

STATE OF OHIO
OFFICE OF THE INSPECTOR GENERAL

RANDALL J. MEYER, INSPECTOR GENERAL

REPORT OF
INVESTIGATION



AGENCY: OHIO DEPARTMENT OF NATURAL RESOURCES
FILE ID NO.: 2011-178
DATE OF REPORT: OCTOBER 10, 2012

The Office of the Ohio Inspector General The State Watchdog

“Safeguarding integrity in state government”

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STATE OF OHIO
OFFICE OF THE INSPECTOR GENERAL

RANDALL J. MEYER, INSPECTOR GENERAL

REPORT OF INVESTIGATION

FILE ID NUMBER: 2011-178

SUBJECT NAME: David Insley

POSITION: Fish Hatchery Superintendent

AGENCY: Ohio Department of Natural Resources

BASIS FOR INVESTIGATION: Agency Referral

ALLEGATIONS: Misuse of State Payment Card

INITIATED: August 22, 2011

DATE OF REPORT: October 10, 2012

INITIAL ALLEGATION AND COMPLAINT SUMMARY

On August 22, 2011, the Office of the Ohio Inspector General received a complaint from the Ohio Department of Natural Resources (ODNR) regarding possible misuse of a state payment card by Castalia Fish Hatchery Superintendent David Insley. In June 2011, ODNR was informed by a hatchery employee that Insley may have been using his state-issued payment card to make personal purchases. Specifically, the complaint alleged that Insley was purchasing propane for his residence located on the hatchery grounds. An investigation was opened, in cooperation with the Ohio State Highway Patrol, in August 2011.

BACKGROUND

Ohio Department of Natural Resources

The Ohio Department of Natural Resources is responsible for the state's wildlife, forests, natural areas, state parks, inland lakes and waterways, and geological and mineral resources. The department regulates the issuance of hunting and fishing licenses, watercraft registrations, the Lake Erie coastline, and enforces state law regarding natural resources and conservation. ODNR is also responsible for more than 714,000 acres of land, including 75 state parks, 21 state forests, 135 state nature preserves, and 140 designated wildlife areas. In addition, ODNR oversees 120,000 acres of inland waters, 7,000 miles of streams, 481 miles of the Ohio River, and 2.25 million acres of Lake Erie. ODNR has 10 operating divisions to carry out these functions, as well as a central administrative office that oversees day-to-day operations.¹

Within ODNR, the Division of Wildlife operates six fish hatcheries, including the Castalia Fish Hatchery located in Erie County. The hatchery was opened in 1997 and is the newest of the six facilities. The hatchery consists of eight indoor rearing troughs and three outdoor raceways. All of the state's steelhead trout is raised at Castalia. In addition, the hatchery raises rainbow trout used to stock lakes throughout the state.²

The hatchery's superintendent lives on site in a residence provided by ODNR. Monthly rental payments for use of the residency are paid by the superintendent pursuant to a lease agreement

¹ According to the Legislative Service Commission's Redbook for the fiscal year 2012-2013 biennial budget request for ODNR.

² ODNR website.

between the employee and ODNR. According to this agreement, the employee is responsible for all utility payments at the residence, with no exceptions listed. [\(Exhibit 1\)](#)

State Payment Cards

Payment cards are state-issued credit cards administered by the Ohio Office of Budget and Management (OOBM). Each state agency, board or commission determines whether the agency will participate in the program, and how many cards will be issued to employees. Payment cards operate just like credit cards, except they have a \$2,500 single transaction limit and a \$15,000 monthly spending limit. When entrusted with the use of a payment card, employees are expected to follow the purchasing policies and procedures set forth by their agency and OOBM.

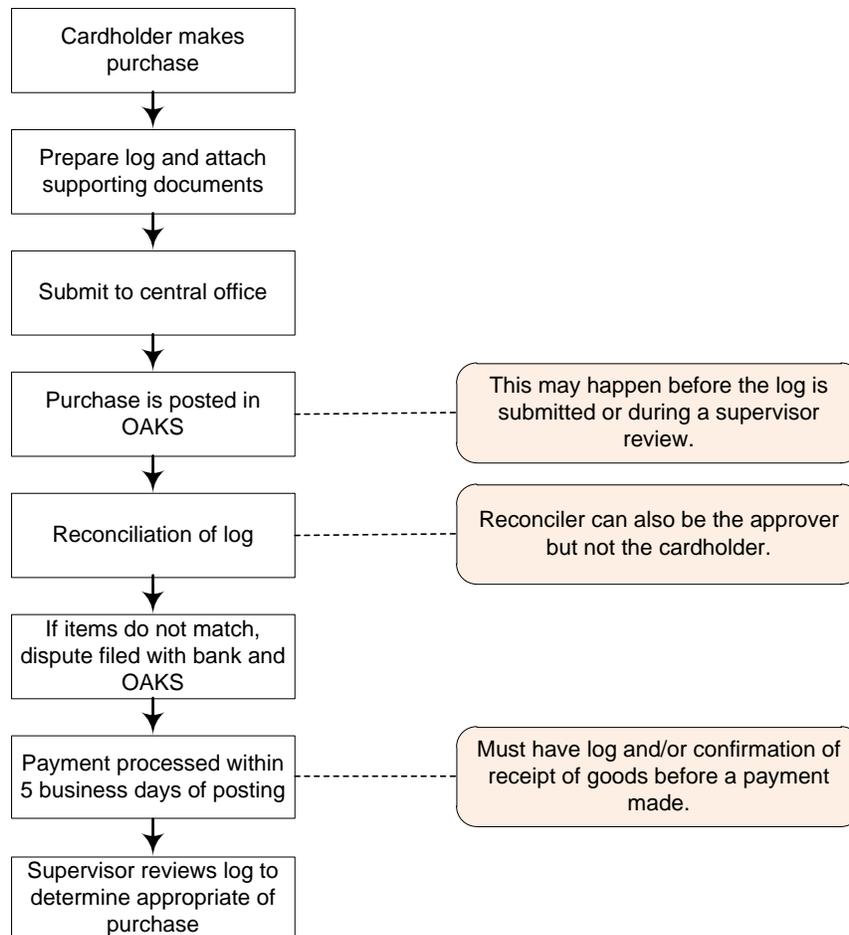
According to OOBM, the following are the personnel involved in managing the use of payment cards:

- Payment Card Administrator – responsible for overall management of the program for their agency.
- Reconciler – responsible for reviewing and evaluating payment card transactions as posted in the state accounting system, OAKS;³ the payment card log detailing the transactions; and the cardholder’s supporting documentation to confirm everything matches. The reconciler must be someone other than the cardholder.
- Approver – responsible for processing the transaction for payment in OAKS. This may or may not be the same individual assigned to the reconciler role.

In addition, each cardholder’s supervisor is responsible for reviewing all purchases to verify they are appropriate and conform to the agency’s purchasing policy. When this review is to occur is not specified by OOBM or ODNR, and may be conducted before or after the transaction has been processed for payment.

The following chart outlines the payment card process followed by ODNR:

³ OAKS stands for the Ohio Administrative Knowledge System.



Ohio Office of Budget and Management Payment Card Policy [Exhibit 2](#)

Cardholders are not to use the payment card for personal use and may not use the card for the following purchases:

- Travel and hotels;
- Service or rentals from vendors not in the state accounting system (OAKS);
- Medical or legal services;
- Reimbursement for professional exams, licenses, tests or tuition fees;
- Gasoline;
- Cash advances, interest, late payment charges, judgments or settlements; or,
- Interagency purchases.

At the time of this investigation, cardholders were permitted to use the payment card for the purchase of services⁴ from only pre-approved vendors.⁵ A list of the appropriate vendors was located at OOBM's website.⁶ Cardholders were to check this list before making a service-oriented purchase.

INVESTIGATIVE SUMMARY

As part of the investigation into the alleged improper charges, the Office of the Ohio Inspector General reviewed all charges made with the payment card issued to Insley to determine if there were additional questionable expenditures during the period of July 1, 2007, to August 1, 2011.⁷ A review of both the ODNR purchasing and the state of Ohio payment card policies was conducted to determine if there were any policy violations. It was also determined that, not only did the superintendent have a payment card, but cards were issued to all four employees working at the hatchery. As a result, records were also obtained of the charges made by the four employees on their cards and were subject to the same analysis.

Use of the Payment Card for Personal Use

The Office of the Ohio Inspector General obtained a list of charges made by Insley on his payment card from July 1, 2007, to the date the investigation began in August 2011. Ferrellgas was the company identified as the provider of propane for the property. Copies of the payment card logs were obtained from the Ohio Department of Natural Resources for all charges made to Ferrellgas. The payment card logs provided by ODNR dated back to 2004 and included supporting documentation for the charges, detailed invoices, and receipts.

The Ohio State Highway Patrol obtained copies of service orders from Ferrellgas showing the date, amount, and total price of propane delivered to the site name "house" dating back to mid-2007. Ferrellgas also provided printouts of the payment method used for each transaction. These printouts showed a credit card, in the name of David Insley with the last four digits

⁴ Services are defined as a product that is not a tangible (i.e., physical) good. This may include renting equipment, maintenance of equipment, registration or seminar fees.

⁵ Effective December 7, 2011, cardholders no longer had to verify that vendors were on the OOBM approved vendor list. This change was incorporated into OOBM's revised Payment Card Policies and Procedures Manual dated February 23, 2012.

⁶ <http://obm.ohio.gov/SectionPages/ElectronicCommerce/PCardServiceVendorList.aspx>

⁷ July 1, 2007, is the first date where available information can be obtained from the state accounting system.

matching his state-issued payment card, was used to pay for these transactions. This information was compared to the payment card logs received by ODNR to provide further evidence the state paid for the propane delivered to the tank attached to the hatchery residence occupied by Insley. The amount of charges made on the payment card for propane provided to the hatchery residence totaled \$3,387.23.

Using the information obtained by the Ohio State Highway Patrol, a review of payment card logs and support documentation from 2004 to the beginning of 2007 was conducted to identify any other invoices listing either the residence's propane tank number (provided by Ferrellgas), or receipts or invoices listing "house" as the location. Six additional transactions were identified, totaling \$1,776.52.

On January 11, 2012, the Ohio State Highway Patrol and the Office of the Ohio Inspector General interviewed David Insley. During the interview, Insley said he had lived at the hatchery since 2000 when it first became operational. When asked what utilities were used at the hatchery, including the residence provided by ODNR, Insley stated that electricity, water, propane, trash pick-up, telephone, and Internet service were utilized. He also specified there were septic tanks on the property, and, to his knowledge, they only needed servicing once.

Insley was asked about the rental agreement he signed when he first took residence at the hatchery. Insley responded that he could not recall the details, nor could he recall if he read the agreement before signing it. When asked about the utilities he was required to pay, Insley stated he was told by a supervisor he was only responsible for the electric. He added that the water for the residence was also paid by ODNR because it was not possible to separate the residential usage from that of the hatchery. Insley admitted to submitting propane expenditures for payment by ODNR and that it was something he was not trying to hide. He stated several times during his interview that he had been told by a supervisor it was permissible. However, he was unable to name the supervisor or when he had been given this information during the 12 years he lived at the residence.

During the course of the investigation, it was confirmed that Insley was directly paying for certain utilities for the residence, including electric, phone, and cable/Internet.

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

The Office of the Ohio Inspector General and the Ohio State Highway Patrol interviewed each of the four hatchery employees and a seasonal worker regarding the hatchery's operations. Every employee interviewed cited purchases of blacktop sealer and fertilizer as being suspicious. When asked why, they all indicated the blacktop sealer had not been used at the hatchery itself, and the amount of fertilizer actually used was noticeably less than the amount purchased. One employee also stated during his interview that he was asked by Insley to purchase mulch for the residence. He noted he was concerned enough about the purchase to ensure the invoices were clearly marked as delivered to the house and that Insley directed him to make the purchase.

The rental agreement did not require ODNR, as the lessor, to repair or maintain the property during Insley's occupancy, but the agreement did require ODNR to provide Insley paint every four years for interior and exterior maintenance. The rental agreement obligated Insley to repair any damage and to keep the property in a clean and sanitary condition as considered acceptable by ODNR. While not indicated in the lease, Insley believed the lease payments were deposited into a fund to be used for maintenance on the residence. He cited instances where the residence door and roof were replaced and paid for by ODNR. As the rental agreement did not address general maintenance, a cost could not be determined for the purchase of the blacktop sealer, fertilizer, and mulch.

Accordingly, the Office of the Ohio Inspector General does not find reasonable cause to believe a wrongful act or omission occurred in this instance.

The Office of the Ohio Inspector General interviewed the individual who is responsible for processing the payment card logs for the Castalia Fish Hatchery. This individual was unaware of the details of the resident's rental agreement and the fact that Insley was responsible for payment

of utilities for the residence. When asked what she reviewed when approving the transactions, she stated she ensured the address on the invoices and receipts match the delivery and billing location for the hatchery. As the residence and hatchery share the same address, Insley’s purchase of propane would not appear improper. When shown an invoice that clearly showed the delivery location was “house,” the individual stated if she had known about the restrictions in the rental agreement, she would have brought the purchase of propane to her supervisor’s attention. However, as she was not informed of which transactions were allowable and which were not, she processed them for payment.

It should also be noted there are six propane tanks located on the hatchery grounds. Each of these tanks has a sensor notifying Ferrellgas when the propane level is low, at which time Ferrellgas comes out to the hatchery to fill the tank. Therefore, it was not unusual to receive invoices throughout the year at irregular times. These invoices did not always list the tank number or location. Rather, the invoices have service order numbers which OSHP had to use to obtain detailed information from the company in order to establish the location and number on the propane storage tank.

Use of the Payment Card for Purchases of Services from Vendors Not on the Approved List

The Office of the Ohio Inspector General conducted a review of the charges made by all employees at the hatchery by vendor and account code,⁸ and found the following vendors were not on the OOBM’s approved vendor list:

Vendor	Amount Charged
American Fisheries Society	\$175.00
Coastal Wave Internet	\$4,938.40
D L Page Inc.	\$1,045.00
Illumco/Toledoedsn	\$1,207.90
Networld Online	\$215.40
Universal Rental-Sandusky	\$884.50
TOTAL	<u>\$8,466.20</u>

⁸ A list of account codes can be located at OOBM’s website at <http://obm.ohio.gov/SectionPages/StateAccounting/AccountCodes.aspx>

Though the charges were found to be for legitimate state purposes, the vendors used were not on OOBM's approved vendors list and, therefore, were prohibited from use.

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

Other Charges Not Deemed Appropriate Per the State Payment Card Policy

The Ohio Office of Budget and Management's payment card policy states the purchase of fuel is not an appropriate use of the card. During the review of charges on the payment cards issued to Castalia Fish Hatchery employees, a total of \$157.14 had been charged to Sunoco with an account code classification of fuel.

During the course of the investigation, it was determined that the charge itself was for a legitimate state purchase, but the use of the card to purchase fuel was not allowable under the state payment card policy.

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

Supervisor Approval of Payment Card Logs

A review of a sample of Insley's payment card logs showed that his supervisor approved the logs 30 days or more after the purchases were made. Both OOBM and ODNR's policies do not require a deadline for a supervisor's review of purchases. However, the opportunity for the timely correction of improper charges may pass if the review is not performed in a prompt manner. ODNR indicated that shortly after Insley's interview with the Office of the Ohio Inspector General, this process was changed, requiring the supervisor overseeing all of the hatcheries to review the payment card logs prior to processing for payment. This policy change applied only to purchases made by hatchery employees.

Accordingly, the Office of the Ohio Inspector General does not find reasonable cause to believe a wrongful act or omission occurred in this instance.

Assignment of Payment Card Logs

During the course of the investigation, the Office of the Ohio Inspector General determined that all hatchery employees were assigned payment cards. When Insley was asked as to why this was necessary, he stated ODNR's Central Office had informed him that staff should utilize payment cards instead of through purchase orders, because ODNR was charged by the Ohio Department of Administrative Services for each purchase order⁹ generated. Additionally, Insley said that because emergencies could arise, it was necessary for all employees to have a payment card, allowing anyone available to make needed purchases.

Insley is responsible for the overall operations of the hatchery, including the yearly budget, and is also issued a payment card. Essentially, Insley has been responsible for both making and authorizing his own purchases. Though Insley's supervisor ultimately reviews and approves Insley's payment card purchases, this approval procedure generally occurs more than a month later. Also, Insley's supervisor is headquartered more than 100 miles away at the Central Office located in Columbus, where it could be difficult to determine if the purchases are necessary.

Accordingly, the Office of the Ohio Inspector General finds reasonable cause to believe an appearance of impropriety occurred in this instance.

CONCLUSION

Castalia Fish Hatchery Superintendent David Insley lived in a residence on hatchery grounds provided by the Ohio Department of Natural Resources (ODNR) for more than a decade. According to the ODNR rental agreement signed by Insley, he was responsible for the payment of all utilities connected to the residence. However, Insley admitted to purchasing propane for the residence with his assigned state-issued payment card. The total amount purchased since 2004 was \$5,163.75.

⁹ Purchase orders are documents indicating the type of good or service, the quantity and price to be paid by a buyer to a seller. OOBM requires purchase orders for items over \$500.

During a review of the payment card transactions for all employees at the hatchery, the Office of the Ohio Inspector General noted numerous instances where services were purchased and the vendor was not on the approved service vendor list maintained by the Ohio Office of Budget and Management. Instances were also noted of fuel purchases on state payment cards, which are in violation of the state payment card policy.

Supervisory reviews of payment card logs for Insley were not reviewed for more than a month after the purchases were made. This allowed for the possibility that transactions could not be corrected in a timely manner. While this practice was corrected by ODNR during the course of the investigation, it only applied to logs from the hatcheries.

During the course of the investigation, it was determined that every employee at the hatchery was assigned a payment card. According to the OOBM, there are 1,157 cards issued to employees at ODNR. From a review of biennial budget documents, ODNR estimates that the department will employ over 1,850 full-time and part-time permanent employees in fiscal year 2012. From these figures, approximately 62.5 percent of ODNR's staff has been issued payment cards. While payment cards are used to reduce transaction costs and the time to process these transactions, the department should conduct a periodic assessment to consider the necessity for the number of cards issued to its employees. Moreover, those employees who are responsible for operations should not be both making and authorizing their own purchases.

Insley was terminated from state service by ODNR on June 7, 2012.

RECOMMENDATIONS

The Office of the Ohio Inspector General makes the following recommendation and asks that the Ohio Department of Natural Resources respond within 60 days with a plan detailing how these recommendations will be implemented. ODNR should:

- 1) Review the actions of David Insley and determine if repayment of the propane purchased on the payment card is warranted.

- 2) Review what transactions are permissible in regard to all of the hatcheries' transactions with the employees who process the payment card logs.
- 3) Review the payment card policy with all employees in regard to the purchase of services and other unallowable transactions.
- 4) Include in the purchasing policy the steps to be followed when processing the payment card log, including when the supervisor should review the transactions.
- 5) Review the individuals who are currently assigned payment cards to ensure if it is appropriate for them to be assigned a card.
- 6) Consider revising the current rental agreement to include specific terms on acceptable maintenance purchases to be paid for with state funds.
- 7) Consider having employees renew the rental agreement every two to four years and providing copies to the employees who process payments for the hatcheries to ensure they are aware of the allowable purchases.

REFERRALS

The case was referred to the Erie County Prosecutor.

[\(Click here for Exhibits 1-2 combined.\)](#)



STATE OF OHIO
OFFICE OF THE INSPECTOR GENERAL

RANDALL J. MEYER, INSPECTOR GENERAL

NAME OF REPORT: Ohio Department of Natural Resources
FILE ID #: 2011-178

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.

A handwritten signature in black ink, appearing to read "Jill Jones", is written above the printed name.

Jill Jones
KEEPER OF RECORDS

CERTIFIED
October 10, 2012

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