

STATE OF OHIO
OFFICE OF THE INSPECTOR GENERAL

RANDALL J. MEYER, INSPECTOR GENERAL

REPORT OF
INVESTIGATION



AGENCY: OHIO DEPARTMENT OF TRANSPORTATION
FILE ID NO.: 2013-CA00077
DATE OF REPORT: JUNE 16, 2014

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

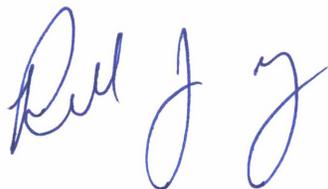
“Safeguarding integrity in state government”

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-CA00077

SUBJECT NAME: Ohio Department of Transportation District Offices

POSITION: Agency Departments

AGENCY: Ohio Department of Transportation

BASIS FOR INVESTIGATION: Initiative by the Office of the Ohio Inspector General

ALLEGATIONS: Failure to exercise adequate oversight of agency/departmental functions/activities

INITIATED: October 18, 2013

DATE OF REPORT: June 16, 2014

INITIAL ALLEGATION AND COMPLAINT SUMMARY

During a preliminary inquiry into a related matter at the Ohio Department of Transportation (ODOT),¹ a large number of bulk fuel adjustments were noted within the Equipment Management System (EMS).² A bulk fuel adjustment occurs when the quantity recorded in inventory within a large capacity fuel storage tank is adjusted within EMS in order to reflect the actual quantity of fuel on hand. The accuracy of the quantity of fuel on record and the actual quantity of fuel on hand is important to ensure that work crews have fuel for the day's activities, garage personnel know when to order more fuel from vendors, and to prevent unauthorized distribution of fuel into non-state of Ohio vehicles. The numerous adjustments to the fuel inventory in EMS did not have any corresponding documentation or explanation for the adjustments. On October 18, 2013, the Office of the Ohio Inspector General opened an investigation to determine the cause of the adjustments and to ensure waste, theft, or fraud had not occurred.

BACKGROUND

Ohio Department of Transportation

The Ohio Department of Transportation (ODOT) is responsible for maintaining the state's system of highways, as well as overseeing the state's rail, aviation, and public transportation systems. The department has 12 districts along with a central office located in Columbus. The director, who serves as the agency's chief executive officer, is appointed by the governor and confirmed by the Ohio Senate. The majority of ODOT's funding comes from federal and state taxes on motor fuels.³



¹ Preliminary Inquiry 2013-CA00068 published November 26, 2013.

² Equipment management is an administrative activity associated with fleet operations such as maintenance, consumable inventory, and operations control.

³ Source: Biennial budget documents.

Applicable Policies and Procedures

The following ODOT Policy and Procedures were reviewed during the course of the investigation:

ODOT Policy: 18-011(P), *Ohio Department of Transportation Inventory Policy*, effective May 1, 2010 ([Exhibit 1](#)):

V. Consumable Inventory –

(A) Consumable Inventory is property that will be depleted or expended through the task of making or maintaining vehicles, facilities, roads, or bridges.

(B) Each District and Central Office location must perform an annual inventory certification deeming their EMS inventory listing as accurate.

(C) Each location with an EMS inventory must perform a monthly spot check of a minimum 10% of their inventory.

ODOT Standard Procedure No.: 210-007(SP), *Consumable Inventory Procedure*, effective May 17, 2011 ([Exhibit 2](#)):

I. General Information

C. Consumable Inventory Types

2. 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.

V. Inventory Certification and Accuracy Procedures

D. District Finance Office must perform unannounced quarterly spot checks upon each location within their District each fiscal year.

2. Please adhere to the “*Quarterly Spot Check Procedures*”.

ODOT Procedure: *District Performed Unannounced Inventory Spot Checks Procedures*, updated May 2013 ([Exhibit 3](#)):

1. General Information / Guidelines –

(A) The spot checks are to be unannounced:

- I. The District must perform spot checks on all locations with an inventory utilizing a two year cycle – whereby each inventory location must be checked at least once every two calendar years.

ODOT Procedure: IAP-6005-B, *Performing Monthly Spot Checks of Bulk Fluids (Fuels, Oils, Hydraulic Oil, Antifreeze, Auto Transmission Fluid)*, effective July 19, 2007 ([Exhibit 4](#)):

1. At the end of the month, use consistent method to measure for actual quantity and compare with book value (EMS Screens #1-12, Garage Stock Inventory or #3-53, Physical Inventory Adjustment).
2. If a discrepancy of +/- 50 units or more for fluids exists (+/- 100 gal. for underground fuel), check the following using EMS Screen #9-10, Garage/Stock Inventory Audit Trail or source documents.
5. Forward EM-80, *Parts and Material Adjustment Form* ([Exhibit 5](#)) to the proper District Designee for any discrepancies for adjustment approval.

ODOT Procedure: FPP-4025-A, *Fuel Tank Filling*, effective March 10, 2006 ([Exhibit 6](#)):

2. Physically stick⁴ tank immediately prior to fuel delivery. The tank truck driver will usually do this, but an ODOT employee must be present to verify the beginning and ending stick readings. Inches must be verified and recorded on the Load Ticket/printed meter ticket and/or Bill of Lading.
3. An ODOT employee must be present at all times during the filling operation.
4. The fuel storage tank must be stuck after the fuel delivery is completed. The fuel stick reading must be recorded (in inches) on the Load Ticket/printed meter ticket or Bill of Lading.

Based on these policies and procedures, the following individuals in each ODOT district were identified as being responsible for completing certain tasks:

⁴ A “stick reading” is the act of dropping a measured stick into a fuel tank and reading the depth of fluid inside the tank. The depth of the fluid measurement is then looked up on a chart, specific to that tanks manufactured volume, and translated to an approximate volume of fluid inside the tank. This is considered a best practice for obtaining a true reading of volume from within a high capacity tank.

- The fiscal officer should:
 - Execute a 100 percent annual district inventory and retain its record for three years.
 - Conduct unannounced spot checks for each location once every two years.

- EMS coordinator or designee should:
 - Authorize each fuel adjustment using the EM-80 if a discrepancy of +/- 50 gallons for above-ground fuel tanks, or +/- 100 gallons for underground fuel tanks.
 - Certify that EMS annual inventory is accurate for the district.

- County manager or designee should:
 - Obtain a stick measurement reading of actual quantity within the fuel tank before and after the delivery of fuel from a vendor.

INVESTIGATIVE SUMMARY

On December 13, 2013, a request was made by the Office of the Ohio Inspector General for a record of the bulk fuel adjustments made by the 12 Ohio Department of Transportation districts in fiscal year 2013.⁵ The list provided on December 20, 2013 showed that a total of 598 fuel adjustments were entered into EMS for fuel stored in tanks located at the 148 county garages and outpost locations around the state. A subsequent request was made on January 8, 2014, to the 12 district fiscal officers and 12 district EMS coordinators⁶ for supporting documentation for the 598 fuel adjustments.

The analysis of the documentation by the Office of the Ohio Inspector General concluded:

- Two out of twelve districts were able to produce copies of the EM-80 *Parts and Material Adjustment Form*;⁷

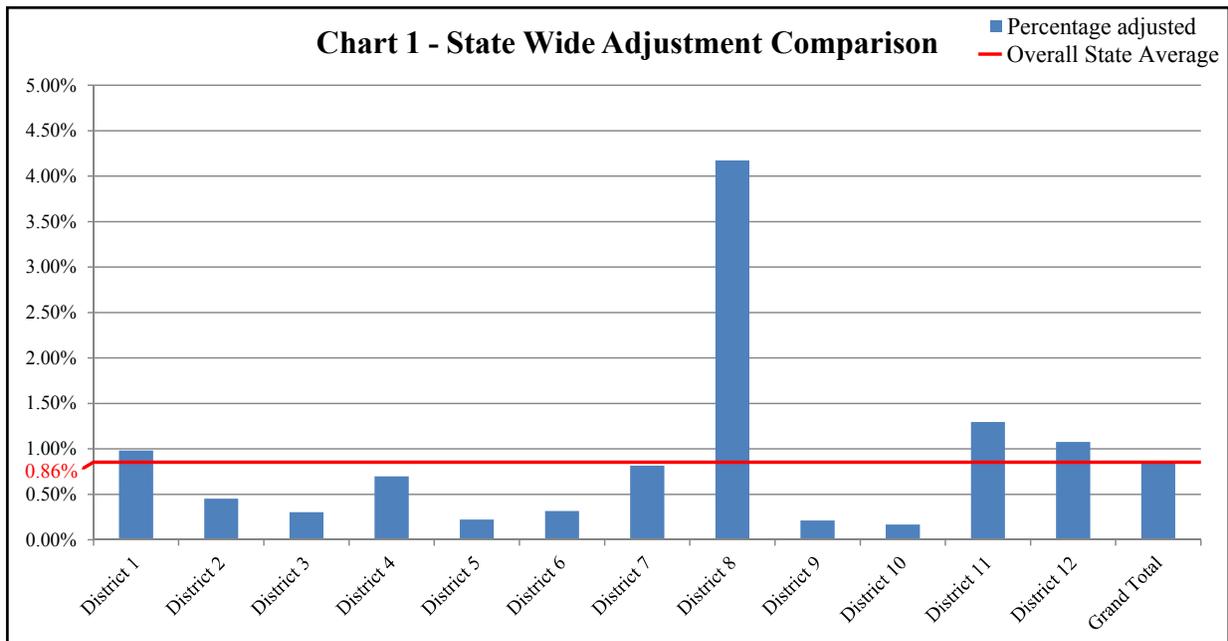
⁵ The state fiscal year is July 1, 2012 – June 30, 2013.

⁶ The district fiscal officers are assigned the responsibility of executing the district annual inventory and unannounced spot checks, and the EMS coordinators are responsible for the accuracy of the consumable inventory on hand and provide accountability for the utilization and consumption of ODOT resources and equipment.

⁷ This form is used to document the amount, reason, and authorization for adjusting consumable inventory.

- Nine percent of the bulk fuel adjustments were supported with proper documentation;
- Fifty-three percent of the adjustments were supported by printouts from the EMS application itself;
- Thirty-two percent of the adjustments did not have any supporting documentation from the EMS coordinators or their designee; and
- Six percent of the adjustments were supported with email correspondence.

The Office of the Ohio Inspector General then analyzed the amount of adjustments made by each district based on the overall percentage of fuel purchased. The resulting graph (chart 1) indicated District 8⁸ had four times the amount of adjustments by percentage of fuel than the other districts.



On January 21, 2014, investigators traveled to District 8’s headquarters in Lebanon (Warren County) and interviewed Judy Conard, fiscal officer, and Michael Brown, business operations manager 1 and EMS coordinator. Conard described her duties as being responsible for accounts payable, accounts receivable, and managing the district inventory on record. She estimated that as much as 25 percent of her daily duties are related to maintaining proper recordkeeping for all

⁸ District 8’s headquarters is located in Lebanon (Warren County) and serves the following counties: Butler, Clermont, Clinton, Greene, Hamilton, Preble, and Warren.

the fixed assets and executing the annual inventory for the district. However, these duties did not include spot checks of bulk fuel, and all consumable inventories were managed by Brown. When Conard was shown the Standard Procedure No.: 210-007(SP), *Consumable Inventory Procedure*, that states the district fiscal offices must perform unannounced quarterly spot checks upon each location within their district each fiscal year, she produced documentation entitled *District Performed Unannounced Inventory Spot Checks Procedure* (updated May 2013) that reduced the frequency of spot checks to each location every other year. Additionally, Conard informed the investigators it was a common understanding that fuel was never part of unannounced spot checks, and the only role the fiscal office had with fuel was paying the vendors.

Conard was also shown the *EM-80 Parts Material and Adjustment Form*. She recognized it but said the form was no longer used. She was not aware of how fuel inventory was added or removed from EMS because she only worked with the payments of vendors who supply the fuel and her job duties did not include making adjustments in the inventory system. Upon request, Conard produced the last three years of annual inventory records for the district.

Brown described 95 percent of his daily duties consisted of activities resulting from his role as the labor relations officer for the district. Brown informed investigators he has been assigned the role of EMS coordinator for the past 11 years, and stated, "... he has minimal working knowledge of the screens, process, and daily activities related to EMS." As such, Brown delegated all EMS activity to Judy Roberds, data entry clerk 2, and relies on Roberds to maintain all consumable inventory with the county managers or their assistants throughout the district.

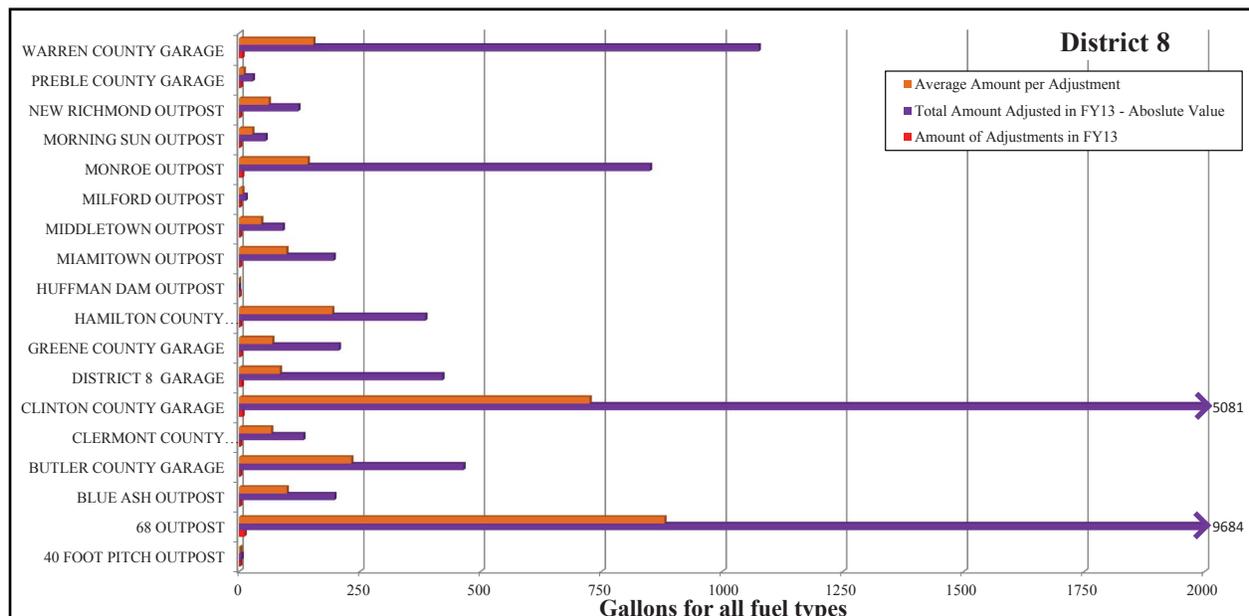
Pursuant to EMS records, Brown and Roberds are authorized to make fuel adjustments. According to Brown, he had given Roberds the authority to make adjustments without any involvement from Brown. EMS records show that in fiscal year 2013, Roberds executed 53 out of 63 fuel adjustments for District 8. Investigators requested to meet with Roberds, but were informed she was not present for work on that day. Brown offered to arrange a meeting with Roberds' manager Tony Morris, roadway services manager, instead. Brown was asked if it was appropriate for a data entry clerk 2 to work as the sole authority for the entire district's

consumable inventory, yet not report to him (Brown). Brown did not reply. Morris stated he did not have any working knowledge of the duties of the EMS coordinator or of the matters delegated to Roberds by Brown.

The chart showing the fuel adjustments by district (chart 1) was shown to Brown and Morris. Both said they recalled a large adjustment from the Clinton County garage and its outpost, known as the 68 Outpost, which is located within the Clinton County territory. Brown identified the Clinton County manager as Michael Lovelace who took over the duties as manager on March 28, 2010. Brown explained he recalled the reason for the large adjustment during the 2013 annual inventory as resulting from the installation of new fuel tanks at both locations.

The following chart (chart 2) created by the Office of the Ohio Inspector General, depicts the fuel adjustments made by District 8 by location. The Clinton County garage, located at 3382 U.S. 68 South, and the 68 Outpost, located at 5996 U.S. 68 North, both in Wilmington, Ohio, were considerably higher than any other location in District 8.

Chart 2 – Fuel Adjustments by Location (District 8)



The interview was concluded with the investigators requesting Brown to produce any supporting documentation for all fuel adjustments in District 8. As part of the request for documentation by the Office of the Ohio Inspector General on January 8, 2014, Brown had only provided two emails related to fuel adjustments, and the remaining 61 of the 63 total adjustments for District 8 were undocumented. On January 22, 2014, Brown provided a copy of an email sent on April 12, 2013, from Karen Johnson, account clerk 2, who is assigned to the Clinton County garage. The email was addressed to Roberds, with a copy to Clinton County Manager Lovelace, requesting fuel adjustments resulting from the fiscal year 2013 annual inventory. ([Exhibit 7](#)) The email directed Roberds to remove 14,765 gallons of fuel with a total dollar value of \$52,637.02 from EMS. Brown, the district EMS coordinator, was not included on the email. The email did not contain any other explanation nor was any documentation attached.

Roberds was interviewed by the Office of the Ohio Inspector General on January 30, 2014. Roberds has been employed as a data entry clerk 2 for the 20 years she has been employed at ODOT. Roberds duties include: receiving all equipment into District 8, ordering and receiving fuel for the District 8 garage, entering daily fuel logs, entering work orders for mechanics, entering time cards, and executing credit card transactions for the District 8 garage. Roberds described her additional duties assigned to her by Brown as coordinating annual inventory with the surrounding seven county garages and making all related fuel adjustments in EMS for the 18 locations with bulk fuel tanks on site.

Roberds stated she received bulk fuel shipments into the District 8 garage. The investigators showed her ODOT *Fuel Tank Filling procedure* FPP-4025-A, which requires a stick reading⁹ by an ODOT employee before and after every delivery. Roberds stated she had never seen the procedure. She went on to state stick readings were done multiple times a week with the assistance of the mail clerk. When asked why she did stick readings a few times each week, Roberds said it was the only way to make sure nobody forgot to record an entry on the *EM-88*

⁹ A “stick reading” is the act of dropping a measured stick into a fuel tank and reading the depth of fluid inside the tank. The depth of the fluid measurement is then looked up on a chart, specific to that tanks manufactured volume, and translated to an approximate volume of fluid inside the tank. This is considered a best practice for obtaining a true reading of volume from within a high capacity tank.

Daily Fuel Log. When she was asked why the mail clerk did the reading for her, Roberds said it was the only way to get all of her work done and keep the district garage fuel inventory correct.

Investigators then discussed Roberds' understanding of how bulk fuel adjustments were performed at the District 8 garage. She explained how she notified her supervisor, roadway services manager Tony Morris, of the necessary adjustments and entered the adjustments into EMS without any supporting documentation. Roberds was shown the ODOT *Monthly Spot Check Procedure* IAP-6005-B, which requires fuel inventories be verified and any discrepancies of +/- 50 gallons for above-ground fuel tanks, or +/- 100 gallons for underground fuel tanks are to be recorded using the *EM-80 Parts and Materials Adjustment Form*. Roberds stated she had never seen the procedure. Roberds was presented with a blank EM-80 form and she recalled seeing the form but stated it had not been used in a long time. Roberds would typically receive notification of adjustments through email and all adjustments went through her supervisor, Morris. Roberds assumed Morris notified EMS Coordinator Brown of the adjustments.

When Roberds was asked about the supervisory relationship between Morris and Brown, she said they do not have an "official" relationship by District 8's organization. Morris reports to Highway Management Administrator Tammy Campbell, and Brown reports to Business and Human Resources Administrator James Fife.

Roberds was shown the email sent from Account Clerk Johnson dated April 12, 2013.

[\(Exhibit 7\)](#) Roberds immediately recalled the events resulting from the fiscal year 2013 Annual Inventory, and noted she had informed Morris of the request. Roberds explained she would not have performed the adjustment unless Brown specifically told her to do so. Brown gave her the verbal order to make the adjustment and Roberds removed 14,765 gallons of fuel worth \$52,637.02 from EMS, even though she had no further supporting documentation. Roberds created 14 consecutive fuel adjustment transactions on April 16, 2013, into EMS to circumvent the system controls in place that prohibit the entry of a single fuel adjustment greater than \$5,000. Roberds stated she was told by Brown that the adjustments were a result of new fuel tanks being installed at two locations and the corresponding quantity in EMS had never been adjusted.

Lastly, the investigators asked Roberds to describe her role in the district annual inventory process. Roberds stated Brown would distribute work sheets to the county managers listing the official inventory displayed from EMS, called Tally Reports, and work sheets without the expected inventory, called Count Sheets. The Count Sheets were to be used to record the actual amount of fuel in the tanks as measured by the county garages. Brown instructed the county managers to send the completed Count Sheets and Tally Reports directly to Roberds. Roberds would then make any adjustments as documented into EMS. There was typically no documentation regarding the reason for any of the adjustments, and Roberds was instructed by Brown to enter them and turn the sheets over to the fiscal office for retention purposes.

The Office of the Ohio Inspector General asked Roberds what role Brown had in the annual inventory after he distributed the County Sheets and Tally Reports. Roberds said Brown sent out the email with both the inventory Count Sheets and Tally Reports and that was all. Investigators asked if both the Tally Reports and the Count Sheets were sent at the same time. Roberds said they were and that was how it had always been done. When asked if she thought the county managers would simply copy the values as recorded in EMS, as noted on the Tally Sheet, to the Count Sheet, she replied she was not aware of anyone doing this, but could see how it could easily be done.

Clinton County ODOT Manager Lovelace was also interviewed by the Office of the Ohio Inspector General on January 30, 2014. Lovelace's responsibilities as county manager include all maintenance and construction activities on interstates, state, and U.S. highways outside of municipal corporation limits within the designated Clinton County jurisdiction. Lovelace also oversees all ODOT-related performance, safety, purchasing, inventory and overall efficiency of the Clinton County garage.

Lovelace was asked to explain the processes for conducting daily fuel entries, monthly checks of the fuel tanks, bulk fuel receipts, bulk fuel adjustments, and annual inventory. Lovelace replied the *Daily Fuel Log* was posted to EMS almost every day by Karen Johnson, account clerk 2. Lovelace was asked who was responsible for the accuracy of the data entered by Johnson, and

Lovelace replied that he was. Lovelace then added that some supplies were never accurate, like fuel.

Lovelace stated fuel levels were verified by taking readings from the Veeder-Root¹⁰ system and that the system was accurate. Lovelace was unable to say when the Veeder-Root system was last verified as being accurate or if it had ever been calibrated. Lovelace then stated that bulk fuel was received from the vendor without any supervision or verification by an ODOT employee. Lovelace stated the vendor would record the reading off the Veeder-Root system before and after the delivery on the receipt. Johnson would then enter the bulk delivery into EMS and send the vendor-provided documentation to the fiscal office to process for payment.

Lovelace was asked if anyone from the Clinton County garage utilized the technique of “sticking” the tank and converting that to an approximate volume, using a chart supplied by the manufacturer of the tank. He said all fuel inventories were conducted by reading the Veeder-Root system, and that the vendor recorded the reading before and after the bulk fuel delivery. Lovelace was shown Procedure FPP-4025-A, *Fuel Tank Filling*, which requires an ODOT employee to observe the entire delivery of fuel and to conduct a stick reading before and after delivery. Lovelace stated he had never seen the procedure.

Lovelace was asked about monthly fuel checks at the Clinton County garage and the 68 Outpost. Lovelace stated the volume reading on the Veeder-Root was used to compare against the inventory amounts shown in the EMS system. Discrepancies of approximately 100 gallons or more would be adjusted by Account Clerk Johnson. Lovelace cautioned again that the volumes were never exactly correct and a difference of actual readings from the Veeder-Root and the amount shown in EMS was expected. This is why adjustments were not made for discrepancies of less than 100 gallons.

Lovelace was shown Procedure IAP-6005-B, *Monthly Spot Check*, which requires fuel inventories to be verified and discrepancies of +/- 50 gallons for above-ground tanks and +/- 100

¹⁰ Veeder-Root is a commercial fuel tank leak detection monitoring system that can also be configured to measure an approximate volume of fuel in a tank.

gallons for underground tanks to be recorded using the EM-80 *Parts and Materials Adjustment Form*. Lovelace stated he had never seen the procedure. Lovelace was presented with a blank EM-80 form and Lovelace stated he had never seen or used the form. Lovelace said Johnson would verify adjustments with him and she would send an email to Judy Roberds at District 8 instructing her to make the adjustments.

The Office of the Ohio Inspector General then discussed the annual inventory procedure. Lovelace stated the Count Sheets were distributed with the Tally Reports by Brown with instructions to send the resulting inventory directly to Roberds for adjustments. Copies of the fiscal year 2012 annual inventory Count Sheets and Tally Sheets were presented to Lovelace which included his initials. [\(Exhibit 8\)](#) The investigators pointed out that not a single adjustment appeared to be necessary from fiscal year 2012 annual inventory. Lovelace stated the counts and the reports were accurate as reported in April of 2012. When questioned how every line item that was part of the fiscal year 2012 annual inventory was accurate, including fuel quantities to the tenth of a gallon, Lovelace informed the investigators that adjustments were made prior to annual inventories in order to reduce the amount of adjustments required at the district. Lovelace signed off on the 2012 annual inventory, with a reported quantity on hand of 9,627 gallons of diesel fuel at the 68 Outpost, and 3,565 gallons of unleaded fuel at the Clinton County garage.

Investigators asked why an inventory merge of diesel fuels was conducted on December 9, 2011, at 68 Outpost. [\(Exhibit 9\)](#) Lovelace explained that different types of diesel fuel were combined in the winter months in order to lower the temperature at which fuel solidifies. The investigators showed the stock merge that was entered into EMS created a volume of 11,406 gallons of fuel for an underground tank that only had a capacity of 10,000 gallons. [\(Exhibit 10\)](#) Lovelace could not provide an explanation of how this could have occurred. Lovelace referred questions about the fuel tanks and details surrounding the installation of the above-ground tanks to John Burnie, building construction supervisor.

Lovelace was asked to describe how the fiscal year 2013 inventory was conducted on or around April 15, 2013. Lovelace informed the investigators that he instructed Johnson to conduct the

annual inventory for the Clinton County garage and 68 Outpost. Johnson conducted the inventory and recorded the quantities on hand for all line items on the Count Sheets. When Johnson transferred the recorded quantities on hand at the Clinton County garage to the Tally Sheets, she noted a loss of 5,081 gallons of unleaded fuel, and a loss of 9,684 gallons of diesel fuel at the 68 Outpost. ([Exhibit 11](#)) Johnson initialed the sheets and sent an email to Roberds, copying Lovelace on the email, requesting the removal of 14,765 gallons of fuel from the EMS system with the explanation, "... from installing the new gas tanks." ([Exhibit 7](#))

Lovelace stated he did not inform his manager, Highway and Maintenance Administrator Joe Bassil, nor did he make a call to Michael Brown with an explanation for the large adjustment. Lovelace was asked by the investigators to explain where the fuel had gone. He replied that not all entries were recorded on the *Daily Fuel Logs* and this accounted for much of the missing fuel. The Office of the Ohio Inspector General pointed out to Lovelace that he previously stated the Veeder-Root system was routinely checked for discrepancies between what was showing on hand and what was showing in the EMS system, and if this discrepancy check was actually being done, there would be monthly fuel adjustments throughout fiscal year 2013. Lovelace did not have information supporting his claim, and the investigators asked him to produce any records that could assist with the identification of the fuel removed from the Clinton County garage and 68 Outpost during his time as county manager.

On February 19, 2014, the Office of the Ohio Inspector General met with ODOT District 8 Facilities Manager John Burnie and Assistant Facilities Manager Robert Montgomery. The old, underground fuel tanks had a capacity of 10,000 gallons. Both managers confirmed the Clinton County garage installed new, above-ground fuel tanks on June 28, 2010, and the 68 Outpost received new, above-ground fuel tanks on July 30, 2012. The type of tanks installed at both locations had a 4,000-gallon diesel partition and a 2,000-gallon unleaded partition, and that in both installations, there was no fuel transferred from the old underground tanks to the new above-ground tanks. As a result, the tanks were filled with fresh fuel stocks. Burnie and Montgomery explained that fuel contained in the outgoing underground tanks was run down to as low a volume as possible because the fuel from the bottom of the tank is usually contaminated with sediment and water and not worth transferring to the new tanks.

Burnie and Montgomery explained the Veeder-Root system provides leak detection, but can also be configured to measure an approximate volume of fuel in a tank. However, when the tanks at the Clinton County garage and 68 Outpost were installed, the Veeder-Root monitors were no longer configured to record volumes. However, the historical tank volume records were still available from the old underground tanks, and could be provided for any day before June 28, 2010, for the Clinton County garage, and July 30, 2012, for the 68 Outpost. The Office of the Ohio Inspector General requested the historical readings for the months of the annual inventories from 2010, 2011, and 2012, and the readings from the last month before each of the old tanks was removed from inventory.

An analysis was conducted by the Office of the Ohio Inspector General on the annual inventory reports compared to the actual Veeder-Root readings for fiscal year 2010, 2011, and 2012, which were provided by Burnie and Montgomery. The fiscal year 2010 annual inventory containing the unleaded and diesel fuel line items for the Clinton County garage and 68 Outpost were signed by Lovelace on or about May 10, 2010. [\(Exhibit 12\)](#) This was Lovelace’s first inventory on record as the Clinton County manager since his appointment on March 28, 2010. Lovelace signed the Clinton County 2010 Inventory without making a single adjustment. However, the following chart shows the quantities listed as being on hand, as reported by Lovelace, compared to the actual Veeder-Root readings as of May 10, 2010, provided by Burnie and Montgomery:

Comparison of Inventory Records to Veeder-Root Readings - 2010

<u>Location</u>	<u>Inventory Report</u> (Exhibit 12)	<u>Veeder-Root Readings</u> (Exhibit 13)	<u>Variances</u>
Clinton County Garage	Unleaded = 2,323.0 Diesel = 2,734.5	Unleaded = 241.0 Diesel = 410.0	Unleaded = 2,082.0 Diesel = 2,324.5
68 Outpost	Unleaded = 1,809.0 Diesel = 7,703.7	Unleaded = 1,753.0 Diesel = 3,705.0	Unleaded = 56.0 Diesel = 3,998.7

In addition, Lovelace reported on his inventory that the amounts listed at the Clinton County garage and 68 Outpost were accurate to within a tenth of a gallon of the expected quantities.

The fiscal year 2011 and 2012 annual inventories also showed not a single adjustment was necessary for the entire 26 pages and 35 pages of inventory, respectively, under Lovelace’s management. Again, Lovelace approved the reports, stating the fuel quantities were accurate to within a tenth of a gallon of the expected quantities. The following charts show the comparisons between the inventory as reported by Lovelace and the actual Veeder-Root readings:

Comparison of Inventory Records to Veeder-Root Readings - 2011

<u>Location</u>	<u>Inventory Report</u> <u>(Exhibit 14)</u>	<u>Veeder-Root Readings</u> <u>(Exhibit 15)</u>	<u>Variances</u>
Clinton County Garage	Unleaded = 3,686.0 Diesel = 3,420.7	Not available for this time period	Unknown
68 Outpost	Unleaded = 1,756.0 Diesel = 7,214.4	Unleaded = 1,679.0 Diesel = 1,550.0	Unleaded = 77.0 Diesel = 5,662.4

Comparison of Inventory Records to Veeder-Root Readings - 2012

<u>Location</u>	<u>Inventory Report</u> <u>(Exhibit 16)</u>	<u>Veeder-Root Readings</u> <u>(Exhibit 17)</u>	<u>Variances</u>
Clinton County Garage	Unleaded = 3,565.1 Diesel = 5,126.6	Not available for this time period	Unknown
68 Outpost	Unleaded = 1,156.9 Diesel = 9,627.0	Unleaded = 1,008.0 Diesel = 2,518.0	Unleaded = 148.9 Diesel = 7,109.0

On March 6, 2012, Karen Johnson, ODOT account clerk 2, was interviewed by the Office of the Ohio Inspector General. Johnson was asked about the procedure for receiving bulk fuel deliveries. She described how deliveries were unobserved by any ODOT employee at both the Clinton County garage and 68 Outpost. Additionally, the fuel inventory was not verified by an ODOT employee before or after delivery. The vendor often arrived on site and delivered fuel without an ODOT employee being aware they were on site. Johnson described how the vendor would drop off the delivery receipt with the volume of fuel delivered, and the delivery receipt would be turned in for payment without verification. Investigators asked Johnson if the fuel tank was verified with a stick reading. She said no, the volume was read off the Veeder-Root device. Johnson was shown Procedure FPP-4025-A, *Fuel Tank Filling*, and she stated she had never seen the procedure.

Johnson was then asked about the fiscal year 2013 annual inventory that identified the loss of 5,081 gallons of unleaded fuel at the Clinton County garage, and a loss of 9,684 gallons of diesel at 68 Outpost. ([Exhibit 11](#)) Johnson described how she was instructed to conduct the inventory by Lovelace. Johnson used the Tally Reports to record the inventory and would copy the quantities from the Tally Reports to the blank Count Sheets, then turn them in with her initials to Roberds. Johnson remembered informing Lovelace of the large discrepancy in fuel quantities, but could not recall the details of the conversation.

The investigators asked Johnson if she or Lovelace went back into past records in order to reconcile the missing 14,765 gallons of fuel, and she replied, "No." When asked if EMS Coordinator Brown contacted her or Lovelace in an attempt to identify a reason for the missing \$52,637.02 worth of fuel, Johnson again replied, "No." In reference to the fiscal year 2013 adjustment, Johnson said she placed a call to Roberds and informed her there was a big adjustment coming, and that Roberds said she was going to contact Brown. Johnson then sent an email to Roberds requesting the adjustment to the EMS. ([Exhibit 7](#)) Roberds called Johnson after receiving the email request and said Brown had approved the adjustments.

Johnson was shown Procedure IAP-6005-B, *Monthly Spot Check*, which requires fuel inventories to be verified and discrepancies of +/- 50 gallons for above-ground tanks and +/- 100 gallons for underground tanks must be recorded using the EM-80 *Parts and Materials Adjustment Form*. Johnson stated she had never seen the procedure. Investigators presented Johnson with a blank EM-80 form, and she stated she had never seen or used it. The Office of the Ohio Inspector General confirmed with Johnson that there was no further documentation requested from the district EMS coordinator, district fiscal officer, or from the ODOT Central Office regarding the reasoning for making such a large fuel adjustment.

On March 6, 2014, the Office of the Ohio Inspector General interviewed Clinton County Manager Lovelace a second time. Lovelace was shown the analysis between the inventory reports he prepared versus the actual Veeder-Root readings showing there were large discrepancies between the two fuel amounts, especially at the 68 Outpost. Lovelace was unable to provide a reason for the discrepancies.

Lovelace was again asked to explain how he conducted the annual inventory since he became the Clinton County manager, given the inconsistencies between the two reports. Lovelace explained the inventory was copied directly from one column, the quantity in EMS, over to the blank column showing the actual quantity on hand on the Tally Sheet. Lovelace would then copy the same numbers over to the Count Sheets and submit both the tally and count sheets as the Clinton County Annual Inventory. Lovelace was not sure why he had to copy the numbers onto the two reports, but both were always given to him at the same time and he just believed that was how it was supposed to be done. When investigators asked who taught him to simply enter the expected inventory counts into the actual inventory counts and then copy the counts over to the Count Sheets, Lovelace could not recall. He said it just how it was always done and how he was instructed to do it.

ODOT Inventory Policies and Procedures

During the course of the investigation, the Office of the Ohio Inspector General reviewed the relevant ODOT policies and procedures pertaining to the proper accountability, purchasing, and processing of bulk fuel inventory. This included a comparative analysis of the current ODOT *District Performed Unannounced Inventory Spot Check Procedures*, effective May 2013, against the January 2011 and March 2010 versions. The table below shows the general guidelines for conducting these spot checks at the district garages and outposts from each version of the procedures.

Spot Check Procedures by Version

<u>Version</u>	<u>Guidelines</u>	<u>Quantity and Frequency per Site</u>
May 2013	The districts must perform spot checks on all locations with an inventory utilizing a two year cycle – whereby each inventory location must be checked at least once every two calendar years.	Frequency Once every 24 months Quantity ¹¹ Garage 15% Maintenance 25% Traffic 25% Facilities 15%
January 2011	The districts must perform spot checks on all locations with an inventory each calendar year.	Frequency Once every 12 months Quantity Garage 15% Maintenance 25% Traffic 25% Facilities 15%
March 2010	In each of the first three quarters of the fiscal year, the district Spot Check Team must perform spot checks on 33% of the inventory locations within the district – in this way, the entire inventory is checked by the end of the third quarter. <i>NOTE: The 4th quarter of each fiscal year is excluded due to the yearly Consumable Inventory Certification – during which the entire district's consumable inventory is physically verified.</i>	Frequency Once every 3 months Quantity 33% every 3 months 100% every 9 months

From the analysis of the procedures, within two years ODOT went from spot checks of consumable inventory once every three months to once every 24 months. Additionally, ODOT Policy: 18-011(P), *Ohio Department of Transportation Inventory Policy*, effective May 1, 2010, ([Exhibit 1](#)) states district finance offices must perform unannounced quarterly spot checks on all EMS inventory locations each fiscal year. ODOT Standard Procedure No.: 210-007(SP), *Consumable Inventory Procedure*, effective May 17, 2011, ([Exhibit 2](#)) states that the district finance office must perform an unannounced quarterly spot check upon each location within their district each fiscal year and to adhere to the “Quarterly Spot Check Procedures.”

¹¹ Quantity of required inventory for spot checks is calculated by a percentage of line items of inventory for each garage or outpost.

Furthermore, the published *District Performed Unannounced Inventory Spot Checks Procedure*, effective May 2013, reduced spot check frequencies to every other year. ODOT Policy: 18-011(P) was not updated to reflect this change and conflicts with the currently published procedure on Consumable Inventory Procedure on conducting unannounced spot checks. According to interviews conducted at three other district offices and three county garages, ODOT Central Office no longer performs Quarterly Audit Reports (QARs).¹²

Additionally, the Office of the Ohio Inspector General inquired about ODOT training provided by the Office of Equipment Management pertaining to inventory and fuel management. The training curriculum for county managers did not contain any instruction on how to maintain proper inventory or manage bulk fuel storage out of the 18 training modules.

CONCLUSION

An investigation into fuel management and inventory practices at the Ohio Department of Transportation was initiated based on the number of bulk fuel adjustments as recorded in the Equipment Management System for fiscal year 2013. The analysis conducted by the Office of the Ohio Inspector General found District 8 comprised the majority of the fuel adjustments based on quantity. Further analysis found that within District 8, two locations were responsible for the majority of the adjustments – the Clinton County garage and 68 Outpost, both managed by Michael Lovelace.

In interviews with District 8 personnel, it was determined management of the fuel adjustment process had been delegated by EMS Coordinator Michael Brown to Data Entry Clerk 2 Judy Roberds. According to both Roberds and Brown, when conducting the annual inventory, documents showing the inventory as reported in EMS, as well as the form to report the actual inventory as calculated by the county managers, were both sent at the same time by Brown. By sending both documents at the same time, it is possible that county managers could simply record what the inventory should be without doing an actual reading.

¹² Quarterly Audit Reports are required per ODOT Standard Procedure No.: 210-007(SP), Consumable Inventory Procedure, effective May 17, 2011. ([Exhibit 2](#))

When documents were returned to Roberds and adjustments were requested, the adjustments were entered into EMS without supporting documentation or review by Brown. If large bulk adjustments occurred, no follow-up was conducted to determine the reasoning behind the adjustment. This process allowed District 8 to record a bulk fuel adjustment, removing 14,765 gallons of fuel worth \$52,637.02, from EMS without anyone accounting for where the fuel had gone.

Accordingly, the Office of the Ohio Inspector General finds reasonable cause to believe wrongful acts or omissions occurred in these instances.

According to Clinton County Manager Michael Lovelace, he relied upon the Veeder-Root readings to document the actual amount of fuel in the tanks, and he stated the adjustments were related to the replacement of two older underground tanks with newer above-ground tanks. However, documents provided by ODOT show Lovelace signed annual inventory reports in 2010, 2011, and 2012 that were also significantly different than the Veeder-Root readings. When another ODOT employee conducted the inventory in 2013, the discrepancies were finally noted and adjusted in EMS. Lovelace later admitted that he simply wrote down the inventory as shown in the documents provided by Brown, as that was how he had been instructed to do it.

Accordingly, the Office of the Ohio Inspector General finds reasonable cause to believe wrongful acts or omissions occurred in these instances.

A review of the applicable policies and procedures from 2010-2013 found ODOT drastically reduced the frequency of inventory spot checks from once every three months to once every 24 months. By reducing the amount of time between unannounced spot checks, the chance for fraud or theft increased significantly. The Office of the Ohio Inspector General was also informed that Quarterly Audit Reports are no longer required.

In addition, the Office of the Ohio Inspector General found:

- Districts were not completing the EM-80, *Parts and Material Adjustment Form*, as required in Procedure: IAP-6005-B, *Performing Monthly Spot Checks of Bulk Fluids*, and instead relied on emails or verbal notifications;
- Fuel deliveries were not observed by an ODOT employee and stick readings were not being conducted before and after the fuel delivery, as required in Procedure: FPP-4025-A, *Fuel Tank Filling*; and
- ODOT district employees were not provided training on how to properly inventory fuel.

Accordingly, the Office of the Ohio Inspector General finds reasonable cause to believe wrongful acts or omissions occurred in these instances.

RECOMMENDATION(S)

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

- 1) Review the actions of the employees named in this report and determine if administrative action is appropriate.
- 2) Provide training to the appropriate staff in each district regarding the proper procedures for conducting inventory.
- 3) Ensure the appropriate documentation is provided when processing bulk fuel adjustments within EMS.
- 4) Conduct spot checks more frequently than once every 24 months.
- 5) Reconcile the differences between the various policies regarding spot checks.

REFERRAL(S)

The Office of the Ohio Inspector General has determined that no referrals are warranted for this report of investigation.

[\(Click here for Exhibits 1 – 17 combined\)](#)



STATE OF OHIO
OFFICE OF THE INSPECTOR GENERAL

RANDALL J. MEYER, INSPECTOR GENERAL

NAME OF REPORT: Ohio Department of Transportation

FILE ID #: 2013-CA00077

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
June 16, 2014

MAILING ADDRESS

OFFICE OF THE INSPECTOR GENERAL
JAMES A. RHODES STATE OFFICE TOWER
30 EAST BROAD STREET – SUITE 2940
COLUMBUS, OH 43215-3414

TELEPHONE

(614) 644-9110

IN STATE TOLL- FREE

(800) 686-1525

FAX

(614) 644-9504

EMAIL

OIG_WATCHDOG@OIG.STATE.OH.US

INTERNET

WATCHDOG.OHIO.GOV