

Report To The Mississippi Legislature



An Investigative Review of the Mississippi Department of Transportation's Equipment Shop

November 13, 1997

Although Mississippi Department of Transportation (MDOT) policies require authorization and recording of vehicle and equipment repair and maintenance activities, MDOT equipment shop personnel have failed to adhere consistently to these policies. Without properly completed documentation, the department has no means by which to analyze the maintenance history of each vehicle to determine when preventive maintenance or vehicle disposal should occur. MDOT's internal control system for its equipment shop does not require that excess vehicle parts be inventoried or stored in a secured location, thus compounding the problem of poor recordkeeping and allowing the possibility that shop personnel could repair state vehicles with used parts while procuring new parts for personal use.

MDOT and State Personnel Board staffs did not ensure that one applicant's work experience was valid and complete prior to hiring (and later promoting) him at the Jackson equipment shop.

The MDOT Equipment Shop Supervisor may have violated state conflict of interest laws when he bought two surplus MDOT automobiles. State law prohibits public servants from buying, directly or indirectly, items sold by the governmental entities which employ them.

The PEER Committee

PEER: The Mississippi Legislature's Oversight Agency

The Mississippi Legislature created the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER Committee) by statute in 1973. A standing joint committee, the PEER Committee is composed of five members of the House of Representatives appointed by the Speaker and five members of the Senate appointed by the Lieutenant Governor. Appointments are made for four-year terms with one Senator and one Representative appointed from each of the U. S. Congressional Districts. Committee officers are elected by the membership with officers alternating annually between the two houses. All Committee actions by statute require a majority vote of three Representatives and three Senators voting in the affirmative.

Mississippi's constitution gives the Legislature broad power to conduct examinations and investigations. PEER is authorized by law to review any public entity, including contractors supported in whole or in part by public funds, and to address any issues which may require legislative action. PEER has statutory access to all state and local records and has subpoena power to compel testimony or the production of documents.

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The Committee assigns top priority to written requests from individual legislators and legislative committees. The Committee also considers PEER staff proposals and written requests from state officials and others.

**An Investigative Review of the Mississippi Department of
Transportation's Equipment Shop**

November 13, 1997

**The PEER Committee
Mississippi Legislature**

The Mississippi Legislature

Joint Committee on Performance Evaluation and Expenditure Review

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November 13, 1997

Honorable Kirk Fordice, Governor
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Honorable Tim Ford, Speaker of the House
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At its meeting of November 13, 1997, the PEER Committee authorized release of the report entitled **An Investigative Review of the Mississippi Department of Transportation's Equipment Shop.**

A handwritten signature in cursive script, reading "Billy Bowles", written over a horizontal line.

Representative Billy Bowles, Chairman

**This report does not recommend increased
funding or additional staff.**

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An Investigative Review of the Mississippi Department of Transportation's Equipment Shop

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Executive Summary

Introduction

The Mississippi Department of Transportation (MDOT) Equipment Shop, located in Jackson, provides maintenance and repair for departmental vehicles and support equipment located in the Jackson metropolitan area. PEER received allegations concerning maintenance operations and personnel practices at the MDOT Equipment Shop. These allegations concerned shop personnel using the state facility and its assets to repair privately owned vehicles or their component parts during the state work day and the department's promotion of an unqualified equipment mechanic, hereafter called mechanic, to a master mechanic position.

Conclusions

At the request of the MDOT Director of Support Services Division, the department's Internal Audit Division reviewed the Jackson equipment shop's internal control policies and procedures in May 1997. The Internal Audit Division determined that shop personnel did not consistently adhere to the shop's internal controls. In response, the Director of Support Services detailed actions to become effective July 1, 1997, to correct noncompliance. PEER found that the equipment shop superintendent and supervisor had taken corrective action to authorize and approve repair or service work and to document the purchased parts and labor hours on each work order. However, the shop's supervisory personnel had not taken corrective action to inspect completed repairs and service to ensure the quality of the work and the proper use of parts and supplies.

MDOT has established a rudimentary and limited internal control system for its shop operations through a series of policies and forms to be completed primarily by shop managers, but this system lacks controls relative to:

- inventory of repair and service parts, equipment, supplies, and tools; and,
- records of vehicle maintenance.

Concerning employee selection procedures, MDOT and State Personnel Board staffs did not ensure that an applicant's work experience was valid and complete prior to hiring (and later promoting) him as a mechanic in the Jackson equipment shop.

PEER also detected a possible violation of state conflict of interest laws. The MDOT Equipment Shop Supervisor bought two surplus MDOT automobiles for his son's used car business, which could have violated MISS. CODE ANN. Section 25-4-105 (3) (b). The purchase of these vehicles creates the appearance of unethical use of the supervisor's position to benefit a private business.

Recommendations

Internal Controls

1. The Mississippi Department of Transportation should enforce its internal control system within its Jackson equipment shop. The department should also develop, implement, and enforce appropriate policies and controls for:
 - inventory control and secure storage of equipment, spare or excess parts, supplies, and tools;
 - supervisory review of completed equipment maintenance work orders on a random basis frequent enough to ensure the satisfactory quality of the maintenance repair or service and the use of all new parts and supplies on the work order;
 - a management reporting and review system, including independent third-party audits; and,
 - prohibition against personal use of the equipment shop facility by MDOT or other personnel.
2. The MDOT Director of the Support Services Division should implement a policy which re-

quires equipment shop supervisors to review the maintenance records of vehicles and equipment prior to authorizing and scheduling their periodic maintenance or emergency repair services. This review would help to ensure that maintenance is accomplished in accordance with manufacturers' recommendations and departmental policy, plus help identify maintenance part problems, misuse, or theft.

3. Using existing resources, MDOT should determine the feasibility of implementing a computer-based system which could be used to manage the Jackson equipment shop, as well as its district equipment shop operations, more effectively and efficiently. This study should consider the purchase of existing commercial software which is used for fleet maintenance management programs in the public and private sectors.

Employee Selection Practices

4. The State Personnel Director and MDOT Executive Director should direct their respective staffs to review the personnel transac-

tion involving the mechanic (later promoted to master mechanic) to identify processing weaknesses and to determine whether systemic changes should be implemented. If the State Personnel Director and MDOT Executive Director find that the selection process was implemented incorrectly, these officials should take appropriate personnel action regarding employees involved in the transaction.

5. Using existing resources, the State Personnel Board should determine the feasibility and cost of implementing a personnel audit program to verify that the state agencies are fulfilling their responsibilities in the personnel recruitment and selection process, as outlined in the State Personnel Board's *Policy and Procedures Manual*.

Conflict of Interest

6. The Mississippi Ethics Commission should review the MDOT Equipment Shop Supervisor's purchase of MDOT vehicles to determine whether this act constitutes a violation of the state's conflict of interest laws.

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An Investigative Review of the Mississippi Department of Transportation's Equipment Shop

Introduction

PEER received allegations concerning maintenance operations and personnel practices at the Mississippi Department of Transportation (MDOT) Equipment Shop. These allegations concerned shop personnel using the state facility and its assets to repair privately owned vehicles or their component parts during the state work day and the department's promotion of an unqualified equipment mechanic, hereafter called mechanic, to a master mechanic position.

Authority

The PEER Committee conducted this investigative review of MDOT's Equipment Shop which is located in Jackson, Mississippi, pursuant to the authority granted by MISS. CODE ANN. § 5-3-57 et seq. (1972).

Scope and Purpose

In conducting the investigative review, PEER sought to determine whether:

- MDOT internal controls are adequate to ensure accountability for shop equipment, parts, supplies, and tools;
- equipment shop managers and State Personnel Board (SPB) staff complied with SPB regulations in the initial employment and subsequent promotion of an unqualified individual to equipment mechanic and master mechanic, respectively; and,
- equipment shop employees use equipment, facilities, supplies, and tools for personal use.

Method

In conducting this investigative review, PEER:

- conducted three unannounced equipment shop facility inspections, including a joint inspection with the Department of Public Safety;

- reviewed the equipment shop's internal audits, financial records, operational records, and related documents from July 1, 1996, to August 22, 1997;
- reviewed a sample of maintenance records for vehicles and equipment;
- reviewed MDOT's and SPB's personnel records for the mechanic in question (June 1996 through April 1997) and their personnel recruitment and selection policies and procedures;
- interviewed MDOT shop personnel;
- interviewed MDOT and SPB personnel staff directly involved in recruitment and selection of the mechanic in question; and,
- conducted a descriptive inventory of three storage areas in the equipment shop facility which are used for equipment, parts, supplies, and tools.

Background

The MDOT Equipment Shop is located organizationally within the department's Support Services Division, which is one of five operational divisions of the MDOT Office of Administrative Services. Its mission is to:

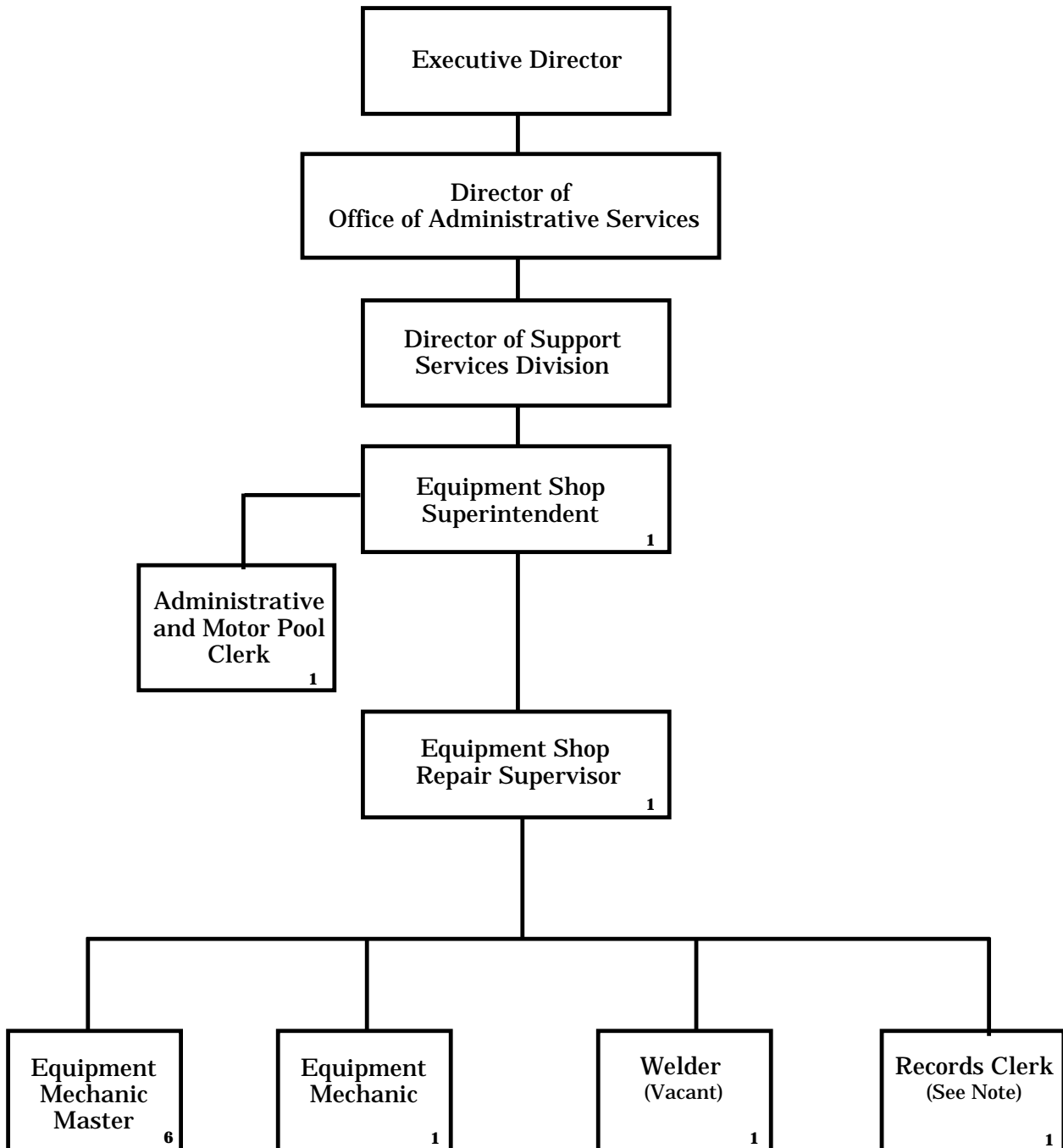
- provide maintenance and repair for department vehicles and support equipment located in the Jackson, Mississippi, area;
- operate a motor pool for MDOT employees (thirty-five automobiles and vans);
- provide emergency repair or maintenance services to other MDOT districts which lack the equipment shop facilities, equipment, or expertise; and,
- operate a statewide wrecker service to pick up or assist disabled MDOT vehicles.

MDOT currently uses twelve personnel positions to accomplish this mission. The Jackson equipment shop performed maintenance or repairs on over 300 vehicles or equipment items in FY 1997. Exhibit 1, page 3, shows the organization and staffing of the equipment shop.

The MDOT Equipment Shop expended \$1,704,230 in FY 1997, including \$895,463 of reimbursed expenses from the supported MDOT sections in the Jackson area. The FY 1998 budget shows a total planned expenditure and reimbursement of \$2,873,168 and \$1,441,584, respectively. Exhibit 2, page 4, shows these expenditures by budget category.

Exhibit 1

Organization and Staffing Chart for MDOT Equipment Shop Operation in Jackson, MS (As of September 18, 1997)



NOTE: The individual functioning as the Records Clerk is classified as an equipment mechanic in the state personnel system. This individual maintains maintenance and procurement records and sometimes procures parts, supplies, and tools. The numbers denote the number of individuals employed in that job classification.

SOURCE: PEER Analysis of Mississippi Department of Transportation Information

Exhibit 2

**FY 1997 and FY 1998 Actual and Planned Expenditures,
MDOT Equipment Shop in Jackson, MS, by Category**

Major Objects of MDOT Expenditures	FY 1997 Expenditures	FY 1998 Budget
1. Salaries and Fringe Benefits	\$295,965	\$428,080
2. Travel	601	0
3. Contractual Services	83,906	165,000
4. Commodities	428,295	838,504
5. Capital Outlay - Other	0	0
6. Equipment	0	0
7. Other *	895,463	1,441,584
Grand Total	\$1,704,230	\$2,873,168
* The "Other" budget category contains expenditures for which other MDOT sections reimburse the MDOT Equipment Shop for equipment maintenance support in order to distribute the department's costs to the appropriate cost centers for federal and state projects.		
SOURCE: MDOT Financial Records		

Conclusions

While the Mississippi Department of Transportation has established rudimentary internal controls for its Jackson equipment shop, the controls do not adequately protect the shop's inventory from theft or loss. Also, MDOT's equipment shop managers do not ensure the completion of required forms, information from which should be used to make operational and management decisions regarding department vehicles and equipment.

MDOT and State Personnel Board staffs did not ensure that an applicant's work experience was valid and complete prior to hiring (and later promoting) him as a mechanic in the Jackson equipment shop. PEER also detected a possible violation of state conflict of interest laws (MISS. CODE ANN. §25-4-105). The MDOT Equipment Repair Supervisor bought two surplus MDOT automobiles for United Auto Sales, his son's used car business. The purchase of these vehicles creates the appearance of unethical use of the supervisor's position to benefit a private business.

Internal Controls

Although MDOT has policies requiring personnel to authorize and record the repair and maintenance of vehicles and equipment, equipment shop personnel have failed to adhere consistently to these policies.

MDOT's central equipment shop provides maintenance and repair services to vehicles and equipment assigned to the Jackson metropolitan area, including thirty-five automobiles and vans in the Jackson motor pool. It also provides these same services to vehicles and equipment assigned to other MDOT districts which lack the facilities, equipment, or expertise to perform the required work. From July 1996 through June 1997, the equipment shop performed maintenance or repairs on more than 300 vehicles or items of equipment.

State accounting regulations presently require agencies to establish the accounting and administrative controls to accomplish internal control objectives, as defined in the *Mississippi Agency Accounting Policies and Procedures Manual*, Volume II, Section 30.10.15:

. . . internal control comprises the plan of organization and all methods and procedures adopted by an agency to safeguard its assets, check the accuracy and reliability of its accounting records, promote operational efficiency, and encourage adherence to prescribed managerial policies.

MDOT, in policies which pre-date the state's present accounting regulations, established a rudimentary internal control system for its shop operations through a series of policies and forms to be completed primarily by

shop managers. In summary, MDOT's equipment shop internal control system requires:

- equipment operators to maintain service records for equipment assigned to them;
- operators to identify the service and repair requirements of motor pool vehicles;
- the equipment shop supervisor to authorize repair or maintenance work;
- the mechanic to account for the parts and supplies used during the repair or maintenance work;
- the mechanic to record the labor charges for the job; and,
- the equipment shop superintendent or supervisor to attest that the mechanic completed the repair or maintenance work in accordance with instructions on the work order.

In May 1997, the MDOT Internal Audit Division completed a review of the internal control policies and procedures of the department's Jackson equipment shop. The Internal Audit Division conducted this review, which covered the period of April and May 1997, at the request of the MDOT Director of Support Services Division. The Internal Audit Division determined that shop personnel did not consistently adhere to the shop's internal control system, as summarized below:

- No evidence existed that the appropriate shop personnel reviewed the requests for service and repair of MDOT vehicles and equipment.
- No signatures were present on requests for service and repair to authorize the work nor to assign a work order number.
- Personnel failed to list parts and supplies used in service or repair work.
- Supervisory personnel did not inspect service and repairs after shop mechanics completed the work to ensure the quality of the work and the proper use of parts and supplies.
- Mechanics did not always report the number of hours worked to complete a service or repair job.

In response to the Internal Audit Division's review, the MDOT Director of Support Services detailed actions to become effective on July 1, 1997, to correct non-compliance with the shop's internal control system. PEER's review of selected FY 1998 work orders and supporting records documented that the equipment shop superintendent and supervisor had taken corrective action to authorize and approve repair or service work and to document the purchased parts and labor

hours on each work order. However, the shop's supervisory personnel had not taken corrective action to inspect completed repairs and service to individual vehicles to ensure the quality of the work and the proper use of parts and supplies.

MDOT's internal control system for its Jackson equipment shop lacks essential elements relative to an inventory of excess or replaced parts and historical vehicle maintenance information.

MDOT's internal control system for its Jackson Equipment Shop consists primarily of a series of policies and forms designed to authorize and record the repair and maintenance of MDOT vehicles and equipment. While the system provides the most basic administrative and accounting controls for the shop operation, it is lacking in the following areas.

Inventory of repair and service parts

Rather than maintain an inventory of repair and replacement parts on-site, MDOT procures such parts on an as-needed basis, depending upon the type of work being performed on a vehicle. MDOT allows mechanics to procure parts costing less than a total of \$250, with the equipment shop purchasing clerk being responsible for procuring parts costing more than a total of \$250. On occasion, mechanics will purchase routine parts, such as oil and air filters, in excess of their immediate needs to be used at a later date. Also, while repairing or servicing department vehicles and equipment, mechanics may identify certain defective parts which can be replaced but still be used to conduct diagnostic tests or to make emergency repairs on vehicles and equipment. (Some vehicle parts must be returned to a vendor due to state contract requirements--i.e., batteries or tires.)

MDOT's internal control system for its Jackson equipment shop does not require that excess or replaced vehicle parts be inventoried or stored in a secured location. The department allows equipment shop mechanics to retain excess or replaced parts in their individual work areas or to store them in several unsecured storage containers and areas. While PEER did not detect such, the possibility exists that shop personnel could repair state vehicles with replaced parts while procuring excess parts which could be diverted to personal use. During an inspection of the equipment shop, PEER located three vehicle engines, reportedly belonging to the shop supervisor and a retired master mechanic, in the maintenance work area. Because MDOT had no inventory of its excess or replaced parts, neither PEER nor the department could dispute the employees' ownership claims or determine whether the employees had used state-purchased parts to repair the engines.

Historical vehicle maintenance information

MDOT's policies and procedures for its shop operation require shop personnel to maintain in a file folder (commonly referred to as a "jacket") a complete record of all maintenance or repair work performed on a vehicle. PEER reviewed the FY 1997 vehicle jackets of seventeen of the thirty-five motor pool vehicles and determined that twenty-six percent of the repair and maintenance procedures for the seventeen vehicles were not supported by required authorization and documentation, such as service center work orders. Without service center work orders (or properly completed work orders), the department has no means by which to analyze the maintenance history of each vehicle to determine when preventive maintenance should occur or when the vehicle should be disposed of due to excessive operating costs.

At the time of PEER's review, MDOT did not compile information from the vehicle jackets to analyze expenditure or maintenance trends or to gauge the productivity of shop personnel. PEER reviewed FY 1997 financial and maintenance records for MDOT's thirty-five motor pool vehicles and noted unusual maintenance charges or questionable use of employees' time, as described below.

- Shop personnel charged nine vehicles for two different oil filters each within a two-week period.
- MDOT operating policies require each vehicle's oil to be changed at every 3,000 to 4,000 miles. Maintenance records document at least three vehicles which had their oil changed with less than 600 miles of travel each.
- Shop personnel charged some vehicles which require five quarts of oil per change with amounts of oil ranging from seven to sixteen quarts per oil change.
- Shop personnel charged a total of 180 hours of labor to three vehicles for fourteen oil changes (with no documentation of other repair work being done on the vehicles during the fiscal year). Assuming the accuracy of the maintenance records, each oil change took an average of thirteen hours. (Most commercial "quick change" oil businesses take approximately fifteen minutes to change a vehicle's oil once it is in the service bay.)
- Shop personnel charged one vehicle for two sets of tires over a five-month period with records indicating that the vehicle had traveled less than 25,000 miles during this period. (According to the tire dealer, the tires had a 45,000 mile warranty.)
- Shop personnel charged one vehicle for two batteries within a two-month period. (According to the battery dealer, each battery had a five-year warranty.)

- On average, shop personnel changed the air filters of the central motor pool vehicles approximately every 4,500 miles. (Under normal driving conditions, most automobile manufacturers recommend changing air filters approximately every 30,000 miles.)

Employee Selection Practices

PEER received allegations concerning the Department of Transportation's hiring of an unqualified individual as an equipment mechanic. The complainant alleged that the department subsequently promoted this individual, still unqualified, to the position of equipment mechanic master.

PEER verified the allegations that the individual in question submitted a signed job application to the State Personnel Board for the mechanic position at the MDOT Equipment Shop in Jackson, MS, on June 7, 1996. SPB staff notified him that he did not meet the mandatory three-year combination of experience and training for the mechanic position. Subsequent to receiving this correspondence from SPB, the applicant, accompanied by the Equipment Shop Supervisor, went to the MDOT Human Resources Division on June 26, 1996, to complete a supplemental experience and training record form which showed two years of related voluntary labor at his stepfather's cattle farm. The MDOT Human Resources staff then submitted this signed form to SPB for re-evaluation of the applicant's minimum qualifications for the position.

During the re-evaluation process, the applicant requested by telephone that SPB staff change his application form to change his status with the U. S. Army National Guard from "member" (five hours per week) to "full-time employee" (forty hours per week). The SPB staff subsequently made a handwritten change to his work hours on the application form. This change in employee status and supplemental work experience resulted in SPB's determination that the applicant was qualified for the position and placement of the applicant on a certificate of eligibles. MDOT hired the applicant for the position effective July 16, 1996, after he participated in a selection interview process with the ES Superintendent and Supervisor.

In early 1997, the MDOT Equipment Shop had a master mechanic position available. The department initiated a promotion process with SPB which provided a certificate of eligibles, dated February 10, 1997, listing no qualified individuals. However, the mechanic discussed above applied for this position on February 5, 1997. His application form reflected the same information as did his application for the mechanic's position, except for added U. S. Army vocational training as light wheel vehicle mechanic and his eight months of work experience at the MDOT Equipment Shop. SPB evaluated his application and issued a letter of eligibility for the master mechanic position, dated February 18, 1997.

Once the mechanic received his eligibility notification for the master mechanic position, the MDOT Equipment Shop Superintendent recommended to the MDOT Director of Support Services Division that the mechanic be promoted to

the position of master mechanic on a noncompetitive basis. The MDOT Director of Support Services Division signed the MDOT Personnel Action Request for this action effective April 1, 1997, and forwarded this request to the MDOT Human Resources Division. After the MDOT Executive Director approved this action, this request, with the other required documentation, was forwarded to the State Personnel Director for final approval. He approved the promotion because it appeared to comply with the following SPB policies for noncompetitive promotions in *State Personnel Board Policy and Procedures Manual*, Section 4.21.10:

- an agency may consider only employees who have completed at least six months of their probation period;
- an agency shall submit a current copy of an experience and training record along with the appropriate position employee profile form for those employees to be considered for this type of promotion; and,
- the State Personnel Director shall only certify those employees meeting the selection criteria and passing any required examinations for non-competitive promotion.

The State Personnel Board certified to the Department of Transportation that an applicant was qualified for a position, although that individual did not meet minimum experience requirements. MDOT hired the individual and later promoted him to another position for which he was not qualified.

MISS. CODE ANN. § 25-9-103 (a) (1972) requires the State Personnel Board “[t]o recruit, select and advance employees on the basis of their relative ability, knowledge and skills, including open consideration of *qualified* applicants for initial appointment” (emphasis added). Similarly, Section 4.21.1 of the State Personnel Board’s *Policy and Procedures Manual* requires the State Personnel Director to establish and maintain lists of eligibles necessary to provide an adequate supply of “*qualified* candidates for positions in the state service” and Section 4.21.1 (A) states that after the State Personnel Director has determined that an “applicant has *met the selection criteria* for an occupational class, the applicant’s name is added to the appropriate list of eligibles” (emphasis added).

The SPB would find it difficult to verify the experience and training of every applicant for a state service position due to staffing limitations. Yet state law and SPB policies imply that after SPB’s review, applicants are deemed eligible for employment since they reportedly possess the educational and training experiences stated on their application forms and are in compliance with the minimum qualifications of the positions for which they are applying.

However, although SPB has statutory responsibility for recruiting qualified applicants, SPB and the hiring agency, in practice, share responsibility for verifying an individual’s experience and training. Section 4.11.7 in the Mississippi State Personnel Board Policy and Procedures Manual states the following policies for verifying the experience and training of a job applicant in

order to determine whether they meet the mandatory qualifications for a state position:

- A. *An applicant's or employee's educational record and work history may be investigated by the State Personnel Director or the hiring agency.*
- B. *Such investigative procedures may include but not necessarily be limited to contacting present and previous employers and/or schools, colleges, or other institutions in order to verify information contained in the Experience and Training Record or related documents supplied by the applicant.*
- C. *The hiring agency shall be held ultimately accountable for verifying the correctness of information recorded in the Experience and Training Record.*

PEER pointed out this weakness in the state personnel system's recruitment and selection processes in the Committee's 1994 report *A Performance Evaluation and Expenditure Review of the State Personnel Board*. The case in point at the Department of Transportation exemplifies the system's failure to ensure that state agencies hire or promote only qualified individuals.

- *SPB staff made changes to the individual's application form based on a telephone request and without documentation of accuracy or authorization by signature.*

PEER determined that the mechanic in question had submitted false work experience when he asked the SPB staff to change his work status for the U. S. Army National Guard on his job application for the mechanic position from member status (five hours per week) to full-time status (forty hours per week). He was, in fact, not a full-time employee of the U. S. Army National Guard. The staff of the SPB Recruitment and Selection Division made this change in the work hours on the job application without verifying that the information was true and without the applicant's signature certifying that the revised information was accurate. SPB staff could have avoided this error if it had:

- required a signed SPB Supplemental Experience and Training Record to document change in employee status with the U. S. Army National Guard;*

* As a result of PEER's inquiry, the director of this SPB division implemented a policy on July 25, 1997, which requires his evaluators to obtain a signed SPB Supplemental Experience and Training Record for any changes to the original job application.

- verified this change in work experience with the U. S. Army National Guard in accordance with the discretionary authority in the *Mississippi State Personnel Board Policy and Procedures Manual*, Section 4.11.7 (A); or,
- ensured that MDOT Human Resources staff verified the work experience in the individual's job application.

As a result, the SPB evaluation process gave the applicant credit for seventeen months of work experience for this position when, in fact, he had only earned two months' credit. This difference of fifteen months qualified him for the SPB Certificate of Eligibles with a total of forty-two months when he actually had twenty-seven months' experience.

When the individual applied for the master mechanic position in April 1997, his job application still contained the false information about his employment status with the U. S. Army National Guard. It also contained questionable information about his continuing to work thirty hours per week at his stepfather's farm after his full-time employment as an equipment shop mechanic in July 1996. (This combination would result in his working a total of seventy hours per week at the two positions.) Further, his job application for this position did not show any supervisory work experience or supervisory training courses. Yet the SPB evaluation process qualified him for the noncompetitive promotion with the minimum sixty months of experience which included unearned credit of two months in the U. S. Army National Guard plus up to seven months at his stepfather's farm.

- *MDOT did not verify the applicant's experience and training in accordance with the hiring agency's "ultimate accountability" noted in SPB policies.*

MDOT Human Resources Division staff likewise did not discover the false claim for employee status with the U. S. Army National Guard because the staff did not verify the applicant's experience and training, but instead relied on SPB to evaluate the Experience and Training Record of the application. This significant change in the individual's job application should have qualified as a case which fell under the exception clause of the MDOT policy (to verify the accuracy and validity of experience and training if the applicant's information appears to be questionable).

When MDOT promoted the individual to the master mechanic position in April 1997, his job application still contained the false information about his employee status with the U. S. Army National Guard plus information stating that he worked seventy hours per week, which the agency should have questioned. His job application for this position did not show any supervisory work experience or supervisory training courses. Thus, he was promoted to this master mechanic position when he was not qualified in terms of the experience and training to perform the work or the supervisory requirements in the job application.

Other reasons the promotion occurred included:

- MDOT's historical practice of promoting satisfactorily performing employees to master mechanics in order to keep the salary level of the equipment shop's mechanic personnel at the highest level. Through this management action, the department believes that it can pay a competitive wage which will allow it to minimize employee turnover and possibly prevent the loss of personnel positions; and,
 - the enthusiasm, motivation, and productivity of the mechanic in question which prompted the MDOT Equipment Shop Superintendent and Repair Supervisor to recommend his promotion on a noncompetitive basis to the MDOT Director of the Support Services Division.
- *SPB and MDOT employees did not detect in their employee selection processes that the job applicant had provided false work experience on both job applications, which was the difference between being certified as qualified or not qualified.*

This situation illustrates the need for the SPB or state agency staffs to verify applicants' experience and training during the selection process. Verification could help ensure that agencies hire and promote individuals who can perform the functions of a position immediately. Otherwise, an agency such as MDOT may employ unqualified individuals in positions which could have damaging effects on the agency, its employees, or the state citizenry, such as:

- inefficient or ineffective use of equipment and personnel resources;
- potential endangerment of equipment users and others due to inappropriate or ineffective equipment maintenance and repair; or,
- possible reduction of the efficient life of equipment.

Moreover, promotion of this individual has created a morale problem among some of the older master mechanics because a relatively inexperienced mechanic was hired for a position which formerly required as much as thirteen years of minimum work experience and now pays a salary which is relatively close to their salary level.

Conflict of Interest

MDOT's Equipment Shop Supervisor may have violated MISS. CODE ANN. § 25-4-105 (3) (b) by purchasing surplus goods from his employer, MDOT.

One position within MDOT's Equipment Shop is that of a supervisor. Generally, the employee within this position supervises shop mechanics as they

inspect and repair department vehicles. The supervisor also maintains records relating to vehicle work orders and the purchase of supplies and parts. By performing these duties, the supervisor knows the status and condition of MDOT vehicles repaired by the equipment shop.

On June 3, 1997, the Equipment Shop Supervisor took leave from his official duties at the equipment shop, attended a public auction held by Mid-South Auto Auction, and purchased two surplus vehicles which were being sold by MDOT. In purchasing these vehicles, the supervisor acted as a designated agent for United Auto Sales, a used car business owned by the supervisor's son. The supervisor outbid other purchasers for these vehicles, because auction prices are determined competitively, without the setting of uniform prices for such surplus vehicles. The supervisor paid a total of \$1,925 for these two vehicles.

The supervisor's purchase of MDOT surplus vehicles may have violated MISS. CODE ANN. § 25-4-105 (3)(b), which states that no public servant shall:

*Be a **purchaser**, direct or **indirect**, at any **sale** made by him in his official capacity or **by the governmental entity of which he is an officer or employee**, except in respect of the sale of goods or services when provided as public utilities or offered to the general public on a uniform price schedule. [emphasis added]*

Section 25-4-103 (p)(ii) generally defines "public servant" as an employee of government whose agency or governmental entity is funded by public funds. Such definition would include the Equipment Shop Supervisor.

The supervisor's purchase of these vehicles may have violated state law and creates the appearance of unethical use of the MDOT Equipment Shop Supervisor's government position to benefit United Auto Sales. Since the MDOT equipment shop maintained these two vehicles and their maintenance records, the MDOT Equipment Shop Supervisor had the opportunity and access to be thoroughly knowledgeable of the maintenance history and operating condition of these two vehicles prior to attending the auction. As a result, the MDOT Equipment Shop Supervisor could have used his government position to gain a significant advantage in the bid process because he knew the exact repairs and their estimated costs which were needed to make these two vehicles attractive for sale.

Recommendations

Internal Controls

1. The Mississippi Department of Transportation should enforce its internal control system within its Jackson equipment shop. The department should also develop, implement, and enforce appropriate policies and controls for:
 - inventory control and secure storage of equipment, spare or excess parts, supplies, and tools;
 - supervisory review of completed equipment maintenance work orders on a random basis frequent enough to ensure the satisfactory quality of the maintenance repair or service and the use of all new parts and supplies on the work order;
 - a management reporting and review system, including independent third-party audits; and,
 - prohibition against the personal use of the equipment shop facility by MDOT or other personnel.
2. The MDOT Director of the Support Services Division should implement a policy which requires equipment shop supervisors to review the maintenance records of vehicles and equipment prior to authorizing and scheduling their periodic maintenance or emergency repair services. This review would help to ensure that maintenance is accomplished in accordance with manufacturers' recommendations and departmental policy, plus help identify maintenance part problems, misuse, or theft.
3. Using existing resources, MDOT should determine the feasibility of implementing a computer-based system which could be used to manage the Jackson equipment shop, as well as its district equipment shop operations, more effectively and efficiently. This study should consider the purchase of existing commercial software which is used for fleet maintenance management programs in the public and private sectors.

Employee Selection Practices

4. The State Personnel Director and MDOT Executive Director should direct their respective staffs to review the personnel transaction involving the mechanic (later promoted to master mechanic) to identify processing weaknesses and to determine whether systemic changes should be implemented. If the State Personnel Director and MDOT Executive Director find that the selection process was implemented incorrectly, these officials should take appropriate personnel action regarding employees involved in the transaction.

5. Using existing resources, the State Personnel Board should determine the feasibility and cost of implementing a personnel audit program to verify that state agencies are fulfilling their responsibilities in the personnel recruitment and selection process, as outlined in the SPB *Policy and Procedures Manual*.

Conflict of Interest

6. The Mississippi Ethics Commission should review the MDOT Equipment Shop Supervisor's purchase of MDOT vehicles to determine whether this act constitutes a violation of the state's conflict of interest laws.

Agency Responses

Zack Stewart
Northern District Commissioner

Wayne O. Burkes
Central District Commissioner

Ronnie Shows
Southern District Commissioner

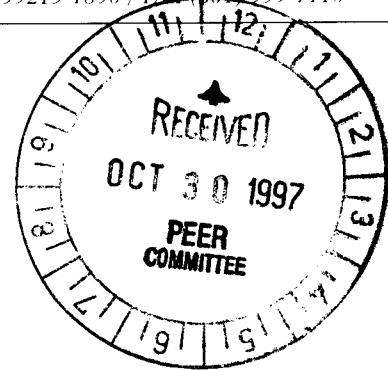


Dr. Robert L. Robinson
Executive Director

Kenneth I. Warren
Deputy Executive Director/
Chief Engineer

Mississippi Department of Transportation / P. O. Box 1850 / Jackson, MS 39215-1850 / FAX (601) 359-7110

October 29, 1997



Mr. Max Arinder
Executive Director
Joint Legislative Committee
on Performance Evaluation and Expenditure Review (PEER)
P.O. Box 1204
Jackson, MS 39205

RE: Investigative Review of Mississippi Department of Transportation's Equipment Shop

Dear Mr. Arinder:

We appreciate the opportunity to review and respond to PEER's investigative report regarding the MDOT's equipment shop. With respect to your findings, please note the following:

1. *Internal Controls.* Prior to the PEER investigation, we recognized that there were some weaknesses in our equipment shop operations and had asked our Internal Audit Division to conduct an independent review of these operations. Our Internal Auditor advised us that, although internal controls were adequate, they were not being followed consistently. We began steps to insure that all current procedures were followed and also formed a committee to review and revise our policies and procedures. Again, these steps were taken prior to PEER's investigation and will continue as we make every effort to strengthen our internal controls over these operations.
2. *Employee Selection Practices.* We will investigate the issues raised with respect to the hiring and promotion of the mechanic in question and take appropriate disciplinary action if any offense has occurred. Our policy has been to rely upon the State Personnel Board's review and eligibility certification when hiring, etc., unless something unusual comes to our attention that we need to investigate. We will review our process and make any changes deemed necessary.

3. *Conflict of Interest.* We will investigate the noted purchases and take appropriate disciplinary action. Since this was brought to our attention, we instituted procedures to preclude purchases by MDOT employees, directly or indirectly.

We make every effort to conduct our operations efficiently, ethically and legally. Again, we appreciate your comments and will continue to work diligently to address your concerns.

Sincerely,

MISSISSIPPI DEPARTMENT
OF TRANSPORTATION

A handwritten signature in black ink, appearing to read "Kenneth I. Warren". The signature is fluid and cursive, with a large initial "K" and "W".

Kenneth I. Warren
Deputy Director/Chief Engineer

KIW/br

BOARD MEMBERS
Tom Hall, Oxford - Chairman
Johnny Johnson, Vice-Chairman, Columbus



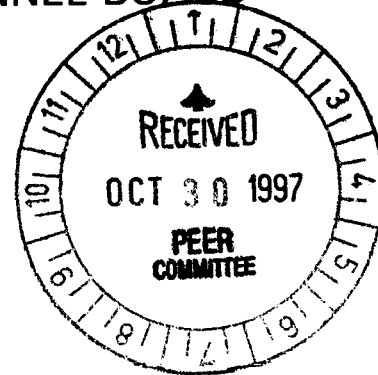
BOARD MEMBERS
Jim Schwartz, Olive Branch
Kemper Ehrhardt, Vicksburg
Mary S. Pyle, Gulfport

STATE PERSONNEL DIRECTOR
J.K. Stringer, Jr.

MISSISSIPPI STATE PERSONNEL BOARD

October 31, 1997

Max K. Arinder, Ph.D.
Executive Director
PEER Committee
Post Office Box 1204
Jackson, Mississippi 39215-1204



RE: PEER's October 14, 1997, Report, "An Investigative Review of the Mississippi Department of Transportation's Equipment Shop"

Dear Dr. Arinder:

We appreciate the opportunity to meet with your staff to review the draft of the referenced report. After reviewing the report, including the executive summary, conclusions, and recommendations, I would like to provide the following response:

In reference to the conclusion concerning the State Personnel Board (SPB) and the Mississippi Department of Transportation (MDOT) not verifying the applicant's work experience, SPB does not dispute PEER's finding. While we recognize that the requisite level of verification was not provided at the time of the personnel actions, my assessment reveals that the transactions happened, in part, because we at SPB made a good faith, albeit over exuberant, effort to provide customer service. This was not an attempt by us to circumvent the selection process. As noted in the PEER report, we issued on August 14, 1997, a memorandum which directs staff to require written documentation for any applicant data change. This directive should prevent similar situations from occurring in the future.

Subsequent to the reading of the draft report, we contacted MDOT to resolve the personnel issues surrounding the hiring and promotion of the MDOT employee referenced in the report. At this time resolution is still pending.

Max K. Arinder, Ph.D.

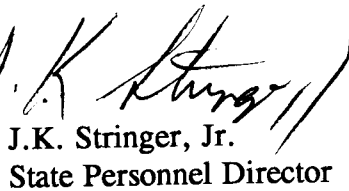
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October 31, 1997

In accordance with PEER's recommendation, SPB will assess the feasibility of implementing an audit program designed to ensure compliance with existing SPB policy which requires that agencies verify candidates' education and experience records.

If I may be of further assistance with this matter, please do not hesitate to contact me at (601) 359-2702.

Sincerely,



J.K. Stringer, Jr.
State Personnel Director

JKS:HB:md

cc: MDOT

PEER Staff

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Ava Welborn

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John Ringer
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Linda Triplett
Larry Whiting
