



State of Ohio
Office of the Inspector General

THOMAS P. CHARLES, Inspector General

REPORT OF INVESTIGATION

File ID Number:	2007100
Agency:	Ohio Department of Transportation
Basis for Investigation:	Anonymous Complaint
Allegations:	Collusion, Inappropriate Relationships with Vendors, Improper Procurement, Purchasing, Bidding and Inventory Practices
Date Initiated:	April 2, 2007
Date of Report:	October 16, 2008

EXECUTIVE SUMMARY

File ID No. 2007100

On April 2, 2007, District 12 of the Ohio Department of Transportation (“ODOT”) in Garfield Heights received an email that accused district Facilities Manager Dennis L. Kratochvil of accepting free Lake Erie fishing trips from Mark T. O’Donnell, owner of the North Shore Commercial Door Company (“North Shore Door”) in Elyria. A subsequent investigation by the Office of the Inspector General (“OIG”) determined that these outings were not fishing trips, but were annual daylong boating trips that included Kratochvil and District 12 Equipment Superintendent Terrence M. (Terry) Kosmata, ODOT vendors over whom Kratochvil and Kosmata had purchasing authority, and dancers from two Northeast Ohio strip clubs.

In the following months, as we began to review North Shore Door’s business relationship with Kratochvil, we uncovered a massive, interlocking web of schemes in which Kratochvil and Kosmata – both of whom had worked for ODOT for more than 25 years – had criminalized the entire purchasing and procurement apparatus in District 12’s Facilities and Equipment divisions. We found the two departments to be so riddled with fraud, corruption and depravity that few of the contract relationships the two men maintained with the dozens of vendors with whom they did business were arms-length or untainted by personal greed.

During this investigation, we issued 130 subpoenas to ODOT vendors, banking institutions, other businesses and individuals. We also assisted the Ohio State Highway Patrol (“Patrol”) in its execution of search warrants in December 2007 and August 2008 at Kratochvil’s and Kosmata’s homes and at the homes and businesses of six ODOT vendors.

Supplemented by interviews our office and the Patrol did with more than 100 people, the investigation confirmed that Kratochvil, Kosmata and Kosmata's senior purchasing officer, Kevin M. Horrigan, had accepted a wide range of gifts and gratuities in exchange for steering contracts to preferred vendors. The gratuities included fishing and hunting trips in Ohio, Texas and Alaska; hotel accommodations and meals in Las Vegas and Cleveland; meals, drinks and lap dances at strip clubs; a membership at a private golf club; free or discounted garage door installations, electrical work, plumbing and other services; and cash. In the latter case, we learned that Kratochvil had accepted more than \$34,000 in "commissions" from an ODOT vendor in North Royalton between 2000 and 2007, accepting wads of cash from the vendor until just a few days before Kratochvil was escorted from his office.

Kratochvil's greed was fueled by his infatuation with strippers, on whom he bestowed lavish gifts of jewelry, furniture, appliances and cash. He gave one stripper \$4,000 for a breast augmentation; when she balked at going through with the surgery, he allowed her to keep \$1,000 of the money as a birthday present. He also paid strippers for sexual liaisons, which took place during working hours at an Independence motel and in the back of his minivan inside the ODOT garage. One of the strippers has continued to receive money from Kratochvil by duping him into believing that he is the father of her 4-year-old daughter.

We found that in exchange for cash, trips and other gratuities, Kratochvil, Kosmata and Horrigan steered ODOT business to select vendors. They did so by altering bid documents, obtaining fraudulent bids and sharing bid information with preferred vendors. Kratochvil also oversaw a sham process in which he repeatedly circumvented ODOT's policy requiring purchasers to obtain competitive quotes for purchases above \$1,000. One of the ways he did this was by soliciting bids from two vendors who were wholly reliant for their products on Mentor-based Traditional Building Systems Inc. ("TBS") because TBS had exclusive rights to sell the proprietary heating, ventilation and air-conditioning ("HVAC") system parts on which the two unsuccessful vendors were bidding. Those two vendors, Bauer Mechanical Inc. and Eichele International, were subcontractors of TBS,

whose chief operating officer, James P. Hartory II, was a close personal friend and frequent strip club companion of Kratochvil's. We further learned that Kratochvil steered more than \$71,000 in business to his nephew, Chet V. Pogonowski, the owner of Pogonowski Plumbing Inc. in Parma Heights.

A major component of this fraudulent enterprise was T.D. Sportfishing Charters, a Lake Erie charter fishing service that Kosmata operated out of his home in Garfield Heights. Invoices and calendars obtained from Kosmata via subpoena and during searches of his home, office and boat showed that customers of T.D. Sportfishing were almost exclusively ODOT vendors over whom Kosmata or Kratochvil had contract authority. These records further showed that between 1998 and 2007, ODOT vendors booked nearly 500 fishing trips with T.D. Sportfishing, paying Kosmata a combined \$227,000. The customers on many of those trips were public officials from cities and townships throughout Northeast Ohio with whom the ODOT vendors also were doing business.

We also discovered that ODOT employees Horrigan and William P. Werman, a District 12 auto technician who worked for Kosmata, operated side businesses that did tens of thousands of dollars in business with ODOT. Horrigan's company, Landmark Contractor Services Inc. ("Landmark"), sold more than \$43,000 in products and services to ODOT. That sum included \$14,000 in fictitious sales of oil absorbents – sales in which ODOT paid Landmark but received no product. In the other transactions, Horrigan simply purchased items or services from other vendors, added a surcharge and resold them to ODOT.

So brazen was this scheme that Horrigan's sales to ODOT included powder coating – a process in which a dry powder is electrostatically applied to create a hard finish – of oil pans and other vehicle parts done by Werman's company, Custom Powder Coating Inc. ("Custom Powder") of Brooklyn. In each case, Horrigan added a surcharge, ranging from \$20 to \$120, to Custom Powder's work before billing ODOT. In all, Werman did more than \$31,000 in powder coating for ODOT.

We found numerous instances in which Kratochvil, Kosmata or Horrigan steered contracts to preferred vendors by doctoring records, sharing bid information and submitting sham bids to District 12's Fiscal Office, which rarely questioned quotes or invoices and blithely processed the payments. Collusion and manipulation of contract specifications by Kosmata and Thomas C. Short, ODOT's former Purchasing Coordinator in Columbus, also enabled one of Kosmata's friends, Kent L. Winter, to land millions of dollars in contracts at the expense of Winter's only competitor. Kosmata conspired with another vendor to invoice ODOT for fictitious deliveries of oil absorbents to "cover" his expenses on a trip to Seward, Alaska, to fish in a salmon tournament.

We found that Kratochvil rewarded one of his closest friends, Hartory of TBS, by convincing his ODOT superiors to purchase a proprietary HVAC system that has cost ODOT more than \$420,000. Kratochvil also ensured that TBS would be the low bidder on service and repairs of this HVAC system by seeking phony competitive quotes from TBS subcontractors. Those subcontractors willingly submitted high quotes to Kratochvil and shared those quotes with Hartory, thus driving up the cost to ODOT.

Our investigation documented approximately \$390,000 in gratuities and other improper payments that were made to Kratochvil, Kosmata and Horrigan by nearly three dozen ODOT vendors. In addition, we have identified nearly \$11 million in questionable or improper payments that were made to ODOT vendors as a result of bid-rigging or fraud, or due to the improper relationships that existed between ODOT purchasers and vendors.

As a result of this investigation, ODOT Director James Beasley has fired or accepted the resignations of seven employees, including Kratochvil, Kosmata and Horrigan. As a result of our findings, Director Beasley in March 2008 also launched a Purchasing Contract Administration Training program that has re-trained 1,200 employees, including all personnel who have purchasing authority and their supervisors. ODOT hosted 16 day-long seminars around the state, during which participants received training on the ethical principles of purchasing, contract administration and the use of ODOT credit cards. At ODOT's invitation, our office was a participant on all 16 panels.

Based on the results of our investigation, we have made 12 recommendations and are asking ODOT to respond to this office within the next 60 days with a plan explaining how these recommendations will be implemented. We also are forwarding copies of this report to the Cuyahoga County Prosecutor's Office and to the Ohio Ethics Commission.

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Index of Agencies, Names, Businesses and Acronyms Used in This Report

State Agencies, Departments and Divisions

Name	Acronym	Description (if needed)
Office of the Inspector General	OIG	
Ohio State Highway Patrol	OSHP	
Office of Budget and Management	OBM	
Ohio Department of Transportation	ODOT	
Business & Human Resources	B&HR	A district-level ODOT division responsible for personnel, finance, training, facilities and garage
Division of Finance and Forecasting		A central office division that manages and forecasts ODOT's fiscal resources
Office of Accounting		An office within ODOT's Division of Finance and Forecasting
Office of Contracts		An office within ODOT's Division of Chief Legal Counsel
Office of Facilities Management		An office that manages maintenance support services at ODOT
Office of Equipment Management		An office that manages ODOT's equipment fleet and maintenance needs
Ohio Secretary of State	SOS	One of Ohio's five statewide, elected constitutional offices
State Controlling Board		A legislative panel that provides fiscal oversight of state agency spending

Government, Ohio Department of Transportation and Miscellaneous Terms

Term	Acronym	Description (if needed)
Automated Purchasing System	APS	ODOT computerized tracking system for non-contract purchases
Electronic Data Interchange	EDI	Payment method involving the electronic transfer of funds
Equipment Management System	EMS	ODOT computerized tracking program for large equipment
Fixed-Asset Reporting System	FARS	ODOT computerized tracking program for small equipment
Heating Ventilation & Air Conditioning	HVAC	Industry term for climate-control systems and equipment
Quality Assurance Review	QAR	ODOT process for measuring operational efficiency and effectiveness

Ohio Department of Transportation Employees

Name	Position
Early, Nathaniel	D-12 Storekeeper 2 (current)

Ferrante, Thomasine	D-12 Prevailing Wage Coordinator (current)
Horrigan, Kevin M.	D-12 Storekeeper 2 (resigned)
Huebner, Howard	D-12 Manager of Roadway Services (current)
Jedrzejek, Joseph	D-12 Storekeeper 1 (resigned)
Kosmata, Terrence (Terry)	D-12 Equipment Superintendent (resigned)
Kratochvil, Dennis L. -- Rogoff, Nancy H. (spouse)	D-12 Facilities Manager (resigned)
Milliron, Ronald J.	D-4 Equipment Superintendent (terminated)
Panka, Tony	D-12 Transportation Manager 1 (former)
Pasenow, David	D-12 Storekeeper 1 (current)
Short, Thomas C.	Central Office Purchasing Coordinator (retired in 2006)
Svoboda, Mark F.	D-12 Transportation Manger 1 (retired after being placed on administrative leave)
Thomas, James F.	D-12 Maintenance Repair Worker 1 (current)
Thomas, Thomas J.	D-4 Inventory Control Specialist 1 (current; suspension)
Urankar, Tony	D-12 B&HR Administrator (former)
Werman, William P.	D-12 Auto Technician (resigned)

Business Names: ODOT Employee-Owned Companies

Business Name	As Used in Report	Owner/ODOT Employee
Brenden Builders Inc.	Brenden	Dennis L. Kratochvil
Custom Powder Coating Inc.	Custom Powder	William P. Werman
Landmark Contractor Services Inc.	LCS	Kevin M. Horrigan
T.D. Sportfishing Charters	T.D. Sportfishing	Terrence (Terry) Kosmata

ODOT Vendors

Business Name	As Used in Report	Principal(s)
Advanced Gas & Welding Solutions	Advanced Gas	Michael T. Ripple Sr.; James Mikus
Aetna A-1 Auto Wrecking	Aetna A-1	Doug Rocco
The Alamo Group Inc.	Alamo	Doug Baker
All-Controls Corporation	All-Controls	James P. Hartory II
Bauer Mechanical Inc.	Bauer Mechanical	Jeffrey G. Bauer
Best Equipment Company	Best	Joe Aquilino
Bright Chemicals & Lighting Corporation	Bright Chemicals	James M. Bright
Carnegie Body Company	Carnegie Body Company	Richard Sippola
Custom Clutch, Joint & Hydraulics Inc.	Custom Clutch	John Myers; Scott Ballantyne
DeBord Plumbing, Heating & Cooling	DeBord	Dennis B. Kratochvil
Eichco International	Eichco	Thomas N. Eichele
Enpac Corporation, Enpac LLC	Enpac	Chris Hilty; Scott Janda

Great Lakes Mechanical Corp.	Great Lakes	Jeffrey G. Bauer
JEL Idealease Inc.	JEL	Robert E. Jones, Jr.
Jones Equipment Company	Jones Equipment	Robert E. Jones, Jr.
Knight Mechanical	Knight	James P. Hartory II
Lake Truck Sales & Service Inc.	Lake Truck	Robert E. Jones, Jr.
North Shore Commercial Door Company	North Shore Door	Mark T. O'Donnell
Nozzle New Inc.	Nozzle New	Philip C. Marek
Pogonowski Plumbing	Pogonowski Plumbing	Chet V. Pogonowski
Southeastern Equipment Company Inc.	Southeastern	Chris Kurz; Chip Cropper
Servco Products Inc.	Servco	Eric Cleveland
Teletrol Systems Inc.	Teletrol	N/A
Tempest	Tempest	Jeffrey G. Bauer
Traditional Building Systems Inc.	TBS	James P. (Jim) Hartory II
Turney Auto Parts	Turney	Edward J. Wigdalski
West Shore New Holland	West Shore	Craig L. Gorsuch
Winter Equipment Company	Winter Equipment	Kent L. Winter
YardSmart Inc.	YardSmart	Robert Smart

Affiliated Businesses (from above list)

Principal	Business Name
James P. Hartory II	Traditional Building Systems Inc.
	All-Controls Corporation
	Knight Mechanical Inc.
Robert E. Jones, Jr.	Lake Truck Sales & Service Inc.
	Jones Equipment Company
	JEL Idealease Inc.
Jeffrey G. Bauer	Bauer Mechanical Inc.
	Great Lakes Mechanical Corporation
	Tempest

Victims of Bid-Rigging

Business Name	As Used in Report	Primary Contact(s)
Acquire Fire Protection Inc.	Acquire Fire	Randy Kaser
Fab-Tech	Fab-Tech	Robert G. Luke III
Northeast Gledhill Truck Equipment Inc.	Northeast Gledhill	Brian T. Beury
Rosa Landscaping	Rosa Landscaping	Joe Rosa
Tiger Paws Inc.	Tiger Paws	Timothy M. Nosco
Wheeler Landscaping	Wheeler Landscaping	John Wheeler

Businesses Related to Entertainment and Gratuities

Bass Haven Marina, Marblehead, OH
Bellagio Hotel & Casino, Las Vegas, NV
Christie's Cabaret, Cleveland, OH
Cleveland's PM, Valley View, OH
Cleveland Marriott Downtown, Cleveland, OH
Crazy Horse Men's Club, Bedford Heights, OH
Day's Inn, Independence, OH
Diamond Half Ranch, Texas
Fowler's Mill Golf Course, Chesterland, OH
Halff Brothers Ranch, Texas
Honeybaked Ham Company
Huron Yacht Club, Huron, OH
Kronheim Furniture Company, Cleveland, OH
North Shore Charter Boat Association
Smith & Wollensky
Stonewater Golf Club, Highland Heights, OH
Woods & Waters Club of Northern Ohio
Wooster Hunt Club, Wooster, OH

I. BASIS FOR INVESTIGATION

On April 2, 2007, District 12 of the Ohio Department of Transportation (“ODOT”) in Garfield Heights received an email accusing ODOT employees of accepting gratuities from Mark T. O’Donnell, owner of the North Shore Commercial Door Company (“North Shore Door”) in Elyria. A former North Shore Door employee followed up the next day with a call to the office of ODOT’s chief legal counsel, accusing O’Donnell of submitting inflated bills, billing for unnecessary work and hosting annual “ODOT Boat Day” trips on Lake Erie during which O’Donnell allegedly took his contract administrator, then-Facilities Manager Dennis L. Kratochvil, fishing. Subsequent interviews by the Office of the Inspector General (“OIG”), along with an ODOT audit of North Shore Door, verified that the company had padded invoices and been reimbursed for approximately \$84,000 in questioned costs between January 2006 and April 2007 alone. As a consequence, we initiated a comprehensive investigation that eventually examined a decade of improper business transactions between District 12’s Facilities and Equipment offices and more than 30 ODOT vendors.

II. ACTION TAKEN IN FURTHERANCE OF INVESTIGATION

During the course of this investigation, we engaged investigators in our office with expertise in computer forensics and worked with engineering supervisors in ODOT’s Office of Equipment Management and auditors in ODOT’s Office of Finance and Forecasting. We reviewed numerous records, including tens of thousands of bid documents, contract files, invoices, inventory stock-receiving tickets, payment records, e-mails and other documents. We issued 130 subpoenas, which we used to obtain bank records, expense reports, contract files and other vendor business records. We also conducted interviews with more than 100 people, most of them under oath, and some multiple times. Those interviewed included current and former ODOT employees, vendors, and dancers at Northeast Ohio strip clubs with whom ODOT employees and vendors consorted, both on state time and during off hours as part of a plot to steer ODOT contracts.

In November 2007, when it became apparent that ODOT employees and vendors had conspired to corrupt District 12's entire purchasing and procurement apparatus, we requested the assistance of the Ohio State Highway Patrol ("Patrol"). The following month, search warrants were executed in Cuyahoga, Lake, Lorain and Geauga counties at the homes of two ODOT employees and one vendor, and at the businesses of five ODOT vendors. In August 2008, a ninth search warrant was executed at the business of an ODOT vendor in Lake County. Evidence seized during those searches included numerous computers and hard drives; hundreds of floppy disks and CDs; cameras, thumb drives and digital-recording devices; dozens of pieces of vendor-supplied clothing; tens of thousands of pages of paper records; and a semiautomatic pistol with a silencer, which we removed from Kratochvil's house.

As a result of our findings, ODOT Director James Beasley has fired or accepted the resignations of seven employees, including the Facilities Manager in District 12 and the Equipment Superintendents in District 12 and District 4 in Akron.

III. DISCUSSION

District 12 of the Ohio Department of Transportation is headquartered at 5500 Transportation Boulevard in Garfield Heights. As one of 12 ODOT district offices, it serves Cuyahoga, Lake and Geauga counties, employs 450 people and has an annual budget of \$49 million (Exhibit A).

The two offices within District 12 that became the focus of this investigation – Facilities, formerly headed by Dennis L. Kratochvil, and Equipment, formerly headed by Terrence M. (Terry) Kosmata – fall, respectively, under the umbrellas of the district divisions of Business and Human Resources ("B&HR") and Highway Management. As the Facilities Manager, Kratochvil was responsible for the maintenance of all buildings and structures, overseeing a staff of nine employees and managing an annual budget of \$1.7 million. As the Equipment Superintendent, Kosmata's responsibilities included the purchase and

maintenance of all trucks, snowplows and other garage equipment and supplies. Kosmata supervised a staff of 19 employees with an annual budget of \$4.1 million.

Kratochvil reported to District 12 B&HR Administrator Tony Urankar. Kosmata reported to Howard Huebner, District 12's Manager of Roadway Services. As a result of our investigation, Kratochvil and Kosmata were placed on administrative leave in August 2007. Both men retired in December 2007. No evidence was uncovered to implicate Urankar in wrongdoing, but he was laid off in August 2008 for reasons unrelated to this investigation. Additionally, no evidence was discovered to implicate Huebner in any wrongdoing and he remains the Manager of Roadway Services.

ODOT is among the few state agencies in Ohio that maintains its own Office of Contracts. Chapter 5513 of the Ohio Revised Code provides the agency with its own purchasing authority, and ORC Section 5513.03¹ further allows the Director of Transportation to delegate that authority to his 12 district deputy directors.

For the most part, methods of purchasing goods and services that were accorded to Kratochvil, Kosmata and their subordinates included:

- Competitively bid contracts. Most are bid annually or biannually, with awards going to vendors deemed to be the most responsible and offering the lowest responsible cost.
- Competitively bid contracts that allow the purchaser to select from a list of multiple vendors. These so-called multiple-award contracts, also competitively bid and typically involving trucks, snow plows and other large equipment, give the agency a degree of flexibility by allowing ODOT to purchase products locally and from more than one vendor based on price and availability.

¹ "The director of transportation may authorize district deputy directors of transportation to purchase materials, small tools, repair parts for machinery and equipment, and supplies at their respective offices. Before conferring such authority upon deputies, the director shall adopt a regulation prescribing the authority to the deputies in this respect, the conditions under which and the manner in which such purchases may be made by deputies, and the notice that deputies shall give to prospective bidders. No deputy shall make any purchase except in conformity with the regulation."

- Direct-purchasing authority. This method gives ODOT still more flexibility, allowing the agency to seek competitive quotes for supplies and personal services under terms specified in the following chart:

DOLLAR AMOUNT	QUOTES	PAYMENT TYPE
\$0 to \$500	One quote	Debit voucher, credit card or EDI ²
\$500.01 to \$1,000	One quote	Purchase order, credit card or EDI
\$1,000.01 to \$2,500	Two quotes	Purchase order, credit card or EDI
\$2,500.01 to \$33,500	Three quotes	Purchase order or EDI
\$33,500.01 and above	Contact Office of Contracts	

Bid contracts at the district level typically begin with a request for an item or service that includes the desired specifications. At District 12, Kratochvil made such requests through the Office of Facilities Management, Kosmata through the Office of Equipment Management. Technical specifications are then written by those offices in such a manner as to specify the product or service that ODOT is seeking, but in terminology that is broad enough so as not to restrict competition. The technical specifications are then sent to the Office of Contracts at ODOT headquarters, which oversees all bidding and legal aspects of the contract. The Office of Contracts is the final arbiter and has the authority to change technical specifications if those specifications pose performance or legal issues.

ODOT's direct-purchasing regulations forbid purchasers from obtaining quotes from family or friends, from obtaining verbal or after-the-fact quotes and from guiding purchases "in any way that may be viewed" as improper, such as the sharing of quotes. State competitive bidding statutes³ also impose a ceiling of \$50,000 per vendor per fiscal year for supplies and personal services on non-contract and non-State Controlling Board-

² Electronic Data Interchange

³ See Ohio Revised Code Chapters 125 and 127.

approved purchases. The purpose of this ceiling is to ensure that business is distributed fairly to vendors who seek to sell products and services to the State of Ohio. At ODOT, monitoring of the \$50,000 spending limit is overseen by the Office of Accounting via ODOT's Automated Purchasing System ("APS"). The APS tracks all non-contract purchases, with the exception of purchases the agency makes via credit card. The Office of Accounting tracks credit card purchases separately, combining them into a weekly report with non-contract purchases. The report is then distributed to ODOT purchasers.

Direct-purchasing requisitions also include emergency and so-called "sole-source" purchases. ODOT restricts emergency purchases to urgent matters involving "the roadways for the traveling public." Sole-source purchases, items that cannot be acquired from any other vendor, require a detailed justification to ensure that purchasers are not steering business to preferred vendors and are promoting competition, thus saving taxpayers money. ODOT regulations make it clear that neither convenience nor a failure to plan is adequate justification for emergency or sole-source purchases.

All products purchased by Kratochvil's and Kosmata's offices were required to be entered into one of two computerized inventory-tracking systems – the Equipment Management System ("EMS") or the Fixed-Asset Reporting System ("FARS"). EMS is used to track dump trucks, backhoes and consumable items, such as fuel filters, that are depreciated or assigned to a specific piece of equipment. FARS is used to track chainsaws, weed-eaters and the vast collection of tools utilized by the offices of Facilities and Equipment.

ODOT currently has no method of ensuring that the products its employees buy are entered into EMS or FARS. Even though ODOT utilizes stock receiving tickets to document its purchases, these tickets generally only contain a summary, and thus incomplete listing, of the items that were purchased.

ODOT maintains an average inventory of approximately \$26 million in consumable products such as road salt, steel and lumber. Under the agency's Consumable Inventory

Guidelines (Exhibit B), 10 percent of these items per inventory location must be spot-checked once a month as part of a Quality Assurance Review (“QAR”). ODOT requires that a more thorough QAR be performed once a year on what is typically 30 percent of all items that are entered into both the EMS and FARS systems.

In contrast to inventory QARs, ODOT also performs accounting QARs. However, these are done only once every two years and, until recently, they did not address a glaring problem – ODOT’s failure to segregate purchasing duties. At District 12, Kratochvil, Kosmata and their subordinates had unilateral authority to initiate requisitions, approve those requisitions, order products and then sign documents attesting that the products were delivered. Thereafter, ODOT’s Office of Accounting would simply pay the bills.

In the course of this investigation, we determined that for at least the last decade, District 12 employees, aided and abetted by dozens of vendors, used loopholes in ODOT’s purchasing procedures, bidding regulations and tracking mechanisms to steer bids, fix contracts, forge or otherwise alter documents, and steal money and equipment from the taxpayers of Ohio. As a consequence, seven ODOT supervisors or employees have been terminated or have resigned. An eighth employee has been suspended. They are:

1. Dennis L. Kratochvil, Facilities Manager, District 12

Kratochvil, 64, resigned on December 28, 2007, after being placed on administrative leave for falsifying bid documents, ordering subordinates to do personal work for him on state time, keeping alcohol in his office and other infractions. He had been employed by ODOT since 1983 and was being paid \$79,144 a year.

2. Terrence M. Kosmata, Equipment Superintendent, District 12

Kosmata, 55, resigned on December 20, 2007, after being placed on administrative leave for obstructing this investigation, collecting state pay while fishing with ODOT vendors, keeping alcohol in his office and other infractions. He had been employed by ODOT since 1974 and was being paid \$68,536 a year.

3. Kevin M. Horrigan, Storekeeper 2, District 12

Horrigan, 41, resigned on March 19, 2008, while on administrative leave for obstructing this investigation and operating a company in Northfield Center that did business with ODOT – Landmark Contractor Services (“LCS”). He had been employed by ODOT since 1988 and was being paid \$39,561 a year.

4. Joseph Jedrzejek, Storekeeper 1, District 12

Jedrzejek, 36, resigned on March 13, 2008, after being placed on administrative leave for making tens of thousands of dollars of purchases on his ODOT credit card from LCS – many of them while he was working simultaneously for LCS and ODOT. He had been employed by ODOT since 2000 and was being paid \$33,592 a year.

5. Mark F. Svoboda, Transportation Manager 1, District 12

Svoboda, 52, retired on January 31, 2008, after being placed on administrative leave for claiming that he was unfamiliar with LCS and unaware of LCS’ business relationship with ODOT even though he notarized the business documents that Horrigan and LCS filed with the Secretary of State’s Office. He had been employed by ODOT since 1974 and was being paid \$51,608 a year.

6. William P. Werman, Auto Technician, District 12

Werman, 57, resigned on July 18, 2008, after admitting that he did tens of thousands of dollars in business with ODOT through his company, Custom Powder Coating Inc. of Brooklyn. He had been employed by ODOT since 1969 and was being paid \$48,422 a year.

7. Ronald J. Milliron, Equipment Superintendent, District 4

Milliron, 48, was terminated on March 8, 2008, after being placed on administrative leave for providing false and misleading testimony under oath about dozens of free meals that he accepted from sales representatives of Southeastern Equipment Company, an

ODOT vendor over whom he had contract authority. He had been employed by ODOT since 1981 and was being paid \$56,680 a year.

8. Thomas J. Thomas, Inventory Control Specialist 1, District 4

Thomas, 52, was suspended from July 28, 2008, to August 11, 2008, and signed a last-chance agreement for accepting annual \$50 gift certificates for Christmas hams from Winter Equipment Company, an ODOT vendor. He has been employed by ODOT since 1982 and is paid \$38,396 a year.

Allegation 1: ODOT employees misused state property and resources.

Kratochvil's "commissions" from Bright Chemicals

In 2000, James M. Bright, the owner of Bright Chemicals & Lighting Corporation ("Bright Chemicals") in North Royalton, approached Kratochvil and offered to begin paying him a commission on Kratochvil's purchases of janitorial supplies, light bulbs and other products in exchange for increased business from ODOT. Thereafter, Bright and Kratochvil hatched a scheme in which Kratochvil shared competitive quotes with Bright on sales in excess of \$1,000, enabling Bright to submit the lowest bid. In turn, Bright shorted ODOT on product deliveries, allowing him to pay Kratochvil the difference in commissions. In some cases, no products were delivered to ODOT at all, enabling Kratochvil and Bright to share the full proceeds of the bogus sales.

Between January 2000 and August 2007, Bright made nearly 70 separate payments to Kratochvil, totaling in excess of \$34,000. Bright made most of these payments in cash installments ranging from \$300 to \$500, handing Kratochvil wads of cash on the ODOT loading dock. Bright also made four payments, totaling just under \$5,000, to Kratochvil through Brenden Builders Inc. ("Brenden"), a home-remodeling company that Kratochvil operated out of his Chagrin Falls home. In those instances, Kratochvil falsified invoices to indicate that Brenden had installed an electrical panel and performed other contracting work for Bright.

So brazen was this scheme that Bright continued to pay cash commissions to Kratochvil through August 2007, four months after we interviewed Kratochvil under oath in Columbus about bidding irregularities. Kratochvil was escorted from his office and placed on administrative leave on August 31, 2007. During the period that Bright was paying commissions to Kratochvil, ODOT did \$234,800 in business with Bright Chemicals.

We also note that since Kratochvil's removal, Bright Chemicals has been charging ODOT less money for some products now that Bright is no longer paying Kratochvil a commission. Prior to Kratochvil's removal, for example, ODOT was paying Bright Chemicals \$12.20 per bag of ice melt. The company currently charges ODOT \$9.80 per bag.

Strippers and strip clubs

Our investigation substantiated that Kratochvil, Kosmata and several of their vendors spent enormous amounts of time and money at three strip clubs in Northeast Ohio – the Crazy Horse Men's Club on Miles Road in Bedford Heights, Christie's Cabaret on Main Avenue in Cleveland and the now-shuttered Cleveland's PM on Granger Road in Valley View. Many of these strip club visits were financed by vendors and made while the ODOT supervisors were on the clock.

We subpoenaed records and interviewed dancers, bartenders and other employees at all three clubs. Cleveland's PM, located 1.3 miles from District 12, was Kratochvil's favorite club and he frequented it on an almost daily basis. James P. Hartory II, the Vice President and Chief Operating Officer of Traditional Building Systems Inc. ("TBS"), an ODOT vendor in Mentor, was a frequent strip club companion of Kratochvil's. Hartory's bank records show that, in 2006 and 2007 alone, he spent nearly \$23,000 at Cleveland's PM and other strip clubs.

Kratochvil also hosted annual Christmas parties for preferred vendors at Cleveland's PM and the Crazy Horse. Guests included Hartory, O'Donnell, Jeffrey G. Bauer of Bauer Mechanical Inc. in Mentor and Philip C. Marek, the president of Nozzle New Inc. in Solon. All were vendors over whom Kratochvil had purchasing authority. At most of these events, the vendors left hundreds of dollars in cash to cover the drinks, food and lap dances or simply paid the tabs by credit card. At the 2006 party, Hartory picked up a \$1,639 bar tab.

In addition to these Christmas parties, Kratochvil and O'Donnell hosted another annual event each summer that came to be known as "ODOT Boat Day." At these outings, O'Donnell would meet Kratochvil, Kosmata, other ODOT vendors and three to five strippers at the Huron Yacht Club or the Bass Haven Marina in Marblehead, from which they would depart for a day of drinking, swimming and frolicking on Lake Erie aboard O'Donnell's 36-foot Tiara. ODOT vendors who attended one or more of these trips were Hartory, Bauer and Kent L. Winter, the owner of Winter Equipment Company in Willoughby. Work performed by O'Donnell, Hartory and Bauer was supervised by Kratochvil; Kosmata was Winter's contract supervisor.

ODOT Boat Day trips included stops at various Lake Erie islands bars at which vendors picked up tabs for food and drinks. Kratochvil also made cash payments of approximately \$400 to each stripper for "taking a day off of work," and the women received tips for removing their clothing and engaging in sexual contact with the men on the boat.

Kratochvil also paid for strippers to attend a party at Winter's home in Willoughby, and Kratochvil arranged for strippers to entertain local public employees at annual customer appreciation golf outings that Hartory hosted at Fowler's Mill Golf Course in Chesterland. Hartory paid the women for their time away from work.

Invitations and photographs taken at these outings show that attendees have included employees from two school districts in Northeast Ohio. Both districts have had heating, ventilation and air-conditioning ("HVAC") contracts with Hartory's company, TBS. Also

in attendance have been representatives of Teletrol Systems Inc., a Manchester, New Hampshire-based building-automation firm that has given Hartory and TBS exclusive rights to distribute and service the HVAC components on which ODOT District 12 and many school districts and municipalities in Northeast Ohio are reliant.

Photographs taken at Fowler's Mill tournaments that Hartory hosted on June 16, 2006, and August 10, 2007, show that the events featured partial nudity and lewd behavior. Because these outings were hosted by an ODOT vendor and provided a benefit to local public employees over whom we lack jurisdiction, we have referred this matter to the Ohio Ethics Commission for appropriate follow-up.

During a search of Kratochvil's ODOT office, we discovered reams of memorabilia from strip clubs in Northeast Ohio and Las Vegas, as well as meticulously-kept handwritten lists of strippers that included the women's real names, stage names, addresses, phone numbers and dates of birth. At Cleveland's PM, Kratochvil often gave birthday presents to the dancers and bartenders. He also lavished them with jewelry and large tips – often \$100 or more a day. Kratochvil became such a valued customer at Cleveland's PM that he was allowed to park his vehicle behind the club and enter through the employees' rear entrance so as not to be seen by his superiors or co-workers.

In addition to jewelry and cash, Kratochvil showered his favorite dancers with thousands of dollars in furniture and appliances, as well as car insurance and rental payments. In one case, he gave a stripper \$4,000 in cash for a breast enhancement. When she later balked at going through with the surgery, Kratochvil allowed her to keep \$1,000 as a birthday present.

Most of Kratochvil's gifts, we determined, went to two strippers whom he was paying for sex – Tania Mistur and Jennifer Hinslea. These liaisons, for which Kratochvil paid \$300 to \$500 per session, took place during working hours, often at a Day's Inn near Kratochvil's office. On one occasion, Kratochvil paid Mistur to have sex with him in the back of his minivan inside the ODOT garage.

In an effort to ensure that Kratochvil would continue to support her, Mistur, with the assistance of friends, deceived Kratochvil into believing that he was the father of her 4-year-old daughter. Although Kratochvil has shown off photographs of the child and boasted that he is the girl's father, the story is untrue and was simply a ruse that Mistur used to extort money from Kratochvil.

Misappropriating equipment and fishing and hunting on the clock

On December 12, 2007, the Patrol executed a search warrant at Kosmata's residence in Garfield Heights. Among the large number of records and items seized were the following tools and equipment belonging to ODOT: one concrete saw, one chainsaw, one weed-eater, one welder, one jack, one engine-starter motor, one 110v to 12v power converter, one alternator, one torque wrench, one tool box, and several spools of wire. Also found was a fully equipped tool box that Carnegie Body Company in Cleveland, one of Kosmata's vendors, had awarded him as a "door prize." We were unable to determine the value of these items because most of them were used.

We also confirmed that Kosmata misappropriated a new ODOT plasma cutter, a tool used to cut steel and other metal, after learning that one of his vendors, Craig L. Gorsuch, the president of West Shore New Holland Inc. ("West Shore") in North Ridgeville, was looking to purchase one in 2004. In an effort to drive up the price on Gorsuch, Kosmata obtained a bogus quote from his friend and ODOT vendor, Kent Winter, and submitted it to Gorsuch. Kosmata then informed Gorsuch that he could obtain a plasma cutter for him at a cheaper price. Aware that no stock receiving ticket had been created for the ODOT plasma cutter and that the tool had not been entered into the FARS inventory system and thus could not be tracked, Kosmata took the plasma cutter and sold it to Gorsuch for \$2,864.

An examination of Kosmata's ODOT computer revealed that he spent vast amounts of time shopping for boat parts, fishing lures and marine paraphernalia on state time. In an

effort to pass some of the costs of his hobby on to ODOT, Kosmata in 2005 asked Edward J. Wigdalski, the owner of Turney Auto Parts (“Turney”) in Garfield Heights, to order him \$1,230 in parts from a marine vendor. The parts were then shipped to Turney, which billed them to ODOT. At the time, Kosmata’s Equipment division was one of Turney’s most lucrative accounts, buying between \$40,000 and \$45,000 in parts per year from Turney. We found that as a further benefit, Wigdalski gave good-customer discounts to Kosmata and three of his deputies on all items they bought from Turney for personal use.

We also note that an equipment inventory completed by Kratochvil’s and Kosmata’s successors at District 12 earlier this year resulted in the discovery of six marine filters; a case of racing motor oil suitable for older-model boat motors; a pair of 55-gallon drums of heavy-duty cleaner, used to clean boats; and part of a boat radar. The inventory also produced a fuel filter to a Cadillac Catera, a vehicle that has never been part of ODOT’s fleet.

As part of this investigation, we also reviewed payroll and leave requests for Kosmata to determine whether he was operating his charter fishing service or otherwise socializing while being paid by ODOT. We determined that he improperly collected a total of \$2,546.72 in state pay on the following dates:

DATE	PAY TYPE	AMOUNT PAID	EVENT
9/28/06	Bereavement leave	\$318.30	Fishing w/ vendor
9/21/06	Bereavement leave	\$318.30	Fishing w/ vendor
9/23/04	Regular pay	\$297.20	Fishing w/ vendor
6/23/04	Regular pay	\$297.20	Fishing w/ vendor
10/9/03	Sick leave	\$297.20	Fishing w/ vendor
6/19/03	Regular pay	\$297.20	Fishing w/ vendor
2/12/03	Regular pay	\$237.76	Hunting w/ vendor
2/7/02	Regular pay	\$228.56	Hunting w/ vendor
8/24/00	Regular pay	\$255.00	Fishing w/ vendor

In addition to collecting state pay at times when they were socializing with strippers and vendors, Kratochvil and Kosmata used ODOT employees as laborers on personal projects on state time. Employees sanded and painted wrought iron lawn furniture for Kratochvil in the ODOT garage; worked on a furnace at the home of Kosmata's mother; and snaked drains at one of Kratochvil's rental properties.

Some of these employees have been financially indebted to Kratochvil and have remained loyal to him. As a consequence, they were evasive and disinclined to provide information to us when questioned. One of the employees, maintenance worker James F. Thomas, received thousands of dollars in payments from Kratochvil for work that he did for Kratochvil's home-remodeling company, Brenden Builders. We note that most of the work was done on properties owned by Hartory.

Kratochvil also allowed his wife, Chagrin Falls attorney Nancy H. Rogoff, to misuse state property by permitting her to use his ODOT laptop. A search of Kratochvil's computer revealed that Rogoff, who served as an assistant Ohio attorney general from 1988 to 1996, used the computer to write and store documents for her law practice. The search further revealed that Rogoff benefitted from her husband's improper relationships with vendors by doing legal work for Gorsuch. We learned later that Rogoff also did legal work for Hartory.

Time and again during this investigation, Kratochvil's and Kosmata's supervisors at District 12 said they were unaware that such widespread misconduct had occurred under their noses. This obliviousness is perhaps best illustrated by a discovery we made after Kratochvil's and Kosmata's departure: a workout/break room that ODOT garage employees had constructed in 1994 in the building that houses Facilities and the Garage. All of the carpentry and flooring, along with the plumbing for a new restroom, were done at Kratochvil's instruction by ODOT employees on state time. The finishing touch was the installation of a universal gym that Kratochvil bought from a bartender at Cleveland's PM.

District 12 management did not know this room existed until August 2007.

Accordingly, we find reasonable cause to believe wrongful acts and omissions occurred in these instances.

Allegation 2: ODOT employees operated private companies that did business with vendors over whom they had purchasing authority.

Trolling for vendor dollars -- Kosmata's T.D. Sportfishing Charters

The centerpiece of Kosmata's improper associations with vendors was T.D. Sportfishing Charters ("T.D. Sportfishing"), a Lake Erie charter fishing service that he operated out of his Garfield Heights home. Almost all of T.D. Sportfishing's customers were ODOT vendors over whom either Kosmata or Kratochvil had purchasing authority. As such, fishing with T.D. Sportfishing became part of the vendors' marketing plan; as long as Kosmata gave them ODOT business, they gave him business in return.

Our early discovery of this quid pro quo relationship came on the day that Kosmata was escorted from his office. As he was exiting the building, he grabbed a large accordion binder from his office, but was told that it would have to stay. A search of the binder revealed that it contained dozens of T.D. Sportfishing invoices, every one of them made out to an ODOT vendor. Many of them had been sent to the vendors via ODOT fax machines.

In the following months, we issued subpoenas to 33 vendors that had done business with ODOT through Kratochvil or Kosmata between 1998 and 2007. Combined with records seized from Kosmata's office and home, the documents we obtained showed that Kosmata's charter service was supported almost exclusively by vendors over whom either he or Kratochvil had purchasing authority.

We found that 27 of the 33 vendors booked charter fishing trips with T.D. Sportfishing between 1998 and 2007 (Exhibit C). We were able to establish the value of 224 of these trips, for which vendors paid a total of \$119,627, based on recovered invoices and payment information provided in the subpoenaed responses. The average cost per trip was \$534. Trips included both perch and walleye outings, which have substantially different costs based on fuel consumption. Our calculation also included tips and other side charges, where known.

Other records, including Kosmata's calendars from 1998 to 2007, identified 256 other fishing trips with vendors during those years. Using the most conservative estimate of \$420 – the cost of Kosmata's least-expensive perch trip, with no tips or other costs included – we calculated that Kosmata was paid another \$107,520 by ODOT vendors. For select vendors, Kosmata also offered "executive" charters that included dancers from area strip clubs.

Interviews with ODOT vendors did not establish that Kosmata promised vendors more business if they booked charters with T.D. Sportfishing or that he threatened to take business away from them if they did not. Nevertheless, it is unquestioned that Kosmata exerted subtle pressure by repeatedly asking vendors if they wanted to book trips and notifying them of available dates. In doing so, he inextricably linked his private business interests with his public duties and used his office to enrich himself.

Most of the vendors we interviewed told us they booked trips with Kosmata because he was a good fisherman, but they also acknowledged that putting money in the pockets of the official who determined how much business they obtained from ODOT made good business sense. "I would be stupid if I *didn't* use him," Nozzle New President Philip Marek told us. Other vendors, grateful that business Kosmata gave them enabled them to land lucrative distributorships, helped Kosmata secure dozens of charter fishing bookings with Enpac Corporation ("Enpac"), the Alamo Group Inc. ("Alamo") and other manufacturers.

Because both Kosmata and Kratochvil socialized extensively with ODOT vendors, we found that Kratochvil was a willing ally in Kosmata's quest to fill his T.D. Sportfishing calendar with vendor bookings. Kratochvil kept a large supply of T.D. Sportfishing business cards in his office, and seven of his customers were regular fishing clients of Kosmata's. An avid fisherman himself, Kratochvil went on several T.D. Sportfishing trips, claiming to us, falsely, that he merely served as Kosmata's uncompensated first mate.

Home improvements for vendors – Kratochvil's Brenden Builders

Brenden Builders Inc. ("Brenden") is a small construction firm that Kratochvil and Rogoff jointly operated out of their home. Among its many questionable transactions is \$33,366 in business that Brenden did with Gorsuch while Gorsuch's company, West Shore, was selling tractors and other large equipment to ODOT. Work that Brenden did for Gorsuch included improvements at West Shore's office in North Ridgeville and at a residence Gorsuch maintained in Berea. As our report later explains, Gorsuch in turn provided Kratochvil with gratuities. We also found that Brenden did a substantial amount of business with Hartory.

Gorsuch directed work to Kratochvil in anticipation that it would strengthen his relationship with Kosmata. The two ODOT officials were widely seen by ODOT vendors as inseparable, and many vendors deemed it beneficial to have relationships with both men.

We also note that in one of the transactions with Gorsuch, Kratochvil issued Gorsuch a phony invoice, billing West Shore \$1,078 for a roofing job in 1999. In fact, Gorsuch's payment to Kratochvil was for a Benelli 12-gauge shotgun that Kratochvil wanted to be reflected as a business expense.

Accordingly, we find reasonable cause to believe wrongful acts and omissions occurred in these instances.

Allegation 3: ODOT employees solicited and accepted gratuities from vendors over whom they had purchasing authority.

Interviews and evidence obtained during this investigation confirmed that Kratochvil, Kosmata and Kosmata's top purchasing official, Horrigan, displayed insatiable appetites in their pursuit of gratuities from ODOT vendors (Exhibits D, E and F). In turn, we found that vendors were more than willing to shower the trio with gifts and money in order to remain in their good graces and ensure future business from ODOT for their companies.

Gratuities provided by North Shore Commercial Door Company

While investigating the original allegation in this case that O'Donnell had taken Kratochvil fishing on Lake Erie, we learned that O'Donnell actually had taken Kratochvil, Kosmata and other ODOT vendors on boating trips with strippers. We also learned that O'Donnell and North Shore Door had provided Kratochvil with other gratuities.

Our investigation confirmed that, in exchange for more than \$660,000 in business that Kratochvil gave to him, O'Donnell annually contributed hundreds of dollars in cash to Kratochvil's Christmas parties at Cleveland's PM and the Crazy Horse. O'Donnell also gave Kratochvil \$800 in cash as partial payment for furniture that Kratochvil had bought for a stripper at the Kronheim Furniture Company in Cleveland.

We further learned that Kratochvil and Kosmata received price breaks from O'Donnell on the purchase and installation of garage doors. North Shore Door sold and installed two garage doors at Kratochvil's home in 2000 for \$1,280 and later provided Kratochvil with a free service call. The company sold and installed a garage door for \$300 at the home of Kosmata's mother in Garfield Heights in 1999, waiving tax and labor charges. In 1999, North Shore Door also sold and installed a garage door at the home of District 12 employee Thomasine Ferrante in Mentor. Ferrante, who formerly worked for Kratochvil

and is now District 12's Prevailing Wage Coordinator, paid \$478.78 for the job. We were unable to determine whether she received a price break.

In addition, O'Donnell further ingratiated himself with Kratochvil by helping his son, Dennis B. Kratochvil, obtain a discount on the sale of six garage doors and operators from the Overhead Door Corporation. The doors were installed in 2006 at the junior Kratochvil's business, DeBord Plumbing, Heating & Cooling ("DeBord") in Chardon, by O'Donnell's employees, using North Shore Door vehicles and equipment. Kratochvil's son paid the installers \$1,800.

Gratuities provided by Lake Truck Sales & Service and Jones Equipment Company

As we detail later in this report, Kosmata and Horrigan steered more than \$1.4 million in business to Lake Truck Sales & Service Inc. ("Lake Truck"), Jones Equipment Company ("Jones Equipment") and JEL Idealease Inc. ("JEL"), a trio of companies that operate at the same address on Richmond Street in Painesville. The three companies are controlled by Robert E. Jones Jr. We found that Kosmata and Horrigan agreed to drive business to Jones, with Kosmata issuing the orders and Horrigan carrying them out.

In exchange for Horrigan's assistance in rigging bids to benefit his companies, Jones provided Horrigan with \$25,690.77 in gratuities between March 2004 and November 2007. At Horrigan's behest, Jones attempted to legitimize these payments by issuing bogus Lake Truck invoices to Landmark Contractor Services Inc. ("LCS"), a home-foreclosure business that Horrigan and his wife operate out of their home in Northfield Center. Each of the invoices indicated that LCS was being paid for cleaning up debris and removing scrap metal and truck parts from Lake Truck's property. In fact, we found that no work was performed.

In September 2006, Horrigan bought a corporate membership for LCS at the Stone Water Golf Club in Highland Heights, paying a \$2,500 initiation fee and identifying Jones as a designated member. Thereafter, Jones began issuing fictitious invoices to LCS for \$480

for “monthly maintenance” at Lake Truck. We determined that neither Horrigan nor LCS performed any work for this money and that Horrigan used the payments to cover his \$442-a-month dues at StoneWater.

Records obtained during a search of Lake Truck also revealed other gratuities that Jones provided to Horrigan: a \$380.77 one-night stay at the Cleveland Marriott Downtown in 2004; a \$250 donation to a men’s hockey league that Horrigan managed; and a \$200 donation in the name of Horrigan’s daughter to help sponsor a gymnastics meet. We also found receipts showing that Jones made \$1,500 in donations to the North Coast Charter Boat Association, which Kosmata formerly headed, and that Jones has provided free boat storage for Kosmata’s fishing boat from 2004 to 2008. The boat, currently in dry dock, sits on Jones’ property.

Lake Truck and Jones Equipment were among Kosmata’s most loyal customers, booking a combined 41 charters with T.D. Sportfishing between 1998 and 2007. On nearly all of those trips, Jones filled Kosmata’s boat with local public officials and employees from cities and townships in Northeast Ohio with which the two firms do business. Lake Truck and Jones Equipment business records also show that, on several occasions, the companies provided party trays from a Parma delicatessen to public officials with whom they were doing business. We are referring these matters to the Ohio Ethics Commission.

Gratuities provided by Enpac Corporation and Advanced Gas & Welding

Enpac LLC, formerly Enpac Corporation, is a manufacturer of spill-prevention and containment products based in Eastlake. Enpac does no business with ODOT. One of Enpac’s distributors is Advanced Gas & Welding Solutions (“Advanced Gas”), which is located one mile from Enpac in Eastlake. Advanced Gas was one of Kosmata’s preferred vendors and sold Enpac-manufactured oil-dry compounds and other products and services to ODOT.

Because it was important to Enpac to make its distributor, Advanced Gas, successful, Enpac officials made a business decision to entertain Kosmata and book fishing trips with T.D. Sportfishing. Beginning in 2002, the year that Advanced Gas began doing business with District 12, representatives of Enpac and Advanced Gas also began taking Kosmata and Kratochvil on mid-winter "Kill-It-And-Grill-It" hunting trips to game ranches in Texas. Attendees at the first hunt in February 2002 included Advanced Gas co-owner James Mikus; Enpac officials Christian D. Hilty and Scott R. Janda; Kratochvil's son; and Kratochvil's nephew, Chet V. Pogonowski. Hilty paid Kosmata's and Kratochvil's \$235-per-person airfare and also picked up the cost of groceries. The lease property on which the men hunted was provided by an Enpac customer in Pasadena, Texas, who also organized cross-border visits for Kratochvil and Kosmata on both nights to a Mexican brothel.

Hilty and Mikus sponsored a second Texas hunt in February 2003, paying Kosmata's and Kratochvil's airfare to San Antonio and picking up tabs for lodging, car rental and food. We were able to document \$1,509 in expenditures by Hilty for this hunt.

The following year, Kosmata and Hilty hatched a plot to defraud ODOT in order to pay Kosmata's expenses for a trip to Seward, Alaska, to join Hilty and Enpac's West Coast representative, Pat Gothro, at a salmon fishing tournament in August 2004. Thereafter, Kosmata instructed Hilty to issue three fictitious invoices to ODOT for deliveries of the oil absorbents Stardust and Starpower – one on March 10, 2004 (\$984), one on April 16, 2004 (\$928) and one on July 20, 2004 (\$928). ODOT paid the invoices – totaling \$2,840 – but received no product in return. Hilty later was fired by Enpac after his superiors discovered the fraudulent billings. Enpac also disallowed \$3,820 in expenses that Hilty and Kosmata accrued on the Alaska trip.

Kosmata's decision to split the fictitious purchases and bill ODOT for the two oil-dry compounds illustrates a recurrent practice that we encountered during this investigation. By keeping each purchase under \$1,000, Kosmata was able to circumvent ODOT's

requirement that he obtain competitive quotes. He also chose Stardust and Starpower as the vehicles for this fraud because they are consumable goods and difficult to track.

Gratuities provided by West Shore New Holland and the Alamo Group

Alamo is a large manufacturer of tractors and mowing and snow-removal equipment in Seguin, Texas. The company does no business with ODOT. West Shore is one of Alamo's distributors. West Shore was one of Kosmata's preferred vendors and sold Alamo equipment and parts to ODOT.

In an effort to impress Alamo and demonstrate that he could land a large state client, ODOT, Gorsuch convinced Alamo officials to help finance two trips for Kosmata to visit Alamo's Texas headquarters. As part of the itinerary for both visits, West Shore and Alamo scheduled and paid for hunting trips for Kosmata at area hunting preserves.

In both January 2004 and January 2005, West Shore and Alamo paid Kosmata's expenses to fly to Texas to hunt at the Diamond Half and Halff Brothers game ranches. Receipts for these trips show that Alamo picked up the combined cost of \$2,200 for the two hunts and that Gorsuch paid another \$1,810 in expenses for himself and Kosmata. Gorsuch also bought Kosmata a new rifle for each hunt.

We found that Gorsuch also provided gratuities to Kratochvil, including paying for Kratochvil to attend banquets held by the Woods and Waters Club of Northern Ohio in 2000 (\$110), 2001 (\$500) and 2004 (\$400). Gorsuch and Kratochvil are former club officers.

Gratuities provided by Winter Equipment Company

As we outline in more detail later in this report, Kosmata maintained a close friendship with Winter Equipment President Kent Winter and was instrumental in helping Winter

land an exclusive contract to sell a specially designed snowplow blade guard to ODOT districts throughout Ohio.

In March 2005, Winter financed a trip to Las Vegas for both Kosmata and Kratochvil to attend the annual CONEXPO-CON/AGG convention, put on by the construction and power-transmission industries. Winter's expenses for the trip totaled \$3,994 and included accommodations for the men at the Bellagio Hotel and Casino and dinner at Smith & Wollensky. Winter claimed that these expenditures were justified because Kosmata was "a dear friend of mine" and that, as a successful private businessman, he made more money than Kosmata and could afford luxuries that Kosmata could not.

Gratuities provided by Custom Clutch, Joint & Hydraulics

Custom Clutch, Joint & Hydraulics Inc. ("Custom Clutch") is a distributor and fabricator of clutches and driveshafts in Cleveland. The company was one of Kosmata's preferred vendors and his most lucrative fishing client, booking 65 trips with T.D. Sportfishing between 1998 and 2007. ODOT payment records indicate that Custom Clutch has done business with all 12 ODOT districts since 1998, but that the bulk of that business, \$173,000, has been with Kosmata at District 12.

Between 1999 and 2003, Kosmata accepted nine, all-expenses-paid pheasant hunting trips to the Wooster Hunt Club from John Myers, the former sales manager at Custom Clutch. Myers' expense reports show total expenses of \$3,649 on Kosmata's behalf for the trips.

Gratuities provided by Southeastern Equipment Company

Southeastern Equipment Company Inc. ("Southeastern") sells and rents new and used construction equipment. The North Canton firm does in excess of \$2 million a year in business with ODOT and has done more than \$21 million in business with the agency since 1998. As the equipment superintendent in District 12, Kosmata had purchasing

authority involving the sales of Southeastern equipment. As his counterpart in District 4 in Akron, Ronald J. Milliron had similar authority involving purchases of Southeastern equipment.

We found that between February 1999 and August 2007, Southeastern representatives Chris Kurz, Chip Cropper and others bought meals for Kosmata, Milliron and other ODOT personnel on 138 separate occasions. While the dollar value for these meals was relatively modest individually, Southeastern expense records show that the company expended a total of \$4,003.95 in meals that were provided to ODOT personnel. We calculated that Kosmata and Milliron were the primary beneficiaries, with Kosmata consuming 29 meals valued at \$502.41 and Milliron consuming 32 meals valued at \$335.52.

We also found that numerous other ODOT personnel in districts 12, 4, 2 (Bowling Green) and 11 (New Philadelphia) accepted free meals from Southeastern, including the equipment superintendents in District 2, Dennis Boyle, and District 11, Howard Carpenter. Between 1998 and 2008, districts 11 (\$2.7 million) and 2 (\$2.4 million) did more business with Southeastern than any other ODOT district offices. During that period, District 12 did \$1.2 million in business with Southeastern; District 4 did \$834,000.

Gratuities provided by Best Equipment Company

Best Equipment Company (“Best”) is an environmental contractor with offices in North Royalton and Indianapolis. In addition to being an ODOT vendor, Best does business with municipalities throughout Northern Ohio. In 2003, the year after the company began booking fishing trips with T.D. Sportfishing, Best also began doing business with District 12. Since then, Best has done nearly \$500,000 in business with the district.

Best chartered fishing trips with T.D. Sportfishing for the benefit of its municipal customers. Attendees at these outings, for which Best has paid a total of \$8,636, have

included sanitation, wastewater and environmental services officials from the Northeast Ohio Regional Sewer District and the cities of Wadsworth, Hudson, Middleburg Heights, Warren, Bowling Green and North Royalton. Because these trips were hosted by a vendor who was doing, or sought to do, business with local public employees and the fishing trips provided the officials with a tangible benefit, we have referred this matter to the Ohio Ethics Commission.

Other gratuities

We also confirmed that ODOT vendors Thomas N. Eichele of Eichco International (“Eichco”) in Eastlake and Jeffrey G. Bauer of Bauer Mechanical performed the following free or discounted work:

- In the summer of 2006, Eichele installed a new electrical panel in Kosmata’s home for no charge, saving Kosmata approximately \$600.
- In February 2006, Kratochvil hired Bauer to service his boiler. Bauer gave Kratochvil a 10 percent discount. Kratochvil paid Bauer \$376.25 for the job.
- In 2005, Bauer gave Kosmata a \$200 discount on a \$2,100 furnace that Kosmata purchased for his home.

Kratochvil also hired Nozzle New in June 2005 to do some trenching work at his home, even though the company does not do residential work of this nature. Payment records show that Rogoff, Kratochvil’s wife, paid Nozzle New \$510 for the job. Although we were unable to determine whether that sum represents fair-market value for the work, Kratochvil had purchasing authority over Nozzle New and the arrangement clearly was improper.

Accordingly, we find reasonable cause to believe wrongful acts and omissions occurred in these instances.

Allegation 4: ODOT employees rigged bids, altered documents and steered contracts to preferred vendors.

Plowing under the competition – Winter Equipment Company’s ODOT windfall

On May 30, 1989, Kent Winter obtained a patent⁴ from the U.S. Patent and Trademark Office for a design for snowplow blade guards that would both extend a blade’s cutting edge and increase the life span of the blade. Winter later that year incorporated Winter Equipment and convinced Kosmata to allow District 12 to provide free Research & Development assistance to his fledgling business by testing the blade guards on ODOT snowplows. Winter Equipment began doing business with nine of ODOT’s 12 districts – including Kosmata’s District 12 office – in 1992.

In 1994, Timothy M. Nosco, a former employee of Winter’s, incorporated Tiger Paws Inc. (“Tiger Paws”). That year, Tiger Paws was the low bidder against Winter Equipment on two snowplow blade guard contracts. The competition from, and perceived disloyalty of, a former employee angered Winter, who convinced Kosmata and Thomas C. Short, ODOT’s Purchasing Coordinator in the Office of Contracts in Columbus, that Nosco was untrustworthy and that Tiger Paws was selling ODOT an inferior product. As a consequence, the three men collectively embarked on a campaign to ensure that Tiger Paws would not be able to compete with Winter Equipment for ODOT’s business.

After Tiger Paws won the two snowplow blade guard contracts in 1994, Winter provided Kosmata with spurious justifications to reject the Tiger Paws guards for allegedly failing to meet contract specifications. Eventually, Kosmata agreed to keep 100 guards and return 100 guards to Tiger Paws after claiming that the snowfall in Northeast Ohio had been mild and ODOT did not need the surplus guards.

⁴ <http://patft.uspto.gov/netacgi/nph-Parser?Sect1=PTO1&Sect2=HITOFF&d=PALL&p=1&u=%2Fnetacgi%2FPTO%2Fsrchnum.htm&r=1&f=G&l=50&s1=4833801.PN.&OS=PN/4833801&RS=PN/4833801>

In the following years, Short, at Winter's request, began inserting into ODOT's bid requirements language that was calculated to impede Tiger Paws' ability to win the contract and steer ODOT's snowplow blade guard business to Winter Equipment. Those actions included adding a superfluous "military specification" that Short knew only Winter Equipment could meet. Short also cut the delivery time for blade guards from 30 days to 10 days and required all bidders to have on-hand quantities of guards in stock, knowing that Tiger Paws could not meet either standard. Short further impeded Tiger Paws' ability to win an ODOT contract by requiring bidders to submit an "all-or-none" bid on the four snowplow blade guards ODOT sought to buy. Short knew the latter stipulation would eliminate Tiger Paws as a bidder because Winter Equipment held a patent on two of the four guards, making competition impossible. Therefore, mandating an all-or-none bid prohibited Tiger Paws from bidding because the company could not bid on the guards on which Winter Equipment held a patent.

Documents and interviews demonstrate that the net effect of these actions eliminated Tiger Paws as a bidder and cleared the field for Winter Equipment. Since 1998, no other vendor has competed with Winter Equipment for ODOT's snowplow blade guard business, which in turn has allowed Winter Equipment to increase its prices and drive up the cost of its snowplow blade guards. During that time, Winter Equipment has done \$3.1 million in business with ODOT, with \$1.07 million of those sales going to District 12.

Short retired from ODOT in March 2006 as a result of a medical disability. Homebound and unable to find work, he called Winter in the summer of 2006 and inquired about the possibility of doing phone work for the company while continuing to live in Fairfield County. Winter informed Short that he was restructuring his company and might be able to hire him. He later informed Short that he had no position available.

Our investigation found that Winter gave \$50 gift certificates from the Honeybaked Ham Company to Short as Christmas gifts in 2000, 2001, 2002 and 2006. Kosmata also received these gift certificates from Winter.

We asked ODOT to perform an audit of Winter Equipment's sales to District 12. That audit revealed another disturbing pattern. Invoices from Winter Equipment indicate that, between 2003 and 2007, District 12 bought 4,727 plow guards. However, only 4,423 of those guards were received into the EMS inventory system. This represents a shortage of 304 guards, valued at \$30,896. The audit further found that the only year that District 12 was able to account for all of its plow guard purchases was 2007, the year we began our investigation. We have been unable to account for the missing 304 plow guards.

We also asked the ODOT auditor to contrast District 12's plow guard purchases between 2003 and 2007 from Winter Equipment with plow guard purchases from Winter Equipment by ODOT districts 2 and 4 during that five-year span. That analysis found that the two districts bought a combined 4,029 guards from Winter Equipment. All of them were received into EMS, the ODOT inventory system.

Falsifying bids to benefit Lake Truck, Jones Equipment and JEL Idealease

At our request, ODOT performed an audit of all sales to District 12 by Lake Truck and its subsidiaries, Jones Equipment and JEL. The audit revealed a suspicious pattern of bidding between July 2001 and December 2005 in which the same two bidders lost 20 consecutive bids to Lake Truck, Jones Equipment or JEL. It additionally found that the two losing bidders – Fab-Tech of Austinburg, Ohio, and Northeast Gledhill Truck Equipment Inc. (“Northeast Gledhill”) of Painesville – had done no business with ODOT.

Interviews we conducted with the former owner of Fab-Tech, Robert G. Luke III, and the owner of Northeast Gledhill, Brian T. Beury, confirmed that neither man had ever submitted a bid to District 12 and that all 40 of the bids submitted on behalf of Fab-Tech and Northeast Gledhill were bogus. In every case, we found, the company letterhead was falsified and the signature was forged. We also found that the signature of one of Jones' sisters, Patsy Cieska, was forged on one of the winning bids.

So crude was this scheme that Beury's name was misspelled "Buery" on all 20 of the phony Northeast Gledhill bids. In addition, all of the Fab-Tech bids were signed "Rob Luke," even though Luke signs all of his business correspondence using his full name – "Robert G. Luke III." We determined that Jones signed Luke's name on at least one of the Fab-Tech bids.

Records show that on 19 of the 20 bids, Horrigan was the ODOT employee who obtained the quotes. Our investigation determined that he did so at Kosmata's direction and that Kosmata further told Horrigan to ensure that the bids were won by Jones' companies. Kosmata and Horrigan steered the bids to the three firms in exchange for the business that they did with T.D. Sportfishing and the many gratuities that Jones provided to both men.

We further found that not only were the competitive bids doctored, but the bid prices for truck liftgates and other items were artificially inflated on all three quotes in all 20 of the sales in order to drive up the cost of the winning quote. As a result of these actions, ODOT paid a total of \$196,522.12 on the 20 sales to Jones' companies.

Falsifying bids to benefit Traditional Building Systems

As we discussed earlier, Kratochvil maintained a close personal friendship with Hartory. Records we obtained show that Hartory did extensive business with Kratochvil's firm, Brenden Builders, as well as with DeBord, the plumbing firm owned by Kratochvil's son.

In exchange for this business, Kratochvil used his office to drive business to TBS by providing Hartory with a personal testimonial for TBS' web site. The testimonial ends: "Overall, I look forward to working with Traditional Bldg. Systems and its owners for many years to come. Dennis Kratochvil, Facilities Manager, ODOT District 12." We note that other testimonials on TBS' web site were provided by school district officials in Northeast Ohio with whom TBS does business. These same officials attended at least one of Hartory's stripper golf outings at Fowler's Mill.

More significantly, Kratochvil helped Hartory land agreements to install and service a proprietary HVAC system at District 12 headquarters in Garfield Heights and at ODOT's Painesville and Burton yards. Since 1997, ODOT has paid TBS and two TBS subsidiaries, Knight Mechanical Inc. ("Knight") and All-Controls Corporation ("All-Controls"), more than \$420,000. Of that sum, \$344,000 was solely for service calls. The three firms share the same CEO, Hartory, and the same Mentor address.

Hartory's company, TBS, has exclusive rights in Northeast Ohio to service the Teletrol climate-control system that District 12 had installed. In February 2008, frustrated by chronic problems with the Teletrol HVAC system and dissatisfied with TBS' performance, District 12 officials implored Teletrol to dispatch its dealer in Northwest Ohio, Direct Digital Corporation in Bowling Green, to assess their HVAC system. That analysis by Direct Digital President Will Oswald identified a host of problems, including poor system design and faulty equipment wiring and installation. Oswald also informed us that he had been asked to assess substandard Teletrol systems that TBS had installed and serviced at Cleveland's 3rd District Police Station and at the Beachwood Public Schools. In all three cases, Oswald told us, he found improper grounding and other "basic Electric 101 stuff that didn't get done." Oswald went on to make this observation about ODOT's Teletrol system: "Since the site's computer does not contain the necessary integrator controller files to keep the system operational, the site is currently dependent on support from the vendor. This may very well be the vendor's original intent and explains why the job is in such poor condition, thus requiring extensive service and support."

Our investigation found that Kratochvil also steered business to TBS by seeking bogus competitive quotes from vendors who worked as subcontractors to Hartory or were the recipients of large personal loans from Hartory. Those vendors included Bauer, whose business, Bauer Mechanical, lost 22 bids that TBS won between 2003 and 2007. Great Lakes Mechanical Corporation ("Great Lakes"), a Cleveland firm for which Bauer worked as an estimator before incorporating Bauer Mechanical, submitted three other losing bids that TBS won.

Business records found on Hartory's computers show that Bauer and other vendors conspired to corrupt competitive bidding regulations by routinely sharing with Hartory the quotes they submitted to Kratochvil. Bauer did so, we found, because of his friendship with Kratochvil and Hartory, and because he was indebted to Kratochvil for hiring his new company for small ODOT jobs and to Hartory for hiring him as a subcontractor on other non-ODOT jobs. In 2004 and 2005 alone, Hartory's business records show that Bauer did subcontracting work for TBS totaling \$132,000.

We also found that Eichele shared ODOT bid information with Hartory while working as a TBS subcontractor. Hartory's business records show that Eichele was indebted to Hartory as a result of \$24,000 in loans that Hartory made to him in 2005. We also found an email on Kratochvil's ODOT computer in which Hartory attached a copy of Eichele's letterhead. Hartory and Eichele both claimed that Hartory had designed the letterhead for Eichele, but neither man could explain why it had been forwarded to Kratochvil.

In an interview in July 2007, Hartory acknowledged to us that he had a lock on all of the competitive bids that Kratochvil solicited for ODOT's Teletrol HVAC system because his competitors had to buy the Teletrol components from him. As a consequence, Hartory admitted, TBS could not lose the bids "unless someone wanted to lose money." We determined that the purpose of the sharing of bids between Hartory and his subcontractors was not to enable Hartory to win the bids, but to tell him how high he could bid.

Kratochvil corrupted ODOT's competitive-bid process to Hartory's advantage so thoroughly that he solicited bids from both TBS and its subsidiary, Knight, for the same services; obtained bids from both Great Lakes and its subsidiary, Tempest, on a contract won by TBS; and permitted TBS to exceed the \$50,000 State Controlling Board cap in 2006 and 2007 by allowing TBS' subsidiary, All-Controls, to bill ODOT for the excess work. When combined with All-Controls, TBS was permitted to exceed the \$50,000 cap by \$17,446.50 in 2006 and by \$10,228.97 in 2007, according to an ODOT audit.

These examples illustrate another practice that we encountered repeatedly during this investigation. Over and over, ODOT purchasing officials have permitted companies belonging to the same corporate family to bid against one another, reasoning that having separate tax identification numbers makes them separate entities for the purpose of complying with Ohio's competitive bidding statutes.

We sought an opinion from the Office of Budget and Management ("OBM"), which cited the following three-pronged test established by the Ohio Supreme Court⁵ to determine whether a parent company and its subsidiaries are functioning as a single entity for the purpose of bidding on a public contract: "The corporate form may be disregarded . . . when (1) control over the corporation by those held to be liable was so complete that the corporation has no separate mind, will, or existence of its own; (2) control over the corporation by those to be held liable is exercised in such a manner as to commit fraud or an illegal act against the person seeking to disregard the corporate entity, and (3) injury or unjust loss resulted to the plaintiff from such control and wrong."

The OBM opinion went on to say that if the parent company and its subsidiaries share the same executive officers, business address and conduct essentially the same business, and if those business relationships with the state culminate in more than \$50,000 worth of business in a fiscal year, the contracts may violate Ohio's competitive bidding statutes. Our investigation clearly identified a pattern of conduct by Kratochvil and Hartory to undermine the state's purchasing regulations.

Falsifying bids to benefit Advanced Gas & Welding Solutions

In 2003, Horrigan sought bids to service District 12's fire extinguishers. Although Advanced Gas does not do this type of work, the company had a subcontractor, Acquire Fire Protection Inc. ("Acquire Fire") of Middlefield, Ohio, which did service fire extinguishers.

⁵ See *Belevedere Condominium Unit Owner's Association v. R.E. Roark Cos. Inc.*, 67 Ohio St.3d 274 (1993).

In an effort to ensure that Advanced Gas won this contract, company President Michael T. Ripple Sr. instructed an employee to send Horrigan a note notifying Horrigan that ODOT would be receiving two bids. One bid indicated that Acquire Fire was bidding \$6.25 to test each of ODOT's pressure-type extinguishers and \$11 to test each cartridge-operated extinguisher. The other bid indicated that Advanced Gas was bidding \$5 and \$9.50, respectively. These two bids resulted in ODOT's award of the job to the "low" bidder, Advanced Gas, for \$2,572.58.

An Advanced Gas official attempted to legitimize this fraudulent bidding process by submitting a quote on Acquire Fire letterhead that included the forged signature of Acquire Fire President Randy Kaser. Further indication that the Kaser quote is fraudulent is the fact that the quote is dated January 9, 2003, at which time Acquire Fire was located in Chardon. The letterhead on the quote has the firm's current Middlefield address. Acquire Fire did not relocate to Middlefield until August 2003.

During an interview in May 2008, Ripple denied forging Kaser's signature but admitted to us that the bidding arrangement was fraudulent and that he had been "part of something that wasn't right."

Fraud involving North Shore Commercial Door Company

In exchange for gratuities provided by O'Donnell, Kratochvil rewarded North Shore Door by authorizing excessive labor charges, allowing North Shore Door to assess ODOT a fuel surcharge and bill for travel time, and by purchasing off-contract products.

An ODOT audit of work performed by North Shore Door during an 18-month period in 2006 and 2007 identified \$84,000 in questioned costs out of \$152,000 in business done during that time period. Most of those costs pertained to bulk labor rates that O'Donnell billed to ODOT as "labor per agreement," even though O'Donnell's contract specified a \$30-an-hour charge for labor. We also found invoices in which North Shore Door billed ODOT up to \$92 an hour for labor. Kratochvil approved all of these payments.

Perhaps the most flagrant, albeit comparatively modest, example of overbilling by North Shore Door was Kratochvil's request in 2006 that O'Donnell find him a large quantity of small window clips called glass keepers. Records show that O'Donnell bought 400 of these off-contract items for 75 cents apiece and then resold them to ODOT for \$2.78 per clip. After giving Kratochvil a "10 percent discount," O'Donnell billed ODOT \$1,000.80 for this transaction. Not only was the sale usurious, but Kratochvil failed to obtain a second bid as required by ODOT bidding regulations.

Falsifying bids for work already completed

Prior to his resignation, Kratochvil had a long history of failing to obtain and properly document competitive bids. Although QARs performed by ODOT's Office of Accounting repeatedly cited Kratochvil for this failure, no disciplinary action was taken against him. In fact, he continued to receive promotions and pay raises.

In May 2007, we interviewed Kratochvil under oath about two purchases he had made that had been flagged by the Office of Accounting. In both cases, the jobs exceeded \$2,500 and yet Kratochvil had authorized the work without obtaining the requisite three quotes. After being pressed by the vendors for payment, which ODOT's Office of Accounting in Columbus had withheld until Kratochvil forwarded the quotes, Kratochvil had obtained four quotes – two "losing" quotes for each job – for work that already had been completed. In one of the cases, the vendor had finished the job in March 2006 and Kratochvil had obtained the two "competitive" quotes in March 2007.

When questioned about the two purchases, Kratochvil initially denied to us that he had falsified the quotes in this manner. When we confronted him with documents, he relented, saying he had done so in order to obtain payment for the vendors. He provided no explanation for his conduct.

Our investigation of these two purchases, which totaled \$6,450.82, provided our initial entree to identifying the vast array of schemes that Kratochvil and ODOT vendors

employed to corrupt Ohio's competitive bidding statutes. A closer examination showed that two of the "losing" bids had been supplied by Hartory and Pogonowski, who we later learned was Kratochvil's nephew. The other two "losing" bids were supplied by Bauer. Pogonowski's signature on one of the losing bids, we later learned, had been forged. In addition, all of the quotes were supplied by vendors who socialized with Kratochvil, were indebted to him and were aware that Kratochvil was using their names and company letterheads to falsify records.

Cutting and pasting – Kratochvil's Juniper Hill job

Juniper Hill is a landscaped collection of bushes and flora that greets visitors at the entrance of District 12's sprawling campus just off Interstate 480 in Garfield Heights. In past years, the weeding and maintenance of Juniper Hill's beds has been performed both by vendors and by ODOT personnel.

During our search of Kratochvil's home on December 12, 2007, we found a large box of ODOT records in the attic of Kratochvil's garage. The records included a bid file from 2003 that Kratochvil had kept pertaining to the maintenance of Juniper Hill.

An examination of these records showed that each of the three bids – from YardSmart Inc., Rosa Landscaping and Wheeler Landscaping – had been altered. In each case, small strips of paper had been pasted over the original bids and a new bid had been typed in. On one of the bids, in a painstaking attempt to authenticate the document, the artist had applied tiny dots of ink to the overlay in an attempt to match the paper stock. The net effect of this cut-and-paste job was that all of the bid prices had been increased and YardSmart – previously the high bidder at \$5,578 – was now the low bidder at \$8,795 Exhibits (G and H). Payment records show that ODOT paid YardSmart the higher sum.

We interviewed the principals of all three firms and determined that all of the Rosa Landscaping and Wheeler Landscaping bids were fictitious. In both cases, the company letterheads were doctored and owners Joe Rosa and John Wheeler told us they had not submitted the bids. In the case of the Wheeler Landscaping bids, they were unsigned and

the letterhead was simply the business card of one of Wheeler's employees, which had been Xeroxed onto a blank sheet of paper.

Our investigation did not find that the owners of YardSmart were complicit in this convoluted scheme. Instead, we determined that the purpose of this fraud was to deceive ODOT's Office of Accounting in Columbus because Kratochvil had failed to get competitive bids for two successive years and wanted to obtain payment for already completed landscaping work. The doctored YardSmart bid for \$8,795 thus was a combined bill for two years for landscaping work that YardSmart had done on Juniper Hill.

Steering business to Pogonowski Plumbing

Chet Pogonowski served as Kratochvil's jack-of-all-trades, doing tuck-pointing, repairing motors and furnaces and taking on small electrical and roofing jobs for his uncle in addition to standard plumbing tasks. We found that Kratochvil bypassed competitive bid regulations for these jobs by ensuring that most of them were under \$1,000. Doing so also ensured that Pogonowski would receive payment quicker because Kratochvil could pay him using an ODOT credit card.

Between 2004 and 2007, Kratochvil steered \$71,750 in ODOT business to his nephew. Prior to opening his own business, Pogonowski had worked for Kratochvil's son at DeBord. Although we did not find that Kratochvil also steered business to his son, we did find one instance in which Kratochvil, needing two bids in October 2006 for work on a septic system, obtained quotes from both his nephew and his son. Kratochvil then awarded the \$1,954 job to Pogonowski.

Accordingly, we find reasonable cause to believe wrongful acts and omissions occurred in these instances.

Allegation 5: ODOT employees operated private companies that did business with ODOT.

Horrigan's Landmark Contractor Services

With the exception of Kratochvil, no ODOT employee we interviewed was more evasive and less truthful than Horrigan. Throughout two lengthy sworn interviews early in this investigation, he portrayed himself as a loyal employee who had been betrayed by his boss, Kosmata. He also told us that he expected to be promoted into the management position that Kosmata had vacated. In fact, we subsequently learned that, as Kosmata's top purchasing official, he was an integral part of this conspiracy and profited handsomely from it.

Unlike many other state agencies in Ohio, ODOT does not require employees to notify the agency if they have outside employment. Consequently, only a few agency personnel knew that Horrigan operated LCS, a home-foreclosure business, out of his home in Northfield Center; that LCS employed Joseph Jedrzejek, a fellow ODOT storekeeper who reported to Horrigan; and that Jedrzejek, at Horrigan's instruction, used his ODOT credit card to pay tens of thousands of dollars to LCS based on bogus and inflated invoices. Those who did know included Horrigan's two supervisors – Kosmata and Mark F. Svoboda, a longtime District 12 Transportation Manager who notarized the LCS business documents that Horrigan filed with the Ohio Secretary of State. Otherwise, employees in District 12's Fiscal Office did not flag any of these payments even though every one of the LCS invoices they approved for payment had Horrigan's home address at the top of the document.

Between February 2001 and April 2006, we found, Jedrzejek and Storekeeper Nathaniel Early, who also reported to Horrigan, made 92 purchases from LCS on their ODOT credit cards totaling \$43,671. These sales included seat-recovering work that Horrigan subcontracted to another vendor and then added a surcharge, as well as pager-carrying cases that Horrigan bought from Big Lots for \$38.34 and then resold to ODOT for \$95.92

– a 150 percent profit. We calculated \$2,134 in such markups. Asked by ODOT’s Chief Investigator on the day he was placed on leave why he used Jedrzejek’s ODOT credit card instead of his own ODOT credit card, Horrigan responded: “Well, I just thought because it was my own company, it would be a conflict of interest.”

The centerpiece of Horrigan’s scheme was \$13,972 in fictitious LCS sales to ODOT for Tiger Sorb and Cheetah Sorb, two oil absorbents. In fact, we found that LCS delivered no product to ODOT whatsoever. In an attempt to cover up this fraud and obstruct our investigation, Horrigan asked a business acquaintance, Doug Rocco, the owner of Aetna A-1 Auto Wrecking (“Aetna A-1”) in Cleveland, to create 23 phony invoices. Spanning the years 2001 to 2005, the invoices were intended to prove that Rocco, in a barter arrangement, had traded Horrigan large quantities of hydraulic oil and motor oil in exchange for allowing Rocco to recover scrapped vehicles on foreclosed properties that LCS managed. Horrigan, through his attorney, then provided the Aetna A-1 invoices to us, claiming that, instead of selling oil-dry compounds to ODOT, he had substituted hydraulic oil and motor oil of equal value. In fact, ODOT received nothing.

Werman’s Custom Powder Coating

In the course of investigating Horrigan’s business dealings with ODOT through LCS, we learned that a second employee who worked under Kosmata, auto technician William P. Werman, also had done a substantial amount of business with ODOT. Werman co-owns Custom Powder Coating Inc. (“Custom Powder”), a Brooklyn firm that utilizes a process known as powder coating in which a dry powder is electrostatically applied to create a hard finish. ODOT employs powder coating to extend the life of oil pans and other vehicle parts.

Between December 1999 and September 2006, District 12 made 77 purchases of powder coating services from Werman’s company totaling \$31,512. Of this amount, \$3,070 was billed to ODOT through LCS in 2001. Horrigan added surcharges totaling \$640 and rebilled ODOT \$3,710 for Werman’s services.

This arrangement existed due to the fact that LCS had a credit-card reader in 2001 and Werman's company did not. Subsequently, Werman obtained a credit-card reader and began billing ODOT directly. These sales were made using the credit cards of ODOT employees Horrigan, Early, David Pasenow and Tony Panka. All of the sales, we found, were made with the knowledge and approval of Werman's supervisors – Kosmata, Svoboda and Horrigan.

Concerned that Werman's direct sales to ODOT might be viewed as improper, Horrigan instructed Werman in October 2006 to begin billing his powder coating services through Servco Products Inc. ("Servco"), an ODOT-certified Minority Business Enterprise ("MBE").⁶ Thereafter, Servco simply acted as a pass-through on the powder coating, adding a 10 percent surcharge – the legally permissible cap under ODOT's MBE regulations – to Werman's work. This arrangement continued until June 2007, shortly after this investigation commenced.

Accordingly, we find reasonable cause to believe wrongful acts and omissions occurred in these instances.

Allegation 6: ODOT employees and vendors obstructed the investigation by altering documents, providing false and misleading testimony under oath and coaching witnesses to evade and provide false testimony to investigators.

In the course of this investigation, numerous current and former ODOT employees and vendors provided false and misleading sworn statements when questioned about contract steering, bid-rigging, forgeries and the gratuities they gave or received. Those people include former ODOT employees Kratochvil, Horrigan, Joseph Jedrzejek and Ronald Milliron, and ODOT vendors Hartory, Jones, Thomas Eichele and Michael Ripple.

⁶ Ohio law requires that 15 percent of state agencies' eligible purchases be made from certified MBEs.

Among these people, Kratochvil went to the most extraordinary lengths to impede our investigation. He counseled three witnesses to lie to investigators and paid stripper Tania Mistur not to show up for work after he learned that investigators were searching for her. Kratochvil also attempted to thwart a forensic analysis of his handwriting by altering his writing style after agreeing to a handwriting exemplar. He later boasted to a witness that he had “beat the test.”

Kosmata also tried to obstruct our investigation by asking Hilty to inform us that Kosmata had reimbursed Hilty in cash for the Alaska fishing trip in 2004. Kosmata also asked another vendor to white out fax numbers on T.D. Sportfishing invoices that he had sent from ODOT fax machines.

The latter action prompted Director Beasley to place both men on immediate administrative leave. Subsequent searches of Kratochvil’s and Kosmata’s offices provided early indication that both men were deeply involved in a massive and long-running scheme to defraud ODOT.

Accordingly, we find reasonable cause to believe wrongful acts and omissions occurred in these instances.

IV. OTHER MATTERS

While searching Kratochvil’s home, the Patrol found a large number of hunting rifles, handguns and other weaponry that included a Ruger semiautomatic pistol with a handmade silencer. Because Kratochvil is not licensed to possess a silencer, we are referring this matter to the Cuyahoga County Prosecutor’s Office.

V. CONCLUSION

For at least the last decade, ODOT District 12 has been riddled with ethical failures, improper relationships, debauchery and raw criminality. One of the ironies of this case is

the fact that, despite these failings, District 12 was widely viewed as ODOT's Crown Jewel during the administration of former Director Gordon Proctor. In 2005, District 12 won a highly coveted platinum-level award for organizational excellence from the Ohio Partnership for Excellence, a rare accomplishment for a state agency. In 2007, the Partnership again singled out District 12 for recognition by awarding it the Executive Director's Special Distinction Award for "ongoing commitment to excellence."

Although seven District 12 employees have resigned or been fired, it would be inaccurate to conclude that ODOT has cleaned house. During this investigation, we found other District 12 employees to be hostile, uncooperative or willfully ignorant of the misconduct that occurred in their midst. Director Beasley and Bonnie Teeuwen, District 12's capable Deputy Director, already have done much, but they have more work to do to change the culture of corruption that permeated District 12's Equipment and Facilities divisions.

We have identified several gaps in ODOT's policies and procedures that were exploited by Kratochvil, Kosmata and Horrigan, but it should be acknowledged that rules changes and ethics seminars alone will never dissuade people who are morally bankrupt. Ample evidence of that truism is provided in Kosmata's personal calendar for 2003. His entry for Tuesday, September 23 notes that Kosmata had mandatory ethics training from 9:30 a.m. until noon that day. On every other day of that week, he had a fishing trip booked with an ODOT vendor. Obviously, the training had no effect whatsoever.

If there is a silver lining to be found in this debacle, it is in the cooperative partnership that we forged with ODOT's central office and new management in District 12 during this lengthy investigation. Throughout, we relied heavily on the support of Director Beasley, Chief of Staff Steve Campbell, Chief Legal Counsel Cathy Perkins, Equipment Management Administrator Mark Gnatowski, Chief Investigator Les Reel, District 12 Deputy Director Bonnie Teeuwen, Finance Director Julie Ray and their staffs. We particularly burdened Transportation Engineer Douglas Burke in Gnatowski's office and Ray and her deputies, Therese Dyer and Joseph Gallucci, with numerous requests for

information and auditing assistance. In every instance, we received their full cooperation, for which we are most appreciative.

We also want to acknowledge some of the changes that ODOT already has instituted as a result of our findings. In addition to retraining 1,200 purchasers and their supervisors on new purchasing, contract administration and credit card use policies, ODOT is building a database that identifies vendors who have subsidiary companies in order to prevent those companies from bidding against one another. ODOT also is mandating that all purchasers use a Request for Quote form when soliciting competitive quotes. This will end a longstanding policy that allowed ODOT purchasers to obtain verbal quotes, which often resulted in wildly differing bids because vendors were not always bidding on the same product specifications. We believe these changes, along with others we are proposing, will go a long way toward reforming the corrupt practices that existed in District 12.

VI. RECOMMENDATIONS

Based on the results of our investigation, we are making the following recommendations and are asking ODOT to respond to this office within the next 60 days with a plan explaining how these recommendations will be implemented:

1. Require all vendors who do more than an aggregate of \$3,000 in business with ODOT in a fiscal year to disclose their ownership or proprietary interests in any other businesses as a prerequisite to doing business with ODOT.
2. Prohibit vendors who submit winning bids or quotes on non-construction jobs from subcontracting work to vendors who submitted competitive bids or quotes.
3. Require all employees to disclose secondary employment, as well as proprietary interests by employees or their family members in all outside businesses.
4. Revamp the inventory-control policy for consumable inventory and non-fixed assets, which includes mandatory and uniform documentation and auditing to verify delivery, use, destruction, and/or storage of ODOT property. This policy should include a segregation of duties, prohibiting the same employee who

authorized the purchase from verifying delivery of the product and adding it to inventory.

5. Synchronize the purchasing and inventory databases.
6. Revamp credit card-use policies and procedures to prohibit the following: use of cards by anyone other than the card holder; joint use of credit cards; open charge accounts with vendors, unless expressly pre-approved by central office; and subordinate purchases on behalf of supervisors, unless the supervisor's request has been documented by the card holder, including the name of the person requesting the purchase and the location of the delivery.
7. Revamp bidding policies and processes to prevent the awarding of contracts in which competitive bids are submitted by companies known to be commonly owned. This policy should include training on this issue as outlined by OBM guidelines, as well as implementation of an available database that contains a list of commonly-owned companies doing business with ODOT. This policy should include disciplinary action against employees and vendors who violate these policies.
8. Revamp procurement policies and procedures to prohibit subversion of the \$50,000, non-contract spending limitation by companies with common ownerships.
9. Ensure that documented, objective criteria exist when drafting or changing contract specifications.
10. Revamp the policy on sole-source purchases to include greater scrutiny and documentation in the awarding of sole-source contracts.
11. Prohibit informal, unapproved and undocumented sales and marketing calls and visits by vendors and contractors. Employees who violate this policy should be disciplined.
12. Prohibit employees from allowing vendors to use ODOT resources for non-ODOT business.

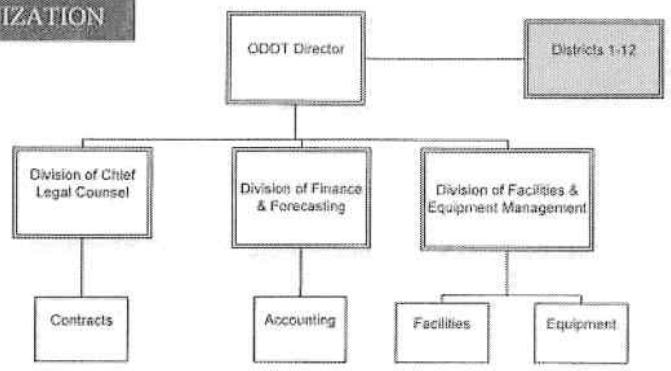
VII. REFERRALS

Copies of this report are being referred to the Cuyahoga County Prosecutor's Office and the Ohio Ethics Commission.

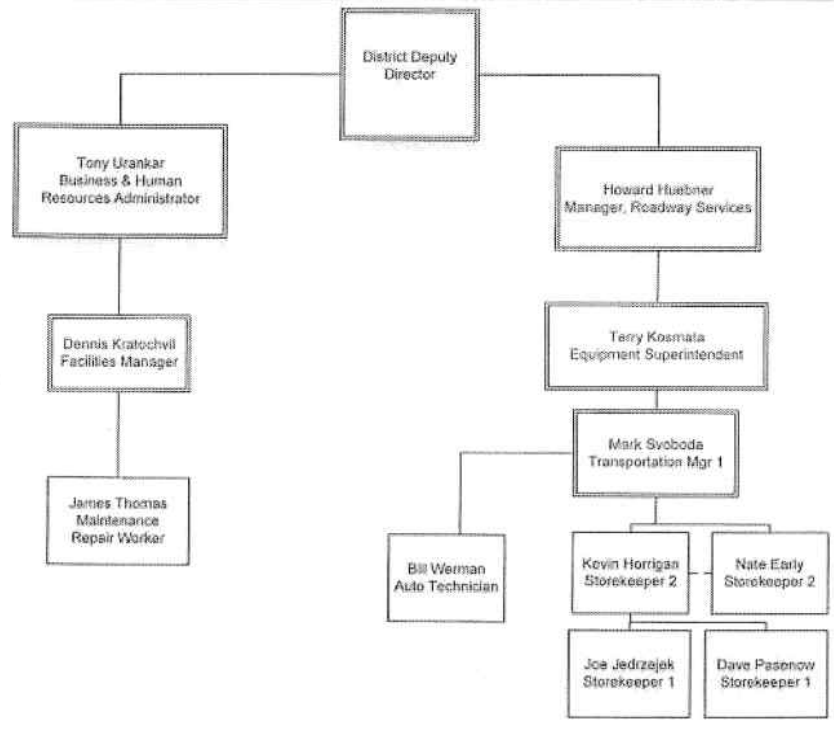
EXHIBITS

EXHIBIT A

PARTIAL ODOT TABLE OF ORGANIZATION



DISTRICT 12 DETAIL



The Ohio Department of Transportation

**GUIDELINES for the MANAGEMENT OF ODOT'S
CONSUMABLE INVENTORY**
October 2006

BACKGROUND

Generally, consumable inventory is property that will be depleted or used up (auto parts, facility parts, traffic parts, etc.); used to make or maintain something else (such as materials used on roads and bridges); or items that wear out or are broken on a regular basis. This procedure covers consumable inventory. Consumable inventory for this procedure does not include office supplies and / or utilities. ODOT has had an average of approximately \$26,000,000 in consumable inventory on hand for the last three years.

Construction and maintenance materials are used by ODOT's maintenance forces in the building and maintaining of roads and bridges. They fall into two general categories:

Materials stored in bulk or by weight - these are aggregates, road salt, and other loose substances that are stockpiled at ODOT district headquarters, county garages and outpost yards that use them.

Materials stored by the piece or by size - these include steel, lumber, pipe, and related items. Typically, these materials are purchased by and stocked at the county garages that use them.

Fuels and lubricants include gasoline, diesel fuel, motor oil, antifreeze, grease, and so forth. These products are stocked and inventoried at ODOT district headquarters, county garages and outpost yards that use them.

Traffic parts for repair of signals/signs, Facilities parts for the repair of buildings, and Equipment parts for the repair of vehicles, are also stocked and inventoried at district headquarters, county garages and outpost yards that use them.

All employees are involved in inventory management to the extent that they must remember that ODOT property is public property that has been entrusted to the department for legitimate and prudent use. Property is to be purchased and used in the most efficient and economical ways possible consistent with established purchasing policies and procedures. Districts and Central Office should strive to keep their inventories stocked to be able to supply the right item at the time it is needed, but not overstocked with rarely used or obsolete items. Employees involved in inventory transactions should adhere to inventory procedures and complete inventory forms and EMS computer entries accurately and thoroughly.

**INVENTORY ENTRY PROCEDURES FOR CONSUMABLE INVENTORY FOR FACILITY,
GARAGE, TRAFFIC AND MAINTENANCE & ROADWAY REPAIR (M&R).**

- A. To ensure ODOT's consumable inventories are adequately tracked and current values reported, each District and Central Office shall utilize the EMS Inventory tracking system to maintain a perpetual inventory¹. All materials and supplies (except for utilities and office supplies) that have been purchased for use in operations, regardless of cost, must be recorded in EMS (received into the system).

¹ Perpetual inventory is defined as an accounting method of maintaining up-to-date property records that accurately reflect the level of goods on hand.

GUIDELINES for the MANAGEMENT OF ODOT'S
CONSUMABLE INVENTORY (cont.)

1. All parts, supplies and materials must be received into inventory with a dollar value based on the following classifications:
 - a. Purchased material: recorded at full purchase price
 - b. Surplus material: recorded at 10% of estimated market value.
 - c. Donated material: recorded at 10% of estimated market value
 2. All consumable materials must be recorded using an ODOT statewide stock number.
 - a. The stock number must be clearly marked on the item or the bin, identifying the various stock. Bin locations must also be clearly and accurately marked. In EMS, a primary bin location must be identified for each stock item. If the same item is stocked in two different areas with the same garage location, a secondary bin location must be identified in EMS.
 - b. Specialty items, which will be purchased and kept in inventory less than 10 working days (60 days for Traffic items excluding Systematic Sign Replacement) may be recorded using a Non-Stock In/Out number which ends in 9999 (EMS procedure PMP-5040).
 3. All non-ODOT labor services and rentals should be recorded and charged out the same day or in accordance with the timing in the agreement by which the services were obtained and must be recorded using a statewide stock number, not a 9999 number.
 4. Any materials purchased under a 101G or related contract (where ODOT forces are participatory in the project) must be recorded to the appropriate material stock number. The labor and/or rental portion of the contract must be recorded separately from the material portion, using a service or rental stock number.
 5. Useable Remnants are items charged to a work order or project, but have useable product remaining once the work is completed. The Useable Remnant of an item—after the needed amount is charged to a work order—can be charged to overhead so long as the estimated value does not exceed the established thresholds (please refer to section C – 3. of this guideline).
 - a. If the item being charged to overhead was utilized in the garage, it must be charged to Garage Overhead. If the item was utilized in an area other than the garage, it must be charged to Miscellaneous Overhead.
- B. Each District and Central Office shall perform an annual physical inventory using the Inventory Certification Form². Once the Deputy Director has deemed the inventory to be complete and accurate, the Inventory Certification Form must be signed and submitted to the Office of Accounting. Supporting documentation to the certification should remain on file for 3 years.
1. All Fuel stocks must be checked and recorded daily per EMS procedure FPP-4001.
 2. Ten percent of the items per inventory location must be spot checked by District or County personnel, for accuracy once per month; unless the Office of Accounting's Inventory QAR action plan specifies more than 10% be reviewed. Documentation of spot checks should be retained at the location for 3 years.

² Central Office Cost Accounting will publish a table annually detailing the types of certification and due dates for each.

GUIDELINES for the MANAGEMENT OF ODOT'S
CONSUMABLE INVENTORY (cont.)

C. Overhead Inventory Charging and Coding Procedures (see EMS procedures or Foreman's manual as appropriate)

1. All items must be charged out as they are used unless they meet the criteria for being an overhead item as detailed below. (Please refer to the appropriate business area procedures for inventory usage processes.)
2. Overhead includes items for which the life or value is not consumed by one specific repair or activity. There are two areas that overhead can be charged to:
 - a. Garage: This overhead type can be used for all garage related non-repair items that meet the criteria for overhead. For example:
 - Brake Fluid
 - Nuts and Bolts
 - Sandpaper
 - Masking Tape
 - Floor Dry
 - b. Miscellaneous: This overhead type can be used for all other (traffic, maintenance, facilities) items related to non-project and are not garage related. These items benefit the entire operation such as:
 - Safety Items
 - Soap
 - Bug Spray
 - Sun Screen
3. The following thresholds have been developed to determine which items can be charged to overhead. Full units (boxes, bags, etc.) must be kept on inventory until open. Only one unit (box or bag) should be opened at a time and segregated into a "no-charge" (overhead) marked area. If either the Unit Cost or the Total Value threshold is exceeded, the item must remain on inventory until used.

	Unit Cost <u>Maximum</u>	Total Amount for each stock account allowed to be housed in the <u>N/C location</u>
Maintenance Items	\$10.00	\$125.00
Traffic Items	\$10.00	\$125.00
Garage Items	\$ 5.00	\$125.00
Facilities Items	\$10.00	\$125.00

4. Reusable items should be charged to the appropriate overhead rather than to a specific project unless those items will be consumed by that project. Charged items must be segregated from ODOT stock. Examples of reusable items include:
 - vests
 - hard hats
 - barrels
 - cones
 - detour signs
 - hand tools (shovels, rakes, etc.)

GUIDELINES for the MANAGEMENT OF ODOT'S
CONSUMABLE INVENTORY (cont.)

D. Inventory Stock Levels

1. The intention of utilizing the minimum / maximum stock level flags in EMS is to aid each location in determining appropriate stock levels and re-order points for each stocked item. By monitoring and using the min/max flags correctly, the flow of inventory (receipt to usage) will allow for higher turnover of the stock. Minimum/Maximum amounts of inventory, by stock number, are to be calculated and maintained at each location (EMS procedure PMP-5060) for all garage stock items as well as applicable traffic and maintenance items. The EMS system calculates the min/max levels based on average 3-year usage. These levels should be reviewed and adjusted semi-annually to coincide with EMS procedures to assure levels reflect operational needs.
2. Excess and obsolete stock shall be verified by personnel at each inventory location on a semi-annual basis. It is recommended that the inventory coordinator work with location inventory personnel to set the excess/obsolete flags. No location shall purchase additional stock if ODOT has excess or obsolete stock in inventory at another location of the same type. If the inventory cannot be reasonably transferred to or from the location, then it may be purchased. Once declared excess/obsolete by a district, then it must be released to a district when requested.

ODOT D-12 Vendors who were also T.D. Sportfishing Clients

Vendor	Representative(s)	Contract Manager	D-12 Business	Fishing*
1. Advanced Gas & Welding Eastlake, Ohio	Mike Ripple Jim Mikus	Kosmata	\$101,061 (2002-2008)	\$17,264 (41 trips)
2. Alamo Industrial Seguin, Texas	Doug Baker	Supplier for West Shore New Holland	N/A	\$6,365 (14 trips)
3. Best Equipment Indianapolis, Indiana	Jack Wentz Joe Aulino	Kosmata	\$482,828 (2003-2008)	\$9,025 (6 trips)
4. Bright Chemical & Lighting North Royalton, Ohio	Jim Bright	Kratochvil	\$238,810 (1999-2008)	\$5,505 (13 trips)
5. Carnegie Body Cleveland, Ohio	Gary Weisblat	Kosmata	\$53,661 (1999-2008)	\$1,740 (3 trips)
6. Chemsafe Cleveland, Ohio	Stan Jurewicz		\$77,738 (1999-2008)	\$5,455 (12 trips)
7. Concord Road Equipment Painesville, Ohio	Jeff Warfield	Kosmata	\$920,727 (1998-2008)	\$3,720 (7 trips)
8. Custom Clutch Cleveland, Ohio	John Myers Scott Ballantyne	Kosmata	\$172,920 (1998-2008)	\$21,755 (53 trips)
9. DeBord Plumbing Chardon, Ohio	Dennis B. Kratochvil (son of ODOT emp.)	N/A	N/A	\$6,920 (15 trip)
10. Eichco International Eastlake, Ohio	Thomas Eichele	Kosmata Kratochvil	\$94,226 (2004-2007)	\$5,320 (9 trips)
11. Enpac Eastlake, Ohio	Scott Junda Chris Hilty	Supplier for Advanced Gas	N/A	\$17,727 (35 trips)
12. Gledhill Road Machinery Gallion, Ohio	Garland Gledhill	Kosmata	\$872,568 (1999-2007)	\$6,373 (10 trips)
13. John Boehm Co. Cleveland, Ohio	Riek Boehm	N/A	\$8,021 (2002-2008)	\$9,090 (21 trips)

*The value for charter fishing trips is based on recovered invoices, cancelled checks, expense account reports, and by applying the lowest cost of a charter trip, \$420 for a perch fishing charter as opposed to \$510 for a walleye fishing charter, and excluding tips or any other additional costs, to calendar entries in Kosmata's TD Sportfishing business calendar for dates for which additional records were unavailable.

ODOT D-12 Vendors who were also T.D. Sportfishing Clients

Vendor	Representative(s)	Contract Manager	D-12 Business	Fishing*
14. JEL Idealease Painesville, Ohio	Robert Jones, Jr.	Kosmata	\$175,978 (1998-2006)	See Lake Truck (Below)
15. Jones Equipment Painesville, Ohio	Robert Jones, Jr. Steve Latran	Kosmata	\$858,090 (1998-2008)	See Lake Truck (Below)
16. Lake Truck Sales Painesville, Ohio	Robert Jones, Jr. John Mackey	Kosmata	\$1,085,788 (1998-2008)	\$17,580 (41 trips)
17. Marek Land Company Solon, Ohio	Phil Marek	Kratochvil	\$160,865 (2000-2005)	\$6,856 (12 trips)
19. Nozzle New, Inc. Solon, Ohio	Phil Marek	Kratochvil	\$943,579 (1998-2007)	See Marek Land Company (above)
20. Pengwyn Columbus, Ohio	Jim Kime	Kosmata	\$1,165,767 (1998-2008)	\$5,310 (11 trips)
21. Pogonowski Plumbing Parma Heights, Ohio	Chet Pogonowski (Kratochvil's nephew)	Kratochvil	\$71,750 (2004-2007)	\$480 (1 trip)
22. RINI Restoration Macedonia, Ohio	Mike McPherson	Kratochvil	\$29,611 (2002-2004)	\$840 (2 trips)
23. Traditional Building Syst. Mentor, Ohio	Jim Hartory II	Kratochvil	\$394,706 (1998-2008)	\$16,695 (32 trips)
24. Turney Auto Parts Garfield Heights, Ohio	Ed Wigdalski Ron Gregory	Kosmata	\$381,035 (1998-2008)	\$4,110 (10 trips)
25. West Shore New Holland North Ridgeville, Ohio	Craig Gorsuch	Kosmata	\$816,757 (1998-2008)	\$10,270 (22 trips)
26. Willoughby Supply Mentor, Ohio	Al Aloisi Steve Thornburgh	N/A	\$193 (2005-2007)	\$7,195 (8 trips)
27. Winter Equipment Willoughby, Ohio	Kent Winter	Kosmata	\$1,074,513 (1998-2008)	\$3,680 (8 trips)

*The value for charter fishing trips is based on recovered invoices, cancelled checks, expense account reports, and by applying the lowest cost of a charter trip. \$420 for a perch fishing charter as opposed to \$510 for a walleye fishing charter, and excluding tips or any other additional costs. 10 calendar entries in Kosmata's TD Sportfishing business calendar for dates for which additional records were unavailable.

KRATOCHVIL

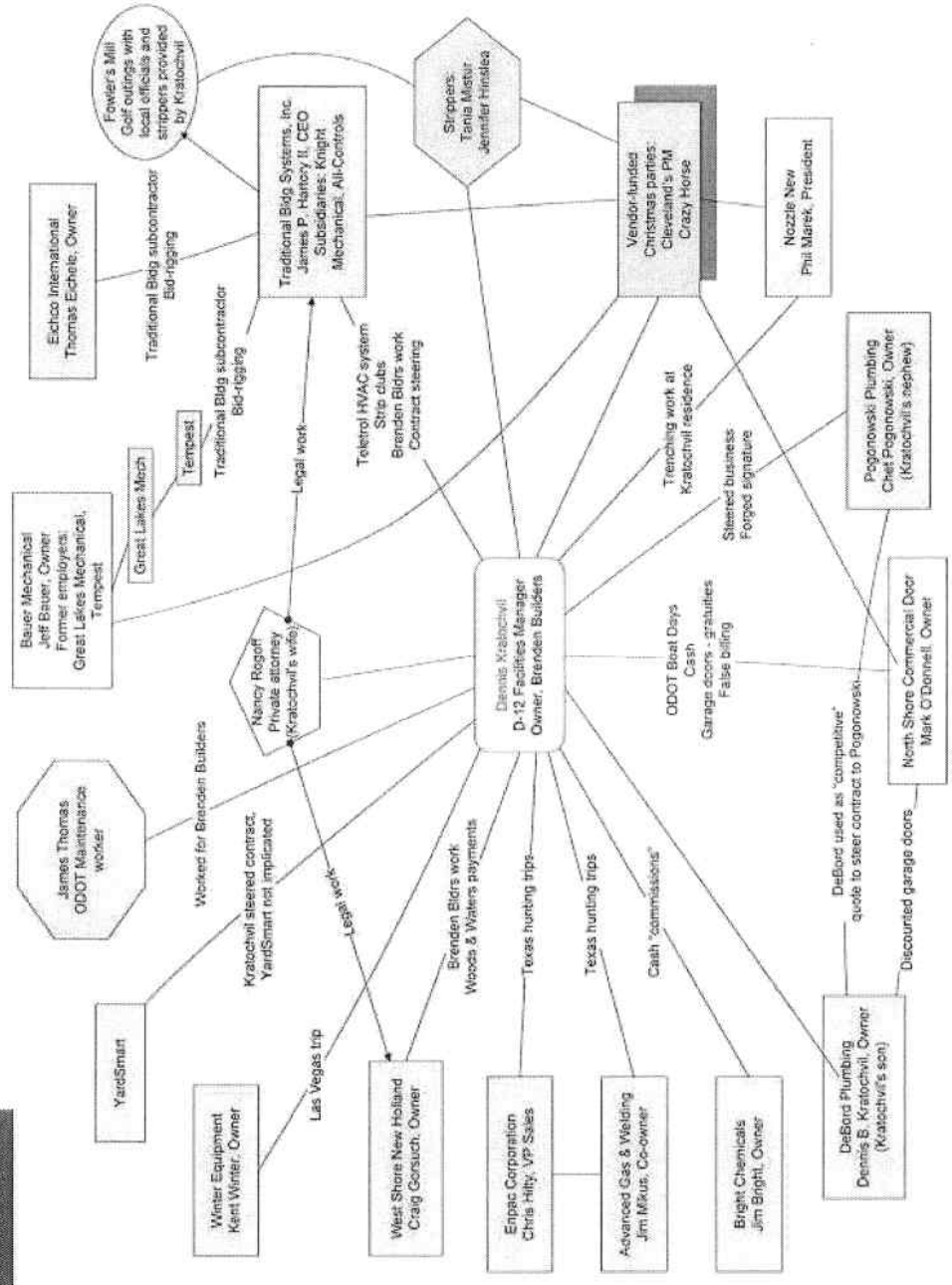


EXHIBIT E

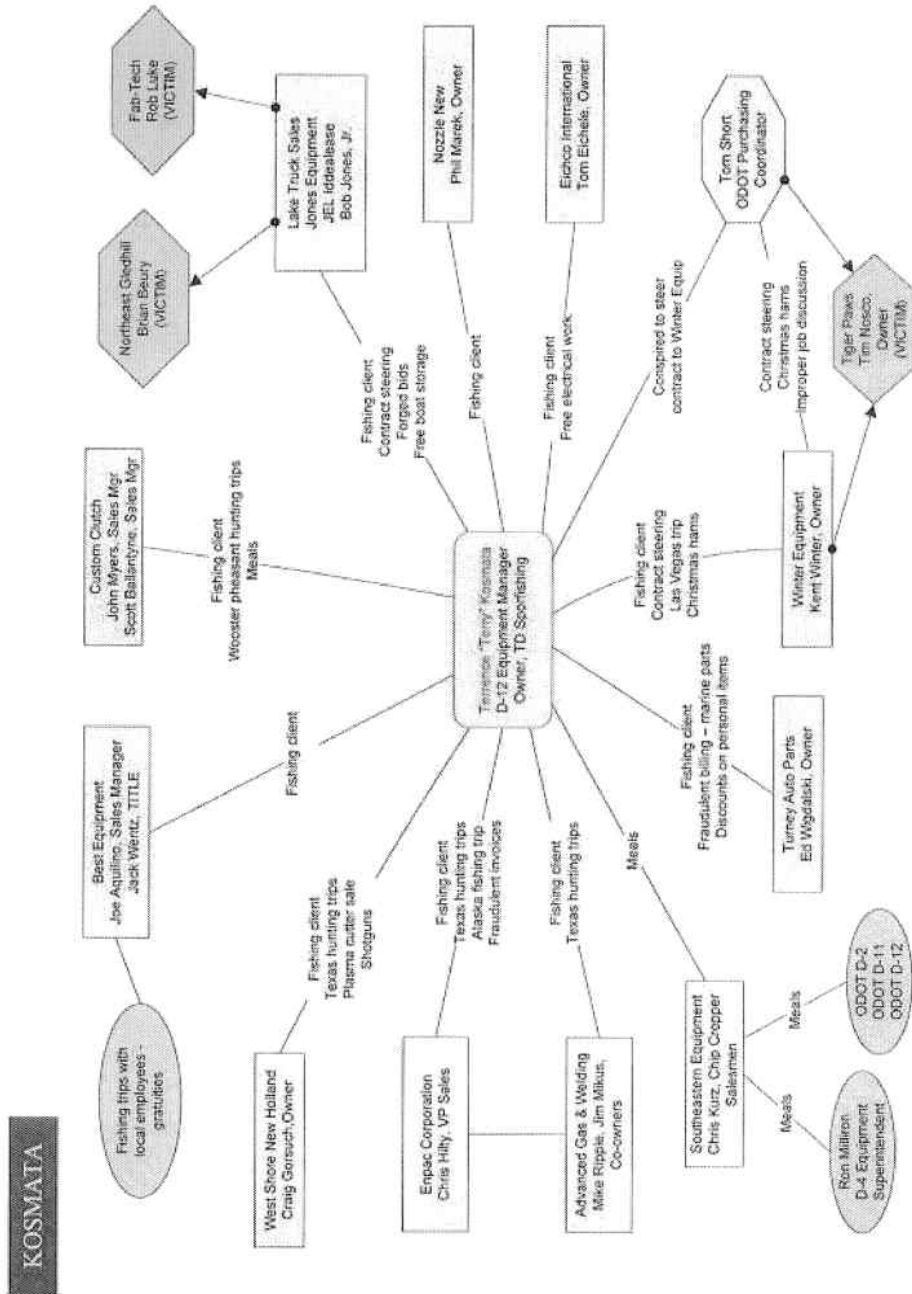
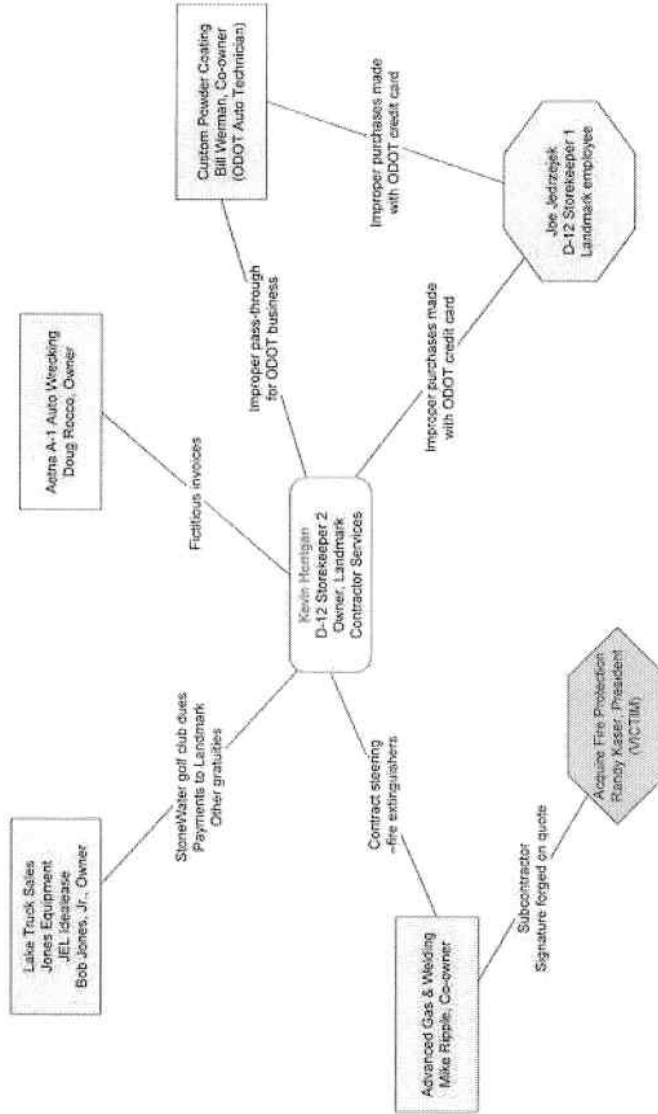


EXHIBIT F



HORRIGAN

MAINTENANCE CONTRACT

For Juniper Hill

5,578.00

needed as needed
work as needed
be done at

son at the cost of \$1,280.00 to help

MAINTENANCE CONTRACT

For Juniper Hill

\$ 8,795.00

needed as needed
p as needed
be done at time of clean-up

season

1,280.00 to help

EXHIBIT H