

Office of the
INSPECTOR GENERAL



R E P O R T O F I N V E S T I G A T I O N

File Number: 07-011

Agency: Georgia Department of Transportation

Basis for Investigation: Anonymous Complaint

Allegations: Contract Steering, Conflict of Interest, Misuse of State Resources

Date Opened: February 6, 2007

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Date of Report: January 23, 2008

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OFFICE OF THE STATE INSPECTOR GENERAL



File Number 07-011 **Georgia Department of Transportation** **EXECUTIVE SUMMARY**

In February 2007, the Office of the State Inspector General (OIG) received an anonymous complaint alleging contract steering, acceptance of gratuities, and intimidation of employees by Ken Montgomery, an employee of the Georgia Department of Transportation (GDOT). The complainant also alleged that Montgomery hired consultants to work in the Office of Traffic Operations (Traffic Ops) who were not performing “adequate work” for the pay received.

Shortly after receipt of the complaint, OIG learned that a similar complaint had been filed with the United States Department of Transportation’s Office of Inspector General (U.S. DOT OIG), Federal Highway Administration; GDOT’s Commissioner, and GDOT’s Board of Directors. Given that the complaint raised both state and federal issues, OIG, U.S. DOT OIG and GDOT’s Investigative Unit conducted a joint investigation of the allegations.

Interviews were conducted with former and current GDOT employees, contractors, and transportation officials from local government offices. We also reviewed GDOT policies and procedures, standard operating practices, computer files, time and attendance records, telephone records, vehicle logs, contracts, previous audit reports. At OIG’s request, GDOT’s Office of Audits conducted an internal audit of all purchase orders and contracts created or enforced within Traffic Ops from 2004 to early 2007. We also requested a review of all consultant contracts for the same time period, focusing on contractual language and the existence of potential conflicts of interest.

Although OIG findings did not substantiate the allegations against Montgomery, other significant issues were discovered during the joint investigation and GDOT’s audit of Traffic Ops. The issues warranting serious managerial review included conflicts of interest, irregularities with routine division functions such as inventory control, warranty records for repairs, contract language, contract bids, sole source requirements, and documentation. OIG uncovered numerous instances of poor communications, inadequate liaison between major divisions within the agency, inadequate supervision, and an ever-present struggle between employees and consultants, as well as employees and management.

OIG offers the following recommendations to GDOT. We request that GDOT provide a written response regarding implementation of these recommendations within 30 days of the issuance of this report.

- 1) Any GDOT employee who enters into negotiations or commences an arrangement for future employment with an active contractor/consultant shall disclose this information to his/her immediate supervisor. Once the disclosure is made, GDOT should ensure that the employee no longer participates in any matter involving the new or potential employee so as not to create a perception of conflict of interest.
- 2) GDOT should create a post employment policy which addresses employees who leave the department to work for contractors/consultants with whom the employee has participated in awarding, administering or supervising said consultant's contract while in his or her official state capacity.
- 3) GDOT should take the appropriate corrective action to comply with their Office of Audits' recommendations and correct the identified problem areas.
- 4) Consider increasing the frequency of internal audits agency-wide.
- 5) GDOT should explore the possibility of adding staff or realigning present staff within Office of Audits and/or General Support & Procurement for the purpose of increasing internal auditing capabilities.
- 6) Consider an evaluation of the use of consultants in the Office of Traffic Ops to ensure that there is no duplication of job responsibilities between state employees and consultants. GDOT should also ensure that the state is receiving the full benefit of the consultants' services.
- 7) Consider conducting a Job Task Analysis to ensure that appropriate employee qualification levels exist so that the division/agency operates with efficiency and business acumen. The agency should also determine which positions and responsibilities need to be revamped for increased organizational efficiency.
- 8) Identify and pursue training needs for procurement staff and other officials agency-wide who hold responsibility for contract management and oversight of consultants.
- 9) Ensure employees receive adequate ethics training as it relates to their interaction with entities doing, or seeking to do, business with the agency.
- 10) Ensure division directors, managers, and supervisors are mindful of evaluating business decisions so as not to create the appearance of a conflict of interest.



Report of Investigation

File No. 07-011

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Summary of Actions
Georgia Department of Transportation
File Number 07-011

I. BASIS FOR INVESTIGATION

In February 2007, the Office of the State Inspector General (OIG) received an anonymous complaint alleging instances of contract steering, the acceptance of gratuities, and intimidation of employees by Ken Montgomery, an employee of the Georgia Department of Transportation (GDOT). The complainant also alleged that Montgomery hired consultants to work in the GDOT Office of Traffic Operations (Traffic Ops) who were not performing “adequate work” for the pay received.

Shortly after receipt of the complaint, OIG learned that a similar complaint had been filed with the United States Department of Transportation’s Office of Inspector General (U.S. DOT-OIG), Federal Highway Administration; GDOT’s Commissioner; and GDOT’s Board of Directors. Given that the complaint raised both state and federal issues of concern, OIG, U.S. DOT OIG, and GDOT’s Investigative Unit conducted a joint investigation of the allegations.

Our investigation revealed the need for a more comprehensive review of the ongoing business practices within Traffic Ops. GDOT was advised to conduct an internal audit of all purchase orders and contracts created or enforced within Traffic Ops from 2004 through February 2007.¹ In addition, we also requested a review of all consultant contracts for the same time period, focusing on contractual language and the existence of potential conflicts of interest. GDOT’s Office of Audits conducted an internal audit from May to August 2007. OIG received management’s response to the audit on November 26, 2007. The relevant audit findings will be addressed later in this report under “Additional Matters.”

II. ACTION TAKEN IN FURTHERANCE OF INVESTIGATION

Interviews were conducted with former and current GDOT employees, contractors, and transportation officials from local government offices. OIG also reviewed GDOT policies and procedures, standard operating practices, computer files, time and attendance records, telephone records, vehicle logs, contracts, and audit reports.

III. NARRATIVE

A. BACKGROUND

GDOT plans, constructs, maintains and improves the roads and bridges of the state highway system of Georgia. The department also provides planning and financial support for other modes of transportation such as mass transit and airports and provides air travel to state departments.

¹ The date the complaint was received.

The department is governed by a board comprised of members from the state's congressional districts elected by each district's state representatives and senators. The board in turn appoints the commissioner. Dr. Gena Abraham is the current GDOT commissioner, and has held this position since December 1, 2007.²

Traffic Ops is one of four offices under the umbrella of GDOT's Division of Operations. Traffic Ops is responsible for Intelligent Transportation System (NaviGator) maintenance, the Highway Emergency Response Operators (HEROs) Program, and Traffic Signal and Electrical Facilities (TSEF).

At the onset of this investigation, Ken Montgomery was a State Signal Engineer. His duties included supervising all TSEF offices within Traffic Ops. He established priorities, procedures, specifications, and policies related to the procurement, warehousing, distribution, installation, operation, programming, maintenance and repair of traffic signal control equipment and traffic system signals. Montgomery reported directly to State Traffic Operations Engineer Director Carla Holmes and Assistant State Traffic Operations Engineer Mark Demidovich.

The vendor named in the complaint is a family owned business based out of Decatur, Alabama. The vendor distributes traffic management product solutions for three companies: General Electric, 3-M, and Siemens. In addition to Georgia, the vendor also transacts business with eight other states in the Southeastern United States.

For purposes of this report, we will address each allegation separately.

B. INVESTIGATION

ALLEGATION ONE: "Ken Montgomery is steering business to the vendor by changing contract specifications in order to use the vendor as the sole source of many of the traffic equipment products purchased by GDOT."

Our investigation revealed that the writing of contract specifications at GDOT is a collaborative effort. In fact, GDOT employs a team that is responsible for reviewing contract specifications to ensure there is no bias or predisposition towards any particular vendor. Because of his working knowledge and level of understanding Montgomery has, in the past, been a member of various review teams. In the event that he was tasked to write specifications for an extremely specialized piece of equipment, other GDOT employees were required to "weigh in" on the final decision. Montgomery was never solely responsible for writing contract specifications for any traffic equipment product purchased in Traffic Ops.

Given that the complainant was vague about which traffic equipment product was inappropriately "sole sourced," OIG was limited to interviewing numerous state employees, city and county officials, and vendors who transact business with GDOT.³

² Harold Linnenkohl was the commissioner at the onset of this investigation. He retired effective November 30, 2007.

³ Sole source is a term used to describe a procurement method wherein an agency's research determines there is only one option, therefore, competitive bidding is not required. The primary source of reference for a state agency's use during the procurement process is the State Purchasing Manual published by the Department of

When questioned about sole sourced items or suspected purchasing irregularities, those interviewed focused on traffic signal controllers (timers) and a particular type of conflict monitor. Discussion centered on the fact that GDOT previously used a Model 170 controller, but has progressed in the past several years to the 2070L, one of the most advanced controllers in the nation. The 2070 controller is a general-purpose computer whose function is determined by the software application installed. It can be used as a traffic signal controller, a ramp-metering device, and a switch for irrigation ditches and other applications. GDOT currently uses the 2070 with the 2010 conflict monitor, the latest federally approved specification for this specialized device.

Many of those interviewed intimated that it is was “odd” that the vendor supplies both the conflict monitor as well as the current 2070 controller software utilized by GDOT. However, our investigation revealed that multiple vendors were able to provide the 2010, and these vendors participated in the competitive bidding process. Siemens, which is distributed by the vendor, happened to be the only company at the time that was producing a workable part compatible with GDOT’s existing equipment. The vendor also happened to be the lowest bidder during the competitive bidding process. As a result, the 2010s were purchased from them on the statewide contract, and were not sole sourced as alleged by the complainant.

Based on the documents reviewed and interviews conducted, we were unable to substantiate the allegation that “Ken Montgomery was steering business to the vendor by changing contract specifications in order to use the vendor as the sole source of many of the traffic equipment products purchased by GDOT.”

ALLEGATION TWO: “Ken Montgomery is receiving inappropriate benefits for steering business to the vendor and other companies doing business with GDOT.”

OIG requested the vendor’s business expense records for the period of January 1, 2003, to July 2007.⁴ A review of their records revealed one instance during which their sales representative for Georgia purchased a “remote clicker” for \$50 and presented it to

Administrative Services. According to the purchasing manual, an agency must conduct research to determine if other products or service providers exist and can satisfy procurement requirements, before making a determination that an item or service will be sole sourced. In order to justify a sole source award, the agency must refer to agency files, documenting the scope of work including an item’s function, how it is to be used in an operational environment, reference to previous experience or history, and /or reference the item’s exclusive capability. Some examples in which a sole source award could be acceptable are evidenced:

- when only one supplier can satisfy the technical requirements because of unique technical competence or expertise;
- when the item does not satisfy the requirements to justify sole sourcing, but the use of any other manufacturer’s product would result in excessive cost to an agency;
- when only one source possesses patents or exclusive rights to manufacture or to furnish the item or service; or
- when there are other extenuating circumstances including adverse impacts on an agency for not using the proposed source.

⁴ This is the general time frame Montgomery held his position as State Traffic Engineer in Traffic Ops as well as the time frame of the vendor’s contract period.

Montgomery as a gift.⁵ Montgomery acknowledged receiving the clicker, but stated that it was for office use, not personal use. However, we found no record on file indicating his receipt as required by GDOT's gift receipt policy.⁶

Although the complainant alleged that Montgomery was receiving benefits from "other companies," the complainant never identified the companies from which Montgomery allegedly received benefits or what the alleged benefits were. Given that there were approximately 64 vendor contracts in place at the time of our investigation, without more specificity, we determined that it would be too time-intensive and cost-prohibitive to request that all 64 vendors provide their business expense records. In addition, no one interviewed stated that they had ever witnessed or heard of Montgomery receiving anything of value from any of the vendors he worked with in Traffic Ops.

Based on the documents reviewed and interviews conducted, we were unable to substantiate the allegation that Ken Montgomery was receiving "inappropriate benefits" for steering business to vendors.

ALLEGATION THREE: "Ken Montgomery is intimidating employees in order to steer business to the vendor."

Neither GDOT's Equal Employment Opportunity Division nor Employee Management Relations office had records of any complaints or grievances being filed against Montgomery during the last three years. A review of his official personnel record also revealed no evidence of progressive discipline or performance related issues regarding his management style and interaction with employees. However, our investigation revealed a heightened level of discontent among the Traffic Ops employees. Many employees did not have an understanding of managerial decisions, the need for cross training, duty reassignments, or GDOT decisions concerning equipment selection and/or utilization. This was a result of a lack of communication between management and employees. The level of discontent was compounded by the fact that many employees viewed Montgomery as "micro-managing and condescending." However, none of the employees stated that they were intimidated or coerced by Montgomery to steer business to the vendor. We also interviewed numerous other employees within GDOT, including Montgomery's peers and superiors, none of whom could attest to the allegations.

Based on the documents reviewed and interviews conducted, we were unable to substantiate the allegation that Montgomery was intimidating employees in order to steer business to a certain vendor.

⁵ This occurred in September 2004, after the sales representative and Montgomery witnesses a professional trainer utilizing a remote clicking device during a training seminar they attended together.

⁶ "No employee...may accept any gift from any person with whom the employee currently or potentially conducts official state business. An employee may, when acting as an official representative of GDOT, accept a gift on behalf of the agency. Such gift shall be reported or transferred to the agency as required by the provisions of the Governor's Executive Order of January 13, 2003."

ALLEGATION FOUR: “Ken Montgomery hired consultants in Traffic Ops who are not performing adequate work for the pay they receive.”

GDOT’s Office of Consultant Design (OCD) is responsible for the hiring of consultants using established departmental processes and for overseeing administrative functions related to consultant selections and contract negotiations. Contract management activities such as processing invoices, contract development, pre-and post award audit activities are also handled by OCD.

Although OCD is responsible for overseeing the consulting process, Montgomery and other officials in Traffic Ops have input as to what type of consultant services are needed in Traffic Ops. It is not unusual for a Traffic Ops staff member to be assigned to OCD’s review team to assess consultant proposals. However, it is the review team as a whole that ultimately compiles the scores derived from multiple reviewers during consultant selection. Our investigation revealed that although Montgomery has served on various review teams, he has never been authorized to hire consultants.

Based on the documents reviewed and interviews conducted, we determined that Montgomery did not have direct control over the hiring of Traffic Ops consultants; therefore, the allegation that he hired consultants who were not performing adequate work for the pay they received is unsubstantiated.

IV. ADDITIONAL MATTERS

During the course of our investigation, we were made aware of potential conflicts of interest and irregularities with routine division functions such as inventory control, warranty records for repairs, contract language, bids, sole source requirements and documentation in Traffic Ops. As a result, we requested an internal audit of all purchase orders and contracts created or enforced within Traffic Ops from 2003 to 2007, focusing specifically on contractual language and the existence of potential conflicts of interest.

Consequently, in May 2007, GDOT’s Office of Audits assigned a team of their external auditors, who normally audit outside vendors, to conduct the internal audit. Our initial request was expanded to include an inquiry into whether GDOT’s purchasing and procurement policies/procedures fell within state and federal guidelines. The audit was completed in August 2007. GDOT’s managerial response and Corrective Action Plan was subsequently submitted to OIG on November 26, 2007.

A. GDOT’S OFFICE OF AUDIT’S REPORT

The Audit Summary Section referenced three main areas of concern.

1) Review of commercial goods and service contracts resulted in a finding of significant irregularities and inconsistencies regarding compliance with both federal and state procurement laws and regulations. The specifications did not always evidence that “Full and Open Competition” was obtained by the GDOT Office of Traffic Operations and the GDOT Office of General Support.

2) Funds were being expended without the benefit of an executed contract and without use of the most economical means to the government.

3) There were various conflict of interest issues with former employees of Traffic Ops, including former Office Head Engineer Carla Holmes.

The audit results revealed a number of significant issues within Traffic Ops in a separate detailed report. Many of the findings coincided with the preliminary findings of our investigation which initially led us to request the audit. Of particular interest to OIG were issues regarding conflicts of interest.

B. CONFLICT OF INTEREST

One of the findings dealt with Carla Holmes, State Traffic Ops Engineer and Montgomery's supervisor. The audit revealed that Holmes, an 18 year GDOT employee, accepted employment with a consultant while still employed with GDOT. At the time she entered into the new employment agreement, the consultant was an active contractor with GDOT. According to the auditors, Holmes signed the employment agreement on December 12, 2006, with an effective start date of January 16, 2007. Her starting salary was \$125,000 per year. In addition, the agreement included a \$2,500 signing bonus and eligibility to participate in a "profit sharing bonus" of five percent after a minimum of 13 months employment. Holmes did not officially terminate employment with GDOT until January 16, 2007.

Although senior management officials were aware of Holmes' new employment opportunity, she continued to have oversight over that consultant's active contract, a contract which she participated in awarding to the consultant in May 2005.⁷

Records show that on January 10, 2007, the consultant requested approval from GDOT to add Holmes to their active GDOT project as Vice President Principal. The consultant directed the letter to Montgomery, Holmes' subordinate, rather than to her supervisor, Steve Henry, Director of the Operations Division. When questioned about the letter, Montgomery stated that at the time, it did not cause him "any concern because Holmes had informed [him] and other GDOT officials both orally and in writing of her intent to resign as early as December 15, 2007." He stated, however, that if he were to receive "such a letter today, [his actions] would be completely different, since [his] awareness level about the appearance of conflict of interest has been significantly raised during this lengthy investigation."

Based on this audit finding, OIG asked GDOT officials to review whether Holmes executed any documents related to the consultant's contract between the time period of December 15, 2006, (submission of her intent to resign from GDOT) and January 16, 2007 (her actual last date of employment). Management officials informed OIG that on December 22, 2006, Holmes signed a Task Order to the consultant for \$110,000. According to GDOT officials the Task Order was "completely justified and part of the scope of the contract."

⁷ Holmes participated in the award recommendation, signed the formal contract, and administered the contract from May 2005 through December 6, 2006. The total amount of the contract was \$680,000.

However, management acknowledged that in hindsight, Holmes should never have signed the Task Order or any documents related to the consultant's contract. In fact, according to Steve Henry, Holmes should have removed herself from any work associated with the consultant's contract once she submitted her resignation so as not to create an appearance of impropriety.

As part of our investigation, OIG requested that the consultant produce their business expense records from 2004 to the present to determine whether Holmes received any gifts or gratuities from the consultant while employed at GDOT. The consultant, who responded through their attorney, searched their records and could not locate any documents that revealed any gifts, meals, or other items of value given to Holmes or any other GDOT employee during the term of their contract. OIG also reviewed GDOT's internal files related to employees' acceptance of gifts. We found no evidence that Holmes had ever received any gifts or gratuities from the consultant.

Although Georgia law does not forbid employees from leaving state employment to accept employment with private entities, we find that Holmes' actions created a conflict of interest when she accepted a position with the consultant with whom she had transacted business with while she was still employed with GDOT. According to the Code of Federal Regulations, Title 23, Volume 1, "Federal Highway Administration, Department of Transportation, Sec. 1.33 Conflicts of Interest," which GDOT follows:

"No official or employee of a State or any other governmental instrumentality who is authorized in his official capacity to negotiate, make, accept or approve, or to take part in negotiating, making accepting or approving any contract or subcontract in connection with a project shall have, directly or indirectly, any financial or other personal interest in any such contract or subcontract."

According to the Code, it is the responsibility of the state to enforce the requirements of this statute.⁸ At the very minimum, GDOT should have removed Holmes from any contractual dealings with the consultant once they became aware of her employment.

C. USE OF CONSULTANTS

Although the allegation that Montgomery "hired consultants" in Traffic Ops was unsubstantiated, we found evidence that consultants who were assigned to Traffic Ops were performing jobs which should have been performed by state employees.⁹ During our investigation, when questions arose concerning processes and the handling of consultant contracts, we were often referred to a consultant within Traffic Ops to ascertain the answers. In fact, it was a consultant not a state employee, who maintained oversight over the 64 contracts in Traffic Ops. This directly conflicted with the responsibilities set forth in the contractor's scope of work outlined in GDOT's contract with the contractor.¹⁰

⁸ See Code of Federal Regulations, Title 23, Volume 1.

⁹ See GDOT's Office of Audits' findings.

¹⁰ See GDOT's Office of Audits' findings.

D. OTHER MANAGERIAL CONCERNS

Throughout our investigation we uncovered numerous instances of poor communication, inadequate liaisons between major divisions within the agency, inadequate supervision, and an ever-present struggle between employees and consultants, as well as employees and management in Traffic Ops. We also noted inconsistencies between Montgomery's employee performance appraisal completed in August 2006 by his direct supervisors, and what we found to be the actual state of operations in key areas within Traffic Ops for which Montgomery was responsible. OIG finds the fact that Holmes and Assistant State Traffic Operations Engineer Mark Demidovich, who was second in command under Holmes, issued Montgomery an overall rating of "Exceeds" for overseeing areas that the investigation/audit found to be problematic, suggests a glaring deficiency in the performance management system and reflects even more poorly on the Traffic Ops Managers, Demidovich and Holmes. Although managers and employees share accountability for job performance, it is ultimately the manager who is responsible for tracking and documenting employee performance.

E. EMPLOYEE MISCONDUCT

Upon Holmes' resignation, Keith Golden was appointed the new Office Head in Traffic Ops. While performing his routine managerial responsibilities which included the review of paperwork requiring his signature, Golden discovered a number of issues that caused him concern. He discovered that Montgomery had repeatedly used a state vehicle to commute to and from his residence from August 2006 to February 2007, although overnight use had not been approved. By virtue of his position, Montgomery was only authorized daytime use of a state vehicle in relation to his duties.

Demidovich was responsible for reviewing and approving Montgomery's vehicle usage reports, and should have detected this misconduct. However, Golden discovered that Demidovich had only approved and signed two of 24 vehicle usage reports filed by Montgomery in a two-year period (2005-2007). Our investigation revealed that Montgomery was completing the forms and filing them absent his supervisor's approval. Furthermore, Montgomery had previously been verbally counseled by his superiors about his state vehicle usage. If his supervisors had been monitoring or enforcing GDOT's policy on vehicle usage, this problem could have been detected in August of 2006. It is apparent that Demidovich's lack of supervision allowed for this oversight to occur.

Golden also discovered Montgomery's inappropriate use of a contractor provided cell phone for a period of six months during the time the contract had lapsed with GDOT. Montgomery used the phone predominately for personal calls in violation of GDOT's policy.

As a result of his misconduct, Montgomery was demoted from the position of State Signal Engineer, pay grade 18, to the position of Assistant State Signal Engineer, pay grade 16, on June 20, 2007. Montgomery did not appeal his demotion.

Golden also discovered that Joe Wills, the former Assistant State Signal Engineer, second in command to Montgomery, also inappropriately used a contractor provided cell phone for personal calls. Wills resigned from GDOT in March to begin employment with the

City of Macon. When contacted by investigators, Wills acknowledged misusing the contractor provided cell phone. Wills attempted to justify his actions by stating that although he was aware of the departmental guidelines on state issued phones, he did not think this was a problem at the time because the consultant project manager told him the phone had “unlimited minutes.” Although the phone was provided by the contractor, it was provided for use in relation to project management for a state contract. Wills’ calls should have been limited to project related use. This misuse should have been detected and addressed by either Demidovich or Holmes during their routine managerial duties.

F. DEPARTMENT OF ADMINISTRATIVE SERVICES (DOAS) PURCHASING TECHNICAL REVIEW

Near the end of our investigation, OIG discovered that the Process Improvement Team of DOAS recently completed a Purchasing Technical Review of GDOT for Fiscal Year (FY) 2006.¹¹ The review allowed DOAS to assess whether GDOT’s procurements are processed according to the laws of Georgia and the Georgia Procurement Manual. It also identified risk exposures to the agency and/or the state and served to assist the agency in establishing effective strategies for mitigating risks.

The review included an analyzation of FY 2006 spend data, procurement activities, and internal controls for GDOT using five program areas.

- 1) Administrative Analysis
- 2) Purchase Order Analysis
- 3) Georgia Procurement Registry Analysis
- 4) Payables Analysis
- 5) Onsite Analysis

A total of 7,638 purchase orders entered into the PeopleSoft purchasing module by GDOT were randomly examined. Additional procurement activities by GDOT were also analyzed from postings on the Georgia Procurement Registry, the E-quote System, and the Agency Contact Index. An onsite examination of bids, contract files and purchasing card records was conducted within the GDOT General Office and three District offices. In addition, an examination of adequate internal controls was accomplished through a review of GDOT’s Internal Policies and Procedures, Purchasing Card Policies and Procedures, responses from questionnaires, conferences, onsite inspections, and interviews with procurement staff.

In their final report DOAS stated, “GDOT is leading the State of Georgia in total procurement spending. Adequate levels of internal control should be in place for appropriate oversight, review, and training of the enormous amount of procurement activities produced by the agency.”

DOAS identified a total of 13 high risk and three medium risk conditions in the review. Each noncompliant condition was assessed according to law, policies and procedures and then assigned a level of risk based on the impact to the agency, and/or the

¹¹ The technical review was completed in February 2007.

state, the frequency of occurrences, and the extent of the problem. The results of the five areas reviewed revealed the following.

- 1) Administrative Analysis Program: Two pages were outdated in the Internal Policy & Procedure Manual.
- 2) Purchase Order Analysis Program: Instances of improper purchase codes, descriptions not clearly defined, emergency purchase procedures not followed, and failure to seek competition.
- 3) Georgia Procurement Registry Analysis Program: Instances of bids not properly posted to Georgia Procurement Registry.
- 4) Payables Analysis Program: No findings.
- 5) Onsite Analysis Program: Instances of purchase orders lacking authorized signatures, splitting purchases, improper bids & awards, not maintaining bid files, use of expired contracts, and insufficient proof of insurance.

Although DOAS' Purchasing Technical Review was the result of a statewide department procurement activities sampling, the overall findings presented in their report mirror the issues that surfaced during our investigation and in GDOT's Office of Audits findings.

V. CONCLUSION

Although the initial allegations against Ken Montgomery were unsubstantiated, additional matters discovered during the course of our investigation warranted the need for a more comprehensive review of the overall business practices within Traffic Ops. We found that the lack of internal controls, poor communication, irregularities with routine business functions and lack of managerial oversight contributed to the dysfunction within the division.

Given that Traffic Ops receives approximately \$150 million annually from federal and state funds to carry out its mission statewide, it is imperative that a more effective system of checks and balances be established to ensure that the office is in compliance with state and federal policies and procedures. The fact that GDOT is currently addressing many of the issues brought to light during the investigation/audit indicates that the department is taking proactive steps to ensure future compliance.

OIG also finds it disconcerting that a Traffic Ops supervisor was able to accept employment with an active consultant while still employed at GDOT. The fact that the employee did not remove herself from overseeing the consultant's contract, and that her superiors failed to recognize this as a conflict of interest shows a need for renewed ethics training within the Office of Traffic Ops.

To prevent this situation from reoccurring in the future, OIG encourages GDOT to create a postsecondary employment policy. GDOT should ensure that the policy addresses the steps to be taken when an employee leaves the department to work for contractors/consultants with whom the employee has participated in the awarding, administering or supervising of said consultant's contract while in their official state capacity.

OIG acknowledges and appreciates the cooperation and assistance provided by GDOT's Office of Audits and Investigative Unit and the U.S. DOT OIG in conducting this investigation.

VI. RECOMMENDATIONS

The OIG offers the following recommendations to the Georgia Department of Transportation. The OIG requests that GDOT provide a written response regarding implementation of these recommendations within 30 days of the issuance of this report.

- 1) Any GDOT employee who enters into negotiations or commences an arrangement for future employment with an active contractor/consultant shall disclose this information to his/her immediate supervisor. Once the disclosure is made, GDOT should ensure that the employee no longer participates in any matter involving the new or potential employee so as not to create a perception of conflict of interest.
- 2) GDOT should create a post employment policy which addresses employees who leave the department to work for contractors/consultants with whom the employee has participated in awarding, administering or supervising said consultant's contract while in his or her official state capacity.
- 3) GDOT should take the appropriate corrective action to comply with their Office of Audits' recommendations and correct the identified problem areas.
- 4) Consider increasing the frequency of internal audits agency-wide.
- 5) GDOT should explore the possibility of adding staff or realigning present staff within Office of Audits and/or General Support & Procurement for the purpose of increasing internal auditing capabilities.
- 6) Consider an evaluation of the use of consultants in the Office of Traffic Ops to ensure that there is no duplication of job responsibilities between state employees and consultants. GDOT should also ensure that the state is receiving the full benefit of the consultants' services.
- 7) Consider conducting a Job Task Analysis to ensure that appropriate employee qualification levels exist so that the division/agency operates with efficiency and business acumen. The agency should also determine which positions and responsibilities need to be revamped for increased organizational efficiency.
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