DEPARTMENT OF CORRECTIONS

Investigations of Improper Activities by State Employees, Report I2001-1

Audit Highlights . . .

Employees of the Department of Corrections engaged in the following improper governmental activities:

- ☑ ***One employee received a gift from a state vendor in the form of reduced vehicle registration fees.***
- ☑ ***Created the appearance of a conflict of interest by directing substantial state business towards a vendor who also repaired their personal vehicles.***
- ☑ ***Circumvented controls over repairs and modifications and did not hold the vendor accountable for failed repair work.***

ALLEGATION I990136, APRIL 2001

We investigated and substantiated an allegation that vehicle maintenance officers and senior staff at the Department of Corrections' (corrections) Southern Transportation Unit (STU) had their privately owned vehicles repaired by a vendor that also repairs the STU's state vehicles, and that some individuals received discounts from the vendor. We also substantiated other improper activities. Specifically, we found:

Finding #1: One employee improperly received a gift and created the appearance of a conflict of interest.

One employee improperly received a gift in the form of reduced registration fees when he purchased a car from a dealership whose owners also own an automotive repair shop used regularly by the STU. The employee, whose duties place him in frequent contact with such vendors and give him the ability to influence which vendors management selects, purchased a sport utility vehicle from the dealership for $17,602. However, the purchase price reported to the Department of Motor Vehicles (DMV) was only $10,000. Thus, the employee benefited in the form of reduced registration fees associated with the sale.

Finding #2: Other employee transactions created the appearance of a conflict of interest.

Four employees, all of whom held positions that enabled them to authorize or influence the amount of state business a vendor received, created the appearance of a conflict of interest when they used one vendor to perform the majority of the STU's repairs while the same vendor also repaired their personal vehicles. One of these employees, a manager, said he instructed staff to use the vendor as the primary vendor of choice for maintenance and repairs of STU's fleet after performing his own analysis and receiving input from his vehicle maintenance officers. However, his analysis conflicted with what the previous STU manager had found—that is, that several qualified vendors offered comparable services and prices. She decided to stop using the vendor when she noticed the vendor engaged in an apparent pattern of excessive repairs and when she became aware that several employees were taking their personal vehicles to the vendor and were allegedly receiving discounted prices. Despite her concerns, shortly after she left the STU on July 14, 1997, the STU again began using vendor A almost exclusively.

In addition, from March 1998 through March 2000, we found at least five employees used the vendor for maintenance and repairs on their personal vehicles. Although we did not find any direct evidence that all these employees received vendor discounts, certain aspects of their transactions were questionable. For instance, one document included information that appeared to indicate a manager received a $45 discount. We also noticed on the invoice that the vendor failed to charge the manager for oil disposal fees commonly associated with the type of service provided. Such transactions, coupled with the significant increase in state business the vendor received, contributed to the appearance of conflicts of interest.

Finding #3: The STU circumvented controls when purchasing high-cost repairs from the vendor, failed to hold the vendor accountable for failed repair work still under warranty, and paid the vendor to make modifications without obtaining the appropriate approval.

We found at least five instances in which the State paid for repairs in excess of $500 after the STU either encouraged or allowed the vendor to split the cost of the repairs over multiple invoices in order to circumvent the approval process. In addition, the STU did not collect for failed repair work still under warranty. For example, the STU paid $1,300 to the vendor for replacing a computer module, ignition switch, and alternator on a state vehicle. Two weeks and less than 1,000 miles later, the vehicle experienced similar problems, yet the STU paid the vendor approximately $632 to install another computer module. The STU also paid the vendor to make vehicle modifications without obtaining the appropriate approval. For instance, the STU used the vendor to install cruise control for $384 and air horns for $105 on a state vehicle without obtaining the appropriate approvals.

Department Action: Pending.

Corrections agreed that one employee received a gift in the form of reduced vehicle registration fees, but could not develop a preponderance of evidence that the employee was responsible for misreporting the vehicle sales price. Corrections also agreed that STU employees circumvented controls over repairs by allowing invoices to be split. Corrections' investigative and audit reports have been forwarded to the appropriate hiring authority within Corrections to determine what action should be taken.