

**SPECIAL AUDIT**

**OF**

**THE DEPARTMENT OF  
LABOR AND INDUSTRY'S  
BUREAU OF LABOR LAW COMPLIANCE**

**September 2002**

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September 26, 2002

The Honorable Mark S. Schweiker  
Governor  
Commonwealth of Pennsylvania  
Room 225 Main Capitol  
Harrisburg, PA 17120

Dear Governor Schweiker:

The Department of the Auditor General has completed a special audit of the Bureau of Labor Law Compliance (BLLC), Department of Labor and Industry (L&I), for the period July 1, 1998, through February 2002.

The audit was conducted by our Office of Special Investigations (OSI) in accordance with Government Auditing Standards issued by the Comptroller General of the United States. The audit objectives included determining compliance with statutes, regulations, directives, guidelines and procedures, assessing internal controls and determining the validity of allegations of misuse and waste of Commonwealth funds and assets, particularly in regard to the use of credit cards given to BLLC as part of the Commonwealth Purchasing Card Program.

We found what can only be described as gross mismanagement and abuse of purchasing cards by BLLC. This resulted in waste or misuse of at least \$197,073, approximately 60 percent of the \$329,166 of the total purchasing card expenditures by BLLC during the period under review. BLLC failed to maintain records of purchases, totaling about \$91,370, made between July 1998 and March 2000. There were no supervisory reviews of transactions. Proper custody of the credit cards was not maintained and inventory records were not kept for equipment, supplies and other items bought with purchasing cards.

We found repeated purchases of questionable and inappropriate items, such as embroidered clothing and promotional or novelty materials, costing thousands of dollars. Many of these items were unaccounted for, or handed out indiscriminately. Often, their purchase or use had no apparent connection to the enforcement and regulatory work of BLLC. We also found purchasing cards were used to buy questionable amounts of computer and cellular telephone equipment and furniture without following procedures established by the Governor's Office to ensure that such purchases were appropriate and necessary.

The L&I official responsible for the management of BLLC was its director during most of the period covered by the audit. He was promoted to the position of L&I Deputy Secretary for Safety and Standards in July 2001 and held that position until shortly after our inquiry began. The most flagrant misuse of purchasing cards within BLLC involved this official directly. He used Commonwealth-owned cellular telephones to make at least 1,000 personal long distance calls during a two-year period. Bills for the calls were paid with purchasing cards. The abuse continued, unquestioned by L&I senior management or the Comptroller's Office, until my staff began making inquiries in response to complaints sent to us. After we began asking L&I and the Office of the Budget for records of purchasing card expenditures, the individual left the position of Deputy Secretary and took a position as an investigator in BLLC. A belated and, in our view, halfhearted effort is being made to get him to pay for the personal calls. BLLC's purchasing cards have also been canceled.

The apparent inability or unwillingness of L&I and the Comptroller's Office to detect or deal with the purchasing card misuse or the telephone abuse without first having to be prompted by an outside inquiry suggests that the problems are not isolated instances and that L&I has failed to control its use of Commonwealth funds and resources. The waste and abuse documented in the audit are particularly unconscionable at a time when the Commonwealth and its citizens face tight budget restraints and difficult public, as well as personal, decisions concerning spending priorities.

The audit also found that the Deputy Secretary/BLLC director orchestrated the sale of computer equipment to the BLLC staff, including himself, for token prices, in complete disregard of the law and regulations that govern disposal of surplus equipment, and the unmonitored solicitation of money from labor and contractor organizations that BLLC regulated. While we have no objection to Commonwealth officials and employees participating in activities of professional organizations, the audit report documents conduct that crossed the line of propriety for a state office with enforcement and regulatory duties.

BLLC is responsible for ensuring that Pennsylvania's workers are paid lawful prevailing wages. I am concerned that, at the same time the wasteful and senseless diversions of funds, resources and time described in the report were taking place, BLLC failed to carry out its basic job in a fair, consistent and properly documented manner, as we disclosed in our performance audit of L&I released earlier this year. Concerns about BLLC's performance were echoed in the comments of many persons we spoke to during this audit. I urge that BLLC be reorganized and reconstituted as an office that serves the public, rather than the personal whims and desires of its managers.

L&I's response to the draft audit report and recommendations was disappointing. At this point, it is not enough to condemn the wrongdoing of a single individual official, egregious as his conduct was. BLLC needs a complete overhaul, not just a financial officer. Furthermore, the audit findings concerning L&I's overall failure to manage BLLC, coupled with L&I's failure to address many of the findings and recommendations, cast doubt on L&I's willingness and ability to manage itself without firm direction from the Governor's Office and the General Assembly.

Sincerely,

*/s/ Robert P. Casey, Jr.*

Robert P. Casey, Jr.  
Auditor General

## **INTRODUCTION AND BACKGROUND**

The Department of the Auditor General (the Department) conducts special audits of the affairs of Commonwealth agencies pursuant to the Department's authority under the Fiscal Code.<sup>1</sup>

In 2001, the Department conducted a performance audit of the Prevailing Wage Program of the Department of Labor and Industry (L&I). The audit covered the period from July 1, 1998, through June 30, 2001, and was released in February 2002. The audit found that L&I's operation of the prevailing wage program was seriously deficient. The report concluded that L&I management failed to adequately direct and control complaints concerning Prevailing Wage Act violations, did not adequately segregate duties of personnel and used unreliable management control systems to track complaints. The report also found that records of collections of back wages and payments to workers were missing or had been destroyed, could not be verified or were distributed improperly.

The Bureau of Labor Law Compliance (BLLC) is the office within L&I that is responsible for administration and enforcement of the prevailing wage program (the program that the Department's performance audit found to be deficient) and other laws related to protection of employees, including those involving seasonal farm labor, equal pay, child labor, occupational and industrial safety, unemployment compensation and workers' compensation. The BLLC staff consists of approximately 12 management and administrative support personnel and 35 investigators/inspectors. The BLLC's headquarters is in the L&I Building in Harrisburg; there are district offices in Philadelphia, Pittsburgh, Scranton and Altoona. The Harrisburg district office is part of the BLLC central office. Many of BLLC's investigators work out of their homes and spend only limited periods of time in their district offices. As of March 8, 2002, approximately 28 BLLC employees, including the BLLC director and other managers, had home offices.

The BLLC director from 1995 to July 2001 was named L&I's Deputy Secretary for Safety and Standards in July 2001. BLLC is one of the L&I offices that is under the direction of the Deputy Secretary for Safety and Standards. In March 2002, approximately a month after L&I was informed that this audit was being conducted, the individual left the position of Deputy Secretary for Safety and Standards and was assigned to the BLLC's Scranton district office as an investigator, at a greatly reduced annual salary. According to him, he requested reassignment as an investigator. He is referred to in this report as the Deputy Secretary/BLLC director.

In late 2001, while the work on the Department's performance audit was still underway, the Department received complaints of misuse of the Commonwealth's Purchasing Card Program and other improprieties involving BLLC. Commonwealth agencies have been

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<sup>1</sup> 72 P.S. § 402.



authorized to participate in the Purchasing Card Program since March 1997.<sup>2</sup> The purpose of the program is to provide a more efficient method of paying for goods and services previously permitted to be paid for via agency advancement accounts, the system of petty cash accounts used by Commonwealth agencies to pay for purchases below an established maximum dollar amount. The Purchasing Card Program uses VISA credit cards, referred to as purchasing cards, issued by PNC Bank. Since March 1999, the maximum amount allowed for a single purchase with a purchasing card has been \$3,000. Responsibility for the administration of the Purchasing Card Program is assigned to agency heads (or their designees), Comptrollers' offices, agency coordinators and individual cardholders within agencies, among others. The Comptroller's Office for Labor, Education and Community Services (the LECS Comptroller's Office) is responsible for auditing and monitoring purchasing card transactions of L&I. Records of purchasing card transactions generated by the swiping of cards or entry of card numbers by vendors are maintained on a bank-operated data base system called InfoSpan. Cardholders receive their monthly credit card statements from the issuing bank. Agencies and the Bureau of Financial Management, Office of the Budget, receive and maintain InfoSpan data for the Commonwealth.

In response to the complaints, the Department's Office of Special Investigations (OSI) began an inquiry in December 2001. On February 6, 2002, OSI sent a request to the Office of the Budget for InfoSpan information related to BLLC purchasing card transactions. The Office of the Budget informed OSI that the information was being compiled in response to the request, but that it would not be provided unless requested as part of an audit conducted by the Department. A letter was sent to the Secretary of L&I on February 11, 2002, stating that a special audit of BLLC and the activities of the Deputy Secretary/BLLC director was being conducted concerning the following:

- Use of credit cards, including Commonwealth purchasing cards.
- The advancement account.
- Purchases, leasing, use of and charges for cellular/mobile telephones, equipment and services.
- Purchases, leasing, use and disposal of computers and computer equipment.
- Purchases, inventory and disposal of equipment and supplies purchased through credit cards and/or the advancement account.
- Costs, reimbursement and records of travel and expenses.

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<sup>2</sup> Commonwealth of Pennsylvania, Governor's Office, Management Directive No. 310.23 Amended, (March 24, 1997) contains policy and procedures and lists the responsibilities of various officials and offices related to the Commonwealth Purchasing Card Program.

The audit's objectives included determining compliance with statutes, regulations, directives, guidelines and procedures, assessing internal controls and determining the validity of allegations of misuse and waste of Commonwealth funds and assets. The time period of the audit was from July 1, 1998, through February 2002. The audit was conducted in accordance with Government Auditing Standards.<sup>3</sup>

The audit work included reviews of records obtained from L&I, the LECS Comptroller's Office, InfoSpan, vendors, banks and other third parties and interviews of current and former L&I employees, vendors and representatives of organizations involved in activities that are subject to the authority of BLLC. In accordance with a procedure established by L&I and the LECS Comptroller's Office, a representative of the LECS Comptroller's Office was present at scheduled interviews of current L&I and LECS Comptroller's Office employees. The Deputy Secretary/BLLC director was interviewed; his personal attorney and an LECS Comptroller's Office representative were both present during the interview.

A preliminary summary of the special audit was sent to the Commonwealth's Secretary of the Budget, Governor's Executive Offices, Secretary of Administration, Secretary of the Department of Labor and Industry, Secretary of the Department of General Services, Deputy Secretary for Comptroller Operations, Office of the Attorney General, State Ethics Commission, and U.S. Department of Labor's Office of Inspector General on May 3, 2002. The draft findings and recommendations of the special audit were provided to L&I and the Office of the Budget on August 30, 2002. The written response was received on September 17, 2002, and has been included in the body of the report together with the Department's comments.

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<sup>3</sup> United States General Accounting Office, Government Auditing Standards (July 1999 Revision).

## **EXECUTIVE SUMMARY**

BLLC mismanaged its use of purchasing cards resulting in waste or misuse of at least \$197,073, approximately 60 percent, of the \$329,166 of total purchasing card expenditures by BLLC during the period under review.

The Deputy Secretary/BLLC director was responsible for overall management of BLLC, including the use of purchasing cards, during the period under review. Commonwealth policies and procedures for use of the cards were not followed within BLLC. Specifically, BLLC:

Failed to maintain records of transactions; among other things, BLLC had no record of purchases totaling about \$91,370 made between July 1998 and March 2000;

Failed to conduct supervisory reviews of transactions;

Failed to maintain proper custody of purchasing cards and failed to limit the authority to use them; and

Failed to maintain inventory records of equipment and supplies obtained through use of purchasing cards.

The special audit found that approximately \$197,073 was spent on questionable, improper or wasteful purchases in connection with the following specific categories of items:

Over 1,700 embroidered golf shirts, sweaters, hats, jackets and tote bags, many of which were distributed to persons or groups outside of BLLC, at a cost of \$28,791;

Cellular telephone equipment and services at a cost of \$80,643, including payments for hundreds of hours of personal telephone calls by the Deputy Secretary/BLLC director;

Computer equipment at a cost of \$31,915, more than one-half of which was spent by circumventing procurement guidelines;

Travel costing \$2,757 for which BLLC has no records; and

Staff conferences at a Pocono resort, office furniture and artwork, novelty or promotional items, food, and office equipment/supplies, all at a cost of \$52,967.

The Deputy Secretary/BLLC director used Commonwealth-owned cellular telephones to make at least 1,000 personal long distance telephone calls during a two-year period. The calls used 10,860 minutes (about 181 hours). Bills for the calls were paid with purchasing cards assigned to BLLC. The Deputy Secretary/BLLC director did not begin to reimburse the Commonwealth for the vast majority of the calls until after the beginning of the special audit.

At the direction of the Deputy Secretary/BLLC director, BLLC computer equipment was sold to the Bureau's staff, including the Deputy Secretary/BLLC director himself, in violation of the Commonwealth Procurement Code and in disregard of the regulations for disposal of surplus property. The computer equipment bought by BLLC employees included 37 desktop computers, 40 monitors and 33 printers. L&I does not appear to follow requirements for proper disposal of surplus Commonwealth property. Confidential information was not removed from the computer equipment prior to the sale.

BLLC management staff solicited funds from organizations that conduct activities regulated by the Commonwealth through BLLC. Funds were solicited and spent by BLLC management staff without oversight or supervision by L&I or other Commonwealth agencies. In interviews conducted as part of the special audit, representatives of several of the organizations stated that BLLC was unresponsive and ineffective in carrying out its work.

BLLC management officials misused Commonwealth funds, resources and equipment in connection with their travel activities.

## **RECOMMENDATIONS**

The Governor's Office, the Office of the Budget, L&I and/or DGS should:

1. Conduct an audit of the use of purchasing cards throughout L&I.
2. Establish monitoring requirements for purchasing card transactions.
3. Provide direction and training for L&I supervisors, as well as cardholders, concerning the Commonwealth Purchasing Card Program.
4. Establish and enforce policies to limit and control purchases and distribution of promotional items by L&I offices.
5. Establish procedures for maintaining agency inventory records for equipment obtained through purchasing cards.
6. Review all computer and telecommunications equipment purchases by BLLC on the basis of actual program needs and objectives and enforce a procedure for requiring prior approvals of all such purchases by appropriate L&I, OA and DGS technical staff. The review should include consideration of the justification for duplication of facilities such as home offices for supervisors or other employees who have spaces and equipment in their assigned BLLC offices.
7. Obtain full written explanation and certification of all bills and invoices for cellular telephone charges related to equipment used by BLLC staff, including the Deputy Secretary/BLLC director, for periods during which BLLC had such equipment. The Commonwealth should obtain reimbursement, with interest, for all calls that were not related to official Commonwealth business, including those made through use of minutes available without charge as part of provider agreements. Documentation should be reviewed by the Office of the Budget to ensure that the Commonwealth receives reimbursement. If necessary, administrative or legal action should be instituted to obtain full reimbursement.
8. Implement the Commonwealth's existing policies and procedures concerning cellular telephone equipment in BLLC and all other offices within L&I, including regular audits of monthly bills and reimbursement payments.
9. Prohibit agency officials and employees from switching or transferring cellular telephone equipment assigned to them or from using such equipment that is assigned to other employees except in reasonably limited and necessary circumstances related to official business. When such use occurs, records should be maintained.
10. Determine or estimate the fair market value of the computer equipment at the time of the sale to BLLC staff in 2001, obtain payment in full for the items and ensure that

confidential information is removed. Alternatively, the equipment should be collected and turned over to DGS for appropriate inventory, removal of confidential information and disposal.

11. Institute, enforce and audit compliance by L&I and its offices with the Commonwealth Procurement Code and DGS regulations concerning disposal of surplus property. Property disposal practices in other departments and agencies should be reviewed and, if warranted, similar action should be taken where needed.
12. Ensure that equipment and other property obtained through the Commonwealth Purchasing Card Program are listed on agency inventories and records of assets.
13. Conduct a review of all bank accounts opened or managed by BLLC staff, including accounts for grants and/or professional organizations, and establish appropriate controls and oversight concerning those funds.
14. Establish appropriate guidelines for memberships and participation in outside organizations by BLLC and its staff, including travel, conferences and promotional activities.
15. Direct BLLC staff and, if warranted, other L&I offices to cease the solicitation of funds or anything of monetary value from individuals and organizations with activities regulated by the Commonwealth and inform the organizations that were solicited by BLLC of the Commonwealth's prohibition of such activities.
16. Review the LECS Comptroller's Office activities to ensure that purchasing card transactions are checked for compliance with advancement account procedures.
17. Revise the InfoSpan system to include the identity of all vendors.
18. Establish a procedure to collect and retain cellular telephone billing information, including records of calls, in offices that are independent of the offices to which the telephones are assigned and provide for regular review and audits of those records. This responsibility cannot be left in the hands of the agency or office to which the telecommunications equipment is assigned.
19. Establish new purchasing card audit procedures to provide for detection of abuses described in this report.
20. Revise the Code of Conduct and take other appropriate steps to ensure the independence of the Comptroller's Office personnel from agencies they audit and prohibit such personnel from accepting or soliciting things of monetary value from agencies they audit or deal with as part of their official duties.

21. Conduct an audit of all travel, including temporary use of Commonwealth vehicles such as vans, by BLLC staff during the period under review and obtain reimbursement for overpayments or improper use when they occurred. The audit should include all TEVs submitted by BLLC staff and all records of reimbursement and expenses related to boards and grant programs sponsored or administered by BLLC. The results of the audit should be provided to the Department of the Auditor General. Based on the findings of the special audit, the ability and capacity of BLLC to manage or administer expenditures of Commonwealth funds is questionable and requires greater oversight and direction.
22. Take appropriate disciplinary action concerning misuse of Commonwealth vehicles, equipment and a corporate credit card by the BLLC staff, including the Deputy Secretary/BLLC director.
23. Establish, enforce and monitor procedures for temporary use of Commonwealth vehicles assigned by DGS, including written justifications and retention of records for at least five years.
24. Taking into account the findings and observations of this report and the findings of the Department's performance audit of L&I's Prevailing Wage Program issued in February 2002, a comprehensive overhaul of BLLC's management and operations is warranted.

## FINDINGS

### **Finding No. 1 - BLLC mismanaged its use of purchasing cards and made unnecessary or inappropriate purchases with them, resulting in waste or misuse of at least \$197,073, or approximately 60 percent, of the \$329,166 in total purchasing card expenditures by BLLC during the period under review.**

According to InfoSpan records, BLLC spent approximately \$329,166 of Commonwealth funds through the use of purchasing cards from July 6, 1998, to February 13, 2002. We found a complete lack of controls and a pattern of irregularities and misspending of Commonwealth funds in connection with the use of purchasing cards. We also found that \$197,073 spent on specific purchasing card transactions was wasted or misspent through improper use.

#### Overall management control failures

From the beginning of the period under review (July 1, 1998) to July 2001, the Deputy Secretary/BLLC director was responsible for management of BLLC. Other BLLC staff members involved in management activities related to purchasing were the assistant director (who resigned in August 2001) and the Harrisburg district supervisor. In August 2001, the supervisor of the BLLC Philadelphia district office was named director of BLLC. The Deputy Secretary/BLLC director continued to use BLLC equipment and participate in the management of BLLC activities after he was named Deputy Secretary.

When BLLC began to participate in the Commonwealth Purchasing Card Program, a clerical supervisor in the BLLC Harrisburg district office was designated as cardholder for the five VISA purchasing cards assigned to BLLC. The clerical supervisor received training provided for cardholders, prepared and maintained records of purchasing card transactions and did monthly reconciliations of invoices, receipts and statements. According to the clerical supervisor, decisions to purchase items were made by the Deputy Secretary/BLLC director, the Harrisburg district supervisor and the assistant director.

Commonwealth policies and procedures for use of purchasing cards were not followed within BLLC:

#### BLLC failed to maintain records of purchasing card transactions

Records of purchasing card transactions are required to be retained, particularly for audit purposes. However, BLLC had no records of purchasing card transactions for the period prior to March 2000. According to BLLC staff members, the records were moved during a relocation of BLLC's Harrisburg district office in the L&I building and may have been discarded at that time. BLLC spent \$91,370 in purchasing card transactions from the beginning of the review period (July 1998) to March 2000. As a result of the failure to retain records, the expenditures are questionable. In addition to entries in the InfoSpan system, we obtained vendor and bank records of many of these purchases as part of the special audit. Irregularities concerning many of the specific purchases are discussed in detail later in this Finding.



### BLLC failed to conduct supervisory reviews of purchasing card transactions

The Office of the Budget and L&I policies and procedures for purchasing cards require supervisors to review records. According to the BLLC clerical supervisor, the Deputy Secretary/BLLC director declined to review BLLC's monthly purchasing card records; he rarely saw purchasing card statements and never reviewed them. According to the Deputy Secretary/BLLC director, the BLLC clerical supervisor was responsible for review and approval of purchases with the cards. The clerical supervisor was the designated cardholder. We found no evidence of any supervisory review or approvals of credit card purchases in BLLC by anyone above the level of clerical supervisor. Both during and after his service as BLLC director, the Deputy Secretary/BLLC director was personally involved in many of the questionable and inappropriate BLLC purchasing card transactions. For that reason, the failure to provide any type of upper level supervisory review or approval process appears to have been intentional.

### BLLC failed to maintain proper custody of purchasing cards and failed to limit the authority to use them

Commonwealth policies and procedures require that purchasing cards be kept in the custody of the cardholder and that the cardholder is the only person permitted to make purchases with the cards. In BLLC, district office supervisors bought items through the use of purchasing cards. The district office supervisors arranged to make purchases and had vendors contact the clerical supervisor to obtain purchasing card numbers. District office supervisors did not receive training or instructions concerning use of purchasing cards. Additionally, for a part of the review period, the BLLC Harrisburg district supervisor kept one of the five VISA cards in his possession. The same individual personally made a substantial number of purchases charged to cards. In an interview, he stated that he had no knowledge of the policies and procedures governing use of purchasing cards.

### BLLC failed to maintain inventory records of equipment and supplies obtained through use of purchasing cards

BLLC did not have inventory records of the items obtained with purchasing cards, including computer equipment, clothing and office supplies. Many items obtained with purchasing cards cannot be accounted for and their distribution, or disposal, cannot be traced or verified. In March 2002, after we requested an inventory as part of the special audit, BLLC prepared an inventory of equipment and supplies that included some of the items obtained with purchasing cards.

### Questionable purchases

In addition to the above management failures, we found inappropriate, unjustified and wasteful expenditures of Commonwealth funds in connection with a large portion of BLLC's purchasing card transactions, including those involving clothing, telecommunications equipment and services, computer equipment, travel, conferences and supplies. According to the former BLLC assistant director, the Deputy Secretary/BLLC director used purchasing cards for

“everything so that L&I administrative offices would not see the expenses.” The specific questionable purchases we found are listed below by category:

a. Clothing

BLLC bought \$28,791 of clothing and apparel with purchasing cards between July 1998 and December 2001. The goods were purchased from Moritz Embroidery Works, Inc. (Moritz), Mount Pocono, PA, a manufacturer of embroidered items. The business card of the Moritz sales representative for many of BLLC’s purchases describes Moritz as “The Promo Pros-Promotional Products . . . Corporate Gifts . . . Imprinted Wearables.” Table No. 1 contains a list of the items based on records obtained from Moritz and BLLC.

**Table No. 1 - Items Obtained From Moritz  
With Commonwealth Purchasing Cards<sup>4</sup>**

<b>Item</b>	<b>Quantity</b>
Golf Shirts	413
Hats	498
Jackets	76
Shirts	334
Sweaters	211
Heavy Duty Traveler (Tote) Bags	241

BLLC records contain descriptions of the items, but no written justification for the purchases. The following descriptions appear on the small number of Moritz invoices found in BLLC records:

- 24 navy baseball caps embroidered in front with the BLLC brown horses logo. (The logo was designed by the BLLC Harrisburg district supervisor.)
- 20 Andrew Rohan natural sweaters embroidered with left chest BLLC logo.
- 55 navy 50/50 jersey knit tubular golf shirts with welt collar and ribbed cuffs embroidered with left chest BLLC logo with medium brown horses and 55 white shirts with a logo containing black horses.

The Moritz purchases were made at the direction of the Deputy Secretary/BLLC director. During the special audit, when questioned about the purchases, he stated that:

- The clothing was purchased so that BLLC investigators could be identified at job sites and other locations where they worked.

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<sup>4</sup> A separate source of funds (a bank account controlled by the Deputy Secretary/BLLC director and the Harrisburg district supervisor) was used by BLLC to purchase an additional 65 tote bags and 150 embroidered hats from Moritz in connection with a labor standards organization conference in 2000. See Finding No. 4.

- He believed that the appearance of the BLLC staff was sorely lacking.
- The L&I legal staff told him that he could not tell his staff what to wear to work unless clothing was provided.
- He believed that “union rules” would not allow him to force BLLC staff to dress appropriately; union rules required that employees dress “neatly”; many investigators had different ideas of what “neatly” was and their standards for dress were not up to what he believed they should be.
- He told the staff to wear clothing obtained with the purchasing cards at conferences in the belief that doing so would raise morale.

The purchases from Moritz were handled by the BLLC Harrisburg district supervisor. The Deputy Secretary/BLLC director stated in an interview that BLLC purchased some shirts from another vendor prior to 1998, but he believed that the shirts were of poor quality. He stated that he told the supervisor of the BLLC Harrisburg district office to “get some prices from Moritz because he [the Deputy Secretary/BLLC director] had dealt with Moritz in the past while he was a County Commissioner.” The Deputy Secretary/BLLC director was a Monroe County Commissioner prior to obtaining his position at L&I.

According to the BLLC Harrisburg district supervisor, the Deputy Secretary/BLLC director told him to handle the purchases of clothing “for identification purposes at job sites and at conferences,” told him to get three bids and suggested one should be from Moritz, a company located near the Deputy Secretary/BLLC director’s home. The BLLC Harrisburg district supervisor said that he contacted two to (possibly) four other firms to obtain bids; three firms, including Moritz, submitted bids for the order. Eventually, the other firms stopped submitting bids because they never received orders. BLLC records contained handwritten notes of quotes from other vendors relating to some of the purchases. The Moritz quotes were the lowest shown on the notes.

**BLLC did not maintain inventory records of items purchased from Moritz. Based on available records and interviews, it appears that the items were distributed widely and indiscriminately. In addition to BLLC staff, items were given to L&I’s senior officials, L&I attorneys and other L&I employees and members of the LECS Comptroller’s Office staff. Several shirt and sweater items are marked in BLLC’s records as intended for the Secretary of L&I. During fieldwork, we observed L&I maintenance staff at the L&I headquarters building wearing BLLC shirts. According to the BLLC Harrisburg district supervisor, the Deputy Secretary/BLLC director instructed him to distribute the items at conferences and to individuals outside of the agency. The Harrisburg district supervisor stated that he gave shirts to a group of square dancers who asked for them. Items obtained from Moritz were given to non-Commonwealth employees who attended BLLC conferences. According to the Deputy Secretary/BLLC director, clothing and tote bags purchased from Moritz were used as door prizes at Bureau conferences and other seminars. One of the Moritz items, a tote bag, was embroidered with the name of the New Jersey Department of Labor. BLLC also**

ordered embroidered logos from Moritz for the Labor Standards Bureaus of the New Jersey and New York Departments of Labor. Several Moritz items were sent by the BLLC Harrisburg district supervisor to an individual in Montana with whom the Deputy Secretary/BLLC director had a personal relationship.<sup>5</sup>

b. Cellular telephone equipment and services

According to the InfoSpan records, the BLLC used purchasing cards to pay approximately \$80,643 for cellular telephones and equipment and cellular services. Of that total, InfoSpan records identified approximately \$9,263 spent for cellular telephones and equipment and \$71,379 for cellular telephone services, i.e., telephone bills. The InfoSpan records do not identify specific vendors and BLLC's own records of the transactions are incomplete.

Cellular telephone equipment is considered automated technology and its acquisition requires approval by the Office of Administration (OA), part of the Governor's Office.<sup>6</sup> We found no documentation or other evidence that the BLLC's purchases of cellular telephone equipment through the Commonwealth Purchasing Card Program received the approval of OA.

BLLC's purchases of cellular telephone equipment and services were made at the direction of the Deputy Secretary/BLLC director. Based on interviews, it appears that the amount of cellular telephone equipment and services and the timing of purchases were determined without regard to the actual need for such equipment in BLLC. BLLC overall had a large assortment of communications equipment and related resources, including 49 cellular telephones and eight Palm hand-held computers, in addition to regular land line office telephones, Commonwealth telephone calling cards, an 800 number and, according to BLLC's March 8, 2002, inventory list, over 70 computers, for approximately 47 employees. One of the reasons for buying cellular telephones appeared to have been the Deputy Secretary/BLLC director's desire to obtain the maximum number of cellular telephones and "free" minutes included as part of the purchases, for his use, including personal calls, rather than to meet the actual operational requirements of BLLC. According to the former BLLC assistant director, the staff already had calling cards, pagers and the 800 telephone number. Much of the cellular telephone equipment was bought by the BLLC Harrisburg district supervisor at a Harrisburg-area mall, at the direction of the Deputy Secretary/BLLC director.

After the cellular telephone equipment was purchased, BLLC failed to follow policies and guidelines governing its proper use. A Governor's Office policy directive states that cellular telephones are to be used for official business and that charges submitted for payment by the Commonwealth must be certified as business-related.<sup>7</sup> We found no evidence that the requirement was followed within BLLC, particularly in regard to the Deputy Secretary/BLLC

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<sup>5</sup> See Finding No. 2.

<sup>6</sup> Currently, the requirement is in the Manual "Field Procurement Handbook," M215.3 (Revised), Chap. 21, A. Previously, the requirement appeared in the DGS Field Purchasing Manual, which was rescinded in 1999.

<sup>7</sup> Commonwealth of Pennsylvania, Governor's Office, Commonwealth Cellular Telephone Equipment and Services, Management Directive No. 240.11 (April 3, 1998).

director's calls. This, in turn, facilitated the pattern of misuse of cellular telephone equipment for personal calls by the Deputy Secretary/BLLC director described in detail in Finding No. 2.

The monthly bills for cellular telephone charges were paid for with BLLC's purchasing cards. Overall, those bills represented about 21 percent of BLLC's purchasing card charges during the period under review. There was no review, monitoring or oversight of those charges within L&I or the LECS Comptroller's Office.

c. Computer equipment

BLLC used purchasing cards to obtain computer equipment costing approximately \$31,915. Of that total, approximately \$5,989 was spent for purchases prior to March 2000, for which BLLC had no records.

We found no evidence that BLLC obtained approvals from OA to buy computers or related equipment with purchasing cards.<sup>8</sup> There is also a question of the need for equipment: According to the former BLLC assistant director, he was responsible for initially setting up computer systems in BLLC district offices and served as the Bureau's technology coordinator. He stated that he disagreed with the Deputy Secretary/BLLC director's decisions to purchase additional computers and to upgrade the staff's computers because he did not believe there was a valid reason to do so.

BLLC, with a staff of less than 50, had a large amount of computer and computer-related equipment during the review period. According to BLLC's March 8, 2002, inventory, there were 73 computers, 62 printers, 69 monitors, 11 docking stations, 10 digital desktop projectors and five digital cameras among its assets. The list includes equipment purchased through other types of procurement, i.e., field purchase orders, as well as items obtained with purchasing cards.

Furthermore, L&I does not have a system or procedure to record equipment, supplies or other assets obtained through use of purchasing cards in its departmental inventories of Commonwealth equipment. Thus, the computer purchases, as well as other items obtained by BLLC with purchasing cards, are invisible for audit or oversight purposes and highly susceptible to waste, loss, misuse or theft.<sup>9</sup>

Based on an interview and a review of available records, the following computer equipment purchases totaling \$18,489 appeared to constitute specific instances of misuse of the purchasing cards through the device of splitting up purchases to stay below the maximum limit of the Commonwealth Purchasing Card Program, circumvent purchasing guidelines and evade review or questions from the auditors. In each case, we found no documentation or other evidence of the justification for splitting the transactions into multiple purchases:

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<sup>8</sup> As in the case with purchases of telecommunications equipment, OA's approval is required for purchases of automated technology equipment, including computers.

<sup>9</sup> On two occasions during the review period, BLLC sold computer equipment to its employees in a manner that violated legal requirements for disposal of surplus property. See Finding No. 3.

### Compaq S-70 computers

On June 24, 1999, BLLC purchased two Compaq S-70 computers from 800-Insight, an online company. The total price was \$5,152. A purchasing card was used to pay for the items; the total cost was divided into two payments of \$2,576 each. Another purchase of an unidentified item from the same vendor, costing \$563, was made five days later. BLLC did not maintain any records of the June 29 purchase and the vendor could not provide us with any information concerning the sale. An inventory record prepared by BLLC in March 2002, after the beginning of the special audit, showed that one of the Compaq S-70 computers was located at the residence of the Deputy Secretary/BLLC Director. We found no listing for the other computer in BLLC's inventory records.

### Two desktop computers

On August 31, 2000, BLLC ordered two desktop computer units from Pomeroy Computer Resources for \$2,580. On September 12, 12 days later, two computer monitors were purchased from the same vendor for \$1,102. The purchased items, taken together, comprised two computer units, with monitors, for a total cost of \$3,682.

### IBM laptop computers

On February 20, 2001, BLLC purchased a single laptop computer from IBM at a price of \$3,021. The payment was split into three purchasing card transactions for charges of \$1,000, \$1,000, and \$1,021. Six days later, BLLC purchased another laptop unit from IBM with the same components. The cost was \$3,021. The transaction was split into two payments of \$2,000 and \$1,021 each. The inventory record prepared by BLLC in March 2002 did not contain sufficient information to determine where the computers were located at the time of the special audit.

### Laptop docking stations

On December 6, 2001, BLLC placed two orders with the same vendor for laptop docking stations. One order was for two of the items; the other was for five. Both orders were paid for with purchasing cards. The payment for the first order, dated December 13, 2001, was \$1,032. The payment for the second order, also dated December 13, 2001, was \$2,580. The total cost of the seven items was \$3,612.

#### d. Travel

Purchasing cards are not supposed to be used to pay for travel costs. Table No. 2 contains purchasing card charges that appear to be for, or related to, travel. All of the transactions occurred prior to March 2000. Therefore, as discussed previously, BLLC has no documentation concerning the purpose or justification for the charges.

**Table No. 2 - Purchasing Card Charges for Travel Prior to March 2000**

<b>Transaction Date</b>	<b>Vendor</b>	<b>Location</b>	<b>Amount</b>
9/9/98	Hilton	Unknown	\$1,038.14
10/1/98	Hilton	Las Vegas, NV	373.73
10/28/98	Hilton	Las Vegas, NV	79.71
4/23/99	Caesars [Advance Deposit]	Atlantic City, NJ	258.00
4/23/99	Caesars [Advance Deposit]	Atlantic City, NJ	258.00
4/30/99	Foxwoods Grand Pequot Resort Casino	Mashantucket, CT	375.00
4/30/99	Foxwoods Grand Pequot Resort Casino	Mashantucket, CT	375.00
<b>Total</b>			<b>\$2,757.58</b>

e. Staff conferences at Pocono Manor

In March and November 1999, November 2000 and September 2001, BLLC held conferences for its staff at the Pocono Manor Inn and Golf Resort, Mount Pocono, PA (Pocono Manor). Purchasing cards were used to pay Pocono Manor a total of \$7,541. According to the Deputy Secretary/BLLC director, Pocono Manor was used as the site for the conferences because it offered the best rate in the area. We found no records of bids or quotes from other facilities. According to the former BLLC assistant director, the site was chosen because the manager of the resort and the owners were friends and political allies of the Deputy Secretary/BLLC director.

Available records show that the charges included meeting spaces, internet access, copy and facsimile services and meals. Individual lodging and other incidental travel costs were paid for by the Commonwealth through hotel orders issued to individual BLLC employees. The lodging and travel costs totaled \$22,415.

According to information provided by Pocono Manor, persons attending BLLC conferences received a rate plan that included breakfast buffet, dinner, golf greens fees, hors d'oeuvres during cocktail hour, nightly entertainment and, depending on the season, outdoor tennis courts, putting greens, indoor and outdoor pool and sauna, fitness center, outdoor ice skating rink, cross-country trail fees and service charges. The conferences were for three to four days. Some BLLC staff members brought their spouses.

Records that could be used to determine whether Commonwealth funds were spent appropriately in connection with the conferences are lacking. In interviews, BLLC employees acknowledged that golf, horseback riding and a cocktail party were included as part of the packages. Some employees stated that they paid a "differential" for spouses or paid for spouses' meals as "day guests" at some conferences, but not at others. Several BLLC staff members arrived at the conference site a day early as an advance team to set up the conferences and received compensatory leave time for the extra day.

Within limits, staff conferences are reasonable and appropriate activities. However, BLLC used purchasing cards repeatedly in conjunction with individual charges for lodging and meals at Pocono Manor to obtain items such as fees for golf and other recreational and entertainment activities that should not involve the use of Commonwealth funds. The frequency

and length of the conferences were also, apparently, never questioned. As a result of BLLC's practices concerning purchasing card transactions, improper or excessive charges went undetected and unquestioned.

f. Office furniture and artwork

BLLC used purchasing cards to obtain office furniture and artwork for BLLC offices, at a total cost of approximately \$18,821. This was done through 29 separate transactions with furniture stores and glass manufacturers, including 16 separate purchases of custom glass for desktops and tabletops and interior office windows. The purchases also included a \$739 executive chair for the Deputy Secretary/BLLC director, framed prints, limited edition lithographs, mahogany storage cabinets, a cherry credenza, and four coat racks costing \$323 each.

There is no documentation or other record that BLLC attempted to follow Commonwealth purchasing guidelines or practices applicable to these types of purchases, i.e., determining whether the items were available through existing Commonwealth commodity contracts or through the Commonwealth supply system before buying them directly with purchasing cards.

g. Promotional and novelty items

Items costing approximately \$5,084 were bought from a Harrisburg vendor through use of purchasing cards in 14 separate transactions. The items included 1,000 Pennsylvania custom lapel pins for \$1,340 and about 1,100 other pins, as well as medals, rings, loving cups and a set of "rocks" glasses. BLLC also rented tents on two occasions for public events in Philadelphia at a cost of \$1,080.

h. Miscellaneous charges

BLLC used purchasing cards to obtain office supplies, computer-related items, telephone and camera equipment, medical services and food costing approximately \$20,441. The questionable items included:

- Three computer monitors, including one costing \$999 that was reported as being located in the Deputy Secretary/BLLC director's office.
- 19 computer printers.
- Five conference telephones.
- Six Palm hand-held computers costing \$400 each, with leather cases.
- A digital camera and associated software.



- Regular purchases of coffee for BLLC offices.
- Two payments totaling \$866 for an independent medical examination of a BLLC employee.
- An April 2000, “Deputate Pride Luncheon” at the Maverick Restaurant, Harrisburg, attended by the Deputy Secretary/BLLC director and six other BLLC employees.
- Breakfast and lunch catering for BLLC meetings and Hershey chocolates to be presented at a seminar.

We found no documentation that any effort was made to obtain any of the above equipment or items through existing state contracts. Commonwealth funds are not normally used to buy coffee for employees. BLLC had no complete inventory of equipment purchased through use of the purchasing cards. In many cases, items were purchased by district supervisors without coordination or control by BLLC management at the main office. The purchases of food items lacked sufficient documentation to justify them as being reasonably related to official activities.

### **Conclusions and Recommendations**

BLLC’s use of purchasing cards violated Commonwealth policies and procedures governing use of the Purchasing Card Program. The failures to follow basic rules and guidelines were not isolated incidents. They were pervasive, consistent and flagrant. The pattern of misuse was not due to failures of subordinates; it was the direct consequence of the Deputy Secretary/BLLC director’s actions. When viewed overall, the purchases appeared to have been intended to market and promote a personal agenda rather than to carry out BLLC’s mission. No one appears to have considered the wisdom or appropriateness of BLLC’s use of purchasing cards to buy promotional, giveaway and novelty items or to buy more equipment and supplies than were needed.

BLLC’s misuse of purchasing cards also reflects the failure of L&I to manage and oversee the activities of one of its bureaus. L&I staff outside of BLLC was aware of the purchases of promotional and other inappropriate items and did nothing to question or control them. After the special audit began, BLLC’s purchasing cards were taken away. However, the lack of oversight prior to that time suggests that L&I’s senior management is failing to properly supervise purchasing card activities and acts only when forced to do so as a result of disclosures by outside agencies.

The abuse of purchasing cards in L&I is similar to the weaknesses in purchasing card programs within federal agencies reported recently by the United States General Accounting Office (GAO). The GAO has warned that weak controls in federal agencies “created a lax control environment that allowed cardholders to make fraudulent, improper, abusive and

questionable purchases. Weak controls also resulted in or contributed to lost, missing, or misused government property.”<sup>10</sup> The same words can readily be applied to L&I.

The abuses and lack of controls are also reminiscent of the findings of the Department’s Special Audit of the Pennsylvania Department of Agriculture Advancement Accounts and Purchasing Card Program, released in May 1999. Once again, it is apparent that a Commonwealth agency, in this case L&I, is not properly managing its participation in the Commonwealth Purchasing Card Program. This suggests that a review and overhaul of the Purchasing Card Program are warranted.

It is recommended that the Governor’s Office, the Office of the Budget, L&I and the Department of General Services (DGS):

- Conduct an audit of the use of purchasing cards throughout L&I.
- Establish monitoring requirements for purchasing card transactions.
- Provide direction and training for L&I supervisors, as well as cardholders, concerning the Commonwealth Purchasing Card Program.
- Establish and enforce policies to limit and control purchases and distribution of promotional items by L&I offices.
- Establish procedures for maintaining agency inventory records for equipment obtained through purchasing cards.
- Review all computer and telecommunications equipment purchases by BLLC on the basis of actual program needs and objectives and enforce a procedure for requiring prior approvals of all such purchases by appropriate L&I, OA and DGS technical staff. The review should include consideration of the justification for duplication of facilities, such as home offices for supervisors or other employees who also have spaces and equipment in their assigned BLLC offices.

### **L&I’S RESPONSE TO FINDING NO. 1**

Although records of purchasing card transactions may be missing in whole or part for a specified time period during the Auditor General’s review, those records were not systematically targeted for disposal by the Bureau. Rather, the loss of those documents is related more to housekeeping practices and procedures of the former Deputy Secretary/BLLC director, who may have directed a clerical supervisor to dispose of the boxes during a relocation of the Bureau.

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<sup>10</sup> Government Purchase Cards Control Weaknesses Expose Agencies to Fraud and Abuse, Statement of the GAO Director, Financial Management and Assurance, Before the Subcommittee on Oversight and Investigations, Committee on Energy and Commerce, U.S. House of Representatives, May 1, 2002, at p. 3.

As a result of the Auditor General's audit, L&I has closely reviewed the financial operations of BLLC. The Department is implementing new procedures to assist the Bureau in its financial operations. Specifically, the Department has revoked the use of purchasing cards by the Bureau. All purchases must now go through the Agency Purchase Request process that allows for a system of checks and balances. The Department has created and, the Bureau has posted a vacancy position for a financial officer whose duties primarily will be to keep the Bureau in compliance with the required procurement policies, practices, and procedures of the Commonwealth and L&I. This person will have final authority, at the Bureau level, in approving or denying purchase requests asked for by the Bureau.

The Bureau provided clothing items with the BLLC logo to its investigators at BLLC training conferences. It did this to provide for uniform dress attire for its staff, better identify Bureau employees and as part of a public awareness campaign to increase visibility of staff at worksites. The BLLC gave clothing items to a few non-state employees who were, for the most part, speakers or attendees at the conferences. The amenities available at the Pocono Manor Inn were not available to the BLLC staff as part of the conference facilities. The BLLC did not intend and is not aware that it paid for any employee recreational or entertainment activity fee. To the extent any BLLC employee participated in any for-fee activity while staying at the Pocono Manor Inn, the employee paid for it him/herself. The new Financial Officer will be the reviewer in the future of such purchases and facilities usage.

### **THE DEPARTMENT OF THE AUDITOR GENERAL'S COMMENTS**

L&I's response acknowledged that BLLC misused Commonwealth purchasing cards for over three and one-half years. However, the response failed to address a more fundamental issue disclosed in the audit, i.e., L&I's failure to oversee the spending of public funds by one of its bureaus. The Response also ignored our recommendations to strengthen purchasing card usage throughout L&I, not just within BLLC.

The fact that BLLC no longer has purchasing cards provides some measure of relief. However, L&I's proposed corrective action, the posting of a vacancy position for a BLLC financial officer, is akin to announcing a plan to design a new barn door after the farm animals have been stolen. It implies that L&I has no office or individual available now to provide financial management or oversight for BLLC. It also indicates that L&I lacks confidence in the ability or willingness of BLLC's current management. The lack of confidence appears to be justified. However, the position L&I is proposing to fill would be located within BLLC and, therefore, the financial officer would be supervised by the BLLC director, an arrangement that would be highly inappropriate and unlikely to work effectively, given BLLC's history. We urge the Governor's Office and the Office of the Budget, as well as L&I, to assign financial management responsibility to an appropriate official who is outside of the BLLC chain-of-command and to do so immediately.

The Response stated that the clothing was purchased to help identify BLLC employees at worksites. This was the explanation given to us by the Deputy Secretary/BLLC director and appears to be no more supported by the facts now than it was during the audit. BLLC has

approximately 35 field investigators. If L&I's explanation for the purchases were true, enough items were bought for each BLLC investigator to have received the following during the audit period:

- Twenty-one shirts.
- Fourteen hats.
- Two jackets.
- Six sweaters.
- Six tote bags.

In reality, clothing was purchased in amounts well in excess of any legitimate needs BLLC might have had and, in large part, to serve the personal promotional agenda of the Deputy Secretary/BLLC director. Since the BLLC failed to maintain any inventory records of the clothing, it is impossible to determine who received these items. As stated in the Finding, clothing was given away indiscriminately to many people outside of BLLC, the majority of whom would not require the items for identification purposes.

In regard to the Pocono Manor conferences, entertainment and recreational amenities were provided as part of the conference package rate paid for partly with purchasing cards and partly through individual room charges, all of which were ultimately paid by the Commonwealth. It is unreasonable to assume that BLLC management was not aware of what the packages included at the time the conference arrangements were made.

**Finding No. 2 - The Deputy Secretary/BLLC director used Commonwealth-owned cellular telephones to make at least 1,000 personal long distance telephone calls during a two-year period.**

From January 27, 2000, to January 28, 2002, the Deputy Secretary/BLLC director used Commonwealth-owned cellular telephones to make at least 1,019 personal long distance telephone calls to Montana, totaling 10,860 minutes (181 hours). The cellular telephone bills were paid with purchasing cards assigned to BLLC as part of the Commonwealth Purchasing Card Program. The calls are listed in Table No. 3 ( pp. 30-39).

The two cellular service providers, AT&T Wireless (AT&T) and Nextel Partners (Nextel), provided records of cellular telephone calls for a portion of the audit period. Both providers charged the Commonwealth for incoming and outgoing calls.

AT&T

AT&T records showed that between January 27, 2000, and January 18, 2002, the Deputy Secretary/BLLC director made 887 outgoing calls to residential, office, and cellular telephones of an individual in Helena, MT. The total duration of the outgoing calls to Montana was approximately 6,945 minutes, or more than 115 hours.

The BLLC initially paid AT&T \$119 monthly for a special calling plan for the Deputy Secretary/BLLC director that contained 1,000 airtime calling minutes each month. Eventually, the cost of the monthly plan increased to \$199 a month with 1,900 minutes provided as part of the plan. The Deputy Secretary/BLLC director frequently exceeded the available airtime calling minutes, resulting in thousands of dollars in additional costs to the Commonwealth.

Nextel

Nextel records showed that between December 20, 2001, and January 28, 2002, 132 outgoing calls were made to the same residential and office telephone numbers in Helena, MT, from the cellular telephone known as a "base unit." The base unit was intended to be kept at the BLLC Harrisburg district office. On December 20, 2001, the Deputy Secretary/BLLC director took the base unit. At that time, he also had an AT&T cellular telephone which had been assigned to him previously. The total duration of the outgoing calls to Montana on the Nextel base unit was approximately 3,915 minutes, or 65 hours. Nextel was the BLLC's primary cellular service provider during the December 20, 2001-January 28, 2002, period and other BLLC employees had Nextel units. The Nextel calling plan provided a certain number of minutes without additional charges each month. Because unused minutes were pooled, no one exceeded the total available number of minutes and additional charges were not incurred. However, the Deputy Secretary/BLLC director's personal calls used a portion of those minutes that would have been otherwise available for official business calls.

A review of the AT&T and Nextel telephone records listed in Table No. 3 disclosed that the Deputy Secretary/BLLC director made calls to Montana during *and* after work hours. On many days, he placed numerous calls, some lasting for hours:

- On Wednesday, June 7, 2000, he called the same Helena number 25 times; 21 of the calls were between 10:08 a.m. and 10:15 a.m. (EDT).
- On Sunday, December 23, 2001, he called the same Helena number 34 times; 21 of the calls were between 7:24 p.m. and 7:57 p.m. (EST).
- On Monday, January 14, 2002, he called three Helena numbers 34 times; 24 of the calls were between 5:32 p.m. and 6:44 p.m. (EST).
- There were numerous calls to the same Helena number on the following dates: June 10, 2000 (13 calls); September 14, 2001 (15 calls); November 6, 2001 (14 calls); November 13, 2001 (13 calls); November 15, 2001 (16 calls); December 5, 2001 (18 calls); January 1, 2002 (14 calls); January 9, 2002 (25 calls); January 17, 2002 (21 calls), and; January 11, 2002 (24 calls).
- Eighteen calls lasted more than 90 minutes. Four of the 14 calls on January 1, 2002, totaled 259 minutes, or more than four hours. A call on Wednesday, January 2, 2002, at 11:47 p.m. lasted 404 minutes, or almost seven hours.

The above records do not include incoming calls from Montana. Based on information from state agencies in Montana, there were numerous calls *to* the Deputy Secretary/BLLC director from the same Helena office number. The above records also do not include personal calls to Montana made by the Deputy Secretary/BLLC director on regular office telephones at L&I. According to the BLLC Harrisburg district supervisor, the Deputy Secretary/BLLC director came into the district supervisor's office "daily" to use the district supervisor's telephone to call Montana; the district supervisor said he left the room when this happened. The above figures for outgoing personal cellular telephone calls also do not include hundreds of other out-of-state calls placed by the Deputy Secretary/BLLC director. The overall number of cellular telephone calls was voluminous. Because there was no breakdown of personal calls or certification that calls were business-related after the bills were received, no record was made of the personal calls by the Deputy Secretary/BLLC director or anyone on the BLLC staff.

The individual to whom the Montana calls were made is an employee of the State of Montana. However, there is no record or other evidence that the Deputy Secretary/BLLC director's calls to or from Montana were for official business. According to interviews and records, the Deputy Secretary/BLLC director met the individual at a conference in 1999. The individual attended several conferences that were also attended by the Deputy Secretary/BLLC director, including a May 2000 conference in New Cumberland, PA. In late 2001, the BLLC interviewed candidates for a position in the BLLC Philadelphia district office. The Deputy Secretary/BLLC director told the individual about the job opening and encouraged her to "get

her paperwork in.” In late December 2001 or early January 2002, she sent him a completed job application, and BLLC staff were instructed to process the paperwork. The individual was interviewed over the telephone by the current BLLC director. (That call has not been included in this Finding as a personal call.) On February 11, 2002, the same day that the Department officially notified L&I of this special audit, the individual sent a letter to BLLC declining the position. She stated that she decided not to take the job because the salary was too low.

### Reimbursement

There is no evidence that the Deputy Secretary/BLLC director reported or noted personal telephone calls on bills from the cellular telephone service providers at the time the bills were received and paid by BLLC.

We found records of one reimbursement payment that the Deputy Secretary/BLLC director made to the Commonwealth prior to the beginning of the special audit: On July 19, 2000, the Deputy Secretary/BLLC director gave the Commonwealth a personal check for \$157.60. The transmittal letter stated that it was “to reimburse the Commonwealth of Pennsylvania for telephone calls, Federal Express and UPS charges. These charges were for personal use during the weeks of February 14, 2000 to February 18, 2000 and June 5, 2000 to June 14, 2000 while I was on vacation.”<sup>11</sup> According to the former BLLC assistant director, the reimbursement payment was made at his urging and included telephone charges incurred in connection with the Deputy Secretary/BLLC director’s political activities during the 2000 presidential election campaign.

The Deputy Secretary/BLLC director gave the Commonwealth five checks as reimbursement for personal telephone calls after the start of the special audit. The first of the five was dated the same day that the Department officially notified L&I of the special audit. The five personal checks were as follows:

- Check dated February 11, 2002, for \$954.46.
- Check dated February 27, 2002, for \$119.09.
- Check dated March 4, 2001,<sup>12</sup> for \$67.90.
- Check dated March 8, 2002, for \$79.99.
- Check dated March 19, 2002, for \$264.00.

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<sup>11</sup> According to the records in Table No. 3, no calls to Montana appeared on the cellular telephone bills for the February 14-18, 2000, period. There were numerous calls to Montana between June 5 and June 14, 2000. We cannot determine whether the July 19, 2000, reimbursement payment included payment for those calls.

<sup>12</sup> This check was returned to the Deputy Secretary/BLLC director because it was pre-dated. A \$67.90 replacement check was dated March 28, 2002.

These checks totaled \$1,485.44. On May 28, 2002, the Deputy Secretary/BLLC director also reimbursed the Commonwealth \$93.21 for personal toll calls made from his state-furnished home telephone line. Those calls were not included in Table No. 3.

The Deputy Secretary/BLLC director sent the LECS Comptroller's Office only a portion of the corresponding AT&T billing statements with the reimbursement payments, did not distinguish personal from business calls, and failed to show how he calculated the total reimbursement due. On March 25, 2002, the LECS Comptroller sent the Deputy Secretary/BLLC director a letter requesting the backup documentation within ten days. The Deputy Secretary/BLLC director had not complied with the request at the close of the special audit fieldwork. Therefore, we do not have sufficient documentation to conclude that the Commonwealth has been reimbursed fully for the Deputy Secretary/BLLC director's personal telephone calls. Because there was no procedure in BLLC to certify that all cellular telephone calls were business related or to seek reimbursement for personal telephone calls, the full cost of the misuse of the cellular telephones cannot be determined.

In an interview, the Deputy Secretary/BLLC director stated the following regarding his personal telephone calls:

- He knew he had used Commonwealth equipment to make personal calls, but he believed that this was permissible under the union Master Agreement as long as he did not exceed the available minutes. He later said he "assumed" that he had exceeded the available minutes.
- He said that, due to a billing dispute, BLLC did not pay the AT&T bills from July 2001 to December 2001. According to him, the dispute occurred because BLLC employees were supposed to be able to call each other at no charge and share a pool of minutes, but the bills did not reflect that. He claimed that because of the dispute, he delayed reimbursing the Commonwealth for personal calls.<sup>13</sup>
- He said he "reviewed every bill he could review" and calculated the reimbursement due the Commonwealth by "division," allocating the cost of the pool of minutes.
- He said he gave money to his secretary "numerous times" since January 2002.<sup>14</sup> He said he also might have given cash to the clerical supervisor. He said he could not recall how much he reimbursed the Commonwealth, how many times he paid reimbursement, or if he paid by check or with cash, and he did not have any receipts.

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<sup>13</sup> In fact, from August 6, 2001, to January 3, 2002, the BLLC paid AT&T Wireless \$2,825.17 for cellular telephone charges incurred by the Deputy Secretary/BLLC director. The billing records reflect that the provider did adjust some charges related to the calls. However, the billing dispute did not deter the Deputy Secretary/BLLC director from continuing to use the equipment for personal calls. Furthermore, the billing dispute did not provide a reasonable justification for the Deputy Secretary/BLLC director's consistent failure to certify or note his personal calls on the bills or to pay for personal calls made before the beginning of the billing dispute.

<sup>14</sup> The first check was actually dated February 11, 2002, the date L&I was notified of the special audit.



- He admitted that he had taken the Nextel “base unit” telephone and used it. He said that “the minutes were cheaper,” and he took it because the AT&T unit did not work in Harrisburg and the Nextel unit did not work near his family home in the northeastern part of the state. He said that he retained both telephones for personal reasons and “anticipated” turning in the AT&T unit.

Commonwealth cellular telephone equipment is to be used for official state business or to relieve emergency situations where the protection of life or property is involved and there is no other satisfactory means of communications available. In all cases, agencies must subscribe to detailed billing of cellular services and certify that the charges submitted for payment are business related. In the event of personal or unauthorized use of the cellular telephone, the agency must secure reimbursement from the responsible employee. The reimbursement requirement is an acknowledgement of the fact that some personal use of cellular telephones by Commonwealth employees may occur and should be subject to appropriate controls. The Deputy Secretary/BLLC director appeared to be fully aware of the Commonwealth’s policy and the requirements long before February 2002. A BLLC policy memorandum issued by the Deputy Secretary/BLLC director on January 29, 2001, entitled “Cell Phone Use,” reads as follows:

Bureau employees who are issued cell phones for use in the performance of their duties are restricted in use to “business calls only.” Employees who exceed the allotted plan minutes will be required to reimburse the Commonwealth for any and all personal calls as they appear on the monthly phone bill record. Cautious publication of your cell phone number is advised, as incoming calls are billable against your plan minutes. Repeated violation can result in revocation of this privilege. This policy is effective upon receipt.

The statement in the memorandum which implies that allocated plan minutes can be used for personal calls is inconsistent with Commonwealth policies and procedures. In any case, the memorandum shows that the Deputy Secretary/BLLC director was aware that cellular telephones were to be used for official business only. Additionally, in a December 15, 1997, memorandum to BLLC investigators and supervisors concerning telephone calling cards, he warned BLLC investigators that their telephone bills were subject to his review and that abuses would be handled accordingly.

**Table No. 3 - Deputy Secretary/BLLC Director's  
Cellular Telephone Calls to Montana**

For the purposes of this table, only **outgoing** calls were counted because the service providers did not record the point of origin of the many incoming telephone calls. This table does not include the specific telephone numbers involved in the calls.

	Date	Call To	Time	Minutes	Charge
1	01/27/00	Helena	3:06 PM	12.00	
2	01/27/00	Helena	3:18 PM	1.00	
3	01/27/00	Helena	3:22 PM	1.00	
4	03/22/00	Helena	12:24 PM	26.00	
5	05/12/00	Helena	5:07 PM	1.00	\$0.25
6	05/12/00	Helena	5:40 PM	1.00	\$0.25
7	05/15/00	Helena	5:13 PM	5.00	\$1.25
8	05/15/00	Helena	5:19 PM	6.00	\$1.50
9	05/18/00	Helena	2:54 PM	5.00	\$1.25
10	05/19/00	Helena	4:41 PM	5.00	\$1.25
11	05/19/00	Helena	4:46 PM	8.00	\$2.00
12	05/23/00	Helena	5:10 PM	20.00	
13	05/23/00	Helena	5:30 PM	20.00	
14	05/25/00	Helena	2:16 PM	1.00	
15	05/25/00	Helena	2:32 PM	34.00	
16	06/02/00	Helena	9:37 AM	56.00	
17	06/02/00	Helena	12:54 PM	1.00	
18	06/02/00	Helena	3:46 PM	4.00	
19	06/02/00	Helena	4:13 PM	14.00	
20	06/02/00	Helena	4:40 PM	12.00	
21	06/02/00	Helena	5:05 PM	9.00	
22	06/02/00	Helena	5:19 PM	46.00	
23	06/05/00	Helena	10:45 AM	1.00	
24	06/05/00	Helena	10:46 AM	1.00	
25	06/05/00	Helena	10:53 AM	1.00	
26	06/05/00	Helena	11:11 AM	1.00	
27	06/05/00	Helena	11:25 AM	39.00	
28	06/05/00	Helena	3:50 PM	12.00	
29	06/05/00	Helena	4:26 PM	11.00	
30	06/05/00	Helena	5:35 PM	28.00	
31	06/05/00	Helena	6:17 PM	1.00	
32	06/05/00	Helena	6:17 PM	12.00	
33	06/06/00	Helena	12:32 PM	1.00	
34	06/06/00	Helena	5:51 PM	4.00	
35	06/06/00	Helena	6:17 PM	1.00	
36	06/06/00	Helena	6:17 PM	1.00	
37	06/06/00	Helena	6:18 PM	1.00	
38	06/06/00	Helena	6:23 PM	1.00	
39	06/06/00	Helena	6:25 PM	1.00	
40	06/06/00	Helena	6:25 PM	1.00	
41	06/06/00	Helena	6:28 PM	1.00	
42	06/06/00	Helena	6:30 PM	1.00	
43	06/06/00	Helena	6:31 PM	1.00	

	Date	Call To	Time	Minutes	Charge
44	06/07/00	Helena	10:08 AM	1.00	
45	06/07/00	Helena	10:09 AM	1.00	
46	06/07/00	Helena	10:09 AM	1.00	
47	06/07/00	Helena	10:09 AM	1.00	
48	06/07/00	Helena	10:09 AM	1.00	
49	06/07/00	Helena	10:10 AM	1.00	
50	06/07/00	Helena	10:10 AM	1.00	
51	06/07/00	Helena	10:10 AM	1.00	
52	06/07/00	Helena	10:10 AM	1.00	
53	06/07/00	Helena	10:10 AM	1.00	
54	06/07/00	Helena	10:11 AM	1.00	
55	06/07/00	Helena	10:11 AM	1.00	
56	06/07/00	Helena	10:11 AM	1.00	
57	06/07/00	Helena	10:11 AM	1.00	
58	06/07/00	Helena	10:12 AM	1.00	
59	06/07/00	Helena	10:12 AM	1.00	
60	06/07/00	Helena	10:12 AM	1.00	
61	06/07/00	Helena	10:12 AM	1.00	
62	06/07/00	Helena	10:12 AM	1.00	
63	06/07/00	Helena	10:13 AM	1.00	
64	06/07/00	Helena	10:15 AM	1.00	
65	06/07/00	Helena	11:05 AM	15.00	
66	06/07/00	Helena	1:11 PM	8.00	
67	06/07/00	Helena	4:04 PM	1.00	
68	06/07/00	Helena	5:32 PM	11.00	
69	06/08/00	Helena	10:27 AM	1.00	
70	06/08/00	Helena	1:18 PM	1.00	
71	06/08/00	Helena	2:13 PM	1.00	
72	06/09/00	Helena	9:44 AM	1.00	
73	06/09/00	Helena	9:48 AM	21.00	
74	06/09/00	Helena	11:10 AM	7.00	
75	06/09/00	Helena	11:30 AM	6.00	
76	06/10/00	Helena	2:35 PM	7.00	
77	06/10/00	Helena	2:45 PM	1.00	
78	06/10/00	Helena	2:45 PM	1.00	
79	06/10/00	Helena	2:45 PM	1.00	
80	06/10/00	Helena	2:45 PM	1.00	
81	06/10/00	Helena	2:46 PM	1.00	
82	06/10/00	Helena	2:46 PM	1.00	
83	06/10/00	Helena	2:54 PM	1.00	
84	06/10/00	Helena	2:58 PM	1.00	
85	06/10/00	Helena	3:12 PM	12.00	
86	06/10/00	Helena	3:26 PM	5.00	

**Table No. 3 - Deputy Secretary/BLLC Director's  
Cellular Telephone Calls to Montana - Continued**

	Date	Call To	Time	Minutes	Charge
87	06/10/00	Helena	6:11 PM	1.00	
88	06/10/00	Helena	6:46 PM	1.00	
89	06/12/00	Helena	1:05 PM	10.00	
90	06/12/00	Helena	7:57 PM	23.00	
91	06/13/00	Helena	6:57 PM	1.00	
92	06/16/00	Helena	4:15 PM	40.00	\$9.00
93	06/16/00	Helena	6:37 PM	2.00	\$0.50
94	06/20/00	Helena	10:17 AM	1.00	
95	06/20/00	Helena	6:23 PM	34.00	
96	06/20/00	Helena	7:17 PM	1.00	
97	06/21/00	Helena	1:54 PM	1.00	
98	06/26/00	Helena	6:10 AM	1.00	
99	06/26/00	Helena	2:04 PM	1.00	
100	06/28/00	Helena	11:40 AM	21.00	
101	06/28/00	Helena	2:53 PM	1.00	
102	06/28/00	Helena	2:55 PM	1.00	
103	06/28/00	Helena	2:58 PM	23.00	
104	06/28/00	Helena	5:29 PM	23.00	
105	07/03/00	Helena	1:59 PM	1.00	
106	07/03/00	Helena	2:04 PM	1.00	
107	07/03/00	Helena	2:06 PM	22.00	
108	07/06/00	Helena	1:54 PM	1.00	
109	07/06/00	Helena	3:56 PM	6.00	
110	07/06/00	Helena	4:14 PM	15.00	
111	07/07/00	Helena	5:47 PM	13.00	
112	07/10/00	Helena	2:59 PM	1.00	
113	07/10/00	Helena	3:06 PM	1.00	
114	07/10/00	Helena	3:13 PM	9.00	
115	07/11/00	Helena	5:46 PM	2.00	
116	07/11/00	Helena	6:06 PM	45.00	
117	07/12/00	Helena	1:45 PM	1.00	
118	07/12/00	Helena	1:47 PM	3.00	
119	07/12/00	Helena	4:42 PM	16.00	
120	07/17/00	Helena	4:28 PM	35.00	
121	07/20/00	Helena	4:56 PM	1.00	
122	07/20/00	Helena	5:16 PM	25.00	
123	07/31/00	Helena	10:28 AM	11.00	
124	08/01/00	Helena	4:40 PM	1.00	
125	08/01/00	Helena	5:06 PM	1.00	
126	08/01/00	Helena	5:37 PM	1.00	
127	08/02/00	Helena	1:30 PM	14.00	
128	08/02/00	Helena	1:44 PM	11.00	
129	08/02/00	Helena	2:42 PM	3.00	
130	08/03/00	Helena	4:24 PM	1.00	
131	08/03/00	Helena	4:26 PM	1.00	
132	08/03/00	Helena	4:39 PM	1.00	
133	08/03/00	Helena	4:56 PM	5.00	
134	08/03/00	Helena	5:07 PM	10.00	
135	08/07/00	Helena	3:34 PM	1.00	
136	08/07/00	Helena	3:54 PM	18.00	
137	08/07/00	Helena	4:30 PM	1.00	\$0.25
138	08/07/00	Helena	4:35 PM	10.00	\$2.50

	Date	Call To	Time	Minutes	Charge
139	08/07/00	Helena	4:44 PM	1.00	\$0.25
140	08/07/00	Helena	4:50 PM	6.00	\$1.50
141	08/07/00	Helena	5:01 PM	1.00	\$0.25
142	08/09/00	Helena	5:45 PM	6.00	\$1.50
143	08/09/00	Helena	6:10 PM	24.00	\$6.00
144	08/23/00	Helena	1:10 PM	1.00	
145	08/23/00	Helena	1:25 PM	1.00	
146	08/23/00	Helena	1:27 PM	26.00	
147	08/23/00	Helena	2:15 PM	12.00	
148	08/23/00	Helena	3:07 PM	1.00	
149	08/24/00	Helena	1:25 PM	1.00	
150	08/24/00	Helena	4:21 PM	1.00	
151	08/24/00	Helena	4:24 PM	29.00	
152	08/24/00	Helena	5:08 PM	1.00	
153	08/24/00	Helena	5:10 PM	16.00	
154	08/28/00	Helena	8:31 AM	1.00	
155	09/01/00	Helena	4:32 PM	1.00	
156	09/04/00	Helena	9:57 AM	2.00	
157	09/07/00	Helena	4:19 PM	1.00	
158	09/08/00	Helena	11:23 AM	1.00	
159	09/11/00	Helena	6:55 AM	2.00	
160	09/11/00	Helena	12:38 PM	1.00	
161	09/11/00	Helena	12:47 PM	2.00	
162	09/11/00	Helena	2:47 PM	18.00	
163	09/12/00	Helena	5:24 AM	1.00	
164	09/19/00	Helena	4:01 PM	40.00	
165	09/22/00	Helena	1:37 PM	4.00	
166	09/27/00	Helena	5:55 PM	1.00	
167	09/27/00	Helena	6:07 PM	1.00	
168	10/19/00	Helena	6:21 PM	23.00	\$5.75
169	10/23/00	Helena	5:28 PM	1.00	
170	10/23/00	Helena	5:48 PM	1.00	
171	10/25/00	Helena	1:32 PM	1.00	
172	10/25/00	Helena	2:21 PM	1.00	
173	10/26/00	Helena	4:50 PM	1.00	
174	10/26/00	Helena	5:12 PM	1.00	
175	10/26/00	Helena	5:33 PM	3.00	
176	10/27/00	Helena	4:52 PM	9.00	
177	10/27/00	Helena	8:21 PM	1.00	
178	10/27/00	Helena	8:42 PM	1.00	
179	11/01/00	Helena	9:25 AM	1.00	
180	11/01/00	Helena	10:02 AM	1.00	
181	11/01/00	Helena	10:13 AM	17.00	
182	11/01/00	Helena	4:03 PM	6.00	
183	11/08/00	Helena	1:46 PM	1.00	\$0.25
184	11/08/00	Helena	4:05 PM	28.00	\$7.00
185	11/13/00	Helena	6:08 PM	1.00	\$0.25
186	11/13/00	Helena	6:12 PM	3.00	\$0.75
187	11/13/00	Helena	6:15 PM	7.00	\$1.75
188	11/13/00	Helena	6:22 PM	10.00	\$2.50
189	11/13/00	Helena	6:32 PM	1.00	\$0.25
190	11/13/00	Helena	6:34 PM	19.00	\$4.75

**Table No. 3 - Deputy Secretary/BLLC Director's  
Cellular Telephone Calls to Montana - Continued**

	Date	Call To	Time	Minutes	Charge
191	11/13/00	Helena	6:52 PM	1.00	\$0.25
192	11/13/00	Helena	6:54 PM	2.00	\$0.50
193	11/13/00	Helena	7:02 PM	1.00	\$0.25
194	11/16/00	Helena	6:32 PM	17.00	\$4.25
195	11/17/00	Helena	4:23 PM	11.00	\$2.75
196	11/17/00	Helena	4:45 PM	2.00	\$0.50
197	11/17/00	Helena	4:46 PM	26.00	\$6.50
198	11/21/00	Helena	5:50 PM	1.00	
199	11/21/00	Helena	5:52 PM	1.00	
200	11/21/00	Helena	5:55 PM	1.00	
201	11/22/00	Helena	1:36 PM	1.00	
202	11/22/00	Helena	2:01 PM	1.00	
203	11/22/00	Helena	2:08 PM	1.00	
204	11/22/00	Helena	2:18 PM	1.00	
205	11/22/00	Helena	2:40 PM	6.00	
206	11/22/00	Helena	2:52 PM	1.00	
207	11/22/00	Helena	3:01 PM	1.00	
208	11/29/00	Helena	7:14 AM	1.00	
209	11/29/00	Helena	5:54 PM	1.00	
210	11/29/00	Helena	5:57 PM	1.00	
211	11/29/00	Helena	6:04 PM	1.00	
212	11/29/00	Helena	6:08 PM	31.00	
213	11/30/00	Helena	1:47 PM	2.00	
214	11/30/00	Helena	2:17 PM	2.00	
215	12/06/00	Helena	1:00 PM	1.00	
216	12/07/00	Helena	10:50 AM	1.00	
217	12/07/00	Helena	10:52 AM	1.00	
218	12/07/00	Helena	11:41 AM	1.00	
219	12/07/00	Helena	12:12 PM	1.00	
220	12/07/00	Helena	12:37 PM	1.00	
221	12/07/00	Helena	12:37 PM	1.00	
222	12/07/00	Helena	12:39 PM	3.00	
223	12/07/00	Helena	1:10 PM	1.00	
224	12/07/00	Helena	1:12 PM	5.00	
225	12/07/00	Helena	1:17 PM	13.00	
226	12/07/00	Helena	1:34 PM	8.00	
227	12/12/00	Helena	4:25 PM	1.00	
228	12/12/00	Helena	4:27 PM	36.00	
229	12/14/00	Helena	9:23 AM	1.00	\$0.25
230	12/14/00	Helena	9:30 AM	1.00	\$0.25
231	12/14/00	Helena	9:51 AM	1.00	\$0.25
232	12/14/00	Helena	10:00 AM	1.00	\$0.25
233	12/14/00	Helena	11:07 AM	1.00	\$0.25
234	12/14/00	Helena	3:04 PM	1.00	\$0.25
235	12/14/00	Helena	3:14 PM	26.00	\$6.50
236	12/15/00	Helena	2:46 PM	5.00	\$1.25
237	12/15/00	Helena	2:58 PM	1.00	\$0.25
238	12/15/00	Helena	2:59 PM	1.00	\$0.25
239	12/15/00	Helena	2:59 PM	1.00	\$0.25
240	12/15/00	Helena	3:00 PM	13.00	\$3.25
241	12/19/00	Helena	6:35 PM	1.00	\$0.25
242	12/19/00	Helena	6:37 PM	1.00	\$0.25

	Date	Call To	Time	Minutes	Charge
243	12/20/00	Helena	6:17 PM	17.00	
244	12/21/00	Helena	11:04 AM	3.00	
245	12/21/00	Helena	11:13 AM	1.00	
246	12/21/00	Helena	11:17 AM	1.00	
247	12/21/00	Helena	11:23 AM	1.00	
248	12/21/00	Helena	11:37 AM	1.00	
249	12/21/00	Helena	2:12 PM	1.00	
250	12/21/00	Helena	3:33 PM	1.00	
251	12/23/00	Helena	10:17 AM	1.00	
252	01/02/01	Helena	6:53 PM	11.00	
253	01/03/01	Helena	6:21 PM	1.00	
254	01/03/01	Helena	6:28 PM	1.00	
255	01/05/01	Helena	9:31 AM	1.00	
256	01/05/01	Helena	10:08 AM	1.00	
257	01/05/01	Helena	12:04 PM	1.00	
258	01/05/01	Helena	2:30 PM	4.00	
259	01/05/01	Helena	2:36 PM	28.00	
260	01/05/01	Helena	3:26 PM	15.00	
261	01/09/01	Helena	8:33 AM	1.00	
262	01/09/01	Helena	9:13 AM	1.00	
263	01/10/01	Helena	9:54 AM	4.00	
264	01/10/01	Helena	5:24 PM	13.00	
265	01/10/01	Helena	6:20 PM	1.00	
266	01/11/01	Helena	5:03 PM	8.00	
267	01/16/01	Helena	5:40 PM	1.00	\$0.25
268	01/16/01	Helena	7:04 PM	1.00	\$0.25
269	01/17/01	Helena	6:27 PM	22.00	\$5.50
270	01/18/01	Helena	5:15 PM	12.00	\$3.00
271	01/18/01	Helena	6:34 PM	18.00	\$4.50
272	01/18/01	Helena	10:09 PM	31.00	\$7.75
273	01/22/01	Helena	6:08 PM	1.00	
274	01/23/01	Helena	1:33 PM	22.00	
275	01/23/01	Helena	11:36 PM	1.00	
276	01/23/01	Helena	11:57 PM	1.00	
277	01/24/01	Helena	12:00 AM	1.00	
278	01/24/01	Helena	12:00 AM	1.00	
279	01/24/01	Helena	1:06 AM	1.00	
280	01/24/01	Helena	11:51 AM	1.00	
281	01/24/01	Helena	12:22 PM	1.00	
282	01/24/01	Helena	12:42 PM	1.00	
283	01/24/01	Helena	12:58 PM	1.00	
284	01/24/01	Helena	1:16 PM	1.00	
285	01/24/01	Helena	1:32 PM	1.00	
286	01/24/01	Helena	1:49 PM	1.00	
287	01/24/01	Helena	2:10 PM	1.00	
288	01/26/01	Helena	12:12 AM	56.00	
289	01/26/01	Helena	4:35 PM	8.00	
290	01/29/01	Helena	7:43 AM	1.00	
291	01/29/01	Helena	7:44 AM	1.00	
292	01/29/01	Helena	7:44 AM	1.00	
293	01/29/01	Helena	7:45 AM	10.00	
294	02/06/01	Helena	9:41 AM	1.00	

**Table No. 3 - Deputy Secretary/BLLC Director's  
Cellular Telephone Calls to Montana - Continued**

	Date	Call To	Time	Minutes	Charge
295	02/06/01	Helena	11:03 AM	1.00	
296	02/06/01	Helena	1:57 PM	10.00	
297	02/08/01	Helena	2:40 AM	24.00	
298	02/08/01	Helena	9:34 AM	1.00	
299	02/20/01	Helena	11:15 PM	34.00	
300	02/27/01	Helena	6:19 PM	1.00	
301	02/27/01	Helena	11:15 PM	1.00	
302	02/27/01	Helena	11:52 PM	1.00	
303	03/02/01	Helena	3:23 PM	25.00	
304	03/12/01	Helena	4:05 PM	1.00	
305	03/16/01	Helena	2:09 AM	25.00	
306	03/16/01	Helena	2:51 AM	91.00	
307	03/26/01	Helena	6:52 PM	1.00	
308	03/26/01	Helena	6:54 PM	2.00	
309	04/11/01	Helena	10:19 PM	1.00	\$0.10
310	04/11/01	Helena	10:23 PM	1.00	\$0.10
311	04/12/01	Helena	6:28 PM	22.00	\$6.60
312	04/12/01	Helena	10:34 PM	1.00	\$0.30
313	04/12/01	Helena	10:35 PM	1.00	\$0.30
314	04/12/01	Helena	10:37 PM	1.00	\$0.30
315	04/12/01	Helena	10:38 PM	1.00	\$0.30
316	04/14/01	Helena	10:01 AM	1.00	\$0.30
317	05/05/01	Helena	6:09 PM	1.00	\$0.30
318	05/07/01	Helena	3:45 PM	1.00	\$0.30
319	05/07/01	Helena	4:25 PM	22.00	\$6.60
320	05/08/01	Helena	8:01 AM	1.00	\$0.30
321	05/08/01	Helena	3:28 PM	5.00	\$1.50
322	05/09/01	Helena	6:20 PM	12.00	\$3.60
323	05/13/01	Helena	7:29 PM	1.00	\$0.30
324	05/13/01	Helena	10:20 PM	1.00	\$0.30
325	05/14/01	Helena	2:48 PM	1.00	\$0.30
326	05/14/01	Helena	11:18 PM	1.00	\$0.30
327	05/15/01	Helena	8:42 AM	1.00	\$0.30
328	05/15/01	Helena	9:35 AM	13.00	\$3.90
329	05/15/01	Helena	1:55 PM	1.00	\$0.30
330	05/15/01	Helena	3:07 PM	8.00	\$2.40
331	05/15/01	Helena	4:20 PM	1.00	\$0.30
332	05/22/01	Helena	10:40 PM	1.00	\$0.10
333	05/22/01	Helena	10:57 PM	1.00	\$0.10
334	05/22/01	Helena	11:09 PM	1.00	\$0.10
335	05/22/01	Helena	11:10 PM	1.00	\$0.10
336	05/22/01	Helena	11:17 PM	3.00	\$0.30
337	05/22/01	Helena	11:40 PM	86.00	\$8.60
338	05/25/01	Helena	4:20 PM	1.00	\$0.10
339	05/25/01	Helena	4:21 PM	1.00	\$0.10
340	05/29/01	Helena	11:06 PM	16.00	\$1.60
341	05/29/01	Helena	11:22 PM	1.00	\$0.10
342	05/29/01	Helena	11:23 PM	57.00	\$5.70
343	05/30/01	Helena	12:19 AM	31.00	\$3.10
344	05/30/01	Helena	2:54 PM	1.00	\$0.10
345	05/30/01	Helena	3:22 PM	6.00	\$0.60
346	05/30/01	Helena	3:36 PM	7.00	\$0.70

	Date	Call To	Time	Minutes	Charge
347	06/04/01	Helena	9:58 AM	1.00	\$0.10
348	06/04/01	Helena	10:15 AM	21.00	\$2.10
349	06/05/01	Helena	6:35 PM	23.00	\$2.30
350	06/06/01	Helena	6:22 PM	1.00	\$0.10
351	06/12/01	Helena	5:27 PM	1.00	\$0.30
352	06/12/01	Helena	5:28 PM	1.00	\$0.30
353	06/12/01	Helena	10:14 PM	1.00	\$0.10
354	06/12/01	Helena	10:35 PM	1.00	\$0.10
355	06/14/01	Helena	4:10 PM	38.00	\$11.40
356	06/14/01	Helena	6:14 PM	1.00	\$0.30
357	06/20/01	Helena	5:11 PM	13.00	\$1.30
358	06/21/01	Helena	5:49 PM	1.00	\$0.10
359	08/08/01	Helena	8:42 PM	1.00	\$0.10
360	08/08/01	Helena	8:42 PM	1.00	\$0.10
361	08/08/01	Helena	8:47 PM	1.00	\$0.10
362	08/08/01	Helena	8:48 PM	1.00	\$0.10
363	08/09/01	Helena	5:47 PM	1.00	\$0.30
364	08/09/01	Helena	7:35 PM	1.00	\$0.30
365	08/10/01	Helena	7:11 PM	5.00	\$1.50
366	08/14/01	Helena	5:27 PM	5.00	\$1.50
367	08/15/01	Helena	5:39 PM	10.00	\$3.00
368	08/16/01	Helena	5:52 PM	1.00	\$0.30
369	08/17/01	Helena	4:44 PM	1.00	\$0.30
370	08/21/01	Helena	6:03 PM	11.00	
371	08/23/01	Helena	6:42 PM	1.00	
372	08/23/01	Helena	6:52 PM	1.00	
373	08/24/01	Helena	12:57 PM	1.00	
374	08/29/01	Helena	1:20 PM	13.00	
375	08/30/01	Helena	5:34 PM	5.00	
376	09/04/01	Helena	11:25 PM	1.00	
377	09/04/01	Helena	11:26 PM	1.00	
378	09/06/01	Helena	11:48 AM	15.00	
379	09/06/01	Helena	3:37 PM	4.00	
380	09/06/01	Helena	3:45 PM	19.00	
381	09/06/01	Helena	4:15 PM	4.00	
382	09/07/01	Helena	2:40 PM	18.00	\$4.50
383	09/10/01	Helena	7:05 PM	10.00	\$2.50
384	09/10/01	Helena	7:28 PM	18.00	\$4.50
385	09/10/01	Helena	8:05 PM	5.00	\$1.25
386	09/10/01	Helena	1:32PM	1.00	\$0.25
387	09/11/01	Helena	12:13 PM		
388	09/11/01	Helena	12:43 PM		
389	09/11/01	Helena	1:39 PM		
390	09/12/01	Helena	4:11 PM	15.00	\$3.75
391	09/13/01	Helena	5:46 PM	1.00	\$0.25
392	09/13/01	Helena	5:50 PM	1.00	\$0.25
393	09/13/01	Helena	5:52 PM	1.00	\$0.25
394	09/14/01	Helena	12:52 PM	1.00	\$0.25
395	09/14/01	Helena	1:05 PM	7.00	\$1.75
396	09/14/01	Helena	2:07 PM	1.00	\$0.25
397	09/14/01	Helena	3:30 PM	1.00	\$0.25
398	09/14/01	Helena	3:32 PM	1.00	\$0.25

**Table No. 3 - Deputy Secretary/BLLC Director's  
Cellular Telephone Calls to Montana - Continued**

	Date	Call To	Time	Minutes	Charge
399	09/14/01	Helena	3:46 PM	1.00	\$0.25
400	09/14/01	Helena	3:54 PM	1.00	\$0.25
401	09/14/01	Helena	4:47 PM	1.00	\$0.25
402	09/14/01	Helena	4:52 PM	1.00	\$0.25
403	09/14/01	Helena	4:53 PM	1.00	\$0.25
404	09/14/01	Helena	4:53 PM	1.00	\$0.25
405	09/14/01	Helena	4:53 PM	1.00	\$0.25
406	09/14/01	Helena	4:54 PM	1.00	\$0.25
407	09/14/01	Helena	4:55 PM	1.00	\$0.25
408	09/14/01	Helena	4:55 PM	1.00	\$0.25
409	09/17/01	Helena	5:41 PM	18.00	\$4.50
410	09/19/01	Helena	4:16 PM	1.00	\$0.25
411	09/21/01	Helena	4:46 PM	1.00	
412	09/21/01	Helena	4:51 PM	1.00	
413	09/21/01	Helena	4:58 PM	1.00	
414	09/21/01	Helena	5:08 PM	1.00	
415	09/21/01	Helena	5:22 PM	18.00	
416	09/25/01	Helena	6:38 PM	1.00	
417	10/03/01	Helena	6:06 PM	1.00	
418	10/03/01	Helena	6:22 PM	1.00	\$0.25
419	10/03/01	Helena	6:25 PM	52.00	\$13.00
420	10/05/01	Helena	2:51 PM	7.00	\$1.75
421	10/05/01	Helena	3:02 PM	17.00	\$4.25
422	10/09/01	Helena	4:49 PM	1.00	\$0.25
423	10/09/01	Helena	4:50 PM	2.00	\$0.50
424	10/09/01	Helena	4:52 PM	8.00	\$2.00
425	10/09/01	Helena	5:02 PM	1.00	\$0.25
426	10/09/01	Helena	5:03 PM	6.00	\$1.50
427	10/09/01	Helena	5:18 PM	10.00	\$2.50
428	10/12/01	Helena	2:41 AM	1.00	\$0.25
429	10/12/01	Helena	2:06 PM	1.00	\$0.25
430	10/12/01	Helena	4:10 PM	8.00	\$2.00
431	10/16/01	Helena	4:54 PM	1.00	\$0.25
432	10/18/01	Helena	6:28 PM	1.00	\$0.25
433	10/19/01	Helena	3:20 PM	1.00	\$0.25
434	10/19/01	Helena	3:25 PM	17.00	\$4.25
435	10/19/01	Helena	3:48 PM	14.00	\$3.50
436	11/03/01	Helena	8:05 AM	2.00	
437	11/03/01	Helena	10:34 AM	1.00	
438	11/03/01	Helena	12:24 PM	1.00	
439	11/03/01	Helena	3:18 PM	1.00	
440	11/04/01	Helena	11:59 AM	1.00	
441	11/04/01	Helena	2:09 PM	2.00	
442	11/05/01	Helena	8:49 AM	1.00	
443	11/05/01	Helena	9:07 AM	1.00	
444	11/05/01	Helena	9:26 AM	1.00	
445	11/05/01	Helena	9:30 AM	1.00	
446	11/05/01	Helena	9:43 AM	1.00	
447	11/05/01	Helena	9:47 AM	1.00	
448	11/05/01	Helena	9:51 AM	1.00	
449	11/05/01	Helena	9:53 AM	1.00	
450	11/05/01	Helena	9:54 AM	1.00	

	Date	Call To	Time	Minutes	Charge
451	11/05/01	Helena	10:05 AM	1.00	
452	11/05/01	Helena	10:11 AM	1.00	
453	11/05/01	Helena	10:15 AM	30.00	
454	11/06/01	Helena	8:49 AM	1.00	
455	11/06/01	Helena	9:16 AM	1.00	
456	11/06/01	Helena	9:20 AM	1.00	
457	11/06/01	Helena	11:27 AM	1.00	
458	11/06/01	Helena	11:58 AM	1.00	
459	11/06/01	Helena	12:03 PM	1.00	
460	11/06/01	Helena	12:08 PM	1.00	
461	11/06/01	Helena	12:17 PM	1.00	
462	11/06/01	Helena	12:49 PM	1.00	
463	11/06/01	Helena	3:12 PM	1.00	
464	11/06/01	Helena	3:19 PM	54.00	\$12.75
465	11/06/01	Helena	4:36 PM	1.00	\$0.25
466	11/06/01	Helena	5:11 PM	2.00	\$0.50
467	11/06/01	Helena	6:34 PM	14.00	\$3.50
468	11/09/01	Helena	10:35 AM	1.00	\$0.25
469	11/09/01	Helena	5:25 PM	1.00	\$0.25
470	11/09/01	Helena	5:33 PM	83.00	\$20.75
471	11/10/01	Helena	11:49 AM	39.00	\$9.75
472	11/11/01	Helena	1:24 PM	1.00	\$0.25
473	11/11/01	Helena	1:25 PM	59.00	\$14.75
474	11/12/01	Helena	11:14 AM	1.00	\$0.25
475	11/12/01	Helena	3:25 PM	46.00	\$11.50
476	11/12/01	Helena	4:52 PM	1.00	\$0.25
477	11/13/01	Helena	8:25 AM	1.00	\$0.25
478	11/13/01	Helena	8:45 AM	1.00	\$0.25
479	11/13/01	Helena	8:51 AM	1.00	\$0.25
480	11/13/01	Helena	9:03 AM	1.00	\$0.25
481	11/13/01	Helena	9:25 AM	1.00	\$0.25
482	11/13/01	Helena	10:43 AM	35.00	\$8.75
483	11/13/01	Helena	12:22 PM	1.00	\$0.25
484	11/13/01	Helena	1:18 PM	1.00	\$0.25
485	11/13/01	Helena	1:26 PM	1.00	\$0.25
486	11/13/01	Helena	1:35 PM	1.00	\$0.25
487	11/13/01	Helena	1:45 PM	1.00	\$0.25
488	11/13/01	Helena	2:14 PM	1.00	\$0.25
489	11/13/01	Helena	2:23 PM	1.00	\$0.25
490	11/15/01	Helena	8:51 AM	1.00	\$0.25
491	11/15/01	Helena	9:12 AM	1.00	\$0.25
492	11/15/01	Helena	9:15 AM	1.00	\$0.25
493	11/15/01	Helena	9:22 AM	1.00	\$0.25
494	11/15/01	Helena	9:30 AM	1.00	\$0.25
495	11/15/01	Helena	9:38 AM	4.00	\$1.00
496	11/15/01	Helena	9:42 AM	10.00	\$2.50
497	11/15/01	Helena	1:08 PM	2.00	\$0.50
498	11/15/01	Helena	1:09 PM	2.00	\$0.50
499	11/15/01	Helena	1:11 PM	12.00	\$3.00
500	11/15/01	Helena	1:24 PM	17.00	\$4.25
501	11/15/01	Helena	1:40 PM	4.00	\$1.00
502	11/15/01	Helena	5:37 PM	3.00	\$0.75

**Table No. 3 - Deputy Secretary/BLLC Director's  
Cellular Telephone Calls to Montana - Continued**

	Date	Call To	Time	Minutes	Charge
503	11/15/01	Helena	5:40 PM	1.00	\$0.25
504	11/15/01	Helena	5:41 PM	9.00	\$2.25
505	11/15/01	Helena	8:28 PM	1.00	\$0.25
506	11/16/01	Helena	9:11 PM	1.00	\$0.25
507	11/16/01	Helena	9:13 PM	1.00	\$0.25
508	11/16/01	Helena	9:14 PM	1.00	\$0.25
509	11/16/01	Helena	9:15 PM	1.00	\$0.25
510	11/16/01	Helena	9:20 PM	90.00	\$22.50
511	11/17/01	Helena	7:23 PM	1.00	\$0.25
512	11/17/01	Helena	7:41 PM	1.00	\$0.25
513	11/17/01	Helena	8:28 PM	1.00	\$0.25
514	11/17/01	Helena	8:50 PM	1.00	\$0.25
515	11/17/01	Helena	9:19 PM	1.00	\$0.25
516	11/17/01	Helena	9:31 PM	1.00	\$0.25
517	11/17/01	Helena	10:15 PM	1.00	\$0.25
518	11/18/01	Helena	1:12 PM	32.00	\$8.00
519	11/18/01	Helena	1:46 PM	69.00	\$17.25
520	11/18/01	Helena	7:57 PM	1.00	\$0.25
521	11/19/01	Helena	8:43 AM	1.00	\$0.25
522	11/19/01	Helena	9:28 AM	1.00	\$0.25
523	11/19/01	Helena	9:40 AM	1.00	\$0.25
524	11/19/01	Helena	4:06 PM	5.00	\$1.25
525	11/19/01	Helena	4:36 PM	3.00	\$0.75
526	11/19/01	Helena	5:07 PM	1.00	\$0.25
527	11/19/01	Helena	5:10 PM	23.00	\$5.75
528	11/19/01	Helena	5:42 PM	1.00	\$0.25
529	11/19/01	Helena	8:19 PM	1.00	\$0.25
530	11/19/01	Helena	8:20 PM	1.00	\$0.25
531	11/21/01	Helena	5:08 PM	1.00	
532	11/21/01	Helena	5:08 PM	4.00	
533	11/21/01	Helena	9:43 PM	1.00	
534	11/23/01	Helena	8:48 AM	1.00	
535	11/23/01	Helena	10:07 AM	1.00	
536	11/23/01	Helena	10:07 AM	1.00	
537	11/23/01	Helena	10:07 AM	1.00	
538	11/23/01	Helena	10:08 AM	1.00	
539	11/23/01	Helena	10:08 AM	11.00	
540	11/23/01	Helena	2:09 PM	2.00	
541	11/23/01	Helena	4:35 PM	1.00	
542	11/24/01	Missoula	12:54 PM	45.00	
543	11/24/01	Helena	9:17 PM	1.00	
544	11/25/01	Helena	12:59 PM	68.00	
545	11/25/01	Helena	6:37 PM	2.00	
546	11/26/01	Helena	9:32 AM	1.00	
547	11/26/01	Helena	3:42 PM	1.00	
548	11/26/01	Helena	5:20 PM	38.00	
549	11/27/01	Helena	12:08 PM	1.00	
550	11/27/01	Helena	7:36 PM	1.00	
551	11/28/01	Helena	8:49 PM	1.00	
552	11/29/01	Helena	11:22 AM	1.00	
553	11/29/01	Helena	11:46 AM	1.00	
554	11/29/01	Helena	11:57 AM	1.00	

	Date	Call To	Time	Minutes	Charge
555	11/29/01	Helena	1:01 PM	29.00	
556	11/29/01	Helena	5:34 PM	4.00	
557	11/29/01	Helena	6:42 PM	1.00	
558	11/29/01	Helena	6:49 PM	1.00	
559	11/29/01	Helena	8:42 PM	1.00	
560	11/30/01	Helena	1:32 PM	7.00	
561	11/30/01	Helena	5:06 PM	1.00	
562	11/30/01	Helena	5:21 PM	24.00	
563	11/30/01	Helena	6:26 PM	33.00	
564	12/01/01	Helena	1:19 PM	20.00	
565	12/01/01	Helena	2:38 PM	34.00	
566	12/02/01	Helena	1:31 PM	55.00	
567	12/02/01	Helena	2:30 PM	22.00	
568	12/02/01	Helena	7:17 PM	1.00	
569	12/04/01	Helena	11:20 AM	1.00	\$0.25
570	12/04/01	Helena	10:03 PM	14.00	\$3.50
571	12/05/01	Helena	10:09 AM	1.00	\$0.25
572	12/05/01	Helena	10:10 AM	2.00	\$0.50
573	12/05/01	Helena	11:41 AM	1.00	\$0.25
574	12/05/01	Helena	11:47 AM	1.00	\$0.25
575	12/05/01	Helena	11:51 AM	1.00	\$0.25
576	12/05/01	Helena	12:15 PM	35.00	\$8.75
577	12/05/01	Helena	2:43 PM	1.00	\$0.25
578	12/05/01	Helena	2:50 PM	31.00	\$7.75
579	12/05/01	Helena	4:23 PM	1.00	\$0.25
580	12/05/01	Helena	4:33 PM	1.00	\$0.25
581	12/05/01	Helena	4:41 PM	1.00	\$0.25
582	12/05/01	Helena	4:55 PM	1.00	\$0.25
583	12/05/01	Helena	4:58 PM	1.00	\$0.25
584	12/05/01	Helena	4:59 PM	1.00	\$0.25
585	12/05/01	Helena	5:00 PM	1.00	\$0.25
586	12/05/01	Helena	5:01 PM	1.00	\$0.25
587	12/05/01	Helena	5:02 PM	12.00	\$3.00
588	12/05/01	Helena	5:36 PM	14.00	\$3.50
589	12/06/01	Helena	7:20 AM	1.00	\$0.25
590	12/06/01	Helena	7:21 AM	45.00	\$11.25
591	12/06/01	Helena	8:31 AM	1.00	\$0.25
592	12/06/01	Helena	10:26 AM	38.00	\$9.50
593	12/06/01	Helena	1:05 PM	19.00	\$4.75
594	12/07/01	Helena	5:25 PM	1.00	\$0.25
595	12/07/01	Helena	5:33 PM	47.00	\$11.75
596	12/07/01	Helena	6:29 PM	33.00	\$8.25
597	12/09/01	Helena	9:16 AM	1.00	\$0.25
598	12/09/01	Helena	12:21 PM	1.00	\$0.25
599	12/09/01	Helena	12:22 PM	7.00	\$1.75
600	12/09/01	Helena	12:30 PM	16.00	\$4.00
601	12/09/01	Helena	12:46 PM	2.00	\$0.50
602	12/11/01	Helena	6:38 PM	1.00	\$0.25
603	12/11/01	Helena	8:11 PM	1.00	\$0.25
604	12/12/01	Helena	7:32 AM	73.00	\$18.25
605	12/12/01	Helena	12:35 PM	1.00	\$0.25
606	12/12/01	Helena	1:18 PM	1.00	\$0.25

**Table No. 3 - Deputy Secretary/BLLC Director's  
Cellular Telephone Calls to Montana - Continued**

	Date	Call To	Time	Minutes	Charge
607	12/12/01	Helena	3:13 PM	10.00	\$2.50
608	12/12/01	Helena	5:56 PM	1.00	\$0.25
609	12/13/01	Helena	6:12 PM	34.00	\$8.50
610	12/13/01	Helena	6:52 PM	7.00	\$1.75
611	12/14/01	Helena	1:26 PM	3.00	\$0.75
612	12/16/01	Helena	11:05 AM	1.00	\$0.25
613	12/16/01	Helena	12:27 PM	8.00	\$2.00
614	12/16/01	Helena	12:35 PM	108.00	\$27.00
615	12/17/01	Helena	10:35 AM	1.00	\$0.25
616	12/17/01	Helena	10:38 AM	1.00	\$0.25
617	12/17/01	Helena	10:52 AM	1.00	\$0.25
618	12/17/01	Helena	11:02 AM	36.00	\$9.00
619	12/17/01	Helena	12:40 PM	1.00	\$0.25
620	12/17/01	Helena	1:05 PM	1.00	\$0.25
621	12/17/01	Helena	3:57 PM	10.00	\$2.50
622	12/18/01	Helena	9:25 AM	1.00	\$0.25
623	12/18/01	Helena	2:48 PM	1.00	\$0.25
624	12/18/01	Helena	3:35 PM	29.00	\$7.25
625	12/18/01	Helena	4:04 PM	21.00	\$5.25
626	12/18/01	Helena	4:28 PM	33.00	\$8.25
627	12/18/01	Helena	5:50 PM	2.00	\$0.50
628	12/18/01	Helena	5:53 PM	1.00	\$0.25
629	12/18/01	Helena	5:54 PM	1.00	\$0.25
630	12/18/01	Helena	5:55 PM	30.00	\$7.50
631	12/19/01	Helena	7:24 AM	29.00	\$7.25
632	12/19/01	Helena	3:15 PM	19.00	\$4.75
633	12/19/01	Helena	3:49 PM	1.00	\$0.25
634	12/19/01	Helena	4:12 PM	4.00	
635	12/20/01	Helena	7:07 AM	1.00	
636	12/20/01	Helena	11:06 AM	1.00	
637	12/20/01	Helena	11:07 AM	1.00	
638	12/20/01	Helena	11:14 AM	1.00	
639	12/20/01	Helena	12:05 PM	1.00	
640	12/20/01	Helena	12:10 PM	1.00	
641	12/20/01	Helena	12:11 PM	33.00	
642	12/20/01	Helena	1:46 PM	2.00	
643	12/20/01	Helena	2:52 PM	1.00	
644	12/20/01	Helena	2:53 PM	1.00	
645	12/20/01	Helena	3:34 PM	17.00	
646	12/20/01	Helena	10:12 PM	97.46	
647	12/21/01	Helena	8:27 AM	1.00	
648	12/21/01	Helena	8:44 AM	12.50	
649	12/21/01	Helena	11:05 AM	1.00	
650	12/21/01	Helena	11:07 AM	10.48	
651	12/21/01	Helena	11:51 AM	1.00	
652	12/21/01	Helena	12:10 PM	1.00	
653	12/21/01	Helena	12:19 PM	6.29	
654	12/21/01	Helena	2:56 PM	3.00	
655	12/21/01	Helena	3:49 PM	52.11	
656	12/21/01	Helena	4:42 PM	1.00	
657	12/21/01	Helena	4:42 PM	10.00	
658	12/21/01	Helena	5:05 PM	21.00	

	Date	Call To	Time	Minutes	Charge
659	12/21/01	Helena	5:40 PM	5.00	
660	12/21/01	Helena	10:06 PM	1.00	
661	12/22/01	Helena	12:50 AM	1.00	
662	12/22/01	Helena	12:57 AM	112.45	
663	12/22/01	Helena	8:55 AM	62.16	
664	12/22/01	Helena	10:59 AM	1.00	
665	12/22/01	Helena	11:00 AM	1.00	
666	12/22/01	Helena	11:18 AM	14.30	
667	12/22/01	Helena	1:45 PM	3.44	
668	12/22/01	Helena	2:23 PM	4.41	
669	12/22/01	Helena	4:12 PM	1.09	
670	12/22/01	Helena	7:10 PM	24.18	
671	12/22/01	Helena	8:08 PM	32.00	
672	12/22/01	Helena	11:30 PM	2.11	
673	12/23/01	Helena	12:16 AM	75.49	
674	12/23/01	Helena	8:59 AM	17.19	
675	12/23/01	Helena	9:19 AM	42.54	
676	12/23/01	Helena	10:03 AM	7.00	
677	12/23/01	Helena	10:10 AM	2.00	
678	12/23/01	Helena	10:13 AM	10.00	
679	12/23/01	Helena	10:25 AM	24.00	
680	12/23/01	Helena	10:48 AM	1.00	
681	12/23/01	Helena	10:50 AM	13.00	
682	12/23/01	Helena	11:52 AM	19.09	
683	12/23/01	Helena	2:35 PM	17.00	
684	12/23/01	Helena	7:24 PM	17.19	
685	12/23/01	Helena	7:45 PM	1.00	
686	12/23/01	Helena	7:45 PM	1.00	
687	12/23/01	Helena	7:46 PM	1.00	
688	12/23/01	Helena	7:46 PM	1.00	
689	12/23/01	Helena	7:47 PM	1.00	
690	12/23/01	Helena	7:47 PM	1.00	
691	12/23/01	Helena	7:48 PM	1.00	
692	12/23/01	Helena	7:48 PM	1.00	
693	12/23/01	Helena	7:49 PM	1.00	
694	12/23/01	Helena	7:50 PM	1.00	
695	12/23/01	Helena	7:50 PM	1.00	
696	12/23/01	Helena	7:51 PM	1.00	
697	12/23/01	Helena	7:51 PM	1.00	
698	12/23/01	Helena	7:53 PM	1.00	
699	12/23/01	Helena	7:54 PM	1.00	
700	12/23/01	Helena	7:54 PM	1.00	
701	12/23/01	Helena	7:55 PM	1.00	
702	12/23/01	Helena	7:56 PM	1.00	
703	12/23/01	Helena	7:56 PM	1.00	
704	12/23/01	Helena	7:57 PM	52.59	
705	12/23/01	Helena	9:35 PM	1.00	
706	12/23/01	Helena	9:53 PM	139.23	
707	12/24/01	Helena	7:24 AM	53.44	
708	12/24/01	Helena	12:24 PM	9.00	
709	12/24/01	Helena	1:14 PM	1.00	
710	12/24/01	Helena	1:22 PM	1.00	



**Table No. 3 - Deputy Secretary/BLLC Director's  
Cellular Telephone Calls to Montana - Continued**

	Date	Call To	Time	Minutes	Charge
711	12/24/01	Helena	1:40 PM	1.00	
712	12/24/01	Helena	1:43 PM	1.00	
713	12/24/01	Helena	1:46 PM	1.00	
714	12/24/01	Helena	1:50 PM	1.00	
715	12/24/01	Helena	2:44 PM	14.00	
716	12/24/01	Helena	5:13 PM	42.00	
717	12/24/01	Helena	6:09 PM	1.00	
718	12/24/01	Helena	11:54 PM	45.00	
719	12/25/01	Helena	12:42 AM	30.00	
720	12/25/01	Helena	3:53 AM	7.00	
721	12/25/01	Helena	6:02 PM	2.00	
722	12/25/01	Helena	6:33 PM	1.00	
723	12/25/01	Helena	7:58 PM	36.00	
724	12/25/01	Helena	10:12 PM	80.47	
725	12/26/01	Helena	12:01 PM	1.00	
726	12/26/01	Helena	3:39 PM	1.00	
727	12/26/01	Helena	3:47 PM	1.00	
728	12/26/01	Helena	3:53 PM	1.00	
729	12/26/01	Helena	4:08 PM	53.03	
730	12/26/01	Helena	6:20 PM	1.00	
731	12/26/01	Helena	8:39 PM	14.00	
732	12/26/01	Helena	10:49 PM	101.27	
733	12/27/01	Helena	11:19 AM	1.00	
734	12/27/01	Helena	11:28 AM	1.00	
735	12/27/01	Helena	11:29 AM	1.00	
736	12/27/01	Helena	11:31 AM	1.00	
737	12/27/01	Helena	11:33 AM	1.00	
738	12/27/01	Helena	11:38 AM	26.37	
739	12/27/01	Helena	1:08 PM	5.00	
740	12/27/01	Helena	1:23 PM	1.00	
741	12/27/01	Helena	1:23 PM	1.00	
742	12/27/01	Helena	4:23 PM	2.00	
743	12/27/01	Helena	5:11 PM	11.00	
744	12/27/01	Helena	5:21 PM	39.46	
745	12/27/01	Helena	6:39 PM	17.00	
746	12/27/01	Helena	8:53 PM	31.00	
747	12/27/01	Helena	10:57 PM	122.59	
748	12/28/01	Helena	8:13 AM	17.00	
749	12/28/01	Helena	8:57 AM	2.00	
750	12/28/01	Helena	8:58 AM	2.00	
751	12/28/01	Helena	12:54 PM	4.00	
752	12/28/01	Helena	5:02 PM	2.00	
753	12/28/01	Helena	7:07 PM	1.00	
754	12/28/01	Helena	7:36 PM	2.00	
755	12/28/01	Helena	9:40 PM	2.45	
756	12/28/01	Helena	10:08 PM	34.39	
757	12/29/01	Helena	12:21 AM	117.09	
758	12/29/01	Helena	12:53 PM	17.00	
759	12/29/01	Helena	3:58 PM	1.00	
760	12/29/01	Helena	6:18 PM	45.00	\$8.00
761	12/29/01	Helena	11:45 PM	1.00	\$0.25
762	12/30/01	Helena	12:01 AM	103.00	\$25.75

	Date	Call To	Time	Minutes	Charge
763	12/30/01	Helena	12:54 PM	4.00	\$1.00
764	12/30/01	Helena	12:57 PM	12.00	\$3.00
765	12/30/01	Helena	5:50 PM	6.00	\$1.50
766	12/30/01	Helena	6:59 PM	25.00	\$6.25
767	12/30/01	Helena	7:40 PM	50.00	\$12.50
768	12/30/01	Helena	10:07 PM	1.00	
769	12/30/01	Helena	10:08 PM	1.00	
770	12/30/01	Helena	10:37 PM	8.11	
771	12/30/01	Helena	10:53 PM	163.01	
772	12/31/01	Helena	10:00 AM	1.00	\$0.25
773	12/31/01	Helena	12:32 PM	3.00	\$0.75
774	12/31/01	Helena	1:51 PM	1.00	\$0.25
775	12/31/01	Helena	1:57 PM	1.00	\$0.25
776	12/31/01	Helena	1:59 PM	1.00	\$0.25
777	12/31/01	Helena	2:02 PM	12.00	\$3.00
778	12/31/01	Helena	2:16 PM	1.00	\$0.25
779	12/31/01	Helena	2:23 PM	1.00	\$0.25
780	12/31/01	Helena	2:25 PM	19.00	\$4.75
781	12/31/01	Helena	6:43 PM	1.00	
782	12/31/01	Helena	6:46 PM	1.00	\$0.25
783	12/31/01	Helena	6:54 PM	9.37	
784	12/31/01	Helena	9:43 PM	58.55	
785	12/31/01	Helena	11:05 PM	57.43	
786	01/01/02	Helena	1:01 AM	7.41	
787	01/01/02	Helena	1:46 AM	1.00	
788	01/01/02	Helena	1:48 AM	1.00	
789	01/01/02	Helena	1:49 AM	1.00	
790	01/01/02	Helena	1:50 AM	1.00	
791	01/01/02	Helena	1:51 AM	37.12	
792	01/01/02	Helena	9:53 AM	16.00	\$4.00
793	01/01/02	Helena	1:37 PM	6.00	\$1.50
794	01/01/02	Helena	1:44 PM	1.00	\$0.25
795	01/01/02	Helena	2:31 PM	1.00	\$0.25
796	01/01/02	Helena	2:41 PM	35.00	\$8.75
797	01/01/02	Helena	4:32 PM	1.00	\$0.25
798	01/01/02	Helena	5:35 PM	74.28	
799	01/01/02	Helena	11:17 PM	113.42	
800	01/02/02	Helena	11:08 PM	404.03	
801	01/03/02	Helena	6:20 PM	1.00	\$0.25
802	01/03/02	Helena	7:03 PM	45.00	\$11.25
803	01/03/02	Helena	11:08 PM	45.34	
804	01/03/02	Helena	11:54 PM	62.58	
805	01/04/02	Helena	3:13 PM	10.00	\$2.50
806	01/04/02	Helena	5:42 PM	1.00	\$0.25
807	01/04/02	Helena	5:44 PM	1.00	\$0.25
808	01/04/02	Helena	5:46 PM	1.00	\$0.25
809	01/04/02	Helena	5:54 PM	1.00	\$0.25
810	01/04/02	Helena	7:30 PM	9.00	\$2.25
811	01/04/02	Helena	8:46 PM	66.43	
812	01/04/02	Helena	10:57 PM	69.32	
813	01/05/02	Helena	12:15 AM	77.23	
814	01/05/02	Helena	11:58 AM	21.00	\$5.25

**Table No. 3 - Deputy Secretary/BLLC Director's  
Cellular Telephone Calls to Montana - Continued**

	Date	Call To	Time	Minutes	Charge
815	01/05/02	Helena	12:35 PM	3.00	\$0.75
816	01/05/02	Helena	3:10 PM	10.00	\$2.50
817	01/05/02	Helena	3:25 PM	1.00	\$0.25
818	01/05/02	Helena	9:14 PM	16.00	\$4.00
819	01/05/02	Helena	9:50 PM	1.00	\$0.25
820	01/08/02	Helena	3:29 PM	51.00	\$12.75
821	01/08/02	Helena	10:43 PM	11.00	\$2.75
822	01/08/02	Helena	10:54 PM	1.00	\$0.25
823	01/08/02	Helena	10:57 PM	2.00	\$0.50
824	01/08/02	Helena	11:14 PM	7.00	\$1.75
825	01/08/02	Helena	11:21 PM	27.00	\$6.75
826	01/08/02	Helena	11:48 PM	9.00	\$2.25
827	01/08/02	Helena	11:57 PM	11.00	\$2.75
828	01/09/02	Helena	12:08 AM	25.00	\$6.25
829	01/09/02	Helena	12:34 AM	19.00	\$4.75
830	01/09/02	Helena	1:37 PM	1.00	\$0.25
831	01/09/02	Helena	2:12 PM	1.00	\$0.25
832	01/09/02	Helena	2:13 PM	1.00	\$0.25
833	01/09/02	Helena	2:20 PM	1.00	\$0.25
834	01/09/02	Helena	2:23 PM	1.00	\$0.25
835	01/09/02	Helena	2:27 PM	1.00	\$0.25
836	01/09/02	Helena	2:32 PM	1.00	\$0.25
837	01/09/02	Helena	2:37 PM	1.00	\$0.25
838	01/09/02	Helena	2:40 PM	1.00	\$0.25
839	01/09/02	Helena	2:41 PM	1.00	\$0.25
840	01/09/02	Helena	2:42 PM	1.00	\$0.25
841	01/09/02	Helena	2:43 PM	1.00	\$0.25
842	01/09/02	Helena	2:48 PM	1.00	\$0.25
843	01/09/02	Helena	2:50 PM	1.00	\$0.25
844	01/09/02	Helena	2:52 PM	1.00	\$0.25
845	01/09/02	Helena	3:04 PM	2.00	\$0.50
846	01/09/02	Helena	3:33 PM	1.00	\$0.25
847	01/09/02	Helena	3:45 PM	8.00	\$2.00
848	01/09/02	Helena	5:05 PM	1.00	\$0.25
849	01/09/02	Helena	5:11 PM	1.00	\$0.25
850	01/09/02	Helena	5:26 PM	1.00	\$0.25
851	01/09/02	Helena	5:28 PM	1.00	\$0.25
852	01/09/02	Helena	5:32 PM	1.00	\$0.25
853	01/09/02	Helena	5:32 PM	2.00	\$0.50
854	01/09/02	Helena	7:06 PM	1.00	\$0.25
855	01/09/02	Helena	7:07 PM	9.00	\$2.25
856	01/09/02	Helena	9:07 PM	46.50	
857	01/09/02	Helena	10:59 PM	1.00	
858	01/09/02	Helena	11:19 PM	107.53	
859	01/10/02	Helena	1:03 PM	1.00	\$0.25
860	01/10/02	Helena	2:03 PM	1.00	\$0.25
861	01/10/02	Helena	2:04 PM	2.00	\$0.50
862	01/10/02	Helena	6:05 PM	1.00	\$0.25
863	01/10/02	Helena	6:08 PM	8.00	\$2.00
864	01/10/02	Helena	6:21 PM	27.00	\$6.75
865	01/10/02	Helena	8:57 PM	46.00	\$11.50
866	01/10/02	Helena	11:15 PM	105.57	

	Date	Call To	Time	Minutes	Charge
867	01/11/02	Helena	7:56 AM	12.00	\$3.00
868	01/11/02	Helena	10:41 AM	1.00	\$0.25
869	01/11/02	Helena	1:23 PM	1.00	\$0.25
870	01/11/02	Helena	1:28 PM	1.00	\$0.25
871	01/11/02	Helena	1:36 PM	1.00	\$0.25
872	01/11/02	Helena	1:46 PM	1.00	
873	01/11/02	Helena	1:47 PM	2.37	
874	01/11/02	Helena	1:52 PM	1.00	
875	01/11/02	Helena	1:53 PM	1.00	
876	01/11/02	Helena	1:54 PM	1.00	
877	01/11/02	Helena	1:58 PM	1.00	\$0.25
878	01/11/02	Helena	1:59 PM	37.00	\$9.25
879	01/11/02	Helena	3:41 PM	1.00	\$0.25
880	01/11/02	Helena	3:44 PM	1.00	\$0.25
881	01/11/02	Helena	3:46 PM	1.00	\$0.25
882	01/11/02	Helena	3:48 PM	1.00	\$0.25
883	01/11/02	Helena	3:49 PM	1.00	\$0.25
884	01/11/02	Helena	4:01 PM	1.00	\$0.25
885	01/11/02	Helena	4:02 PM	46.00	\$11.50
886	01/11/02	Helena	4:47 PM	31.00	\$7.75
887	01/11/02	Helena	6:20 PM	20.00	\$5.00
888	01/11/02	Helena	8:40 PM	15.34	
889	01/11/02	Helena	9:47 PM	71.55	
890	01/11/02	Helena	11:03 PM	111.49	
891	01/12/02	Helena	9:46 AM	13.00	\$3.25
892	01/12/02	Helena	11:59 AM	14.00	\$3.50
893	01/12/02	Helena	2:10 PM	1.00	\$0.25
894	01/12/02	Helena	2:38 PM	1.00	
895	01/12/02	Helena	2:39 PM	1.00	\$0.25
896	01/12/02	Helena	2:41 PM	4.00	\$1.00
897	01/12/02	Helena	2:45 PM	7.00	\$1.75
898	01/12/02	Helena	2:51 PM	8.00	\$2.00
899	01/12/02	Helena	4:02 PM	9.33	
900	01/12/02	Helena	6:05 PM	14.00	\$3.50
901	01/12/02	Helena	6:46 PM	3.00	\$0.75
902	01/12/02	Helena	7:24 PM	6.00	\$1.50
903	01/12/02	Helena	8:24 PM	8.00	\$2.00
904	01/12/02	Helena	9:13 PM	14.00	\$3.50
905	01/12/02	Helena	10:10 PM	14.00	\$3.50
906	01/12/02	Helena	10:57 PM	17.00	\$4.25
907	01/12/02	Helena	11:21 PM	43.00	\$10.75
908	01/13/02	Helena	12:03 AM	24.50	
909	01/13/02	Helena	5:09 AM	15.28	
910	01/13/02	Helena	8:51 AM	28.39	
911	01/13/02	Helena	9:58 AM	10.56	
912	01/13/02	Helena	11:33 AM	1.00	
913	01/13/02	Helena	11:49 AM	1.00	
914	01/13/02	Helena	12:01 PM	73.21	
915	01/13/02	Helena	2:04 PM	63.14	
916	01/13/02	Helena	3:57 PM	88.41	
917	01/13/02	Helena	6:12 PM	15.00	\$3.75
918	01/13/02	Helena	6:46 PM	1.00	\$0.25

**Table No. 3 - Deputy Secretary/BLLC Director's  
Cellular Telephone Calls to Montana - Continued**

	Date	Call To	Time	Minutes	Charge
919	01/13/02	Helena	7:02 PM	1.00	\$0.25
920	01/13/02	Helena	7:03 PM	1.00	\$0.25
921	01/13/02	Helena	7:10 PM	13.00	\$3.25
922	01/13/02	Helena	7:44 PM	7.00	\$1.75
923	01/13/02	Helena	10:55 PM	1.00	\$0.25
924	01/13/02	Helena	10:56 PM	1.00	\$0.25
925	01/13/02	Helena	10:57 PM	1.00	\$0.25
926	01/13/02	Helena	10:58 PM	10.00	\$2.50
927	01/13/02	Helena	11:07 PM	6.00	\$1.50
928	01/13/02	Helena	11:19 PM	3.00	\$0.75
929	01/13/02	Helena	11:22 PM	126.00	\$31.50
930	01/14/02	Helena	7:49 AM	60.00	\$15.00
931	01/14/02	Helena	9:07 AM	15.00	\$3.75
932	01/14/02	Helena	9:34 AM	1.00	\$0.25
933	01/14/02	Helena	9:35 AM	1.00	\$0.25
934	01/14/02	Helena	9:37 AM	10.00	\$2.50
935	01/14/02	Helena	1:11 PM	3.47	
936	01/14/02	Helena	1:18 PM	22.32	
937	01/14/02	Helena	5:32 PM	1.00	\$0.25
938	01/14/02	Helena	5:37 PM	1.00	\$0.25
939	01/14/02	Helena	5:45 PM	1.00	\$0.25
940	01/14/02	Helena	5:46 PM	1.00	\$0.25
941	01/14/02	Helena	5:46 PM	4.00	\$1.00
942	01/14/02	Helena	6:22 PM	1.00	\$0.25
943	01/14/02	Helena	6:23 PM	1.00	\$0.25
944	01/14/02	Helena	6:24 PM	1.00	\$0.25
945	01/14/02	Helena	6:24 PM	1.00	\$0.25
946	01/14/02	Helena	6:26 PM	1.00	\$0.25
947	01/14/02	Helena	6:26 PM	1.00	\$0.25
948	01/14/02	Helena	6:28 PM	1.00	\$0.25
949	01/14/02	Helena	6:30 PM	1.00	\$0.25
950	01/14/02	Helena	6:30 PM	8.00	\$2.00
951	01/14/02	Helena	6:40 PM	1.00	\$0.25
952	01/14/02	Helena	6:40 PM	1.00	\$0.25
953	01/14/02	Helena	6:41 PM	1.00	\$0.25
954	01/14/02	Helena	6:41 PM	1.00	\$0.25
955	01/14/02	Helena	6:42 PM	1.00	\$0.25
956	01/14/02	Helena	6:42 PM	1.00	\$0.25
957	01/14/02	Helena	6:43 PM	1.00	\$0.25
958	01/14/02	Helena	6:43 PM	1.00	\$0.25
959	01/14/02	Helena	6:43 PM	1.00	\$0.25
960	01/14/02	Helena	6:44 PM	28.00	\$7.00
961	01/14/02	Helena	8:31 PM	1.00	\$0.25
962	01/14/02	Helena	8:34 PM	1.00	\$0.25
963	01/14/02	Helena	11:21 PM	98.38	
964	01/15/02	Helena	7:45 AM	30.23	
965	01/16/02	Helena	5:35 PM	186.40	
966	01/16/02	Helena	10:01 PM	1.00	\$0.25
967	01/16/02	Helena	10:33 PM	1.00	\$0.25
968	01/16/02	Helena	11:12 PM	1.00	\$0.25
969	01/16/02	Helena	11:13 PM	1.00	
970	01/16/02	Helena	11:25 PM	1.00	\$0.25

	Date	Call To	Time	Minutes	Charge
971	01/16/02	Helena	11:26 PM	1.00	
972	01/16/02	Helena	11:27 PM	1.00	
973	01/16/02	Helena	11:30 PM	1.00	\$0.25
974	01/16/02	Helena	11:31 PM	1.00	
975	01/16/02	Helena	11:32 PM	1.00	
976	01/16/02	Helena	11:37 PM	1.00	
977	01/16/02	Helena	11:42 PM	1.00	
978	01/16/02	Helena	11:49 PM	1.00	\$0.25
979	01/16/02	Helena	11:54 PM	1.00	
980	01/16/02	Helena	11:55 PM	1.00	
981	01/16/02	Helena	11:58 PM	1.00	
982	01/17/02	Helena	12:04 AM	1.00	
983	01/17/02	Helena	12:14 AM	1.00	
984	01/17/02	Helena	12:36 AM	1.15	
985	01/17/02	Helena	12:41 AM	1.05	
986	01/17/02	Helena	1:10 AM	2.00	\$0.50
987	01/17/02	Helena	1:54 AM	1.08	
988	01/17/02	Helena	1:57 AM	2.00	\$0.50
989	01/17/02	Helena	1:59 AM	1.00	
990	01/17/02	Helena	8:05 AM	1.00	\$0.25
991	01/17/02	Helena	8:06 AM	1.00	\$0.25
992	01/17/02	Helena	8:07 AM	1.00	\$0.25
993	01/17/02	Helena	9:52 AM	1.00	\$0.25
994	01/17/02	Helena	9:53 AM	1.00	\$0.25
995	01/17/02	Helena	9:54 AM	1.00	\$0.25
996	01/17/02	Helena	9:54 AM	1.00	\$0.25
997	01/17/02	Helena	9:55 AM	1.00	\$0.25
998	01/17/02	Helena	9:55 AM	1.00	\$0.25
999	01/17/02	Helena	3:28 PM	13.00	\$3.25
1000	01/17/02	Helena	5:36 PM	24.00	\$6.00
1001	01/17/02	Helena	11:20 PM	1.05	
1002	01/17/02	Helena	11:23 PM	28.07	
1003	01/18/02	Helena	9:34 AM	15.00	\$3.75
1004	01/18/02	Helena	10:07 AM	1.00	\$0.25
1005	01/18/02	Helena	10:08 AM	6.00	\$1.50
1006	01/18/02	Helena	10:20 AM	1.00	\$0.25
1007	01/18/02	Helena	5:26 PM	2.00	\$0.50
1008	01/18/02	Helena	5:29 PM	1.00	\$0.25
1009	01/18/02	Helena	5:30 PM	1.00	\$0.25
1010	01/18/02	Helena	5:30 PM	1.00	\$0.25
1011	01/18/02	Helena	5:31 PM	1.00	\$0.25
1012	01/18/02	Helena	5:31 PM	1.00	\$0.25
1013	01/18/02	Helena	5:31 PM	1.00	\$0.25
1014	01/18/02	Helena	5:32 PM	1.00	\$0.25
1015	01/18/02	Helena	5:34 PM	1.00	\$0.25
1016	01/18/02	Helena	5:34 PM	1.00	\$0.25
1017	01/18/02	Helena	5:35 PM	23.00	\$5.75
1018	01/28/02	Helena	10:41 PM	46.02	
1019	01/28/02	Helena	11:39 PM	12.30	
<b>Total</b>				<b>10860.18</b>	<b>\$989.30</b>

## **Conclusions and Recommendations**

Commonwealth-owned cellular telephone equipment and services are not “perks” for selected employees or management levels “but are to be used for official state purposes only.”<sup>15</sup> The Code of Conduct established by the Governor’s Office states that “No employee, appointee or official in the Executive Branch of the Commonwealth shall use any Commonwealth equipment, supplies or properties for his own private gain or for other than officially designated purposes.”<sup>16</sup> In certain cases, misuse of Commonwealth property may constitute the crime of theft under the Pennsylvania Crimes Code.<sup>17</sup> The Public Official and Employees Ethics Act (The Ethics Act) prohibits public officials or public employees from using the authority of their office or employment for their own private pecuniary benefit.<sup>18</sup>

The Deputy Secretary/BLLC director’s use of cellular telephones for his personal calls went far beyond any limited personal use that is provided for by the requirements that telephone bills be certified and that employees pay for personal calls. The payments to the Commonwealth in February 2002 and thereafter, and the Deputy Secretary/BLLC director’s “reassignment” at a lower salary, do not wipe the slate clean. The repayments came only after the beginning of the special audit threatened exposure of an abuse that had continued unabated for over two years. Additionally, at this point, it cannot be determined if there has been full reimbursement. Furthermore, given the number of calls and time spent on them during working hours, the position held by the Deputy Secretary/BLLC director and the systematic pattern of the misuse, disciplinary action and review by law enforcement and investigative agencies are warranted. In this context, it is appropriate to note that the current annual salary for the position of BLLC director is approximately \$56,697 and that, while he was Deputy Secretary, the individual’s annual salary was \$88,498. If no action is taken, it will appear that this type of abuse will be allowed to occur until or unless detected by an outside agency, and then the public official or employee can avoid further sanctions by repayments that may not even constitute full reimbursement. Such a policy will encourage abuses rather than deter them because wrongdoers will have nothing to lose by continuing to misuse telephone services.

The propriety of the Deputy Secretary/BLLC director’s efforts to obtain a job in BLLC for the individual with whom he had a personal relationship should also be fully investigated.

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<sup>15</sup> Commonwealth of Pennsylvania, Governor’s Office, Management Directive No. 240.11 Amended (April 3, 1998)

<sup>16</sup> 4 Pa. Code § 7.155.

<sup>17</sup> 18 Pa. C.S. §§ 3921 (the unlawful taking or exercise of control over the property of another with intent to deprive him of it), 3922 (the intentional obtaining or withholding of the property of another by deception) and 3927 (intentionally dealing with property upon agreement or subject to a known obligation to make payments or other disposition and failing to make the required disposition or payment). It is also a criminal offense under Pennsylvania law to apply or dispose of property entrusted to a person as property of the government in a manner which the person knows to be unlawful and which involves substantial risk of loss to the owner. 18 Pa. C.S. § 4113.

<sup>18</sup> 65 Pa. C.S. §§ 1101-1103. Public officials and employees are also required to report things of value they have received on a Statement of Financial Interest filed annually. 65 Pa. C.S. §§ 1104-1105. The Deputy Secretary/BLLC director did not report the value of his personal use of Commonwealth cellular telephone equipment on his annual Statements of Financial Interest.

The Deputy Secretary/BLLC director's use of call minutes provided to the Commonwealth as part of the packages with providers was as questionable and inappropriate as was his failure to pay for his personal use of the cellular telephones during periods when there were charges. The increments of time were part of what the Commonwealth paid for. They were not "free" time for the personal use of the Deputy Secretary/BLLC director or the BLLC staff. As is the case with credits, coupons, promotions and other items received by Commonwealth officials and employees in connection with Commonwealth travel, the "free" minutes should be used only for official purposes.<sup>19</sup>

The Deputy Secretary/BLLC director's interview statement that his use of the cellular telephone was permitted by the union Master Agreement was disingenuous. The relevant language of the Master Agreement between the Commonwealth of Pennsylvania and Council 13, American Federation of State, County and Municipal Employees, effective July 1, 1999, to June 30, 2003, states:

Reasonable use of telephones for local calls on personal business by employees is permitted in accordance with existing practices where such use does not interfere with efficiency of the operation. Long distance calls are permitted provided they are collect or are charged to credit cards or the employee's home telephone number.

When read in context, the wording of the last sentence should clearly be seen as referring to employees' personal credit cards, not Commonwealth purchasing cards.

It is recommended that the Governor's Office, the Office of the Budget and L&I:

- Obtain full written explanation and certification of all bills and invoices for cellular telephone charges related to equipment used by BLLC staff for periods during which BLLC had such equipment. This should apply to telephone equipment used by the Deputy Secretary/BLLC director, as well as BLLC supervisors and investigators. The Commonwealth should obtain reimbursement, with interest, for all calls that were not related to official Commonwealth business, including those made through use of minutes available without charge as part of provider agreements. Documentation should be reviewed by the Office of the Budget to ensure that the Commonwealth receives full reimbursement. If necessary, administrative or legal action should be instituted to obtain full reimbursement.
- Implement the Commonwealth's existing policies and procedures concerning cellular telephone equipment in BLLC and all other offices within L&I, including regular audits of monthly bills and reimbursement payments.
- Prohibit agency officials and employees from switching or transferring cellular telephone equipment assigned to them or from using equipment assigned to other

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<sup>19</sup> Commonwealth policy and procedures concerning travel promotions and credits are set out in Commonwealth of Pennsylvania, Governor's Office, Management Directive No. 205.30 (April 23, 1997).

employees except in reasonably limited and necessary circumstances related to official business. When such use occurs, records should be maintained.

## **L&I'S RESPONSE TO FINDING NO. 2**

L&I agrees that it was inappropriate for the former Deputy Secretary/BLLC director to make the personal calls to Montana. Moreover, the Comptroller's Office of L&I conducted its own internal performance audit of the BLLC's purchasing card usage, which included an investigation into the personal cellular use of the former Deputy Secretary/BLLC director. The Department feels this activity is a serious abuse of the cell phone usage protocols.

For abuses known to the Department at that time, and well before the issuance of the preliminary findings of the Auditor General, the former Deputy Secretary/Bureau Director was suspended without pay and then demoted to a field investigator, more than halving his pay. The Department has also recalled the former Deputy Secretary/BLLC director's cell phone. Significantly, based on the internal audit and follow-up conversations with the former Deputy Secretary/BLLC director, the Department has secured to date reimbursement in the amount of \$1,706.34 to cover the cost of the cell phone charges. Further reimbursement is being secured. Finally, the former Deputy Secretary/BLLC director is currently suspended from his investigator's position, without pay, pending further investigation into allegations of impropriety.

The Department has subsequently hired [as] Deputy Secretary a West Point Graduate who served from 1987 through 1999 in the U.S. Army and Pennsylvania National Guard. He is providing a positive example of leadership, and will continue to provide guidance necessary to assure the proper administration of the BLLC, as well as other divisions under his purview.

Finally, in February 2002, the Secretary of L&I requested management to review its cellular phone policies for conformity with Management Directive 240.11 Amended. As an outgrowth of this review, BLLC is even more carefully scrutinizing its cell phone usage.

The Department appreciates the Auditor General's suggestions, and will give them serious consideration.

## **THE DEPARTMENT OF THE AUDITOR GENERAL'S COMMENTS**

There is no evidence of any corrective or disciplinary action concerning the cellular telephone abuse, or any effort by L&I to obtain reimbursement prior to our initial inquiries to the Office of the Budget in early February 2002. As the Finding stated, if there had not been an outside inquiry, no action would have been taken. This basic fact has great implications for L&I's overall management of its financial activities.

L&I's actions concerning the Deputy Secretary/BLLC director since February 2002 also appear questionable: The series of apparent suspensions and demotions appear to have been defensive responses to stages of the special audit rather than the results of a thorough internal inquiry by L&I's top management. We agree that, to date, the amount of reimbursement paid is about \$1,706.

It is encouraging that L&I management is reviewing cellular telephone policies. The results of the review should be provided to the Department of the Auditor General as soon as it is completed.

The recommendations of this report are intended as more than “suggestions.” It is expected that they, or equivalent steps, be adopted by L&I and the administration to prevent other abuses, obtain full restitution and provide a full accounting of what occurred.

**Finding No. 3 - At the direction of the Deputy Secretary/BLLC director, BLLC computer equipment was sold to the Bureau's staff, including the Deputy Secretary/BLLC director himself, in violation of the Commonwealth Procurement Code and in disregard of the regulations for disposal of surplus property.**

In April 2001, computer equipment, consisting of 37 desktop computers, 40 monitors and 33 printers, was sold to members of BLLC's staff. The transaction was carried out in disregard of the law and regulations for disposal of surplus Commonwealth equipment.

**Requirements**

Prior to the enactment of the Commonwealth Procurement Code in 1998, the Administrative Code of 1929 provided that it was the duty of Commonwealth agencies to put personal (i.e., non-real estate) property of the Commonwealth that was no longer of service to the Commonwealth in the custody of DGS. DGS, in turn, was authorized to sell the property.<sup>20</sup> DGS adopted regulations containing procedures, definitions of responsibilities and specific guidance for "the reporting, release, receipt, storage and transfer or sale of surplus state property." The regulations apply to persons involved in the "control and accountability of Commonwealth property and state property transactions, regardless of their origin or location."<sup>21</sup>

The Commonwealth Procurement Code authorizes DGS to establish policy and promulgate regulations governing the management of supplies "during their entire life cycle," the sale or disposal of surplus supplies by public auction, competitive bidding or other method designated by DGS and transfers of excess supplies. The Code states that "no employee of the owning or disposing agency shall be entitled to purchase any of these supplies except when the sale price of the surplus property is less than the amount established by the department [DGS] for permissible purchases by such employees."<sup>22</sup>

The surplus property disposal regulations adopted by DGS prior to the enactment of the Procurement Code are still in effect. The regulations require that surplus state property generated within departments of the Commonwealth shall be reported to the DGS Surplus State Property Division. The Surplus State Property Division is responsible for scheduling items for inspection and verification, determination of disposal and general administration of the program. Surplus items are required to be inspected, tagged and inventoried by the Surplus State Property Division and may not be sold until other Commonwealth agencies interested in obtaining the property for official use have the opportunity to do so. The regulations provide that sales of surplus property shall be conducted by employees of the DGS Surplus State Property Division in accordance with the regulations "and the best interests of the Commonwealth."<sup>23</sup> There are circumstances under which Commonwealth agencies may sell surplus equipment, including computer equipment, to their employees. However, BLLC ignored the procedures established to ensure that such sales are conducted properly.

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<sup>20</sup> 71 P.S. § 190 (The Administrative Code of 1929, § 510 as amended). Section 190 was repealed by the Commonwealth Procurement Code. (Act No. 1998-57), 62 Pa. C.S. § 102(b).

<sup>21</sup> 4 Pa. Code Chap. 41 (2001).

<sup>22</sup> 62 Pa. C.S. § 1502.

<sup>23</sup> 4 Pa. Code § 45.2(a).



### BLLC's disposal of computer equipment

In May 1998, BLLC replaced laptop computers used by BLLC staff with new computer equipment obtained from an approved Commonwealth vendor. Purchasing cards were not used to obtain the items. The total cost of the new equipment was approximately \$88,688. The equipment included computer base units, speakers, modems, monitors and software packages. Each individual complete desktop personal computer cost approximately \$2,217; forty of them were purchased.

Laptop computers (which were considered to be of little value) that were replaced by the new equipment were sold to members of the BLLC staff for a price of approximately \$10 each. The sale was conducted with the knowledge of an administrative officer in the Division of Equipment/Inventory Control in L&I's Bureau of Administrative Services (BAS). The BAS administrative officer is responsible for tagging and maintaining an inventory of all L&I assets. According to the BAS administrative officer, the procedure for handling surplus property at L&I consists of the following steps: a bureau notifies him that it has surplus property and whether someone wants to purchase it; the bureau then sends him the item(s) or their inventory numbers; he then sets a price based on his "experience." The bureau can then sell the items and send him the checks or money orders and sales information. He then completes a DGS form which identifies the sale and funds received and sends the proceeds and the form to DGS.

Based on the Commonwealth Procurement Code and the DGS regulations summarized above, L&I's procedures violate the law and do not comply with the regulations. In 2001, BLLC carried the abuse of the system even further:

In the spring of 2001, the Deputy Secretary/BLLC director decided to replace the computers purchased in 1998 and sell them to the BLLC staff. According to the Deputy Secretary/BLLC director, he obtained a sale price from the BAS administrative officer. The equipment was then sold to BLLC staff members.

L&I records contained an e-mail dated March 30, 2001, from the BLLC Harrisburg district supervisor to BLLC staff. The e-mail stated that BLLC was in the process of distributing new personal computers to the staff and that, if staff members wanted to purchase the old computers, a check made payable to the Commonwealth for \$25, plus sales tax, should be sent to the attention of the BLLC clerical supervisor, together with the serial number of the employee's old personal computer. In the e-mail, BLLC staff members were also told that, if they did not want to purchase their old computers, files should be downloaded and the computers given to their supervisors by April 30, 2001 to be delivered to Harrisburg. The e-mail also stated that BLLC would "probably" buy new monitors for its field offices before the end of the fiscal year. Employees who wanted to purchase their old monitors were told to "stand by for costs." Those who needed a monitor for the old computers they were buying were advised in the e-mail to send a separate check for \$10 and "we will see what may be in stock at the state surplus store."

L&I records also contained a memorandum from a BLLC employee dated May 2, 2001, entitled "Purchase of New Computers," sent to the BAS administrative officer. Attached to the

memorandum was a list of BLLC staff members who purchased the BLLC's "used computers," 30 checks and a money order. According to the records, 37 computers, 40 monitors and 33 printers were sold to BLLC employees for a total of \$1,754. The Deputy Secretary/BLLC director was listed as having purchased two computers, three monitors and three printers. In an interview, the Deputy Secretary/BLLC director acknowledged that he purchased the items.

According to the Deputy Secretary/BLLC director, after the computer equipment was sold in 2001, the BAS administrative officer told him that "they needed to get more money for the computers he was selling." According to the Deputy Secretary/BLLC director, the equipment had already been sold; he instructed his staff to send the documentation concerning the sale to the BAS administrative officer and to tell him that "if he has a problem, he can call me [the Deputy Secretary/BLLC director]." According to the Deputy Secretary/BLLC director, he did not receive a response from the BAS administrative officer.

The BAS administrative officer stated that BLLC did not contact him about the computer equipment sale that took place in 2001 prior to the sale. He said that he found out about the sale when the sales records, checks and the money orders were sent to his office. According to the BAS administrative officer, the Deputy Secretary/BLLC director "had a lot of pull" and the BAS administrative officer's office was unable to enforce its requirements.

The records of BAS contained two DGS surplus property forms that appeared to be related to the BLLC computer equipment sales. One is undated; the other is dated May 2, 2001. The items are listed as "monitor-computer" and "old laptops." They are checked as "serviceable" and in "used-fair condition." The forms contain a printed statement that the items are no longer of service to the agency and are released to DGS for disposition in accordance with the Administrative Code of 1929. None of the equipment was released to DGS.

Because of the time that has elapsed and the circumstances of the sale, we were unable to determine what the appropriate sale price for the equipment should have been. If the items had been turned over to DGS for handling in accordance with statutory requirements and DGS procedures, the price would have been what a willing buyer would have paid at the time. A publication of the Internal Revenue Service (IRS) concerning property depreciation states that computer hardware purchased for business purposes can be depreciated over a five-year period. If that procedure was used to determine the value of the computers sold by BLLC in 2001, the computers would have had an estimated value of approximately \$886 each at the time they were sold. Based on that estimate, the 37 computers would have had a total value of \$32,782, about \$30,000 more than the total amount BLLC turned over to the Commonwealth in connection with the sale of all of the computer equipment. The resale value of used computer equipment is, admittedly, often very low due to obsolescence and the absence of maintenance agreements. However, the sale by BLLC prevented the Commonwealth from getting, or even being able to determine, a fair market price for the items. The sale also prevented other Commonwealth agencies from having the opportunity to obtain the equipment through DGS.

Interviews concerning the BLLC sale of computer equipment also disclosed two other problems: The BAS administrative officer stated that his office is responsible for maintaining

records of L&I assets, including computer equipment. However, the office had no inventory record of the printers sold by BLLC to its staff in 2001.

The BAS administrative officer also stated that when L&I computer equipment is sold, it is supposed to be sent to an appropriate office in L&I so that the programming can be removed for security reasons. He did not know if the programming was removed from the computer equipment sold by BLLC to its staff members in 2001. According to a bulletin published by OA, “[b]efore a personal computer or laptop computer may be reassigned to a different [entity] or transferred to another agency, surplus or otherwise taken out of commission, its hard drive must be completely erased and formatted to ensure all confidential information has been removed.”<sup>24</sup> There is no documentation or other record that confidential information or any other programming was removed from the computer equipment sold by BLLC to its staff either in 1998 or 2001. According to interview statements of several BLLC staff members, no programming, including software and confidential work files, was removed from the equipment that was sold to BLLC employees.

### **Conclusions and Recommendations**

The best interests of the Commonwealth were not served in connection with the 2001 sale of BLLC computer equipment to BLLC staff. Instead, it appears that the transaction was intended primarily for the personal benefit of the Deputy Secretary/BLLC director and other BLLC employees. As discussed previously in this report, the intentional unauthorized taking of Commonwealth property is a violation of the Pennsylvania Criminal Code. Additionally, the State Ethics Act prohibits public officials or public employees from using the authority of their office or employment for personal pecuniary gain.<sup>25</sup> Therefore, the circumstances of the sale, including the conflicting versions of what notice or approvals were given and how the sale prices were determined, should be reviewed by law enforcement and investigative agencies.

In addition to the impropriety of this specific transaction, the incident shows that L&I does not follow the Commonwealth Procurement Code and DGS regulations concerning disposal of surplus property and, in fact, appears to be oblivious to the requirements.

For those reasons, it is recommended that, in addition to taking appropriate disciplinary action, the Governor’s Office, the Office of the Budget, DGS and L&I should:

- Determine or estimate the fair market value of the computer equipment at the time of the sale to BLLC staff in 2001, obtain payment in full for the items and ensure that confidential information is removed. Alternatively, the equipment should be collected and turned over to DGS for appropriate inventory, removal of confidential information and disposal.

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<sup>24</sup> Commonwealth of Pennsylvania, Information Technology Bulletin (issued June 12, 1998, revised, April 21, 2000), para. 8.

<sup>25</sup> See p. 40, footnotes 15-17, of this report.

- Institute, enforce and audit compliance by L&I and its offices with the Commonwealth Procurement Code and DGS regulations concerning disposal of surplus property. Property disposal practices in other executive departments and agencies should be reviewed and, if warranted, similar action should be taken where needed.
- Ensure that equipment and other property obtained through the Commonwealth Purchasing Card Program are listed on agency inventories and records of assets.

### **L&I'S RESPONSE TO FINDING NO. 3**

L&I recognizes that the former Deputy Secretary/BLLC director failed to follow existing protocols to dispose of surplus equipment. The surplus computer equipment in question was obsolete and beginning to experience problems, such as crashing or locking up on the user due to increasing business demands on the system. Moreover, the equipment needed to be replaced to handle an upcoming migration under the Commonwealth Connect network initiative. The former Deputy Secretary/BLLC director provided all BLLC employees with an opportunity to purchase the obsolete computers for basic home use; all monies received from the sale were paid to the Commonwealth. Nonetheless, the former Deputy Secretary/BLLC director was wrong in not following proper procedures, and is currently suspended without pay pending further investigation.

Additionally, the Department is seeking reimbursement from the former Deputy Secretary/BLLC director for the difference in the amount the Commonwealth would have received from the sale of surplus computer equipment and the actual amount the former Deputy Secretary/BLLC director [would have] paid had he followed the appropriate protocols. In noting the lost revenues, however, the Auditor General's Office established the figure of approximately \$886 per unit at the time of sale. This amount is highly unrealistic by an order of magnitude for obsolete computers sold as surplus by DGS. DGS informs the Department that the value of similar computers resold around the time of the sale in question was around \$95 (\$75 for the computer, \$20 for the monitor).

Finally, the current Bureau Director is keenly aware of the need to employ a financial officer who will manage the purchasing and disposal of the Bureau's computer equipment and other assets according to the policies, practices and procedures of the Commonwealth and the Department. The position vacancy is now posted.

### **THE DEPARTMENT OF THE AUDITOR GENERAL'S COMMENTS**

During the special audit, no records were provided to document or substantiate the assertion that the computer equipment sold to BLLC employees in 2001 was obsolete and experiencing problems, as was stated in the L&I response. Any such documentation should be provided to us.

We did not establish \$886 per unit as the value of each computer at the time of the sale. The figure was an estimate based on an IRS publication relating to depreciation for business

purposes. The Finding stated that resale value of used computer equipment is admittedly often very low. However, as the Finding pointed out, the Deputy Secretary/BLLC director's actions short-circuited the entire process through which the fair market price could have been determined.

*The Response failed to address two major points in the Finding: L&I's apparent practice of disregarding legal and policy requirements for disposal of surplus property through DGS and the failure to remove confidential information or other programming from the equipment sold to the BLLC staff. We urge the Governor's Office and DGS to take immediate action concerning both matters.*

**Finding No. 4 - BLLC management staff solicited funds from organizations that conduct activities regulated by the Commonwealth through BLLC. The funds were solicited and spent by BLLC management staff without oversight or supervision by L&I or other Commonwealth agencies.**

The Interstate Labor Standards Association (ILSA) is a national organization of state labor department officials with responsibilities relating to administration and enforcement of state labor laws. According to ILSA's internet website, ILSA's purpose is "to encourage and assist in improving the administration of laws and regulations by exchanging information in the area of labor standards among its member states."

The Deputy Secretary/BLLC director, BLLC district supervisors and staff members and other L&I officials have participated in ILSA's activities, including attending meetings, conferences and related events at locations around the country. The Deputy Secretary/BLLC director served as an ILSA regional administrator. Commonwealth funds were used to pay for travel, attendance, lodging, and other expenses incurred by BLLC staff and other L&I employees in connection with ILSA events.

At the direction of the Deputy Secretary/BLLC director, BLLC staff solicited and obtained funds from builders' associations, contractors and labor unions for ILSA activities. Solicitations were made in writing on behalf of ILSA. The solicitation activities were conducted using Commonwealth facilities and equipment. Solicitations were sent, for the most part, to unions and builder/contractor groups. Those organizations engage in construction or building activities governed by Commonwealth and federal statutes, regulations and policies relating to wages, hours and safety. BLLC is responsible for monitoring, enforcement and application of those requirements.

In February 2000, BLLC's Harrisburg district supervisor sent a solicitation letter concerning an ILSA conference in New Cumberland, PA, hosted by BLLC:

The purpose of this letter is to request your financial assistance as a sponsor for at least one of the [ILSA] conference events such as a coffee break, meeting room, continental breakfast, etc. If you agree to be a sponsor, as a token of your kind generosity, a sign that advertises your business will be placed in the room of the event that you sponsored. To allow us time to get that sign made, please return a check as soon as possible, made payable to ILSA-PA 2000, to me at Room 1301 Labor and Industry Building, 7th and Forster Streets, Harrisburg, PA 17120.

The letter was signed by the Deputy Secretary/BLLC director. The letters were prepared in the BLLC Harrisburg district office by the BLLC's Harrisburg district supervisor. The address in the letter is that of BLLC's main office in Harrisburg.

Approximately \$3,440 was received in response to the solicitation from a builders and contractors association, labor union councils, labor unions and union locals. BLLC also collected \$6,881 in conference registration fees from various organizations and individuals. This

included \$2,890 received from the Commonwealth as fees for state employees (primarily BLLC employees) scheduled to attend the conference.

Funds received through the sponsorship solicitations and conference fees, totaling about \$10,290, were deposited and maintained in an account at a bank near BLLC’s Harrisburg district office. The account’s title was “ILSA PA 2000”. The Deputy Secretary/BLLC director and the BLLC Harrisburg district supervisor were the signatories on the account. There is no evidence of monitoring, oversight, audits or other controls over the account on the part of L&I, other Commonwealth agencies (such as the LECS Comptroller’s Office), ILSA or an independent audit firm. In response to our initial requests for records and other information concerning the account, we were informed by the LECS Comptroller’s Office that the account was not considered “Commonwealth funding” and that the Commonwealth had no audit responsibility for the account.

The ILSA northeast regional conference was held in New Cumberland on May 7-10, 2000. Table No. 4 contains a listing of expenditures from the ILSA PA 2000 account:

**Table No. 4 – Expenditures of ILSA PA 2000 Account Funds**

<b>Item</b>	<b>Date</b>	<b>Amount</b>	<b>Payee per Bank Statement or Checkbook Register</b>	<b>Transaction Type</b>
1	3/14/00	\$200.00	Harrisburg Senators	Check
2	4/28/00	446.00	Rohrer Bus Service	Check
3	5/4/00	181.73	Laurel Beverage	Check
4	5/11/00	50.00	Maryland Aviation Administration	Check
5	5/11/00	55.00	Tauber's Service, Inc.	Check
6	5/18/00	185.08	Cash to ILSA	Cash Withdrawal
7	5/18/00	1105.00	Harrisburg Senators	Check
8	5/18/00	2816.64	Moritz Embroidery Works	Check
9	5/18/00	3421.74	Harrisburg Hotel and Conference Center	Check
10	5/22/00	36.00	Cash to ILSA	Cash Withdrawal
11	6/27/00	68.00	Cash to ILSA	Cash Withdrawal
12	7/11/00	192.00	Cash to ILSA	Cash Withdrawal
13	8/8/00	100.00	Cash to ILSA	Cash Withdrawal
14	8/16/00	250.00	Cash to ILSA	Cash Withdrawal
15	8/16/00	250.00	Cash to ILSA	Cash Withdrawal
16	11/6/00	141.62	Cash	Check
17	12/19/00	132.11	Cash	Cash Withdrawal
18	12/22/00	72.00	Cash	Check
19	2/6/01	362.73	Cash	Check
20	9/14/01	225.00	Cash	Check
<b>Total</b>		<b>\$10,290.65</b>		

The May 11, 2000, checks from the ILSA PA 2000 account (Item Nos. 4 and 5 in Table No. 4) to “Maryland Aviation Administration” and “Tauber’s Service, Inc.” were payments for a fine and towing charges incurred by the Deputy Secretary/BLLC director. The Deputy

Secretary/BLLC director drove one of the persons who attended the conference to the Baltimore airport.<sup>26</sup> The vehicle was ticketed and towed.

The expenditures included \$1,751 (Item Nos. 1, 2 and 7 in Table No. 4) for tickets to a Harrisburg Senators baseball game, a picnic at the game and chartered bus service to and from the game. The May 18, 2000, check to Moritz for \$2,816.64 (Item No. 8 in Table No. 4) was to purchase 150 embroidered hats and 65 embroidered tote bags for persons attending the conference.

A number of expenditures listed in Table No. 4 occurred well after the conference. These included:

- A \$185.08 cash withdrawal on May 18, 2000. (Item No. 6.) According to BLLC's records, these funds were used to purchase three money orders on the same date for the following amounts; \$87.33, \$12.75, and \$85.00. A copy of the \$87.33 money order states that the payee is the current BLLC director.
- A \$192 cash withdrawal on July 11, 2000, listed as " Reimbursement to [the Deputy Secretary/BLLC director]" with no other explanation. (Item No. 12.)
- A \$100 cash withdrawal on August 8, 2000 "for [a BLLC employee] hoagies." (Item No. 13.)
- A December 19, 2000 cash withdrawal for \$132.11 (Item No. 17) and another cash withdrawal dated December 22, 2000 (Item No. 18) for \$72.00 are identified in the ILSA PA 2000 checkbook register as "BLLC Luncheon."
- A \$362.73 cash withdrawal on February 6, 2001. (Item No. 19.)

In addition to expenditures from the ILSA PA 2000 account, BLLC used a purchasing card to buy 150 portfolios for the conference costing a total of \$979.50. (See Finding No. 1.)

The conference registration lists maintained by the BLLC Harrisburg district supervisor show that 98 people paid to attend the conference and another 12 received complimentary registrations. Thirty-three conference attendees, about 30 percent of the total, were BLLC employees. While we do not know how many BLLC employees participated in social events related to the ILSA conference, such as attending the baseball game, the high percentage of BLLC staff at the conference underscores that BLLC employees benefited personally from the sponsorships solicited from labor and contractor/builder organizations. The following demonstrates the extent to which BLLC management received a substantial personal share of the benefits of the conference: The agreement package with the motel/conference facility included four complimentary room upgrades. According to records, three of the four rooms were occupied by the BLLC district supervisors. The fourth room went to the representative of the

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<sup>26</sup> This is the same individual to whom the Deputy Secretary/BLLC director made the telephone calls described in Finding No. 2.



Montana State Department of Labor & Industry, the individual to whom the Deputy Secretary/BLLC director made the telephone calls described in Finding No. 2.

The Deputy Secretary/BLLC director stated in an interview that he did not see anything wrong with employees from his office soliciting funds from people and groups that they would deal with on an official basis. He stated that he was aware that the BLLC Harrisburg district supervisor was sending out a letter under his (the Deputy Secretary/BLLC director's) name to solicit funds for sponsorships at ILSA activities.

We found no records or other evidence that the Deputy Secretary/BLLC director or other BLLC staff obtained authorization or approval from L&I or any other state agency to solicit funds for ILSA activities, open or manage a bank account for the funds, use Commonwealth facilities to conduct ILSA activities or use ILSA funds for the personal benefit of BLLC officials or employees.

In addition to solicitations for the May 2000 ILSA conference, we found ILSA letters signed by the Deputy Secretary/BLLC director to an out-of-state organization. The letters were solicitations for sponsorship of an ILSA conference in Atlantic City, NJ.

There is evidence that BLLC staff obtained things of value from at least one union organization. We found that in December 2001, the Deputy Secretary/BLLC director was given a ticket to a Pittsburgh Steelers football game from one of the union organizations that received a solicitation letter for the ILSA event (See Finding No. 6). Additionally, according to statements by BLLC employees, a union organization provided BLLC staff members with tickets to Pittsburgh Pirates baseball games, at no charge, during BLLC conferences.

During the period under review, BLLC also opened another bank account for the deposit of a federal grant administered by BLLC. That account was not included in the special audit.

### **Conclusions and Recommendations**

The Code of Conduct states that no employee, appointee or official in the Executive Branch of the Commonwealth may solicit or accept for the personal use of himself or another, "a gift, gratuity, favor, entertainment, loan or other thing of monetary value" from a person who [c]onducts operations or activities that are regulated by the Commonwealth "or [h]as interests that may be substantially affected by the performance or nonperformance of the official duty of the employee."<sup>27</sup> The Code of Conduct does not permit the kind of organized solicitation that occurred in connection with ILSA. In any case, solicitations by BLLC staff from representatives of organizations whose activities BLLC investigates, enforces or regulates have the appearance of impropriety and undermine confidence in the ability or willingness of BLLC to do its work fairly and properly.

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<sup>27</sup> 4 Pa. Code § 7.153. The exceptions to the prohibition include acceptances of food or refreshment of minimal value on infrequent occasions in the ordinary course of meetings and acceptance of unsolicited promotional material.

Commonwealth policies and procedures allow agencies under the Governor's jurisdiction to acquire memberships in independent professional or technical organizations that "provide a clearly defined benefit." Agency heads are responsible for establishing and continuation of memberships. Comptroller's Offices are required to monitor agency compliance with the policies. However, there are no specific policies or guidelines to ensure that participation in the organization's activities are monitored.<sup>28</sup>

We found no evidence that L&I or the LECS Comptroller's Office authorized, approved or exercised any oversight over BLLC's ILSA activities, particularly the fundraising and use of funds. ILSA's stated purposes may be commendable and useful to Commonwealth employees. However, in this case, there was no control or supervision and BLLC staff, including the Deputy Secretary/BLLC director, obtained personal benefit from the participation in ILSA.

It is recommended that the Governor's Office, the Office of the Budget and L&I:

- Conduct a review of all bank accounts opened or managed by BLLC staff, including accounts for grant funds and/or professional organizations, and establish appropriate controls and oversight concerning those funds.
- Establish appropriate guidelines for memberships and participation in outside organizations by BLLC and its staff, including travel, conferences and promotional activities.
- Direct BLLC staff and, if warranted, other L&I offices to cease the solicitation or acceptance of funds or anything of monetary value from individuals and organizations with activities regulated by the Commonwealth and inform the organizations which were solicited by BLLC that the Commonwealth prohibits such activities.

**L&I'S RESPONSE TO FINDING NO. 4** (Note: We have not included detailed references in the response to ILSA's purpose and functions and citations to the Management Directive and Governor's Code of Conduct, all of which appear in the Finding.)

Participation in professional organizations and solicitation of support from these organizations is not unethical or unique. The Department has already begun to implement increased scrutiny of its participation in activities related to ILSA in order to eliminate the perception of any inappropriate conduct. The Department did not provide any service or base any action on the small amount of money solicited for the conferences.

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<sup>28</sup> Commonwealth of Pennsylvania, Governor's Office, Management Directive No. 205.15 (January 17, 1985). A separate Directive prohibits activities, including those for non-profit purposes, which are not specifically or directly connected with official business, from being conducted in Commonwealth facilities. Commonwealth of Pennsylvania, Governor's Office, Management Directive No. 205.14 Amended (February 2, 1988). ILSA's general activities could be considered to be connected with Commonwealth business. However, the use of the BLLC Harrisburg office to seek ILSA solicitations from organizations that conduct activities regulated by BLLC appears to be contrary to the intent of the Directive.

ILSA Participation: The Commonwealth recognizes and approves memberships in independent, professional or technical organizations where the agency, “will receive a clearly defined benefit in adding to its or its employees’ professional growth, development, service or production.” ILSA clearly fits this definition. Commonwealth facilities may be used for official Commonwealth business. This includes membership activities in an organization such as ILSA. The Department will continue to participate in ILSA because of its benefits and educational value. It allows the Department to learn from the federal government and other states. Participants receive highly valuable information publications and related materials. ILSA has addressed such pressing issues as child labor laws and youth peddling. This benefit is ultimately passed on to the citizens of the Commonwealth.

It is also reasonable to allow a larger number of BLLC employees to attend ILSA events when they occur within the Commonwealth and to allow more limited participation when these events take place outside the Commonwealth. This participation is consistent with the Governor’s Code of Conduct and Commonwealth Management Directives.

Solicitation of Funds: BLLC-ILSA members sent 20 solicitation letters to potential participants. Individual contributions were small. The funds were solicited for coffee breaks, a meeting room or a continental breakfast for the May 2000 regional ILSA conference. The Department provided no special favor or consideration for these solicitations.

The Auditor General calls for an unreasonably strict interpretation of guidelines and directives that would effectively end invaluable labor/management conferences and training initiatives between the Commonwealth and *private* organizations. The Auditor General seeks to end contributions for conference materials, reasonable food and refreshment, nominal tokens and inexpensive diversions during conferences. Most likely, the public and agencies would find this interpretation as being extreme and unnecessary. Interaction and education efforts between the Commonwealth and its stakeholders would cease.

The Department agrees, however, that even the appearance of trading favors for solicitations is unacceptable. It will closely scrutinize employee activity in such matters to ensure their appropriateness and reasonableness. Departmental actions and decisions have not, and will not, rest on even minimal solicitation efforts.

Use of ILSA Funds: The former Deputy Secretary/BLLC director had access to a non-Commonwealth ILSA account that was intended to be used for expenses for a May 2000 regional ILSA conference in Pennsylvania. Because the monies spent were from an ILSA checking account, ILSA has the authority to audit this account, or control its use. However, given the questionable nature and use of some of the ILSA expenditures, the Department believes that the former Deputy Secretary/BLLC director acted inappropriately. He is currently suspended without pay pending further investigation. The Department believes that the former Deputy Secretary/BLLC director should reimburse ILSA for inappropriate withdrawals from this fund. Reimbursement is appropriate because L&I’s participation in ILSA and to ensure that Commonwealth officials act appropriately when engaged in work-related activities and as representatives of the Department. The Department will forward to the ILSA Board the relevant portion of the final Auditor General’s report.

The Auditor General alleged that an agreement package with the facility for the May 2000 ILSA conference provided for complimentary room upgrades. This is routine in the lodging and convention trade when an organization books a large number of rooms and such action is not unreasonable under the Governor's Code of Conduct. With regard to the room upgrade for the representative of the Montana State Department of Labor and Industry, the former Deputy Secretary/BLLC director is currently suspended without pay pending further investigation into this matter. Moreover, a separate \$979.50 expenditure for 150 conference material portfolios for the May 2000 conference is justified. BLLC was the host and a major participant in this conference.

### **THE DEPARTMENT OF THE AUDITOR GENERAL'S COMMENTS**

As stated in the Finding, we agree that participation in ILSA's professional activities may be useful to Commonwealth employees. The Finding was directed to BLLC's solicitations from organizations it regulates and the lack of oversight over BLLC's handling of ILSA funds. L&I's increased scrutiny of its participation in ILSA activities is commendable, but long overdue. Reports and related documentation of such scrutiny should be provided to the Department of the Auditor General as soon as the inquiries are completed.

We disagree with the Response's characterization of our conclusions as an "unreasonably strict interpretation of guidelines and directives." It is inappropriate, if not unethical and illegal, for Commonwealth employees to solicit funds from individuals and organizations whose activities they regulate. We do not recommend a halt to conferences with private organizations or to charging reasonable and necessary attendance fees for such events, provided that such fees are set, administered and monitored by the organization conducting the conference or an independent third party. In this case, BLLC's management made direct sponsorship solicitations to labor and builder organizations that it regulates and deals with concerning prevailing wage complaints and other matters within BLLC's jurisdiction. The solicitations were in addition to the conference attendance charges. BLLC staff also controlled all of the funds collected in connection with the conference and benefited directly from a major portion of the activities and "diversions." Such conduct does not bolster public confidence in the fairness and objectivity of BLLC and has the appearance of impropriety, as L&I's response acknowledged.

Copies of the final report will be sent to ILSA, as well as the U.S. Department of Labor's Office of Inspector General and the State Ethics Commission, for review. We continue to question BLLC's use of Commonwealth funds to purchase portfolios for persons who attended the May 2000 ILSA conference. In addition to paying for the portfolios, the Commonwealth also paid ILSA (via the account administered by BLLC managers) \$2,885 for the BLLC staff to attend the conference. It appears to us that ILSA should pay for such materials from the conference fees. In any case, by using a purchasing card to buy the items, BLLC circumvented the process for getting approval of the expenditures from L&I's top management or the Comptroller's Office.

**Observation Related to Finding No. 4 - Representatives of organizations viewed BLLC as unresponsive and ineffective.**

As part of the special audit, 22 representatives of eight organizations listed in the ILSA PA 2000 bank account and ILSA conference records were contacted and interviewed. All of the organizations deal directly with BLLC in connection with labor and employment matters within the jurisdiction of L&I generally and BLLC specifically. During the interviews, representatives of nearly all of the organizations expressed concerns and dissatisfaction with BLLC:

- Fourteen persons stated that BLLC did not properly enforce the Prevailing Wage Law. Specifically, they said that BLLC did not follow up on complaints. Three persons stated that the staff of the BLLC Harrisburg district office appeared to be “incompetent” in regard to enforcement of the Prevailing Wage Law.
- Two persons stated that BLLC did not have a central telephone line through which complaints could be presented and their receipt verified.
- Seven persons stated that BLLC does not properly track filed complaints and complainants are not informed concerning updates, progress on the settlement or closing of a case. In one interview, BLLC was described as a “black hole” for complaints.
- In four interviews, it was stated that BLLC investigators seldom visited job sites to conduct inspections.
- In three interviews, it was stated that BLLC improperly handled complaints concerning misclassification of job titles.
- Persons interviewed questioned the BLLC practice of allowing the name of the employee making the complaint to be disclosed to the employer.

Representatives of one organization stated during the interview that they were satisfied with BLLC. Several organizations or their representatives did not respond to requests for interviews.

The interviews were not intended to be a complete or representative survey of the organizations’ views concerning BLLC. However, the statements in the interviews suggest that BLLC is perceived as unresponsive and ineffective in carrying out its responsibilities. In addition to the findings of the Department’s performance audit of L&I’s Prevailing Wage Program released in February 2002 and the wasteful or inappropriate activities described in this report, the views of the representatives of the organizations provide additional grounds for a complete overhaul of BLLC’s management and operations by L&I and the Governor’s Office.

## **L&I'S RESPONSE TO THE OBSERVATION RELATED TO FINDING NO. 4**

The Auditor General made allegations relating to the BLLC's effectiveness based on observations of unidentified persons and unnamed matters. Accordingly, the Department cannot adequately respond to this finding without being provided with specific information pertaining to these allegations. In fact, including these anonymous allegations in this report is unwarranted and unjustified when the Department cannot respond. Accordingly, the Department can only respond generally to the subjects raised in this finding. The general areas pertain to complaint filing by telephone, disclosure of complainant identity, site visitation and complaint tracking.

Complaint filing by telephone. The BLLC has a toll-free telephone line (1-800-932-0665) that persons can use to file complaints as well as access a range of other services. In addition the BLLC website provides direct e-mail links to staff who can accept complaints.

Disclosure of complainant identity: BLLC does not disclose the name of an employee making a complaint against an employer to ensure anonymity and encourage reporting of violation. In fact, BLLC staff specifically guard against disclosure. BLLC is not aware of any instance where breach of confidence occurred regarding release of a complainant's name. While BLLC cannot guarantee absolute confidentiality (especially if a case goes to hearing), it is very concerned about unnecessary disclosure of complainant identities and would ask the Auditor General to provide it with specifics.

Complaint tracking: BLLC acknowledges that there were some past deficiencies in the tracking and updating of complaints filed. However, new systems and processes are currently being implemented that will address this issue.

Site visitation: BLLC's emphasis is on visiting major construction projects where the highest number of workers could benefit. In fact, BLLC has visited a substantial number of projects over \$100,000.

Every public construction project of \$25,000 or more is covered under the Prevailing Wage Act. BLLC receives information relating to smaller projects, just over this \$25,000 threshold, when a request for wage rates is made. This request includes a brief description of the work, and general time parameters for when the work is to be done. Frequently, small contracts are awarded and a contractor has a short timeframe to complete the work. BLLC investigators attempt to ascertain when the work will be conducted so that a site visit may be made. A contractor may easily be in one county on a given day and a second or third county a day later. Experience has shown that the information provided to the bureau is not always accurate and must be independently verified.

BLLC utilizes a system where the site visits are recorded and passed on to a different investigator each month. This helps to ensure that no single investigator is the only person visiting the larger projects. The system also creates an opportunity for a fresh pair of eyes to view that project. Use of an electronic tracking system is also being developed and implemented. Investigators do not review the certified payroll records on every site visit. Since most projects include multiple contractors, this task would severely limit the number of site visits

an investigator is able to complete. This may have created a misperception about the number of site visits conducted. BLLC is in the process of developing a field investigator's handbook of procedures for handling complaints. This handbook will be issued to all investigators after a complete review of policies and procedures is completed.

### **THE DEPARTMENT OF THE AUDITOR GENERAL'S COMMENTS**

As stated in the Observation, the statements were made by representatives of eight organizations that received ILSA solicitation letters from the BLLC staff in February 2001 or attended the May 2000 ILSA conference (see Finding No. 4).

**The identities of the organizations can be determined by L&I management through the ILSA bank account and conference records in the possession of BLLC. We encourage L&I management to conduct its own inquiries concerning those organizations' views and recommendations related to improving BLLC's performance. We suggest that L&I management seek input from BLLC's investigators, including former members of the staff who left during the tenure of the Deputy Secretary/BLLC director. We also refer L&I's management to the Department of the Auditor General's performance audit of L&I's Prevailing Wage Program released in February 2002. The audit report's conclusions correspond closely to statements summarized in the Observation.**

The concern about the lack of a central telephone line referred primarily to the lack of a means to verify the receipt of complaints. We will provide L&I with further information concerning the statement that names of complaining employees have been disclosed to employers.

**Finding No. 5 - Monitoring and oversight of BLLC Commonwealth Purchasing Card use was lax and ineffective.**

As discussed in Finding No. 1, the BLLC staff misused credit cards assigned to BLLC pursuant to the Commonwealth Purchasing Card Program. The pattern continued unabated for over three and one-half years. We found little evidence that BLLC's purchasing card use was questioned or subject to scrutiny by L&I or the LECS Comptroller's Office until the beginning of this special audit. During our review, several factors were disclosed that contributed to the failure:

Lack of monitoring for compliance with advancement account procedures

As part of their duties, agency Comptrollers are responsible for auditing purchasing card transactions of participating agencies.<sup>29</sup> Purchasing cards are used for procurement of those goods and services permitted to be purchased through agency advancement accounts. Agency Comptrollers are responsible for monitoring agency advancement accounts through periodic audits and by documenting and referring all instances of improper or illegal use of funds to the appropriate deputy agency head and the Deputy Secretary for Comptroller Operations.<sup>30</sup> The Office of the Budget has established detailed policies and procedures for Comptroller audits of advancement accounts, including reviews of justifications for purchase based on reasonableness, availability of the commodities through DGS, continual small purchases of frequently used supplies instead of large cost efficient purchases which establish inventories, large percentages of purchases from one or two vendors and multiple purchases resulting in circumvention of competitive bidding requirements.<sup>31</sup>

We found no evidence that BLLC's purchasing card transactions were managed or reviewed for compliance with advancement account procedures, either within BLLC itself, L&I or by the LECS Comptroller's Office. A substantial portion of the purchases described in Finding No. 1 violated advancement account procedures but were never questioned.

Lack of detailed information in the InfoSpan system

Credit card transactions made through the Commonwealth Purchasing Card Program are recorded and listed in InfoSpan. Statements generated by InfoSpan include purchases, dates, amounts and vendors. However, there are information gaps in two critical areas. First, in InfoSpan records, the vendor is not identified in connection with purchases of telephone equipment or payments of telephone bills. Second, InfoSpan records do not include records of the telephone calls on which the charges shown in the report are based.

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<sup>29</sup> Commonwealth Purchasing Card Program, Management Directive No. 310.23 Amended (March 24, 1997), para. 5h(2). The Directive states that auditing is to be "through random sample of electronic data provided by the card issuer."

<sup>30</sup> Commonwealth of Pennsylvania, Agency Operated Advancement Accounts, Governor's Office Manual, No. M310.1 Amended (August 11, 1999), Part 1, D 9 and 10.

<sup>31</sup> Governor's Office Manual, No. M310.1, Part 7, pp. 21-23.



As discussed in Finding No. 1, BLLC staff used purchasing cards to buy cellular telephone equipment at a cost of approximately \$9,263 and to pay cellular telephone usage charges totaling approximately \$71,379 during the period under review. Because the InfoSpan records did not reflect the identity of vendors or the telephone numbers and locations, there is no way to conduct detailed reviews, analyses or questioning of the transactions as part of an audit, or even to determine if an audit is warranted. In particular, the massive use of cellular telephones for personal calls by the Deputy Secretary/BLLC director was undetected in the InfoSpan system. Records documenting the transactions were supposedly maintained by BLLC itself. However, as pointed out in Finding No. 1, BLLC's record keeping was inadequate and incomplete, and BLLC did no monitoring and required no certifications related to cellular telephone use.

#### Inadequate review procedures

An audit manager in the LECS Comptroller's Office was responsible for conducting audits of L&I's use of Commonwealth purchasing cards. During the special audit, we found no evidence that the audit manager, or his staff, audited BLLC's use of purchasing cards. According to the audit manager, prior to the special audit, he did not see InfoSpan reports related to BLLC purchasing card transactions. Shortly after the beginning of the special audit, the LECS Comptroller's Office began an audit of BLLC's use of purchasing cards. The Department has not been provided with the results of the audit.

An accountant in a separate unit of the LECS Comptroller's Office was responsible for conducting post-audits (i.e., audits that take place after the expenditure of funds) of L&I purchasing card transactions. According to the accountant, she obtained InfoSpan information concerning L&I's purchasing card transactions and reviewed them using random sampling and flagging of "unusual" purchases, i.e., buying from bars or jewelry stores. She would then ask the office responsible for the purchase to provide backup documentation.

She said that documentation was requested from BLLC an unspecified number of times. The information was provided and the accountant took no further action. As examples of documentation provided by BLLC, the accountant provided copies of records relating to two questioned BLLC purchasing card transactions: The documents are two invoices for purchases of hats from Moritz, one in June 1998, in the amount of \$834.64, and the other in December 1998, in the amount of \$1,125.87. The total number of hats purchased was 288 (144 in each shipment). On one invoice the written justification was "Labor Law Compliance Hats needed for various meetings, conferences, information booths." On the other invoice the written justification was "state investigators to wear for identification purposes as per call to [the BLLC Harrisburg district supervisor]." The accountant made no further inquiries concerning the purchases.

The accountant said that the LECS Comptroller's Office audit manager referred to above is not her supervisor, had no role in her reviews of purchasing card use and never discussed BLLC or its purchasing card transactions with her. According to the accountant, her reviews, if referred to that audit manager, could have a bearing on the decision to conduct a full audit of an L&I's office's use of purchasing cards. However, she stated that she has never requested such an

audit. She had no idea whether her work had any impact on factors used by the audit manager's office to select transactions to be audited.

The accountant stated that she did not review recurring purchasing card transactions. Many of BLLC's questionable purchases fell into that category. According to her, she never questioned cellular telephone charges paid for with purchasing cards because the InfoSpan reports do not list the vendor's name, only the type of charge, i.e., sales or service, and she had no way to determine if a call was for business or personal reasons.

Additionally, except for one isolated instance, we found no evidence that the Commonwealth Purchasing Card Program Agency Coordinator in L&I exercised any direction or oversight over BLLC's use of purchasing cards.

### Inappropriate relationships

During the period under review, the LECS Comptroller's Office audit manager who was responsible for audits of L&I's purchasing card activities received two shirts, two sweaters, two tote bags and two hats that BLLC had obtained with purchasing cards. He attended BLLC conferences at Pocono Manor in 2000 and 2001. At the 2000 conference, he conducted training for BLLC staff, stayed one night at the resort and was provided with accommodations by BLLC as part of the package. According to the audit manager, he attended the conferences at the request of the BLLC Harrisburg district supervisor. The audit manager also attended an ILSA meeting in Salt Lake City in August 2000 with the Deputy Secretary/BLLC director. Charges for the audit manager's airfare and lodging were paid by BLLC.

In an interview, the audit manager stated that he had discussions with the Deputy Secretary/BLLC director concerning employment in BLLC, but had not explored the matter further; that he had a friendly relationship with the BLLC Harrisburg district supervisor and often visited the BLLC office "just to shoot the bull and joke around for the most part."

The accountant in the LECS Comptroller's Office responsible for conducting post-audits of L&I purchasing card transactions stated that she received one item from BLLC, a tote bag, after she called BLLC to ask questions about a BLLC purchasing card transaction with Moritz. When she found out that tote bags were purchased, she requested one from BLLC.

### Conclusions and Recommendations

In regard to BLLC, the internal control and oversight procedures established for the Commonwealth Purchasing Card Program failed. In part, this was due to the failure to review for compliance with advancement account procedures and the lack of detailed information in InfoSpan. The control system also depended heavily upon the review processes in BLLC and BLLC's record keeping. However, as discussed in Finding No. 1, there was no review process in BLLC and the record keeping was deficient. It also appears that the LECS Comptroller's Office procedures for audits of purchasing card expenditures lacked proper focus and were uncoordinated.

Even in the absence of effective control and oversight procedures, many of BLLC's questionable purchases, such as clothing, telecommunications equipment and services and promotional or novelty items, should have attracted the attention of auditors and L&I senior management long before the beginning of the special audit. As a general rule, the participation of the Comptroller's Office personnel in agency training is appropriate and useful. However, the audit manager's attendance at BLLC conferences and the receipt of gifts by the audit manager and the accountant, while relatively minor and small in value, should have alerted them, and others, to the problem. However, no one reacted until after the special audit was underway. In particular, the relationship between the LECS Comptroller's Office's audit manager and BLLC's managers is troubling. The requirements of the State Ethics Act and the Code of Conduct prohibit conflicts of interest and the solicitation or acceptance of gifts, gratuities, favors or other things of monetary value.<sup>32</sup> In addition, the Government Auditing Standards (GAS) contain a standard of independence for auditors:

In all matters relating to audit work, the audit organization and the individual auditors, whether government or public, should be free from personal and external impairments to independence, should be organizationally independent and should maintain an independent attitude and appearance.<sup>33</sup>

In addition, section 3.13 of the standards states:

Auditors should consider not only whether they are independent and their attitudes and beliefs permit them to be independent but also whether there is anything about their situations that might lead others to question their independence. All situations deserve consideration because it is essential not only that auditors are, in fact, independent and impartial, but also that knowledgeable third parties consider them so.

The standards include the following among the personal impairments to independence of auditors: official, professional, personal or financial relationships that might cause an auditor to limit the extent of the inquiry or to limit disclosure. GAS may not be considered fully applicable to all of the activities of auditors in the Comptroller's Offices that relate to the Commonwealth agencies they monitor. However, a degree of separation between auditors and the agencies is prudent and necessary to maintain independence.<sup>34</sup> In fact, the placement of the Comptroller's Offices in the Office of the Budget is intended to provide independence for internal auditors by having auditors report to an agency head different from the head of the agency their office serves.

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<sup>32</sup> 65 Pa. C. S. § 1101 et seq.; 7 Pa. Code § 7.153.

<sup>33</sup> United States General Accounting Office, Government Auditing Standards, Chap. 3, § 3.11 (July 1999 revision).

<sup>34</sup> Audits of Commonwealth organizations by Comptroller's Office are required to be performed in accordance with GAS. "Other audit-related services" are required to be performed in accordance with the general standards of GAS. Commonwealth of Pennsylvania, Governor's Office, Management Directive No. 325.3 Amended (September 14, 1994), para. 5 a. and b. Audit-related activities concerning the Commonwealth Purchasing Card Program appear to fall within the category of activities to which the GAS general standards apply.

In this case, independence appeared to be lacking. The things of value that were received may have been minor, but the relationship between the audit manager and the Deputy Secretary/BLLC director contributed to the appearance of impropriety and to the impression that the BLLC's activities, and the activities of the Deputy Secretary/BLLC director in particular, were not being reviewed in an unbiased manner by the LECS Comptroller's Office and were not subject to question.

It is recommended that the Governor's Office and the Office of the Budget:

- Review LECS Comptroller's Office activities to ensure that purchasing card transactions are checked for compliance with advancement account procedures.
- Revise the Infospan system to include the identity of vendors for all transactions.
- Establish a procedure to collect and retain cellular telephone billing information, including records of calls, in offices that are independent of the offices to which the telephones are assigned and provide for regular review and audits of those records. This responsibility cannot be left in the hands of the agency or office to which the telecommunications equipment is assigned.
- Establish new purchasing card audit procedures to provide for detection of the abuses described in this report.
- Revise the Code of Conduct and take other appropriate steps to ensure the independence of Comptroller's Office personnel from the agencies they audit and prohibit such personnel from accepting or soliciting things of monetary value from agencies they audit or deal with as part of their official duties.

#### **L&I'S RESPONSE TO FINDING NO. 5**

Lack of monitoring for compliance with advancement account procedures: It is an acceptable practice for [the] Comptroller's Office to conduct risk assessments to determine necessary reviews. The LECS Comptroller's Office prepared a risk assessment to identify which purchasing cards to include in the Annual Audit Plan. The Fiscal Year 2001-2002 risk assessment showed the BLLC Purchasing Card to be at relatively low risk, which is why it was not reviewed until a special request was made.

Lack of detailed information in the InfoSpan system: Total dollar amount by vendor invoice is included in the InfoSpan system.

Inadequate review procedures: The preliminary Auditor General's report covers many of the issues identified in the LECS Comptroller's review.

Inappropriate relationships: The Department believes that the audit manager and the accountant did not compromise their professional responsibilities. The Code of Conduct does not require items of immaterial amounts to be reported.

Conclusions and Recommendations: Regarding the absence of an appropriate degree of independence and objectivity on the part of the audit manager, the Department makes the following comments:

- 1) The audit manager referenced in this finding determined purchasing card audit selection based on the risk assessment prescribed by the LECS Comptroller's Office.
- 2) The audit manager attended the conferences noted in the report to present seminars entitled, "Evaluating Deception," "Workpaper Preparation" and "Interview Techniques." The travel costs associated with the conferences were approved.

### **THE DEPARTMENT OF THE AUDITOR GENERAL'S COMMENTS**

The Response failed to address the Finding or consider the recommendations. Conducting risk assessments may be a valid monitoring procedure as a general rule. However, in this case, the risk assessment procedure was obviously inadequate and needs to be revised.

As stated in the Finding, InfoSpan records do not identify the vendor in connection with purchases of telephone equipment or payments of telephone bills. The total dollar amount is listed but not the vendor's name. The Response also ignored the lack of detailed information concerning telephone calls in InfoSpan records.

**The LECS Comptroller's Review referred to in this portion of the Response and in the cover letter accompanying the Response has not been made available to the Department of the Auditor General despite our requests for it. According to the Office of the Budget, it is considered to be a "Confidential Management Report" and as such, it is not a public document and will not be given to the Department of the Auditor General. The refusal to provide the document is a disservice to the Office of the Budget and L&I, as well as the taxpayers. Without it, questions remain concerning the effectiveness of oversight procedures, the thoroughness and timing of L&I's corrective and disciplinary actions and the role of the LECS Comptroller's Office in monitoring of BLLC. The report should be made available to the Department of the Auditor General immediately. We are willing to satisfy any legitimate confidentiality concerns.**

The statement in the Response that L&I does not believe professional responsibilities were compromised is meaningless. Given the facts in this case, L&I cannot be the final judge of that question. The Response also appears to ignore the relevance of the independence standards of GAS to the conduct of the audit manager. In addition to the Standards quoted in the Finding's conclusions, Section 3.13 of the Standards states that auditors should consider "whether there is anything about their situations that might lead others to question their independence. All

situations deserve consideration because it is essential not only that auditors are, in fact, independent and impartial, but also that knowledgeable third parties consider them so.” (Emphasis added.)

We urge the Governor’s Office and the Office of the Budget to take appropriate action to strengthen independent audit oversight over L&I’s financial operations, particularly use of purchasing cards, travel, conferences, outside activities and disposal of surplus property.

**Finding No. 6 - Two BLLC management officials misused Commonwealth funds, resources and equipment in connection with travel activities.**

a. Questionable use of Commonwealth vehicle and personnel

On December 5, 2001, the Deputy Secretary/BLLC director drove to Pittsburgh in his assigned state vehicle to attend and speak at an official event, a dinner that was part of a series of events sponsored by the Community College of Allegheny County (CCAC). In the Deputy Secretary/BLLC director's Travel Expense Voucher (TEV) submitted in connection with the trip, he stated that he attended the dinner and drove back to Harrisburg the next day. The TEV stated that he did not stay to attend any of the other program activities.

The Deputy Secretary/BLLC director went to Pittsburgh again on Sunday, December 9, 2001, in his state vehicle. His TEV for this trip stated that he:

Traveled to Pittsburgh to attend the final day of a 10-day program hosted by the Community College of Allegheny County for 19 business, government and education leaders from Birmingham in the United Kingdom.

An itinerary concerning the CCAC program that was attached to the TEV for the December 9 trip listed, as the only program event for Sunday, a "Steelers Game – Arranged by [a union official] – 3 Guests." The union was a participant in the CCAC conference. In an interview, the Deputy Secretary/BLLC director stated that he made two trips to Pittsburgh in December 2001 in connection with a conference: the first was to attend a presentation; the second was to attend the Steelers-Jets football game. He stated that he used the state car for the second trip and attended the game in a seat provided by a labor union. The union is one of the organizations that BLLC solicited funds from in connection with an ILSA conference in May 2000.

While the Deputy Secretary/BLLC director was traveling to Pittsburgh in his state vehicle on December 5, he received a traffic citation for speeding. On February 12, 2002, the Deputy Secretary/BLLC director went to a hearing concerning the citation and was found guilty. The BLLC Harrisburg district supervisor also attended the hearing. An attorney employed by L&I as the Director of the Office of Labor-Management Cooperation in the L&I Executive Office represented the Deputy Secretary/BLLC director at the hearing. According to the Deputy Secretary/BLLC director, the attorney represented him "as a friend."

b. Inappropriate use of Commonwealth corporate credit card

The Deputy Secretary/BLLC director used his Commonwealth American Express Corporate credit card for personal travel in January 2002. He incurred \$335.76 in airfare and lodging costs in connection with travel to Montana for what he described in an interview as "personal reasons." He paid American Express for the costs and did not submit a TEV in

connection with it. He stated that he used the Commonwealth American Express Corporate credit card because he did not want to use a personal credit card at that time.

c. Questionable use of Commonwealth vehicles and personal vehicle in out-of-state travel

The individual who is the current BLLC director was the supervisor of the BLLC Philadelphia district office from February 1997 until his appointment as bureau director, succeeding the Deputy Secretary/BLLC director, in August 2001. According to the former BLLC assistant director, the current BLLC director is a close friend of the Deputy Secretary/BLLC director. In this finding, the current BLLC director is referred to as the Philadelphia district supervisor because most of the activities discussed here occurred when he held that position.

In August/September 1999, six L&I officials attended an ILSA conference held at the Don CeSar Resort and Spa in St. Petersburg Beach, FL. The attendees were the Deputy Secretary/BLLC director, an L&I attorney, the BLLC assistant director, and the supervisors of the BLLC Harrisburg, Pittsburgh and Philadelphia district offices. The conference was held from August 30 to September 3. Three of the L&I representatives traveled by air to and from the conference. At the direction of the BLLC assistant director, he and the Pittsburgh and Philadelphia district supervisors traveled to and from the conference in Commonwealth vehicles – two vans obtained by BLLC from DGS. The assistant director and the Pittsburgh district supervisor traveled in one van. According to the Pittsburgh district supervisor, the assistant director was afraid to fly and the supervisor was told to drive with him.

According to the Philadelphia district supervisor, the BLLC assistant director told him to transport beer and wine produced in Pennsylvania to Florida in one of the vans. The beverages were to be used to host a “Pennsylvania Night” reception at the conference.<sup>35</sup> We were also told that the vans were taken to Florida to be used for transportation by the L&I officials while they attended the conference. According to the Philadelphia district supervisor, the vans were needed because the L&I employees who attended the conference were “so tall” and required roomy vehicles.

In an interview, the Philadelphia district supervisor stated that he drove to Florida a week early to vacation at his parents’ house in Palm Coast. He left Pennsylvania on August 21, 1999, and arrived at his parents’ house the next day. According to him, the van sat idle there while he was on vacation from August 22 to August 29. He then attended the conference. He stated that his wife and two children also traveled to Florida. According to him, he drove the van alone to Florida and his family followed him in a family vehicle. He stated that his family stayed with his parents and did not go to the conference with him. After the conference was over, he said that he drove the van to his parents’ house in Palm Coast and his family followed him to Pennsylvania. The director reported on his TEV that he arrived home on September 4, 1999.

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<sup>35</sup> In an interview, the Deputy Secretary/BLLC director stated that the Commonwealth funds were not used to pay for the alcoholic beverages.



In addition to the costs to the Commonwealth of the conference itself and other related expenses, the charges to L&I included \$980, set by and paid to DGS, for use of the van for 29 days. The Commonwealth paid for fuel for the van. The Philadelphia district supervisor traveled on Commonwealth time and, according to him, may have earned compensatory time for travel on weekends. There are no records of usage of the vans during the conference. Travel expense vouchers submitted by the Philadelphia district supervisor showed no van mileage for the days of the conference itself.

According to records of the use of the Commonwealth van driven by the Philadelphia district supervisor, the request form for temporary transportation stated that it was an “emergency request” and that the Philadelphia district supervisor would be driving himself and three passengers. The records also stated that the van was taken out on August 12 and returned on September 9, and was driven 3,945 miles during the period it was assigned to the BLLC Philadelphia district supervisor. The actual round trip mileage to the Florida destination listed by the Philadelphia district supervisor on his TEV is approximately 2,260 miles, leaving 1,685 miles unaccounted for.

In August 2000, the Philadelphia district supervisor traveled to Milwaukee to attend a conference. He used a Commonwealth vehicle obtained from DGS to drive to and from the conference. According to him, his family also made the trip, driving behind him in a family car. According to records, the conference ran from Monday, August 14 through Saturday, August 19. He left his residence in the Philadelphia area on August 6 and drove to Pittsburgh, then to Erie, where he stayed for several days. According to his travel expense voucher for that period, he met with other L&I personnel on work-related matters in the Erie area. He left Erie on August 12, drove to Toledo, where he stayed overnight, and then drove to Milwaukee. He stayed in Milwaukee for six nights and then drove back to the Philadelphia area on August 19-20. The cost of the travel included a \$513 charge by DGS for use of the vehicle for 15 days. The Commonwealth also paid for fuel. A BLLC investigator also attended the conference. He traveled by plane to and from the conference. We found no record of the justification for use of the Commonwealth vehicle for the Milwaukee trip. We also found that DGS and L&I had no detailed records of the use of the vehicles in connection with either the Florida or Milwaukee trips. The vehicle records that were available were provided by the LECS Comptroller’s office.

In 2001, the Philadelphia district supervisor attended a conference in Portland, ME, from August 6 to August 10. He used his personal vehicle to drive to and from the site. He received \$278.76 as reimbursement for vehicle expenses based on mileage. Two other BLLC employees attended the conference. Both traveled by air. At the time this travel took place, the Philadelphia district supervisor had a Commonwealth vehicle assigned to him. We found no documentation to justify why his assigned Commonwealth vehicle was not used for the trip.

### **Conclusions and Recommendations**

The Deputy Secretary/BLLC director’s actions are indicative of a pattern of misuse of Commonwealth funds and property, as well as disregard for Commonwealth policies and procedures. As noted in other Findings in this report, public officials and employees are prohibited from soliciting or accepting things of monetary value from persons who conduct

operations or activities that are regulated by the Commonwealth or who have interests that may be substantially affected by the performance or non-performance of the official duty of the employee. Commonwealth vehicles and corporate American Express credit cards are to be used only for official business. Additionally, operators of state vehicles are responsible for the payment of all traffic violations.<sup>36</sup> Therefore, the involvement of an L&I attorney and the presence of a BLLC district supervisor at the Deputy Secretary/BLLC director's traffic citation hearing are questionable.

The use of Commonwealth vehicles by the BLLC Philadelphia district supervisor also constituted waste and misuse, as well as failure to adequately monitor and document the use of vehicles by BLLC.

**It should be noted that BLLC is a co-sponsor of a State Apprenticeship and Training Council appointed by the Governor. Council members, who are not Commonwealth employees, attend meetings at the L&I Building in Harrisburg and in other locations around the state. According to the current BLLC director, travel expenses for council members cost BLLC about \$1,000 per month. The members' TEVs and related documentation are collected by the BLLC staff. However, the current BLLC director said he did not know who was responsible for approval of reimbursement payments. The records were not reviewed as part of the special audit. In view of the improprieties concerning travel expenses and activities described in this finding and BLLC's widespread misuse of purchasing cards, BLLC's management and administrative duties in connection with the State Apprenticeship and Training Program are also subject to question and should receive greater oversight.**

It is recommended that the Governor's Office, the Office of the Budget, L&I and DGS:

- Conduct an audit of all travel, including temporary use of Commonwealth vehicles such as vans, by BLLC staff during the period under review and obtain reimbursement for overpayments or improper use when they occurred. The audit should include all TEVs submitted by BLLC staff and all records of reimbursement and expenses related to boards and grant programs sponsored or administered by BLLC. The results of the audit should be reported to the Department of the Auditor General. Based on the findings of the special audit, the ability and capacity of BLLC to manage or administer expenditures of Commonwealth funds is questionable and requires greater oversight and direction.
- Take appropriate disciplinary action concerning misuse of Commonwealth vehicles, equipment and a credit card by the BLLC staff, including the Deputy Secretary/BLLC director.

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<sup>36</sup> Commonwealth of Pennsylvania, Governor's Office, Management Directive No. 615.8, Sec. 39.95f (March 26, 1980).

- Establish, enforce and monitor procedures for temporary use of Commonwealth vehicles assigned by DGS, including written justifications and retention of records for at least five years.

### **L&I'S RESPONSE TO FINDING NO. 6**

Questionable use of Commonwealth vehicle and personnel: The Auditor General questions the former Deputy Secretary/BLLC director's use of a state vehicle to attend and speak at an official event and related activities. It is not uncommon under these circumstances for management level employees to attend events during work hours and on personal time with officials from labor or management organizations in connection with various Commonwealth programs and initiatives. The participants in this conference, which included government and education leaders from the United Kingdom, sought to develop a working relationship for a job apprenticeship and training exchange program. Based upon information known to the Department at this time, there appears to be no inappropriate vehicle use in this instance. The Auditor General incorrectly found that an attorney from the Department's Office of Chief Counsel (OCC) represented the former Deputy Secretary/BLLC director at a hearing concerning a traffic speeding citation. Rather, a departmental employee, who was a personal friend and an attorney, attended the hearing to offer support on his own time. The employee is not employed by OCC.

Inappropriate use of Commonwealth corporate credit card: Use of the Commonwealth corporate card for personal expenses is prohibited. However, the Commonwealth employee has the responsibility to pay for all credit card expenses. No TEV was ever submitted for the costs incurred, and the Commonwealth was not charged. The former Deputy Secretary/BLLC director no longer has access to a corporate credit card, and is currently suspended without pay pending further investigation.

Questionable use of Commonwealth vehicles and personal vehicle in out-of-state travel: Travel and attendance at conferences is a common occurrence within many state agencies, and it is not uncommon for family members to independently accompany employees. As far as the use of the van for purposes of the Florida conference, the employee in question had turned in his Commonwealth-assigned vehicle for that month, and, at the direction of the former assistant director, used the Commonwealth van for the conference and other state-related business during that month. The employee's family traveled separately in their personal vehicle. No inappropriate use of Commonwealth resources was found to have occurred.

### **THE DEPARTMENT OF THE AUDITOR GENERAL'S COMMENTS**

As stated in the Finding, the Deputy Secretary/BLLC director attended the conference in Pittsburgh and then returned to Harrisburg. He then drove back to Pittsburgh on Sunday in a Commonwealth vehicle for the sole purpose of attending a Pittsburgh Steelers football game in seats provided by a union organization, filed a TEV for parking at the game and was reimbursed by the Commonwealth for the parking charge. The assertion in the Response that the travel and the vehicle usage were appropriate and reasonable is unsupported by the facts.

The statement in the Finding concerning the L&I employee who appeared as the Deputy Secretary/BLLC director's attorney at the February 12 hearing has been corrected. The attorney was the Director of the Office of Labor-Management Cooperation in the Executive Office of L&I at the time of the incident. We continue to question the propriety of his appearance (as well as that of the BLLC Harrisburg district supervisor) at the Deputy Secretary/BLLC director's traffic violation hearing.

No reasonable justification has been provided for use of a Commonwealth van for 29 days in connection with the trip to Florida. There have been no explanations of many issues, i.e., the unconvincing statements made to us concerning the reasons for obtaining temporarily assigned vans, the apparently false statement that the request for a van was an "emergency request," the statement that three passengers would be riding with the BLLC director, the 1,685 unaccounted-for miles on the van and the failure to explain why the BLLC director could not have traveled in his assigned Commonwealth vehicle if he was going alone, or with the assistant BLLC director and the BLLC Pittsburgh district supervisor who took another van to the same conference. Additionally, L&I has not provided any explanation or substantiation for the BLLC director's use of a Commonwealth vehicle on the Milwaukee trip or the reimbursement to the BLLC director for his use of a personal vehicle for the Maine trip when he had a Commonwealth vehicle assigned to him.

## **L&I'S RESPONSE (COVER LETTER)**

L&I's responses to each Finding of the report and the Observation are presented after the conclusions and recommendations related to Finding Nos. 1 through 6 and the Observation. Together with the specific responses, L&I also submitted a letter which appears opposite, followed by our general comments.



September 17, 2002

Peter J. Smith, Director  
Office of Special Investigations  
Room 327, Finance Building  
Harrisburg, PA 17120

***Re: Department of Labor & Industry's Bureau of Labor Law Compliance***

Dear Mr. Smith:

Attached is the Department's response to the draft, special audit report regarding the Department of Labor & Industry's Bureau of Labor Law Compliance ("BLLC").

The Department of Labor & Industry is deeply committed to ensuring appropriate use of Commonwealth resources. Aggressive steps have already been taken to tackle the alleged financial improprieties indicated in your report. The Department has created and posted a position for a financial officer, specifically for the Bureau of Labor Law Compliance. The duties of this individual will primarily be to keep the BLLC in compliance with the appropriate rules and management directives on procurement with the Commonwealth, as well as to track financial transactions and maintain fiscal responsibility for the expenditures of the BLLC. Moreover, the Department has revoked use of the purchasing cards alleged to have been abused by BLLC administration.

With regard to the responsible use of Commonwealth resources, this new position of financial officer will provide oversight into the use of such resources by the BLLC. We do believe, however, that the examples of vehicular resource abuse and inappropriate involvement in Interstate Labor Standards Association ("ILSA") activities have been exaggerated. Based upon information available to the Department at this time, the use of Commonwealth vehicles by BLLC employees was related to their work activities, and does not appear to violate any governmental mandates or directives. Additionally, ILSA is an organization that provides for the open exchange of information on precisely the laws that the BLLC administers, and has been a valuable informational resource for the Department, as well as other outside organizations that have an interest in labor standards issues.

Clearly, some of the individual actions referenced in this report are inexcusable and have been or are in the process of being addressed pending further investigation. Many of the improprieties uncovered by this special audit were directed towards actions taken by, and under the direction

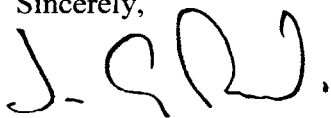
*Department of Labor & Industry Response*

*Page 2*

of, the former Deputy Secretary/BLLC Director. When inappropriate actions came to light, the Department immediately suspended, then demoted, the individual involved. Partial restitution has been attained, and this person is currently suspended, without pay, pending further investigation. I have since been hired and will restore the integrity lost under the former Deputy Secretary/BLLC Director.

Should you have any questions regarding this response, please contact John Thomas, Director, Bureau of Financial Management at 717-787-1705 or [johnthomas@state.pa.us](mailto:johnthomas@state.pa.us).

Sincerely,

A handwritten signature in black ink, appearing to read "J. G. Ferko". The signature is written in a cursive style with a horizontal line under the first letter of the first name.

Jon G. Ferko

Deputy Secretary for Safety and Labor-Management Relations

Enclosure

cc: Harvey C. Eckert, Deputy Secretary for Comptroller Operations  
William A. Hardenstine, Jr., Comptroller, Labor, Education and Community Services  
John S. Thomas, Director, L&I Bureau of Financial Management

**THE DEPARTMENT OF THE AUDITOR GENERAL'S GENERAL COMMENTS ON L&I'S COVER LETTER**

Based on the letter, L&I appears to recognize the seriousness of the special audit report findings concerning BLLC's misuse of purchasing cards and the actions of the Deputy Secretary/BLLC's director. Specific items in the Findings about which we are in disagreement are considered in detail in the responses and comments follow each Finding and the Observation.

Overall, L&I appears to be relying almost exclusively on the establishment of the as-yet unfilled position of BLLC financial officer as the basic corrective step. As discussed in our comments to L&I's specific responses to the Findings, we do not believe that such an action will suffice to correct BLLC's problems.

Furthermore, while L&I has manifested disapproval of many of the Deputy Secretary/BLLC director's abuses, it has failed, to date, to take comprehensive disciplinary action or obtain full restitution despite being in timely possession of much of the same information available to the Department of the Auditor General.

Finally, L&I's response does not address or attempt to explain its failure to detect or deal with the misuse of purchasing cards and the misconduct of the Deputy Secretary/BLLC director at any time before the Department of the Auditor General began to make inquiries. These failures should be addressed and appropriate safeguards erected to prevent future misuse of Commonwealth funds in L&I.



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