

STATE OF OHIO
OFFICE OF THE INSPECTOR GENERAL

RANDALL J. MEYER, INSPECTOR GENERAL

REPORT OF
INVESTIGATION



AGENCY: OHIO LOTTERY COMMISSION
FILE ID NO.: 2013-CA00072
DATE OF REPORT: MAY 11, 2015

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

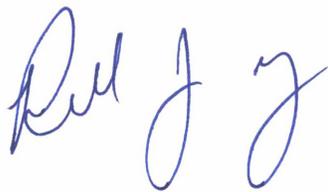
“Safeguarding integrity in state government”

The Ohio Office of the Inspector General is authorized by state law to investigate alleged wrongful acts or omissions committed by state officers or state employees involved in the management and operation of state agencies. We at the Inspector General’s Office recognize that the majority of state employees and public officials are hardworking, honest, and trustworthy individuals. However, we also believe that the responsibilities of this Office are critical in ensuring that state government and those doing or seeking to do business with the State of Ohio act with the highest of standards. It is the commitment of the Inspector General’s Office to fulfill its mission of safeguarding integrity in state government. We strive to restore trust in government by conducting impartial investigations in matters referred for investigation and offering objective conclusions based upon those investigations.

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

The Office of the Inspector General does not serve as an advocate for either the complainant or the agency involved in a particular case. The role of the Office is to ensure that the process of investigating state agencies is conducted completely, fairly, and impartially. The Inspector General’s Office may or may not find wrongdoing associated with a particular investigation. However, the Office always reserves the right to make administrative recommendations for improving the operation of state government or referring a matter to the appropriate agency for review.

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



Randall J. Meyer
Ohio Inspector General



STATE OF OHIO
OFFICE OF THE INSPECTOR GENERAL

RANDALL J. MEYER, INSPECTOR GENERAL

REPORT OF INVESTIGATION

FILE ID NUMBER: 2013-CA00072

SUBJECT NAME: David Dragelevich

POSITION: Lottery Sales Representative 1

AGENCY: Ohio Lottery Commission

BASIS FOR INVESTIGATION: Complaint

ALLEGATIONS: Theft in Office; Failure to Comply with State or Departmental Rules, Procedures, or Policies

INITIATED: September 20, 2013

DATE OF REPORT: May 11, 2015

INITIAL ALLEGATION AND COMPLAINT SUMMARY

The Office of the Ohio Inspector General received information from the Ohio Lottery Commission (OLC) alleging that David Dragelevich, regional sales representative in the Canton OLC office, was involved in multiple occurrences of unlawful acquisition of lottery tickets and was either cashing them himself or through other individuals.

A memorandum was provided by OLC to the Office of the Ohio Inspector General stating that on September 18, 2013, the OLC Canton regional office manager conducted an inventory of Dragelevich's state-issued van and discovered several lottery tickets that had been scratched off. Among them were a series of tickets numbered 10 through 16. Ticket 12 was a \$100 winner and ticket 15 was a \$40 winner. Both tickets had been cashed on September 16, 2013, at Acme Fresh Market 14, which is outside of Dragelevich's assigned route.

On September 19, 2013, OLC reviewed commission records and discovered additional suspicious activity with regard to a book of tickets issued to a Speedway lottery retailer on August 23, 2013, and later returned by Dragelevich. On September 13, 2013, at 1:39 p.m., Dragelevich issued this same book of tickets to a South Arlington lottery retailer, and marked the book "sold" at 1:48 p.m. the same day. Later that day, at 3:40 p.m., the first ticket was cashed at a Marathon retailer. By 4:41 p.m., all the winning tickets in the book had been cashed at lottery retailers within close proximity to one another. OLC obtained surveillance video from a lottery retailer and reviewed the video on September 19, 2013, which showed Dragelevich cashing a \$75 winning lottery ticket.

The OLC memorandum was referred to both the Office of the Ohio Inspector General and the Ohio State Highway Patrol (OSHP). The Office of the Ohio Inspector General contacted OSHP on October 1, 2013, at which time OSHP revealed that its investigation had been completed and a referral was made to the prosecutor's office.

Dragelevich was placed on administrative leave on September 20, 2013. Dragelevich resigned his position with the Ohio Lottery Commission effective January 7, 2014.

BACKGROUND

The Ohio Lottery Commission (OLC) oversees on-line (i.e., Pick-3, Pick-4, Mega Millions, Powerball, Keno) and instant ticket lottery games from its headquarters in Cleveland, Ohio. Net profits from the lottery are transferred to an education fund benefiting primary, secondary, vocational, and special education. OLC is governed by a nine-member commission, appointed by the governor and confirmed by the Ohio Senate. Daily operations are overseen by an executive director who is also appointed by the governor. The Ohio Lottery Commission is funded through ticket sales and interest earned on invested balances by the Treasurer of State's Office.¹

The OLC ticket sales representatives are responsible for promoting, managing, and marketing lottery ticket and charitable game sales. At the lowest level, an OLC sales representative promotes and services lottery ticket and charitable game sales in an assigned district, or serves as a regional resource person for lottery games. At the highest level, the OLC sales representative assists in or directs, manages, and oversees lottery activities in an assigned region, or serves as a lottery representative for executive chain store accounts.²

INVESTIGATIVE SUMMARY

The Office of the Ohio Inspector General received and reviewed the following records from OLC:

- OLC policies and procedures;
- OLC investigative report and all attachments;
- Position descriptions for lottery sales representatives 1 and 2;
- Total number of lottery sales representatives 1 and 2;
- Timekeeping method for lottery sales representatives.

The Office of the Ohio Inspector General requested and reviewed a copy of the OSHP investigation.

¹ Source: Biennial budget documents.

² Lottery sales representative job description.

The Office of the Ohio Inspector General conducted interviews with OLC Investigations Supervisor Dave Pollock on November 4, 2013; and OLC Deputy Director Pat Vasil, Office of Sales, and OLC Canton Regional Manager Jeff Drlik on January 14, 2014. Investigators learned that lottery tickets are ordered by the licensed retailer through Intralot, a third party vendor. The order is then shipped from the warehouse in Strongsville, Ohio, directly to the licensed retailer by way of United Parcel Service (UPS). The tickets remain in a shipped status in the retailer's electronic account until the licensed retailer scans the manifest³ that accompanies the shipment, or the bar code on the bags of tickets, which places the tickets into "issued" status. The tickets remain in the "issued" status until they are moved to an "activated" status, which occurs when the licensed retailer places the tickets in the dispenser for sale. Some retailers will move a book of tickets directly from "issued" to "sold," bypassing the "activated" status. Once the tickets are moved to "sold" status, the retailer is required to pay OLC for that book of tickets. Typically, the book of tickets is not moved to the "sold" status until all the tickets have sold or if the tickets are 65 days old. All books of tickets are automatically marked "sold" after 65 days. Once the book of tickets is in "sold" status, the tickets become the property of the licensed retailer, and OLC collects payment from the retailer's bank account the following Tuesday. Vasil stated that OLC has a policy requiring licensed retailers to place all activated tickets into "deactivated" status when the retailer is closed for business. When asked if licensed retailers are penalized in any manner for not moving tickets to "deactivated" status while closed, Vasil stated that if the retailer does not comply and there is a theft, the security division at OLC would conduct an investigation and determine whether the retailer would receive credit for the stolen tickets.

Vasil and Drlik explained that when a lottery sales representative visits a licensed retailer, the sales representative logs in to the retailer's terminal by scanning the bar code on their OLC identification badge and entering a four-digit passcode. The sales representatives are only required to log in to the terminal if they are returning tickets from the licensed retailer. Retailers return tickets for a variety of reasons, such as if the tickets are not selling, the game may be expiring, the tickets are damaged, or the book of tickets has reached or is close to reaching the 65 days when the system automatically marks it sold. Prior to returning partial books of tickets, the book must be marked "sold," by using the retailer's log in and not the sales representative's log

³ Manifest – A list of enclosed items in a package.

in. When a sales representative returns tickets, the returned tickets are in that sales representative's electronic account where they remain until the sales representative returns the physical tickets to the OLC regional management analyst located at the OLC regional office. A sales representative can return full or partial books of tickets. If a partial book of tickets is returned, it cannot be reissued to another retailer, but full books of tickets that are returned from one retailer can be reissued to another retailer.

Vasil and Drlik explained that it is not uncommon for sales representatives to have full books of tickets that have been returned from a retailer in their possession because they often reissue those tickets to another retailer. For the period of time when the books of tickets are in "returned" status, the winning tickets cannot be cashed.

During the interview conducted by the Office of the Ohio Inspector General on November 4, 2013, OLC Investigations Supervisor Dave Pollock provided investigators with a copy of the OLC investigation of David Dragelevich. This report was also attached to the investigative file provided to the Office of the Ohio Inspector General by the Ohio State Highway Patrol (OSHP). As part of the OLC investigation, the commission conducted a search of all ticket book returns made by Dragelevich. OLC identified more than 200 books from September 2012 through September 2013 that had been returned from one retailer by Dragelevich, then reissued to another retailer by Dragelevich, and then marked "sold," all within a short period of time. OLC identified a pattern showing the tickets from these books were all cashed at retailers between Akron and the Youngstown/Poland area, which is where Dragelevich resides. OLC created a database that included all the books of tickets identified as being returned by Dragelevich, reissued to another retailer by Dragelevich, and then marked "sold."

The Office of the Ohio Inspector General reviewed the database created by OLC that contained the books of tickets that Dragelevich had returned, reissued, and marked "sold" within a short period of time between September 2012 and September 2013, which included the value of each book of tickets and the cashed ticket value of each book. There were a total of 206 separate books of tickets identified. The total book value of all the books identified was \$100,430 and the cashed ticket value for all the books identified was \$64,515.

The Office of the Ohio Inspector General requested and reviewed the book validations⁴ and book search⁵ for all of the books of tickets identified in the database as well as some additional tickets that were identified in the OSHP investigation as being cashed by associates of Dragelevich.

The Office of the Ohio Inspector General compared each book validation to each book of tickets in the database created by OLC, identified and removed duplicates, and added books identified in the OSHP investigation that were missing from the database. The Office of the Ohio Inspector General identified a total of 209 separate books of tickets⁶ with a total book value of \$100,110 and a cash ticket value of \$65,080.

As part of the OSHP investigation, a search warrant was obtained and Dragelevich's house was searched on September 27, 2013. The OSHP noted on the inventory of seizure for the search warrant that several instant tickets were located in bags and buckets in Dragelevich's garage.

[\(Exhibit 1\)](#) The OSHP did not identify each individual lottery ticket seized during execution of the search warrant. On July 16, 2014, the Office of the Ohio Inspector General traveled to the OSHP Warren, Ohio, post to conduct an inventory of the instant lottery tickets seized from Dragelevich's house during the search warrant on September 27, 2013. The Office of the Ohio Inspector General identified 1,788 individual lottery tickets from 153 unique books of tickets, having a total value of \$33,473. [\(Exhibit 2\)](#)

The Office of the Ohio Inspector General compared the tickets found during execution of the search warrant of the Dragelevich residence to the tickets identified by OLC and found that 97 of the 153 books of tickets matched those that the Ohio Lottery Commission identified as tickets taken by Dragelevich. Once those 97 books of tickets were identified as matching those on the OLC spreadsheet, they were removed when determining the book value of the tickets from Dragelevich's residence in order to avoid duplication. The book value of the tickets from Dragelevich's residence was \$15,608. When added to the book value of the tickets identified in the OLC database, the total book value of the tickets taken by Dragelevich was \$115,718.

⁴ Book validation shows the cashed tickets from the book. It contains the game number, book number, ticket number, amount of prize, date cashed, time cashed, and the cashing retailer.

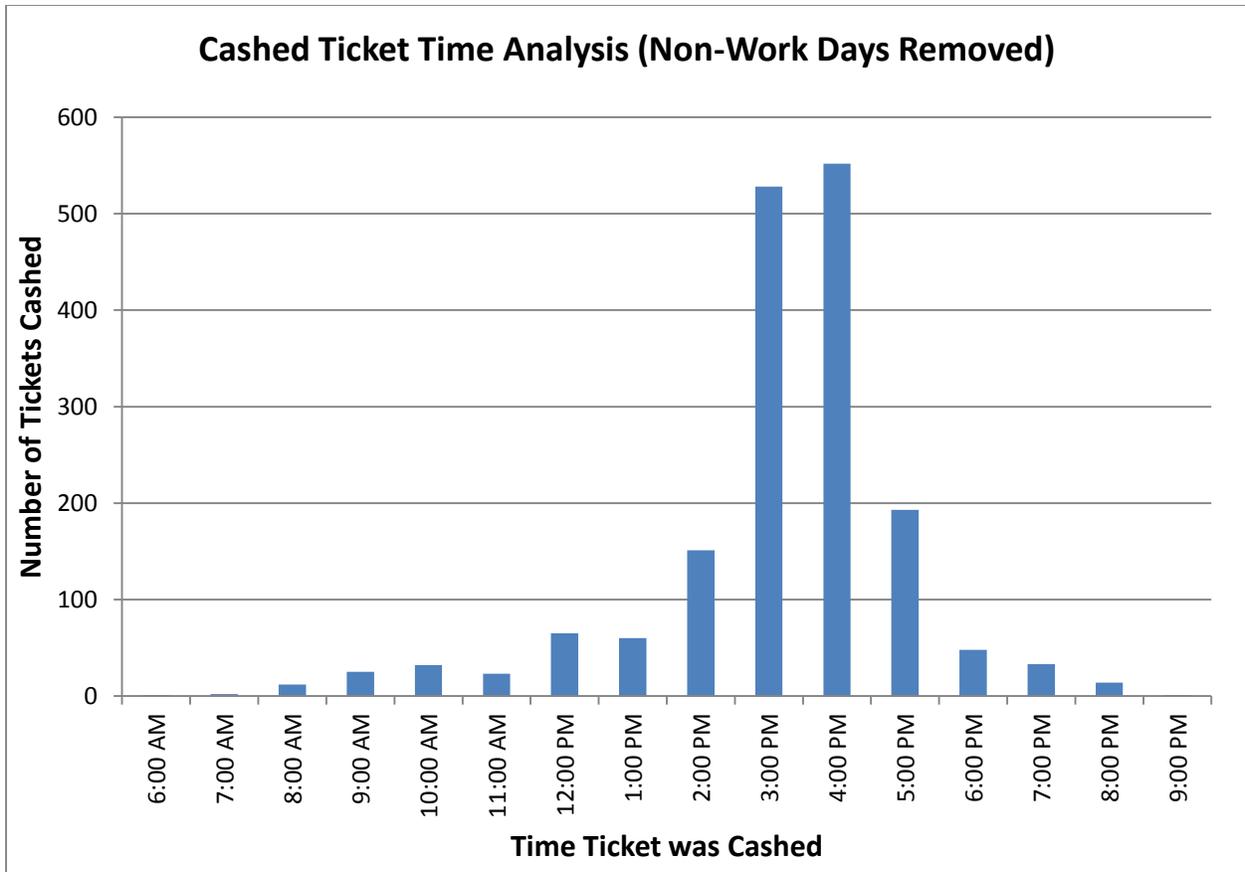
⁵ Book search shows the current status of the book, deactivated tickets, orders, and history.

⁶ \$2.00 and \$3.00 tickets have 100 tickets/book, \$5.00 tickets have 50 tickets/book, \$10.00 tickets have 50 tickets/book, and \$20.00 tickets have 25 tickets/book.

The Office of the Ohio Inspector General requested and reviewed the book validations from OLC on all of the instant lottery tickets identified in the search warrant inventory. The Office of the Ohio Inspector General removed instant lottery tickets contained in the inventory that were previously accounted for in the database provided by the OLC to prevent accounting for them twice. The Office of the Ohio Inspector General found Dragelevich cashed an additional 187 winning tickets totaling \$5,861, bringing the total of winning tickets cashed by Dragelevich to \$70,941.

The Office of the Ohio Inspector General conducted an analysis of the tickets cashed by Dragelevich. The analysis showed that Dragelevich cashed the majority of the tickets at licensed Ohio lottery retailers that were not part of his assigned locations. The analysis revealed that Dragelevich's main locations for cashing the tickets were near his home in Poland, Ohio, or along Interstate 76 between his assigned work area in Akron and his home. ([Exhibit 3](#))

In addition, an analysis of the time each ticket was cashed revealed that the average time of day a ticket was cashed was 3:36 p.m. The graph below depicts the times that Dragelevich cashed the tickets. On the graph, instances were removed where Dragelevich cashed lottery tickets on: weekend days, paid government holidays which Dragelevich did not work, and days that Dragelevich used paid leave time (i.e., vacation, sick, personal leave) for the remainder of the work day. (For example, an instance where Dragelevich used leave time at the end of his work day from 12:30 p.m. to 4:30 p.m. would remove all tickets cashed on that day. However, an instance where Dragelevich used leave time in the beginning of his day from 8:00 a.m. to 10:00 a.m. would not have removed any tickets cashed that day.)



The Office of the Ohio Inspector General identified September 3, 2013, as the day that Dragelevich cashed the most tickets. On that day, Dragelevich cashed 30 unique lottery tickets at 12 different locations for a total of \$1,130. Investigators obtained Dragelevich’s work history log for September 3, 2013, to determine the assigned locations. The analysis showed that on the afternoon of September 3, 2013, Dragelevich alternated between his assigned work locations and non-assigned work locations, where he cashed tickets. Dragelevich continued to cash winning lottery tickets at multiple exit locations on Interstate 76 until he arrived home in Poland, Ohio. [\(Exhibit 4\)](#) Dragelevich’s supervisor, Drlik, stated that Dragelevich’s work hours were 8:00 a.m. to 4:30 p.m., with his work day beginning when he reached his first assigned location and ending when he reached his personal residence. On this date, Dragelevich cashed all 30 winning lottery tickets before 4:30 p.m. while he was on his way home from work, thus all tickets were cashed during his claimed work hours.

As part of its investigation, OSHP contacted Ned Pritchett, an investigator with OLC. Pritchett identified a female as Dragelevich's girlfriend, who had cashed a \$1,000 lottery ticket on July 4, 2013. Pritchett stated that the father of Dragelevich's girlfriend was also identified as cashing a \$1,000 lottery ticket in the Youngstown area.

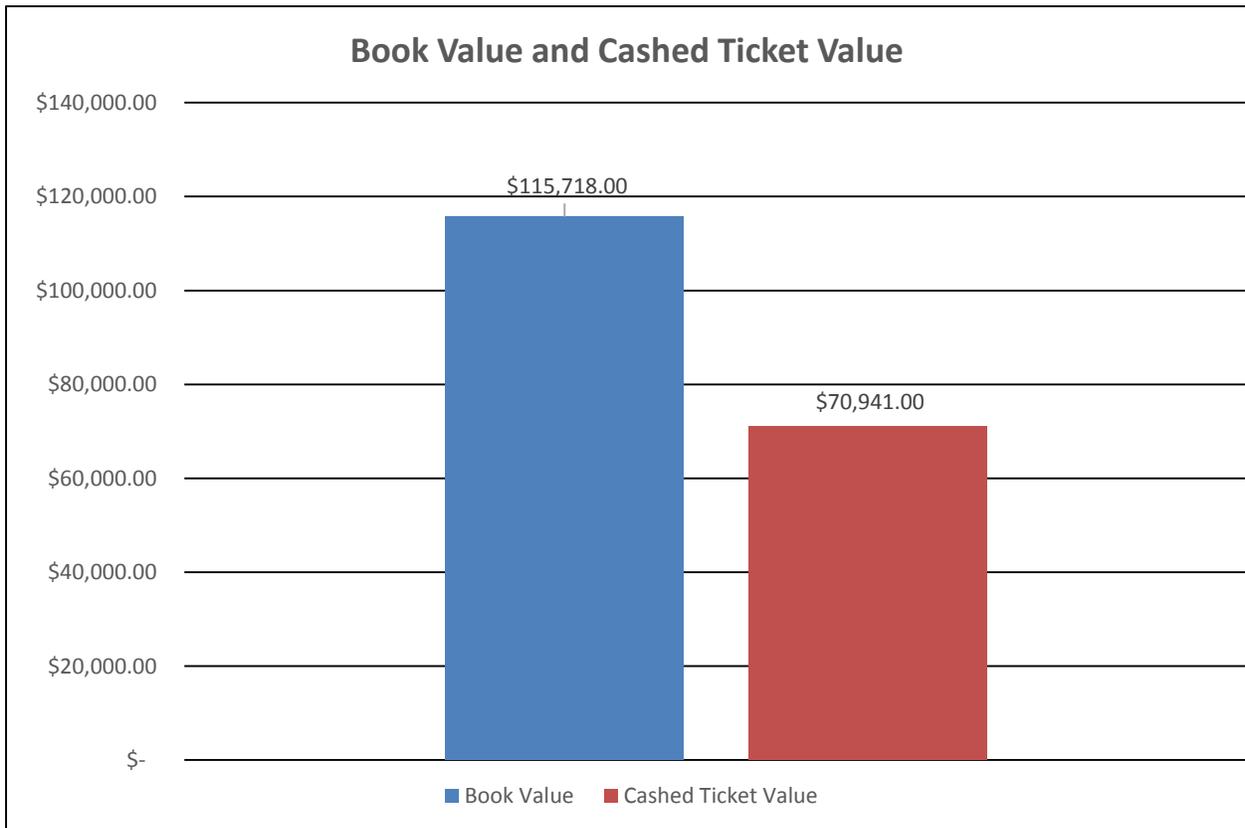
OSHP reported that during an interview with Dragelevich's girlfriend on September 27, 2013, she admitted that Dragelevich gave her the \$1,000 ticket to cash. Dragelevich's girlfriend stated that Dragelevich had given her tickets to cash on at least two occasions. She told OSHP that on one occasion, Dragelevich gave her \$100 after she cashed the ticket. Dragelevich's girlfriend denied having any knowledge that she was cashing stolen lottery tickets.

OSHP conducted an interview of Dragelevich on September 27, 2013. OSHP stated Dragelevich admitted to stealing lottery tickets. At first, Dragelevich admitted that he redeemed more than \$1,500 but less than \$5,000, but later told OSHP that he cashed over \$5,000 in winning lottery tickets. OSHP reported that Dragelevich admitted to asking his girlfriend, her father, and another individual to cash tickets valued at \$1,000 or more, but stated those individuals were unaware the winning tickets were stolen.

CONCLUSION

David Dragelevich was hired by the Ohio Lottery Commission on March 26, 2012. Shortly after his probation ended, Dragelevich began stealing lottery tickets. The investigation found that while employed as an Ohio lottery sales representative 1, Dragelevich stole full and partial books of lottery tickets, totaling 5,908 individual lottery tickets, with a book value of \$115,718. Dragelevich would return full books of tickets from one licensed retailer, then re-issue that same book of tickets to another retailer, mark it sold (which automatically charged that retailer for the book of tickets), then steal the entire book of tickets. The investigation found with the partial book of tickets, Dragelevich would return the partial book of tickets from the retailer, and then on some occasions he would steal the entire partial book of returned tickets or he would steal some of the partial book of returned tickets, returning any remaining to OLC.

The investigation found that the majority of the winning tickets cashed by Dragelevich were cashed between 3:00 p.m. and 4:00 p.m. Monday through Friday, while on state time and traveling home from his assigned route location in Akron, Ohio, to his home in Poland, Ohio, in his state-owned vehicle. The face value of the 1,829 winning lottery tickets cashed by Dragelevich or an accomplice totaled \$70,941.



Accordingly, the Office of the Ohio Inspector General finds reasonable cause to believe that a wrongful act or omission occurred in this instance.

RECOMMENDATION(S)

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

1. Develop and implement policies that require the licensed retailer to conduct audits of their inventory or face penalties if they fail to do so.
2. Design a system to prevent the licensed retailers from sharing their log-in identification and password with lottery sales representatives.
3. Require all returns, full or partial, be returned to the warehouse to alleviate the ability for the sales representatives to reissue tickets to retailers.
4. Require the sales representative to issue a receipt to the licensed retailer that displays all activities and transactions conducted by the sales representatives during each visit to the licensed retailer.
5. Consider the benefit of random, unannounced audits of the tickets in the lottery sales representative's possession.

REFERRALS

David Dragelevich was indicted by the Mahoning County Grand Jury on December 12, 2013, on one count of theft in office, as a result of the referral from the OSHP. On April 3, 2014, a superseding indictment was filed increasing the level of felony from an F4 to an F3 based on the dollar amount stolen.



STATE OF OHIO
OFFICE OF THE INSPECTOR GENERAL

RANDALL J. MEYER, INSPECTOR GENERAL

NAME OF REPORT: Ohio Lottery Commission

FILE ID #: 2013-CA00072

KEEPER OF RECORDS CERTIFICATION

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

Jill Jones
KEEPER OF RECORDS

CERTIFIED
May 11, 2015

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