

Fraud Report

Fraud #: F-23-147

Submission Date: 04/14/2023

Entity: Commerce, Washington State Department of

Dashboard

Short Description: rental assistance fraud by employee at sub-recipient

Investigation Status: Closed

Assigned Team: Single Audit

Assigned PM:

PR Request ID's:

Public Records Request: No

Assignment Notes:

Detection Method: Entity Management

Entity: S103

Total Budget:

Team Budget:

Audit Number:

Audit Documentation: Database Only

TM Project Code:

Ok to release/bill time: No

Primary Loss Type: Out of Scope

Loss Type Notes or Sub Category:

Cyber Loss Category: --

Cyber Cause: --

This case contains sensitive information: No

Which tab or attachment contains sensitive information?

Results: No Action - consider risk on next audit

Closed Date: 04/17/2023

Inactivate: No

Inactive Notes:

Contact

Created By:

Name: Cherish L Cronmiller

Title: Executive Director

Phone: 13603852571x.6308

Email: cherish@olycap.org

Assignment Notes:

Paw and Plan

Loss Notification Date: 04/14/2023

PAW Assignment Date:

Initial Contact with Entity Date:

Assessment Completion Date:

Reviewing Team: Single Audit

Team Review Date:

Fraud Team Review Date:

Please describe, if we did not meet 5 and 10 day requirements:

Action/Next Step:

Outcome

Exit conference date:

Exit conference attendees:

Misappropriation assigned amount:

Name and title of responsible party:

Misappropriation unassigned amount:

Questionable amount:

Misappropriation recovery amount:

Loss Amount:

Cyber recovery Amount:

Final audit cost:

Audit report number:

Audit report issue date:

Other case # s reported with this one:

Restitution

SAO Approval Date:

SAO Approval Initials:

AG Approval Date:

SAO Approval Initials:

Amount Approved:

Point of Contact:

Contacted PA Date:

Post audit PA/LE/FBI contact notes:

Activity Log

Date	Entry
04/17/2023	'Short Description' field updated, 'Detection Method' field updated from '--' to 'Entity Management', 'Audit Documentation' field updated from '--' to 'Database Only', 'Primary Loss Type' field updated from 'Other' to 'Out of Scope', 'Results' field updated from '--' to 'No Action', 'Phone' field updated by sullivan
04/17/2023	'Investigation Status' field updated from 'Pre-Triage' to 'Closed', 'Closed Date' field updated from " " to '4/17/2023' by sullivan
04/17/2023	'Closed Date' field updated from '4/17/2023' to '4/17/2023', 'Results' field updated from 'No Action' to 'No Action - consider risk on next audit' by sullivan

Initial Loss Report

Department/area of concern: Housing Assistance/ERAP

What is the suspected loss or illegal activity? 37700

Start: 11/15/2021

End: 07/09/2022

What type of issue are you reporting? Out of Scope

What type of cyber concern are you reporting? --

What was the cause of initial attack vector for the cyber loss? --

Please describe the type of issue: SUBMITTED PRIMARY LOSS TYPE: Former staff member and family committed fraud in ERAP 2.0 falsifying documents to obtain \$47,300.00 from the ERAP Program. Only \$9,600.00 has been recovered to-date. Port Townsend, WA police and Jefferson County Prosecutors involved.

Please describe the amount of loss: Total outstanding/owed: \$37,700.00 1/3/22 - \$9,600.00 (reimbursed) 11/19/21, \$15,000.00 check date 11/10/21 3/7/22, \$6,650.00 check date 3/3/22 3/9/22, \$8,550.00 check date 3/3/22 5/5/22, \$7,500.00 check date 4/29/22

Please describe the suspected loss of illegal activity: SUBMITTED DESCRIPTION: - In November 2021 Michael Johnson used the file of a customer he knew had moved out of state and applied for rental assistance posing as this customer, falsifying a lease, making fake email addresses for the landlord and customer; the file had everything Commerce requires, IDs, lease, correspondence from landlord ; correspondence from tenant ; W9, etc. - The agency issued a rent check to landlord on 12/29/21; the staff member's wife (Kathi Johnson) aka the landlord could not cash the check b/c check was written to a Katherine instead of Kathi ; so the Michael Johnson informed fiscal that previous check needed voided and reissued b/c Kathi is what was on the W-9, which it was on 1/3/22; that check was deposited/cashed the same day 1/3/22 (Doc G) - In June 2022 another request for assistance came in (Michael Johnson posing as customer using fake email address), and another staff member, Henry Bennett, corresponded with the customer by using the email address that was in the database system (turning out to be the customer's real email address, not the fake one created by Mike Johnson for fraud purposes.) Henry Bennett discovered from the customer that: She and her family hasn't lived in Port Townsend since July 2020. They all live in Oregon now; Her old landlord had different name and she doesn't know the identity who is the landlord on the ERAP paperwork (the Mike Johnson's wife); She didn't recognize the email on the ERAP paperwork (noting fake email address of customer); she did recall the staff member she dealt with at the end of June 2020 when her family left WA, which was the fraudulent staff member Michael Johnson (See Doc H, and Doc I.) - Inconsistencies were discovered 6/17/22. Kathy Morgan (Director of Housing and Community Development), Audrey Morford (Housing Operations Manager), and Henry Bennet (ERAP team lead) spent time digging up emails, paperwork, etc, and could only come to the conclusion that Michael Johnson was responsible for creating this

fraudulent file, and that likely it was Michael Johnson's wife, Kathi Johnson, that cashed this rent assistance check - Kathy Morgan informed Cherish Cronmiller, the Executive Director on 6/23/22; Cronmiller reviewed the documents, spoke with Bennet, called & left message with postmaster, and left a message with the bank where check was cashed. - Cronmiller called Michael Johnson to her office 6/24/22; Sr. Accountant Michele Brechlin was present as witness and took notes (in addition to Cronmiller taking notes.) [HR Director is out on vacation] - After explaining to the staff member that Cronmiller was suspending him pending investigation (taking phone keys, IT access away); Cronmiller laid out information/evidence; explained that to further investigation she would be filing a case or pressing charges so that she could procure court orders for information on the PO Box, bank account, and video/pics at bank where check was cashed; Cronmiller then asked Johnson if it was his wife that cashed the check and he said yes. Johnson was terminated. - Staff member dropped a check in the agency's dropbox on 6/27/22 with cashier's check; agency deposited check on 6/28/22 for amount of \$9,600.00 - Board of Directors was to meet on 7/13/22 (as an earlier meeting could not be scheduled that would have quorum) to discuss whether to press charges in light of restitution made - 7/8/22 housing staff member discovered documents showing rent assistance to a landlord named Steffani Johnson (in AZ)- is the sole daughter of Michael Johnson; Kathy Morgan brought documents to Cronmiller - A check in agency fiscal management software revealed four checks issued. Checks cashed/deposited by Steffani Johnson on 11/19/21, \$15,000.00 check date 11/10/21 on 3/7/22, \$6,650.00 check date 3/3/22 on 3/9/22, \$8,550.00 check date 3/3/22 on 5/5/22, \$7,500.00 check date 4/29/22 - 7/8/22 Board was informed of potential additional fraud - 7/8/22 Cronmiller call made to City of Port Townsend police to file a report - 7/9/22 Cronmiller started to review files associated with Steffani Johnson. § It appears the first fraudulent request for housing assistance came in 10/16/21 for Cody Stennerson (See Doc A&) Note the potential fake email addresses and lack of phone number - Doc B is Stennerson voucher, A/P docs, and email correspondence - Doc C is four checks issued to Steffani Johnson; check #125921 dated 11/10/21 for \$15,000.00 is for Cody Stennerson - Doc D is the parcel information for 1435 Grant St Port Townsend, WA- the supposed address for Cody Stennerson- owned by Elmer Stanton - On 7/9/22 Cronmiller located a phone number for Stanton via a Google search. 360-385-0265. Cronmiller spoke with Mary Rose Stanton who said that they have not applied or received rental assistance from OlyCAP. Stanton had never heard of a Cody Stennerson. However, Stanton said that at one time Steffani Johnson had lived at that address, but she was never a landlord or property manager. However, the Stantons are the maternal grandparents of Steffani Johnson, parents to Kathi Johnson, and in-laws to Michael Johnson) - Doc E is the second voucher for assistance for Stennerson, to vendor Steffani Johnson; that voucher was processed by Michael Johnson- Doc O is Steffani Johnson W9 - Doc C will show check # 127548 dated 4/29/22 in the amount of \$7,500.00 issued to Steffani Johnson, again for 1435 Grant St, the property owned by the Stantons who have no knowledge of this matter - The next in time fraud, would have been the aforementioned Oksana Lukin case, with check issued to Kathi Johnson (wife of Michael Johnson); this is the \$9,600.00 that was reimbursement See Doc G (documents related, checks, voucher, W-9, emails&) and Doc F (reimbursement) - The next fraud request came in 2/7/22 for Clinton Nagel (supposed customer) by Steffani Johnson (supposed Landlord, daughter of Michael Johnson) Doc. L is the electronic formstack request Check #127048 dated 3/3/22, \$8,550.00 was issued (see Dec C- cancelled checks); Doc J Nagel Rent Voucher; Doc K- Nagel fake lease - Another fraud request came in 2/8/22 for Cindy Lucas (supposed customer) see Doc M for the Formstack request. See Doc N for lease and management info. Check # 127021 dated 3/3/22 for \$6,650.00 was issued, see Doc C for Canceled check - On 7/9/22 Cronmiller emailed the property owner to verify whether owner knows Steffani Johnson and if she was authorized to receive rent assistance for these tenants- and whether he knows the tenants. (No response as of 14:25 7/9/22) See page 6 of Doc N. - The final amount issued to Steffani Johnson was the aforementioned second request for Stennerson- Doc E. - 7/9/22 Steffani Johnson called Cronmiller's work cell # from phone number 360-774-1151; she admitted to the fraud and was hoping to throw herself at the mercy of Cronmiller to repay the amounts; Cronmiller advised that law enforcement was already involved; S. Johnson confirmed that the Stantons were her maternal grandparents and she doesn't know why she used their address; later she called and left a message attesting to Cody Stennerson as her roommate and that he is not aware of the fraud and has no involvement (that voicemail was turned over to City of Port Townsend police.) - What is the current status of the fraud? (For example, have attempts been made to recover funds, law enforcement informed, etc.) - Michael Johnson was terminated 6/24/22 - Staff was informed of termination; housing staff was informed about fraud 6/24/22 - Board Chair and Board Treasurer informed 6/24/22 - Staff member made restitution on 6/27/22 with cashier's check for \$9,600.00; agency deposited check on 6/28/22 (only fraudulent amount known to staff at that time) - Cronmiller informed Board of Directors 6/30/22 - Cronmiller spoke with County Prosecutor - Cronmiller spoke with employment attorney - Cronmiller spoke with WA Department of Commerce - 7/8/22 potentially \$37,700.00 in

additional fraud uncovered in the name of Michael Johnson's daughter, Steffani Johnson - 7/8/22 Police report made with City of Port Townsend police department - As of 7/8/22 no contact with Michael Johnson since 6/24/22 - 7/9/22 Cronmiller confirmed with property owners that checks related to Stennerson are fraud (\$15,000 and \$7,500.00) it turns out that the Stanton's are the maternal grandparents of Steffani Johnson (Michael Johnson's in-laws) - 7/9/22 Cronmiller has attempted contact with property owner to verify that \$8,550 and \$6,650 checks for Nigel and Lucas are also fraudulent - Agency has already checked there have been no other checks issued to Johnsons that are affiliated with rent assistance or fraud - Staff will be cross checking: o Any client/customer Michael Johnson was affiliated with who received rental assistance o Any rental assistance checks that went to PO Boxes - 7/9/22 Steffani Johnson called Cronmiller's work cell # from phone number 360-774-1151; she admitted to the fraud and was hoping to throw herself at the mercy of Cronmiller to repay the amounts; Cronmiller advised that law enforcement was already involved; a subsequent voicemail from S. Johnson confirming that Cody Stennerson was her roommate and was not involved in the fraud was turned over to law enforcement

How was the suspected loss or activity detected? Inconsistencies were discovered 6/17/22. Kathy Morgan (Director of Housing and Community Development), Audrey Morford (Housing Operations Manager), and Henry Bennet (ERAP team lead) spent time digging up emails, paperwork, etc, and could only come to the conclusion that Michael Johnson was responsible for creating this fraudulent file, and that likely it was Michael Johnson's wife, Kathi Johnson, that cashed this rent assistance check. Kathy Morgan informed Cherish Cronmiller, the Executive Director on 6/23/22; Cronmiller reviewed the documents, spoke with Bennet, called & left message with postmaster, and left a message with the bank where check was cashed. Cronmiller called Michael Johnson to her office 6/24/22; Sr. Accountant Michele Brechlin was present as witness and took notes (in addition to Cronmiller taking notes.) [HR Director is out on vacation] After explaining to the staff member that Cronmiller was suspending him pending investigation (taking phone keys, IT access away); Cronmiller laid out information/evidence; explained that to further investigation she would be filing a case or pressing charges so that she could procure court orders for information on the PO Box, bank account, and video/pics at bank where check was cashed; Cronmiller then asked Johnson if it was his wife that cashed the check and he said yes. Johnson was terminated. 7/8/22 housing staff member discovered documents showing rent assistance to a landlord named Steffani Johnson (in AZ)- is the sole daughter of Michael Johnson; Kathy Morgan brought documents to Cronmiller. A check in agency fiscal management software revealed four checks issued. Checks cashed/deposited by Steffani Johnson o 11/19/21, \$15,000.00 check date 11/10/21 o 3/7/22, \$6,650.00 check date 3/3/22 o 3/9/22, \$8,550.00 check date 3/3/22 o 5/5/22, \$7,500.00 check date 4/29/22 7/9/22 Steffani Johnson called Cronmiller's work cell # from phone number 360-774-1151; she admitted to the fraud and was hoping to throw herself at the mercy of Cronmiller to repay the amounts; Cronmiller advised that law enforcement was already involved; S. Johnson confirmed that the Stanton's were her maternal grandparents and she doesn't know why she used their address; later she called and left a message attesting to Cody Stennerson as her roommate and that he is not aware of the fraud and has no involvement (that voicemail was turned over to City of Port Townsend police.)

Is an investigation in progress? Yes

If an investigation by management, law enforcement or others underway, who is in charge of this

investigation? Marc Titterness | Police Officer mtitterness@cityofpt.us Port Townsend Police Department City of Port Townsend | www.cityofpt.us | 1925 Blaine St., Ste 100, Port Townsend, WA 98368 P:(360) 385-2322 | C: (360) 531-4908 | F:(360) 379-4438

What actions have you taken to date, if any? - Michael Johnson was terminated 6/24/22 - Staff was informed of termination; housing staff was informed about fraud 6/24/22 - Board Chair and Board Treasurer informed 6/24/22 - Staff member made restitution on 6/27/22 with cashier's check for \$9,600.00; agency deposited check on 6/28/22 (only fraudulent amount known to staff at that time) - Cronmiller informed Board of Directors 6/30/22 - Cronmiller spoke with County Prosecutor - Cronmiller spoke with employment attorney - Cronmiller spoke with WA Department of Commerce - 7/8/22 potentially \$37,700.00 in additional fraud uncovered in the name of Michael Johnson's daughter, Steffani Johnson - 7/8/22 Police report made with City of Port Townsend police department - As of 7/8/22 no contact with Michael Johnson since 6/24/22 - 7/9/22 Cronmiller confirmed with property owners that checks related to Stennerson are fraud (\$15,000 and \$7,500.00) it turns out that the Stanton's are the maternal grandparents of Steffani Johnson (Michael Johnson's in-laws) - 7/9/22 Cronmiller has attempted contact with property owner to verify that \$8,550 and \$6,650 checks for Nigel and Lucas are also fraudulent - Agency has already checked there have been no other checks issued to Johnsons that are affiliated with rent assistance or

fraud - Staff will be cross checking: o Any client/customer Michael Johnson was affiliated with who received rental assistance o Any rental assistance checks that went to PO Boxes - 7/9/22 Steffani Johnson called Cronmiller s work cell # from phone number 360-774-1151; she admitted to the fraud and was hoping to throw herself at the mercy of Cronmiller to repay the amounts; Cronmiller advised that law enforcement was already involved; a subsequent voicemail from S. Johnson confirming that Cody Stennerson was her roommate and was not involved in the fraud was turned over to law enforcement

Are there any dedications of employee involmment? Michael Johnson was an employee of Olympic Community Action Programs when fraud was perpetuated.

Name and/or title of employee that have been involved in (responsible for) the loss. Michael Johnson (terminated 6/24/22)

Is this person still employed by the agency? No

Describe the employee's job responsibilities and areas or functions the employee has/had access to:

Have any restitution agreements been signed? No

Has a police report been filed? Yes

Do you have a copy? No

Who at the entity is aware this concern is being reported? Every employee of OlyCAP; the Board of Directors of OlyCAP; Dept. of Commerce - Grantor contacts; City of PT Police Department; Jefferson County Prosecutor's office.