

Office of the
INSPECTOR GENERAL



REPORT OF INVESTIGATION

File Number: 06-054

Agency: Georgia Building Authority

Basis for Investigation: Agency Request for Assistance

Allegations: Employee Improprieties Surrounding Recycling Transactions, Mismanagement, Theft, Falsification of Records

Date Opened: July 27, 2006

Investigated By: Deborah W. Copeland, Deputy Inspector General
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Date of Report: October 17, 2006

Elizabeth P. Archer, Inspector General

OFFICE OF THE INSPECTOR GENERAL



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EXECUTIVE SUMMARY

In July 2006, Georgia Building Authority Executive Director Gena Abraham contacted the Office of the Inspector General (OIG) requesting assistance concerning allegations brought by independent contractor William Minton. Specifically, Minton claimed that GBA employee, Andrew Sampson, an Agency for the Removal of Hazardous Material (AFROHM) supervisor, was removing and recycling copper from a state construction site, selling the copper, and keeping the proceeds. During the course of this investigation, additional matters were discovered. The OIG interviewed state employees, contractors, and representatives of two local recycling companies. In addition, the OIG reviewed policies and procedures, standard business operating practices, accounting internal controls, time and attendance records, official files, computer records, recycling company accounts, and worked with officials from other agencies.

Our investigation revealed that between September 2005 and July 2006, AFROHM employees Sampson, and Gary Heath, and three temporary workers including Kenneth Caldwell, Daniel Ice, and Roger Collins received more than \$109,000, primarily for the sale of copper, during their official work day. The OIG cross-referenced each transaction with GBA's accounting ledgers, confirming that none of these scrap metal payments were remitted to GBA for deposit as revenue.

Our investigation revealed that GBA has no policies or procedures addressing recycling scrap metal and other demolition materials. A lack of supervision further allowed for the individuals to perpetrate their scheme. However, it is clear that Sampson manipulated the project, delaying the renovation for his own personal gain. While co-supervisor Gary Heath's share was less than Sampson's, the investigation revealed he was just as invested in the scheme. Similarly, Minton, the initial complainant, is not above reproach in that he only complained of the activity when he believed these individuals were stealing from him. In addition, the investigation revealed that Minton purposely circumvented

established procedure by submitting a fraudulent certificate of liability insurance to GBA.

Finally, it is our position that Holder Construction, the general contractor for the Health Building renovation, had a responsibility to communicate with GBA regarding the reason for the delay. To complain to the individuals causing the delay is unacceptable and also contributed to the loss of State revenue.

The OIG makes the following recommendations to GBA and requests that GBA provide a written response within 30 days of the issuance of this report regarding implementation of these recommendations.

1. Establish a directive for the use of and/or disposal of recyclable materials. If GBA determines that recycling is cost prohibitive, they should explore whether there are vendors who would be interested in recycling for GBA so that the State can receive some benefit for the materials.
2. If a contract for scrap metal recycling is implemented, policies and procedures need to be clear to ensure understanding by all GBA employees and contractor personnel. These policies and procedures should address how recycling will be conducted during the State business day, ensuring tight controls for any cash or checks remitted by a recycling company to employees.
3. Communicate with recycling companies by formal letter, advising them to remit any payment directly to the agency's lock box located at the financial institution. Under no circumstance, should a GBA employee be handed cash or a check from a recycling company.
4. Review existing GBA policies and procedures relating to vehicle usage, including vehicles previously assigned to AFROHM. Policy should address who, what, when, where, etc., vehicles may be used.
5. To help ensure accountability, we suggest that all agency vehicles contain a vehicle mileage logbook which will reflect date and time of use, name of employee using it, and destination and purpose of trip. A review of internal controls such as key control, physical storage, and security measures relating to vehicle inventory is also suggested.
6. GBA must institute a clear policy that demolition waste is the property of the state and that employees shall not be permitted to take the materials for themselves. It must be made clear that taking these materials even if it is to be discarded is theft. In addition, GBA should communicate to their employees the Governor's Executive Order on Ethics.
7. Consider investing in signage that can be moved between work sites

which states that it is unlawful to remove state property.

8. Consider reviewing the handling of recyclables. For instance, if recyclable material can actually be sorted for an increase in revenue, it may be worth taking time to do so; although time intensive, more revenue can be returned to the state.
9. GBA should perform an analysis of the use of purchase orders versus contracts within the agency. This is to ensure that established procedures are not circumvented by employees or vendors.
10. Recommend checking Certificate of Liability Insurance directly with carrier in order to validate authenticity; or, in the alternative, require the carrier to provide documentation directly to GBA rather than having the vendor supply.
11. Consider using as a reference a 2003 Department of Audit and Accounts report entitled "Components of an Effective Contract Monitoring system" that was disseminated to agency heads across state government. This report provides agency management with an overview of methods their agency should be using and serves as a resource for ensuring that contracted services are adequately delivered.
12. Explore employee professional development training in the areas of procurement, contract management, insurance, and risk exposure.
13. Embrace the concept of risk management using resource tools such as internal surveys. This is to ensure protection of assets and resources of agency through the identification and evaluation of potential exposure to loss. Communicate the importance of loss prevention and control to everyone; enlist their full cooperation and mandate compliance in this matter.



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I. BASIS FOR INVESTIGATION

In July 2006, Georgia Building Authority (GBA) Executive Director Gena Abraham contacted the Office of the Inspector General (OIG) requesting assistance concerning allegations brought by a former independent contractor. Specifically, the contractor claimed that GBA employee, Andrew Sampson, an Agency for the Removal of Hazardous Material (AFROHM) Supervisor, was removing and recycling copper from a state construction site, selling the copper, and keeping the proceeds. Director Abraham also requested that the OIG conduct a review of the business practices relating to scrap metal recycling.

During the course of this investigation, additional matters were discovered and are addressed in this report.

II. ACTION TAKEN IN FURTHERANCE OF INVESTIGATION

The OIG interviewed state employees, contractors, and representatives of two local recycling companies. The OIG also reviewed GBA policies and procedures, standard operating practices, accounting internal controls, time and attendance records, official files, computer records, and recycling company accounts. The OIG worked with officials from Department of Driver Services (DDS), Secretary of State (SOS), Georgia Bureau of Investigation (GBI), and the Attorney General's (AG) Office.

III. NARRATIVE

A. Background

GBA is a state-funded authority responsible for the management of buildings and facilities located in the Capitol Hill Complex in Atlanta. GBA provides maintenance, renovation, housekeeping, landscaping, food service, event catering, recycling, parking, and access control services to state employees housed in their managed facilities. AFROHM provides assistance with the demolition and asbestos abatement of state buildings. Although AFROHM can employ its own personnel and is considered a separate entity, it relies on GBA for funding and staffing. Since 1986, GBA's Executive Director has managed the AFROHM unit.

In August 2005, the Georgia State Financing and Investment Commission (GSFIC), on behalf of GBA, contracted with Holder Construction Group, LLC of Atlanta to renovate the State Health Building located on Washington Street near the Capitol. To save costs, GBA used AFROHM employees, supplemented by temporary contractor workers from Soil Environmental Testing Service (SETS), to conduct the abatement and demolition. The OIG investigation revealed that AFROHM's work should have been completed prior to Holder's start date of February 6, 2006. The work was not completed, however, until July 2006, causing AFROHM and Holder to overlap on-site. Once the schedule fell behind,

GBA contracted with William “Billy” Minton (Minton) of H & M Demogirls Services to perform additional demolition duties.

GBA’s Initial Internal Review of Allegation

Between May and June 2006, Minton contacted Facilities Manager Barry Buttram (Buttram) to explain why AFROHM failed to meet the deadline for the demolition of the Health Building. Minton claimed Andrew Sampson (Sampson), AFROHM’s on-site supervisor, caused the delay because he was using state time to separate copper for his own personal gain. Minton also claimed that Sampson was using SETS workers to assist him in separating and hauling the metal to recycling facilities. Minton admitted to Buttram that he never actually saw Sampson take the metal.

Buttram conveyed this information to several GBA management officials including Chief Administrative Officer Jo Ann Chance, Human Resources Director John Jurkiewicz, and Director Abraham. Jurkiewicz initiated an internal inquiry and questioned Minton and Sampson. Jurkiewicz stated that when asked about the allegation, Minton refused to make a formal statement. Jurkiewicz questioned Sampson, who denied the allegation. Sampson did admit to recycling activities “on the side,” but not on state time.

In an effort to determine whether Sampson conducted any personal recycling transactions in 2006, Buttram contacted a local recycling company. Company officials advised him that they could only provide the requested information in conjunction with an official investigation.

B. OIG’s Investigation

Interviews of Officials from Regional Recycling and Pirkle Recycling

The OIG initiated its investigation and interviewed two management officials at Regional Recycling; Hank Clark, General Manager, and Tom Hamil, Divisional Records Controller. Regional Recycling is a large company with nine locations in Alabama and Georgia, three of which are in Atlanta. The company uses an automated management information system to track all scrap metal purchase transactions.

Hamil stated that Regional only buys scrap metal from individuals who provide valid photo identification. Regional collects and records the name, address, and typically the driver’s license number of the individual selling the scrap metal. Additionally, Regional records the time and location of the sale, item description, weight, and amount of sale on the ticket.

According to Hamil, when an individual delivers scrap metal for sale in a marked agency vehicle, Regional remits a check to the agency. Cash, however, may be paid to individuals not readily identified as selling scrap metal for a state agency. All persons selling scrap to Regional are required to sign a statement which

reads,

"I am either the rightful owner of the regulated metal property or I am entitled to sell the regulated metal property being sold."

The OIG requested that Regional run a records search on Sampson for the period of time he worked on the Health Building. As the investigation progressed, the OIG request expanded to include other members of the AFROHM unit, including co-supervisor Gary Heath, twelve members of the SETS group and Minton.

Facts Revealed From Recycling Records

The Regional records indicate that between September 2005 and July 2006, Sampson, Heath and three SETS employees received more than \$109,000, primarily for the sale of copper. Specifically,

- 1) AFROHM Supervisor Sampson received over \$89,000;
- 2) AFROHM Co-Supervisor Heath received over \$11,000;
- 3) SETS worker Roger Collins received over \$5,700;
- 4) SETS worker Daniel Ice received over \$1,400, and
- 5) SETS worker Kenneth Caldwell received over \$1,100.

All transactions were conducted at Regional's Blashfield site. This location routinely pays cash for scrap metal. The OIG cross-referenced each Regional transaction with GBA's accounting ledgers, confirming that none of these scrap metal payments were remitted to GBA for deposit as revenue.

During the course of the investigation, the OIG discovered a second recycling company, Pirkle Recycling, routinely used by GBA. Pirkle Recycling, a locally owned and operated business, has one Atlanta location. Pirkle does not use an automated management information system. The OIG manually conducted all records searches. Although numerous 2006 GBA transactions were discovered at Pirkle, none of the transactions could be linked directly with any of the aforementioned AFROHM employees. After cross-referencing all transactions with GBA's accounting ledgers, the OIG confirmed that all Pirkle checks remitted to GBA for the purchase of scrap metal transactions were properly transmitted to the agency as revenue.

The OIG reviewed the official Time and Attendance records of the individuals and cross-referenced dates and times worked with the dates and times of the recycling transactions. With rare exception, it appears that the individuals conducted the transactions during the official workday. Further, it appears that on several dates, the employees left their work site multiple times a day in order to conduct recycling transactions. The time sheets indicate that they received overtime pay on some of the days they sold copper.

Interview of Jo Ann Chance, GBA's Chief Financial Officer

On August 8, 2006, the OIG interviewed Jo Ann Chance, regarding GBA's accounting records associated with recycling transactions. The GBA recycling records showed deposits of approximately \$23,000 since January 2006. Chance explained that of the \$23,000, approximately \$9,000 was generated from work conducted during "Super Saturdays," a focused clean-up initiative, conducted by Director Abraham earlier in the year. Chance stated that \$4,000 was earned from the agency's sale of old train parts. Approximately \$10,000 was earned from recycling other scrap metal.

Chance stated that checks from recycling scrap metal are sometimes mailed to GBA from the recycling company. Checks are also frequently handed to her from Buttram or other employees tasked by Buttram to haul away scrap metal from a work site.

Chance admitted that although GBA has internal controls for cash handling in the areas of food service, parking, and rent, there is no policy or guideline for the sale of scrap metal. According to Chance, GBA has never effected a contract with a particular recycling company, other than for paper recycling, which is tightly controlled through vendor contract.

Interviews of Paul Turner, GBA Director of Accounting and Kim Bradford, GBA Revenue Officer

On August 8, 2006, the OIG interviewed Paul Turner and Kim Bradford. The purpose of the interview was to obtain information regarding business practices within the Accounting Department regarding cash handling and the "lock box." According to Turner and Bradford, the lock box was established in July 2005 to limit risks, establish sound internal controls, segregate duties, and reduce the number of checks being sent to the department. Turner stated that GBA communicated with its vendors during the summer of 2005, requesting that remittance payments be directed to a lock box at Wachovia Bank.

The GBA Account Receivables Clerk reconciles the lock box account daily and makes applicable bookkeeping entries. Turner said that implementation of the lock box has been successful; however, not all customers remit payment to the lock box. A number of checks are still received at GBA through U.S. Mail, interoffice mail, or hand-delivery via employees.

When asked about checks received for recycling scrap metal, Bradford stated she has received checks from Pirkle Recycling via Buttram. She recalled that Regional sends checks directly to the Accounting Office. She pointed out that recycling vendors are not typical vendor accounts in that GBA would not be responsible for remitting payments "to" them. Instead, the recycling vendors pay GBA for incidental scrap metal purchases.

Neither Turner nor Bradford was aware of any internal controls established for

recycling efforts, with the exception of paper recycling. They acknowledged that they know little about the recycling activities of the agency from construction or renovation projects. However, they speculated that recycling scrap metals is not a “major” cash area, like the cafeteria or parking operations.

Neither Pirkle nor Regional could recall or confirm receipt of previous instructions from GBA formally notifying them of specific instructions to mail payments. However, both companies were willing to cooperate with GBA’s request, upon receipt of formal communication from GBA officials.

Interviews of Barry Buttram, GBA Facilities Manager

On July 27, 2006, the OIG met with Barry Buttram to discuss the allegation concerning Sampson. Buttram, an eighteen-year employee of GBA, has two primary areas of responsibility. He oversees internal renovations of property maintained by GBA and supervises eleven employees. He is also responsible for asbestos abatement in state-owned facilities and supervises three employees. Buttram occasionally subcontracts with outside vendors such as Minton and SETS to assist the AFROHM unit in renovations. When asked why Holder Construction did not perform the abatement and demolition, Buttram stated that GBA believed it was cheaper to use AFROHM.

Buttram acknowledged that unlike other renovation projects, he did not go to the Health Building on a daily basis. He delegated on-site supervisory responsibility to Sampson. According to Buttram, Sampson possessed the necessary asbestos abatement supervisory credentials. Buttram stated that he trusted and relied on Sampson to inform him of any problems encountered on-site. He stated that he based this trust on the fact that they had worked together for the last eighteen years. Therefore, he was surprised when Minton approached him about the allegation.

Buttram recalled instructing Sampson not to take the extra time to separate and recycle materials during the demolition. He claims he told Sampson to throw all materials in the dumpsters. Buttram recalled giving the same instruction to Heath. According to Buttram, dumpsters were provided by a separate contractor who retrieved them on a scheduled basis. The contents deemed “trash” were to be taken to the landfill. He pointed out that during busy construction periods it was not uncommon for a container to fill up within a couple of hours, resulting in problems with various dumpster companies. As a result, several contractual changes were made during the project. Buttram stated that Heath was responsible for overseeing dumpster operations.

When asked why the demolition schedule fell behind, Buttram stated that the scope of work kept changing due to the age of the building. He also stated that because the building contained medical laboratories, which contains more copper than a typical office building, the demolition took longer than anticipated. According to Buttram, the demolition was further complicated because both AFROHM and Holder overlapped and had a “rough” working relationship.

Buttram stated that when the demolition fell behind, he contracted with Minton to assist AFROHM in cleaning and hauling away the excess debris from the construction site. Buttram stated there has been an informal contract or understanding over the years that Minton “gets the scrap metal.” He also stated that he uses Minton because he bids lower than other vendors. According to Buttram, it is not uncommon for Minton to remove items such as old air conditioning units from other sites, and sell them for profit.

When asked about any written policies regarding recycling, Buttram stated that although not written, all employees know that if they conduct recycling transactions as part of their official duties, any payment made to them should be returned to GBA. Buttram cited as an example AFROHM’s previous recycling efforts at the Trinity-Washington Building, which earned revenue of approximately \$30,000. According to Buttram, all money was sent to Chief Financial Officer Chance.

The OIG showed Buttram the receipts obtained from Regional regarding transactions conducted by his AFROHM employees. Buttram appeared upset and stated there was no reason for his crew to leave the work site other than for lunch. He stated that his instructions were very clear with regard to recycling. He stated he had no idea his employees were taking the copper and assumed it was Holder’s employees.

When asked if these individuals may have been working together for personal gain, Buttram stated he was not aware of such an arrangement, but acknowledged that they were a “tight group.” Buttram emphatically denied receiving cash from his employees or authorizing the recycling transactions.

Interview of Michael Roy, former GBA Director of Construction

The OIG met with Michael Roy on September 11, 2006. Roy was Buttram’s direct supervisor during the Health Building renovation. Roy stated that when Buttram informed him of the allegation, he advised Buttram to notify Chance and Jurkiewicz, the management officials responsible for conducting internal inquiries within the agency.

Roy acknowledged that AFROHM’s schedule fell behind, and that it was a topic of frequent discussion at weekly management meetings. He did not, however, recall Holder informing him that the removal of copper caused the delay. Roy stated that he rarely visited the site, but relied upon Buttram as the AFROHM Director to oversee the demolition.

Interview of Bob Satterfield, GBA Director of Facilities

The OIG interviewed Bob Satterfield, who provided assistance during the Health Building renovation to both Roy and Buttram.

Satterfield stated that he frequently attended the bi-weekly management meetings between February through July 2006. He stated that this particular project was much more challenging than others. According to Satterfield, the scope of work was never clearly defined and AFROHM could never complete the demolition of areas in a timely manner. He stated there was confusion between Holder and AFROHM as “to who was responsible for doing what.”

Satterfield stated that he would frequently visit the site to assist with various aspects of the project. He stated that during these on-site visits, Holder never informed him as to what AFROHM was specifically doing to cause the delay. He confirmed that Sampson and Heath were the on-site supervisors during the renovation period. However, he had had no knowledge of employee impropriety.

When asked if he was aware of any written policies concerning recycling, Satterfield recalled only verbal instructions being given to employees in the past. He stated that he was unaware of policies or procedures regarding recycling. According to Satterfield, managers or directors of a given work project determine whether something is designated as trash, surplus, or recyclable material.

Satterfield stated Minton was used frequently by GBA for odd jobs before and during the renovation. He often observed Minton on-site with his trucks and equipment loading scrap metal and other debris.

Interviews of Greer Hamilton, Project Engineer, and Kenny Sears, Project Superintendent Holder Construction Company

On August 30, 2006, the OIG met with Holder Construction Company officials Greer Hamilton and Kenny Sears. Hamilton is responsible for the financial and material end of the Health Building renovation, while Sears is responsible for directing on-site construction work.

Hamilton and Sears stated that in pre-contract negotiations, GBA determined that AFROHM would be responsible for completing the demolition and removal of debris *prior to* Holder beginning their renovation. However, when Holder reported to the site on February 6, 2006, AFROHM and SETS were still performing demolition. Because the major scope of the work was not completed, Holder and AFROHM overlapped between February and July 2006. Having successfully worked with GSFIC/GBA on the renovation of the Trinity Washington Building, Hamilton stated that she was surprised by the delay.

Sears expressed disappointment with the unprofessional attitude and poor work performance of AFROHM employees. He stated that major delays resulted because AFROHM did not do its job. He stated that the AFRHOM employees would enter an area and “literally knock holes in the walls in order to rip out copper wire” prior to demolition. Sears stated that on a daily basis, he observed AFROHM employees, including SETS workers, cut out copper and aluminum and separate it in three dumpsters. They would then load the copper in a truck, drive away from the work site, and return with an empty truck. He specifically

recalled seeing Sampson drive away with one or two employees in a truck filled with scrap metal. Sears could not recall seeing Heath leave the site with scrap metal. He specifically recalled the use of a white GBA truck to haul away copper and aluminum. He also stated observing a number of AFROHM/SETS workers separating metals throughout the day.

According to Sears, he had no authority over AFROHM. He stated that it was frustrating to wait for them to move out of an area before beginning the job that Holder was contracted to do. Because of the delay, Holder employees had to work overtime. When asked why Holder did not perform the demolition and associated recycling, Sears stated that it was GBA's decision to use AFROHM.

Sears stated that GBA managers Roy and Buttram rarely visited the site. He recalled communicating with Satterfield who would try to assist him by sending someone over to the site. When he would attempt to discuss any matters with Buttram, Buttram became defensive. Sears stated that during management meetings, the delay was discussed, but in general terms. Sears stated that he repeatedly spoke with Sampson and Heath about the delays resulting from the removal of copper. Sears described these conversations as heated and unproductive. According to Sears, when Holder would attempt to assist AFROHM in cleaning up a specific area, the AFROHM employees would argue with his employees about "not taking THEIR copper." When asked why AFROHM was so possessive of the scrap pieces of copper, Sears stated that everyone knows that copper is valuable.

Sears recalled that when GBA fell behind the schedule, GBA hired Minton to help with demolition. According to Sears, Minton began by working in the "penthouse" of the building during the day and then began working after hours and at night. He observed up to four workers present with Minton.

Sears stated that Holder did not receive any cash from AFROHM's recycling transactions. Sears stated that although he speculated that something was going on, he was not aware of the degree that AFROHM was recycling. Sears, a twenty-year veteran of the construction industry, summarized his observations between February and July 2006 by stating, "AFROHM is worthless and I wouldn't hire any of them to do work."

OIG Liaison with Officials from GBI, AG's Office, and GBA

Based on the preliminary investigation, the OIG met with officials from the GBI, the AG's Office, and GBA on August 31, 2006, to discuss our findings. Given the potential criminal charges, the OIG requested GBI's assistance in conducting additional interviews.

Interview of GBA/AFROHM employee Andrew Sampson

On September 7, 2006, the GBI and OIG interviewed Sampson. Initially, Sampson denied any wrongdoing stating he could not leave the job site because

as the asbestos supervisor he was required to be on-site at all times. When presented with recycling receipts which revealed the time and date, along with his signature as the rightful owner, Sampson reluctantly admitted removing scrap metal from the Health Building while on state time. Sampson attempted to justify his actions by claiming that the materials in the dumpsters were considered trash. He admitted splitting money from recycling proceeds with other AFROHM members including Heath and Daniel Ice. He also admitted frequently conducting scrap metal recycling business on the side, apart from his GBA duties.

Interview of GBA/AFROHM employee Gary Heath

On September 7, 2006, the GBI and OIG interviewed Gary Heath. Heath reluctantly admitted that he received cash for recycling scrap metal taken from the dumpsters located at the Health Building. He also admitted splitting money from recycling proceeds with Sampson. Heath stated that he knew of Sampson's repetitive actions of taking copper to recycle, stating that, "Andrew was getting carried away with the activity." He also admitted conducting scrap metal recycling business on the side, apart from his GBA duties.

The OIG confirmed during the investigation that neither Sampson nor Heath's official personnel file contains Secondary Employment Authorization as required by GBA policy.

Interview of SETS temporary employee Roger Collins

On September 7, 2006, the GBI and OIG interviewed Roger Collins. Collins admitted that he received cash for recycling scrap metal taken from the dumpsters located at the Health Building. He also admitted splitting money from recycling proceeds with his co-worker, Daniel Ice. Additionally, Collins stated that he was aware that his supervisor, Sampson, removed scrap metal from the dumpsters and recycled it. Collins also admitted conducting scrap metal recycling business on the side, apart from his temporary AFROHM employment.

Interview of SETS temporary employee Daniel Ice

On October 4, 2006, the GBI and OIG interviewed Daniel Ice. Ice readily admitted that he received cash for recycling scrap metal taken from the dumpsters located at the Health Building. He stated that his supervisor, Sampson, told him and other individuals working on-site that it was permissible. Ice stated that in addition to himself and Collins, he also knew that Sampson, Minton, and Holder employees removed scrap metal from the dumpsters for recycling.

Interview of SETS temporary employee Kenneth Caldwell

On October 6, 2006, the GBI and OIG interviewed Kenneth Caldwell. Caldwell readily admitted that he received cash for recycling scrap metal taken from the

dumpsters located at the Health Building. He stated that his supervisor, Sampson, told him and other workers that it was authorized. In addition, Caldwell stated that he is positive that Sampson's supervisor, Barry Buttram, knew that numerous individuals were removing scrap metal from the site. Caldwell recalled hearing Buttram remark directly to Sampson, "I don't care if they remove scrap, as long as they get it off the clock, it's okay." Caldwell also admitted conducting scrap metal recycling business on the side, apart from his temporary AFROHM employment.

Interview of William Minton, H & M Demogirls Services

On October 10, 2006, the GBI and OIG interviewed William "Billy" Minton. According to Minton, he reported the allegation to Buttram in March 2006. Minton stated that he personally observed Sampson directing the SETS workers to pull copper wire out of the Health Building, not out of the dumpsters. Minton claims that throughout the demolition, the workers routinely separated copper and placed it certain areas until they had enough to load a vehicle. Minton stated that on many occasions he observed Sampson, usually accompanied by one to two other workers, leave the work site at different times of the day in a state vehicle loaded with copper wire. He stated that Sampson would return after about forty-five minutes with an empty vehicle. Minton was confident Sampson was recycling the copper for personal gain because it was a profitable venture.

Throughout his interview, Minton's position was that he was the rightful owner of the scrap metal from the building. He stated that because he was the lowest bidder, he was entitled to the materials. According to Minton, this was the understanding he had with Buttram. A review of the written proposals did not indicate such an agreement.

When questioned about the fraudulent Certificate of Liability Insurance he provided to GBA, Minton denied altering the official document. He claimed that a former employee of his company (whom he had not worked with since 2004) faxed it to him at his request in February 2006. He stated he did not review the document before faxing it to GBA. Minton admitted working on an expired City of Atlanta Business License.

The OIG learned that subsequent to his interview with the OIG and GBI, Minton visited Buttram at GBA. Minton demanded that the agency write a letter on his behalf stating that he was entitled to all of the scrap metal from the Health Building. Minton informed Buttram that this was at the OIG and GBI's direction. Neither the OIG nor the GBI directed Minton to make such a request.

C. Additional Matters Arising During Investigation

During the investigation, issues arose concerning Minton's work with the renovation. Richard Sawyer, Georgia State Financing and Investment Commission Director of Contracts, Jim Hyde, GBA Contract Specialist, and Denise Washington, GBA Procurement Officer, met with the OIG to discuss

GBA's contract practices. The overview encompassed contracts with Holder and SETS, as well as work performed for GBA by Minton.

Minton's Purchase Orders, A Nullified Contract, Certificate of Liability Insurance, and City of Atlanta Business Tax Registration Certificate

We reviewed six Purchase Orders (PO) documenting Minton's business transactions with GBA from December 2005 through May 2006. The POs totaled approximately \$24,000. The 2006 POs were for the demolition of the Health Building.

The investigation revealed that one PO dated December 2005 in the amount of \$100 was for Minton to perform the exact scope of work which was detailed in a previously voided 2004 contract. The contract, had it been effected, would have paid Minton \$4,900 for the demolition and removal of two cooling towers. He ended up doing the work via a PO for \$100. Interestingly, the contract never came to fruition because Minton failed to provide GBA with a Certificate of Liability Insurance. However, he eventually provided GBA with a Certificate in 2006 for a separate job.

The Certificate appears to have irregularities in the type of font used. To confirm authenticity, the OIG called officials from Weissmann Insurance Agency in Newburgh, Indiana. Mr. Michael Weissman and administrative assistant Tracy Ray verified that the documents had been altered and agreed to furnish the OIG with an official summary from the insurance account activity of Minton's company.

Our investigation also verified that Minton's Business Tax Registration Certificate Number 103183LGB dated January 1, 2004 through December 31, 2004, expired and was never renewed. According to Marilyn Mitchell of the City of Atlanta's Business Tax Division, the certificate had not been renewed. Mitchell also stated that their Enforcement Division has authority to fine an entity doing business inside the City of Atlanta without a valid business certificate.

The OIG learned that in April 2006, Minton was involved in an incident where he took personal possession of some materials identified by GBA as "trash." According to an agreement between GBA and Minton, Minton was paid to haul the "trash" to the landfill but claimed he received permission from a GBA official to keep some items. After the incident, GBA sent a letter to Minton reminding him of GBA policy and state law concerning the disposition of surplus property.

Despite the above discrepancies, Minton has continued to perform work for GBA.

Interview of Denise Washington, GBA Procurement Officer

The OIG asked Denise Washington to explain the way GBA conducts business. The OIG asked how the agency determines whether work will be performed via purchasing card (Pcard) transactions, PO, or contract.

Washington explained that because GBA is an Authority, it is not required to comport with DOAS standard contracting/purchasing regulations; however, GBA uses some aspects of statewide contracting regulations.

Washington stated that Pcards are used for purchases that are less than \$5,000. She stated that in the event a vendor does not accept the PCard, a purchase order is used. Managers and supervisors have authority to approve a purchase up to \$5,000. Purchases exceeding that amount require supervisor or division director approval. Purchases over \$10,000 require competitive bidding and a contract. Typically contracts are used more for higher dollar services, while POs are used for a one-time or short-term project. According to Washington, GBA requests a Certificate of Liability Insurance when a vendor performs work on-site, normally if the dollar amount is \$10,000 or higher. If the purchase is less than \$5,000 a certificate is not requested.

During the investigation, the OIG reviewed DOAS Bonding and Insurance guidelines, which address determination of the degree of risk exposure, benefits of insurance, and other areas. When asked by whom and at what point GBA determines the degree of exposure for a project, Washington stated that she was uncertain as to who would be responsible. However, she stated that when a work order arrives at her desk and it appears from the scope of work description that a liability could result, she requests a Certificate of Liability Insurance. She pointed out that many times purchase orders arrive to her after the work has actually been performed. Therefore, even if she believed a Certificate of Liability Insurance should be requested, it would be too late. Washington explained that she has never received training on liability, but that based on her previous work experience and judgment, she tries to make the best decision for GBA.

Washington stated that time constraints and the fact that the work seems driven by the person requiring the service determines whether or not a purchase order or contract is used within GBA. She stated that it appears that employees within the agency often view Purchasing and Procurement staff as “slowing down the process” rather than providing service and beneficial suggestions.

GBA Motor Pool and AFROHM Vehicles

During the investigation, the OIG learned that GBA and/or AFROHM vehicles may have been used by employees to haul scrap metal away from the Health Building construction site. As a result, the OIG interviewed several management officials regarding agency motor pool and vehicle practices. There are issues warranting further review by GBA, particularly concerning oversight of AFROHM vehicles.

Interview of John Meadows, GBA Motor Pool Services Director

Meadows stated that the Motor Pool office maintains a file for each vehicle. Within each vehicle, a Vehicle Log Sheet is maintained with recordings made by

the individual driver as to date, mileage, and destination. Meadows stated that GBA owns 56 vehicles and AFROHM owns nine but that the Motor Pool provides maintenance for the AFROHM vehicles. According to Meadows, Buttram and Heath are responsible for overseeing AFROHM vehicles. Therefore, he is uncertain as to AFROHM's vehicle inventory control, key storage, or mileage log requirements.

When asked why the AFROHM vehicles are not included in the GBA Motor Pool, Meadows stated that AFROHM vehicles require special insurance because of hazardous material handling. Therefore, they are titled to AFROHM rather than GBA. According to Meadows, GBA is in the process of transferring titles on four usable AFROHM vehicles and that AFROHM is planning to surplus the other five vehicles which are old and worn.

IV. CONCLUSION

The OIG appreciates Director Abraham's request for assistance to investigate and report on the issues discussed herein. As detailed in the Report, the actions in issue began in August 2005 prior to Director Abraham's appointment in February 2006. Although the activity continued for a short time after her appointment, when Director Abraham learned of the incident she immediately contacted the OIG.

The investigation revealed that GBA has no policies or procedures addressing recycling scrap metal and other demolition materials. Throughout this investigation, GBA officials stated that recycling scrap metal would be too costly for the state because of the time it takes to separate recyclables from other waste. However, GBA did recycle scrap metals during the Trinity Washington renovation in 2005. While the revenue was significantly less (\$30,000) compared to the amount the individuals received from the Health Building (\$109,000), the proceeds were returned to the state. The OIG investigation also revealed that between the renovation of the Trinity Washington Building and the renovation of the Health Building, the price of copper increased, making it more profitable to recycle. A fact not lost on Andrew Sampson.

With respect to the Health project, the investigation revealed a lack of supervision by Barry Buttram of his employees. As indicated in the report, Sampson and other members of AFROHM left the job site multiple times a day to recycle. Because of this lack of supervision, the individuals were able to perpetrate their scheme.

However, not all blame lies with Buttram. It is clear that Sampson manipulated the project for his own personal gain. Sampson should have known that his actions were illegal. His claim that the metal he recycled was "just trash" rings hollow given that he personally received over \$89,000. By delaying the renovation for his own financial gain, Sampson violated the trust placed in him by GBA and Buttram. Likewise, Gary Heath abused his position as co-supervisor. His attempt to distinguish his actions from Sampson's, who he claims was "out of

control,” is disingenuous. While Heath’s share was less than Sampson’s, the investigation revealed he was just as invested in the scheme.

Similarly, Billy Minton, who was the initial complainant, is not above reproach. Minton only complained of the activity when he believed these individuals were stealing from him. In addition, the investigation revealed that Minton purposely circumvented established procedure by submitting a fraudulent certificate of liability insurance to GBA.

Finally, it is our position that Holder Construction had a responsibility to communicate with GBA regarding the reason for the delay. To complain to the individuals causing the delay is unacceptable. By not communicating their observations, Holder contributed to the loss of state revenue.

V. RECOMMENDATIONS

The OIG offers the following recommendations to the Georgia Building Authority. The OIG requests that GBA provide a written response regarding implementation of these recommendations within 30 days of the issuance of this report:

1. Establish a directive for the use of and/or disposal of recyclable materials. If GBA determines that recycling is cost prohibitive, they should explore whether there are vendors who would be interested in recycling for GBA so that the State can receive some benefit for the materials.
2. If a contract for scrap metal recycling is implemented, policies and procedures need to be clear to ensure understanding by all GBA employees and contractor personnel. These policies and procedures should address how recycling will be conducted during the State business day, ensuring tight controls for any cash or checks remitted by a recycling company to employees.
3. Communicate with recycling companies by formal letter, advising them to remit any payment directly to the agency’s lock box located at the financial institution. Under no circumstance, should a GBA employee be handed cash or a check from a recycling company.
4. Review existing GBA policies and procedures relating to vehicle usage, including vehicles previously assigned to AFROHM. Policy should address who, what, when, where, etc., vehicles may be used.
5. To help ensure accountability, we suggest that all agency vehicles contain a vehicle mileage logbook which will reflect date and time of use, name of employee using it, and destination and purpose of trip. A review of internal controls such as key control, physical storage, and security measures relating to vehicle inventory is also suggested.

6. GBA must institute a clear policy that demolition waste is the property of the state and that employees shall not be permitted to take the materials for themselves. It must be made clear that taking these materials even if it is to be discarded is theft. In addition, GBA should communicate to their employees the Governor's Executive Order on Ethics.
7. Consider investing in signage that can be moved between work sites which states that it is unlawful to remove state property.
8. Consider reviewing the handling of recyclables. For instance, if recyclable material can actually be sorted for an increase in revenue, it may be worth taking time to do so; although time intensive, more revenue can be returned to the state.
9. GBA should perform an analysis of the use of purchase orders versus contracts within the agency. This is to ensure that established procedures are not circumvented by employees or vendors.
10. Recommend checking Certificate of Liability Insurance directly with carrier in order to validate authenticity; or, in the alternative, require the carrier to provide documentation directly to GBA rather than having the vendor supply.
11. Consider using as a reference a 2003 Department of Audit and Accounts report entitled "Components of an Effective Contract Monitoring system" that was disseminated to agency heads across state government. This report provides agency management with an overview of methods their agency should be using and serves as a resource for ensuring that contracted services are adequately delivered.
12. Explore employee professional development training in the areas of procurement, contract management, insurance, and risk exposure.
13. Embrace the concept of risk management using resource tools such as internal surveys. This is to ensure protection of assets and resources of agency through the identification and evaluation of potential exposure to loss. Communicate the importance of loss prevention and control to everyone; enlist their full cooperation and mandate compliance in this matter.

VI. REFERRALS

As a result of our OIG findings, we are forwarding a copy of this report to the Georgia Bureau of Investigation and the Attorney General's Office for their review and an action they deem appropriate.