

# PUBLIC UTILITIES COMMISSION

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## ***Investigations of Improper Activities by State Employees, February 2003 Through June 2003***

**ALLEGATION I2002-753 (REPORT I2003-2),  
SEPTEMBER 2003**

**Public Utilities Commission response as of September 2003**

**W**e investigated and substantiated that a supervisor with the Public Utilities Commission (PUC) improperly deposited into his personal bank account funds he received from the annual state railroad conference (conference) he oversaw.

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### ***Investigative Highlights . . .***

***A supervisor with the Public Utilities Commission (PUC):***

- Improperly deposited into his personal bank account \$80,759 he received from PUC-sponsored conferences he oversaw during 1999, 2000, and 2001.***
  - Achieved a profit of \$37,542 after paying conference expenses.***
  - Used \$1,408 in funds he received during the 1999 conference to pay for alcohol.***
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### **Finding #1: The supervisor improperly deposited conference funds into his personal bank account.**

In violation of state law, the supervisor improperly deposited into his personal bank account at least \$80,759 he received as a result of his involvement with the conference. Specifically, between June and August 1999, he deposited \$30,056 in checks he received from various individuals or groups of individuals who attended that year's conference. Between May and August 2000, the supervisor deposited into his personal account \$8,835, representing a \$95 registration fee for as many as 93 individuals. The following year, between July and October 2001, the supervisor deposited \$41,868 in his personal account, most of which related to \$200 registration fees for more than 130 attendees.

The supervisor maintained that the conference was not a state-sponsored function but rather a joint effort involving various representatives from government, railroad companies, and consulting firms. He reasoned that the State paid only for registration and per diem costs for state-employed attendees and that no one, including his supervisors, indicated that he was handling conference funds inappropriately. Nonetheless, the decision to manage these funds outside the State Treasury is not consistent with state law. The law characterizes funds as public

funds when employees receive them in their official capacity. Documentation such as conference announcements, registration forms, hotel contracts, and check copies clearly demonstrate that these events were advertised as a state conference that the PUC endorsed and that the supervisor acted in his official capacity with the State when he accepted payments related to the conference.

**Finding #2: The supervisor profited from his involvement with the state conference.**

Because the PUC allowed the supervisor to control conference funds outside of approved state accounts, he was able to retain as much as \$37,542 in profits. State law prohibits state employees from engaging in any employment, activity, or enterprise that is clearly inconsistent, incompatible, in conflict with, or inimical to their duties as state officers or employees. Incompatible activities include using state time, facilities, equipment, supplies, and the prestige or influence of the State for one's own private gain or advantage. Our analysis indicates that the supervisor profited by at least \$3,725 from the 1999 conference; \$3,386 from the 2000 conference; and \$30,431 from the 2001 conference.

We asked the supervisor to review our calculations and provide any additional evidence, particularly concerning any conference-related costs that might demonstrate he had not profited from these events. The supervisor insisted that he had lost money each year on the conference and that he had maintained detailed accounting records that proved this until one of his superiors told him that he no longer needed to keep them. After reviewing the accounting records and invoices we obtained from each of the facilities that hosted the conferences, the supervisor stated that he had paid other costs, such as off-site dinners and mailing expenses, that these bills did not reflect. However, he was unable to provide documentation to support any of these additional costs.

**Finding #3: The supervisor used funds to pay for alcohol-related expenses.**

Of the money the supervisor received and paid for costs associated with the 1999 conference, we identified \$1,408 that pertained to alcohol-related expenses. State law prohibits state officers and employees from using state resources for personal enjoyment, private gain, or personal advantage or for an

outside endeavor not related to state business. As we mentioned previously, because state law characterizes the conference funds the supervisor received and deposited as public money, its use to purchase alcohol constitutes a misuse of public funds.

***PUC Action: Corrective action taken.***

The PUC discontinued the conference and plans to train all staff who may accept money from outside parties on proper record-keeping procedures and fiscal accountability. In addition, the PUC states it does not plan to initiate personnel action against the supervisor until it receives and completes its review of critical documentation. PUC terminated the employee effective February 13, 2004.

