeping, authorization, custody and reconciliation). Due to a control structure that lacked approved policies and segregation of duties, Mr. Peterson was responsible for all aspects of the finance function at the Village, which included collecting and posting all receipts, processing payroll, paying the bills, completing bank to book reconciliations, as well as presiding over council meetings and enforcing laws and ordinances of the Village with little to no oversight.

Nonpayroll

Ohio Admin. Code § 117-2-01(A) states, in part, all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance for the safeguarding of public funds. Purchases should go through an approval process by Village Council.

Mr. Peterson made five purchases of various equipment with Village funds for his personal use, resulting in a loss to the Village of \$12,152.78.

Reimbursements

Employee reimbursements should include proper approvals and supporting documentation, such as original invoices and receipts, to substantiate that they serve a proper public purpose.

Mr. Peterson reimbursed himself \$2,258.69 without any support or proof of proper public purpose regarding the expenditure.

Payroll

Ohio Rev. Code § 733.262(D) states, in part, a Village Fiscal Officer shall be appointed by the Mayor. Further, the Village Fiscal Officer may be removed without cause by the Mayor with the consent of a majority of the members of the Village legislative authority. Thus, the Fiscal Officer's position is subordinate (at least in part) to the Mayor's position and therefore is incompatible.

The approved Mayor salary was \$1,600 annually and was paid annually. The approved Fiscal Officer salary was \$2,000 annually paid quarterly.

Mr. Peterson overpaid himself a total of \$17,299.99, related to his multiple and incompatible positions.

Findings for Recovery Conclusion:

On October 31, 2024, Mr. Peterson was ordered to pay restitution of \$37,788.04, which includes special audit costs in Darke County Court of Common Pleas, Case No. 24CR00014.

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code § 117.28**, a finding for recovery for public property converted or misappropriated is hereby issued against David Peterson in the amount of \$38,845.46, with \$22,408.20 in favor of the Village's General Fund, \$12,152.78 to be determined by the Village¹ and \$4,284.48 in favor of the Auditor of State.

¹ This amount includes the finding amount from equipment purchases that occurred during the Period. The fund allocation was not readily determinable based on the audit support and should be determined by the Village.

APPENDIX

On May 6, 2022, the Village received and deposited a check from Mr. Peterson in the amount of \$1,057.42 for reimbursement of the personal equipment purchased. On December 6, 2024, Mr. Peterson made full restitution to the Village in the amount of \$33,503.56 which was deposited by the Village on December 11, 2024. On December 16, 2024, Mr. Peterson made full restitution to the Ohio Auditor of State in the amount of \$4,284.48.

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF ITHACA SPECIAL AUDIT

DARKE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 1/28/2025

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