

2014

2014 Annual Report

Internal Special Audit Unit

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Executive Summary

The Internal Special Audit Unit (“ISAU” or “the Unit”) within the Massachusetts Office of the Inspector General (“OIG”) respectfully submits the following annual report in accordance with M.G.L. c. 6C, § 9(e).

As an independent agency, the OIG has a broad legislative mandate to prevent and detect fraud, waste and abuse in the expenditure of public funds at all levels of government. In 2009, the Legislature created the ISAU as an independent unit responsible for monitoring the quality, efficiency and integrity of the Massachusetts Department of Transportation’s (“MassDOT”) operating and capital programs. The ISAU’s scope encompasses, but is not limited to (1) monitoring the quality, efficiency and integrity of MassDOT’s operating and capital programs; (2) seeking to prevent, detect and correct fraud, waste and abuse in the expenditure of public and private transportation funds; and (3) examining and evaluating the adequacy and effectiveness of MassDOT’s operations, including its governance, risk management practices and internal processes. Each year, the ISAU identifies and prioritizes audits, reviews and investigations to conduct; it also receives project requests from MassDOT’s management and anonymous complaints from MassDOT’s employees and the general public.

The ISAU began formal operations in April 2013; in 2014, it had an annual budget of \$350,000 and a team of four people. During 2014, the ISAU investigated matters involving MassDOT’s spending practices, use of federal and state funds, procurement of vehicles, internal controls, compliance with state laws, and recordkeeping. In 2014, the ISAU identified over \$4.2 million in potential cost savings through its review of MassDOT’s fleet vehicle operations and hotline operations. The fleet review also uncovered both widespread systemic vulnerabilities and specific problems, including the use of fabricated license plates, questionable vehicle purchases and 180 vehicles with expired inspection stickers. Finally, the review identified concerns over MassDOT’s use of \$3.4 million in federal grant money that the agency had received to replace its aging Crown Victoria sedans with alternative fuel vehicles.

After completing its review, the ISAU recommended that MassDOT take several steps to strengthen the management of its fleet of light-duty passenger vehicles, including adopting uniform policies and procedures, instituting internal controls, improving its recordkeeping, segregating conflicting job functions, and ensuring that senior MassDOT officials actively oversee fleet management. The ISAU also recommended that MassDOT address specific issues that the review identified, including the agency’s compliance with the \$3.4 million federal grant the agency had received. The ISAU’s complete report is available at www.mass.gov/ig.

MassDOT took several steps in response to the ISAU's report, including discontinuing its practice of manufacturing its own license plates and ensuring that all vehicles have up-to-date inspection stickers. MassDOT also reports that the federal agency overseeing its \$3.4 million grant determined that MassDOT had complied with the grant guidelines.

In 2015, the ISAU will continue to monitor MassDOT's efforts to improve the management of its fleet of light-duty passenger vehicles.

Background

The ISAU performs audits, investigations and reviews of MassDOT's operations to protect public and private transportation funds and to help improve MassDOT's operations. The Unit assists the Commonwealth, the taxpayers and MassDOT by identifying potential cost savings, internal control weaknesses, the waste of transportation funds, fraudulent activities and the misuse or abuse of public authority.

Specific activities of the ISAU include:

- Investigating allegations of fraud, waste and abuse in the expenditure of public or private transportation funds.
- Auditing specific operations at the request of the Inspector General Council, MassDOT's Board of Directors or MassDOT's management, as appropriate.
- Reviewing MassDOT's operations or programs to ascertain whether they are carried out as planned and whether the results are consistent with established objectives and goals.
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify and report such information.
- Identifying significant risk exposures and control issues, including fraud risks, governance issues and other matters.
- Reviewing the systems established to ensure MassDOT is complying with applicable policies, plans, procedures, laws and regulations.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.

These activities enable the ISAU to promote governance, accountability and compliance, which in turn improves MassDOT's operations and protects transportation funds.

Identification of Potential Savings

One of the ISAU's primary objectives is to protect transportation funds by identifying potential cost savings and the inappropriate use of funds in MassDOT's operations. In 2014, the ISAU identified waste in various areas of MassDOT's fleet vehicle program. The table below details the inappropriately used funds and thus opportunities for potential savings for the agency. Further specifics of the investigation are detailed in the *Audits, Investigations and Reviews* section of this report.

Transportation Funds	
MassDOT's Fleet Vehicle Operations	Potential Savings
State vehicles not used regularly	\$2,412,278
Unnecessary replacement of vehicles	\$738,646
State vehicles used primarily for personal commuting	\$485,298
Unnecessary vehicle accessories	\$330,600
Purchase of six Ford Explorers for senior executives	\$204,000
Navigation equipment that was purchased but never received	\$45,240
ISAU Hotline	
Cost savings by bringing MassDOT's hotline in-house	\$30,000
Total: \$4,246,062	

Audits, Investigations and Reviews

Massachusetts Department of Transportation's Fleet Vehicle Operations

In 2014, the ISAU conducted a comprehensive review of MassDOT's fleet of over 1,500 light-duty passenger vehicles.¹ The ISAU reviewed MassDOT's procurement, assignment, maintenance and use of its light-duty fleet. The review included determining whether MassDOT appropriately used taxpayer funds for its light-duty fleet. The review uncovered widespread systemic vulnerabilities and specific problems, including the use of fabricated license plates, questionable vehicle purchases and 180 vehicles with expired inspection stickers. Finally, the review identified concerns over MassDOT's use of \$3.4 million in federal grant money that the

¹ "Light-duty passenger vehicles" refers to all passenger vehicles in MassDOT's fleet, ranging from Ford F-350 pickup trucks to sedans. The audit did not examine the MBTA's separate management processes for its vehicles. The audit also did not address MassDOT's heavy-duty vehicles, which include all equipment (plows, sign boards, dump trucks, etc.) and larger pickup trucks.

agency had received to replace its aging Crown Victoria sedans with alternative fuel vehicles. Specifically, the ISAU found:

- **Misuse of federal funding designated for reducing vehicle emissions and pollution:** Instead of reducing vehicle emissions by replacing older, less fuel-efficient vehicles – as it had promised the grant agency it would – MassDOT used federal funding totaling \$3.4 million to increase the size of its fleet, adding 69 new state vehicles.
- **Unnecessary purchase of vehicles costing \$204,000 for senior-ranking MassDOT officials:** MassDOT purchased six 2014 Ford Explorers outfitted with the Massachusetts State Police Emergency Equipment Package – including emergency lights and sirens – and assigned them to senior MassDOT managers. All of these officials already had state vehicles in good condition and did not need new vehicles.
- **Use of inaccurate procurement paperwork to purchase the unnecessary vehicles noted above:** MassDOT officials indicated on procurement paperwork that the Massachusetts State Police needed the Ford Explorers noted above, but six of the vehicles went to senior MassDOT officials instead. MassDOT bought the vehicles through a state contract meant only for the State Police and other law enforcement entities.
- **A senior MassDOT official approved her own vehicle purchase and assignment:** A MassDOT official who has procurement signatory authority signed paperwork approving the purchase of state vehicles, even though she was a recipient of one of the new vehicles.
- **Questionable vehicle assignments.** In 2014, approximately one out of every five MassDOT employees had a state vehicle. Based on their job functions, an analysis of vehicle records and a random sampling of employees, it appears that many of these vehicle assignments were unwarranted. The drivers did not, for example, need the vehicles to travel to occasional meetings or to perform other aspects of their jobs.
- **Numerous unnecessary vehicle replacements, costing in excess of \$700,000:** Many MassDOT employees received new state vehicles even though their prior vehicles were fairly new, had relatively low mileage, and were in good condition.
- **Unnecessary vehicle accessories costing \$330,600:** MassDOT purchased Bluetooth equipment, two-way radios, emergency lighting and other items for state vehicles without first assessing the need for the equipment. The drivers assigned to these vehicles did not need or use much of this equipment.
- **\$45,240 spent on navigation equipment that MassDOT never received:** In a vehicle accessory procurement, MassDOT paid for navigational equipment that the vendor never delivered. Following the ISAU's report, MassDOT requested a refund from the vendor.

- **Expired inspection stickers:** 180 MassDOT vehicles did not have current vehicle safety and emissions stickers, in violation of state law. Until the ISAU brought this to MassDOT's attention, numerous MassDOT employees and State Police troopers drove their state vehicles and police cruisers with expired safety and emissions inspection stickers.
- **Misuse of commercial and passenger license plates:** Dozens of MassDOT vehicles had commercial or passenger license plates rather than official state license plates. This practice violates state policies.² Without official state license plates, moreover, the public cannot identify the cars as state vehicles. This makes it easier to use the cars for personal business, thus exposing MassDOT to the risk of fraud and abuse.
- **Fabricated license plates:** MassDOT manufactured its own license plates to replace missing or damaged state license plates, in violation of state law.
- **Misuse of state vehicles for free, daily parking in downtown Boston:** Several employees who worked at MassDOT's Boston headquarters regularly parked their state vehicles at city parking meters all day, for free. This significant privilege is not available to the general public.
- **State employees with multiple state cars assigned to them:** According to MassDOT's vehicle records, some state employees appeared to have more than one state vehicle assigned to them for their exclusive use.
- **Lack of effective oversight and uniform policies:**
 - MassDOT did not require employees to maintain vehicle logs to verify that they were using their state vehicles solely for state business.
 - MassDOT allocated annual funding for vehicles and equipment evenly among its six highway districts, regardless of each district's relative size or individual need.
 - MassDOT did not segregate incompatible procurement functions, enabling the same employee to approve vehicle requisition forms, take possession of vehicles, and approve vehicle payments.
 - In 2012 and 2013, MassDOT chose the highest-priced vendor to install computer equipment in police cruisers. MassDOT could have hired two other state-approved vendors that offered lower prices.

² The Executive Branch's vehicle policy states that all state vehicles must have official state license plates unless the vehicles are used by law enforcement personnel or the driver has been issued a waiver under special circumstances. Examples of these circumstances include state employees who perform undercover or investigatory work and instances where it is necessary to protect the employee's safety.

- **Unrecorded state vehicles in use by employees:** The ISAU identified several employees who were using state vehicles that were not in MassDOT’s vehicle records. Therefore, the agency was not monitoring the vehicles and the employees were essentially using them “off the books.”
- **Questionable assignment of domiciled vehicle privileges:** Many MassDOT employees who did not regularly respond to off-duty emergencies had domiciled state vehicles, contrary to the Executive Branch’s vehicle policy. Alternatively, some employees who were not authorized to drive their state vehicles home circumvented that restriction by parking near their homes in lots that are owned by MassDOT or another public entity, thus improperly using their state vehicles for personal commuting.
- **Underutilized vehicles:** More than 400 state vehicles were not assigned to anyone; many of the vehicles were not being used and sat idle for long periods of time. Therefore, MassDOT’s need for these vehicles was questionable.
- **Deficient recordkeeping:** At the time of the review, MassDOT’s electronic vehicle management system contained many incomplete and inaccurate vehicle records. MassDOT relied on this system as the primary, official record of all of its vehicles and equipment.

The ISAU recommended that MassDOT significantly improve the management of its fleet by more closely overseeing the purchase, assignment and use of light-duty vehicles. Additionally, the ISAU recommended that MassDOT implement and enforce the Executive Branch’s vehicle policies. Specifically, the ISAU made the following recommendations to MassDOT:

1. Follow through on MassDOT’s commitments to the Federal Highway Administration (“FHWA”) when the agency applied for \$3.4 million in air-quality funding and retire the appropriate number and appropriate type of vehicles.
2. Reassign to the State Police the six Ford Explorers purchased from the State Police contract.
3. Investigate the purchase of the six Ford Explorers, determine if any wrongdoing occurred, and take action accordingly.
4. Immediately assess all current vehicle assignments using the standards and policies outlined in the Executive Branch’s vehicle policy, and rescind all unwarranted assignments.
5. Institute robust procedures for purchasing and replacing vehicles, including assessing each highway division’s vehicle needs rather than dividing the vehicle budget equally among all divisions.

6. Reduce the overall size of the light-duty fleet to align with the Commonwealth's goals, and reassign or auction vehicles that are not fully utilized.
7. Create an automated and centralized process for keeping vehicle inspections up to date.
8. Replace all commercial and passenger license plates on state vehicles with official state license plates and ensure that all vehicles have appropriate state markings.
9. Identify all vehicles with fabricated license plates and obtain replacement plates from the Registry of Motor Vehicles ("RMV"). Investigate whether any employees misused the fabricated or original license plates.
10. Prohibit employees from parking for free at metered parking spaces, except in appropriate emergency situations.
11. Determine whether any employees use two state vehicles, and take appropriate disciplinary action.
12. Update the agency's electronic records to include all of MassDOT's vehicles. Consider importing data from the RMV to eliminate manual entry errors.
13. Reconcile or audit electronic vehicle records periodically to ensure that they are accurate and complete.

MassDOT provided the following response to the report:

"Following the issuance of the Vehicle Fleet findings report, MassDOT investigated all identified items and implemented the appropriate changes to strengthen the governance, accountability and supervision of the vehicle management policies."

Additionally, MassDOT implemented the following changes to its light-duty fleet vehicle program in response to the ISAU's report:

1. **Use of fabricated state license plates:** MassDOT immediately stopped manufacturing license plates when the ISAU brought the issue to the agency's attention. MassDOT removed inventory used to manufacture the plates from the manufacturing facility. At the time of the report, MassDOT grounded all light-duty vehicles with manufactured plates and replaced the license plates with official RMV plates.
2. **Expired inspection stickers:** MassDOT immediately grounded all vehicles with expired inspection stickers after the ISAU notified the agency of the issue. MassDOT verified

that all vehicles in question either received proper safety and emissions inspections, or were not in service. Furthermore, MassDOT assigned responsibility for ensuring that inspections are kept current to six employees within the agency.

3. **Use of commercial license plates on state vehicles:** Shortly after the ISAU issued its report, MassDOT indicated that these vehicles were assigned to some of the most senior employees in the agency. MassDOT stated that at this level of management, the agency trusted its employees to use state vehicles appropriately. Nonetheless, MassDOT replaced some of the vehicle plates cited in the report with official state plates.
4. **Unrecorded state vehicles in use by employees:** One vehicle is now captured in MassDOT's electronic records. The remaining vehicles had previously been transferred to other state agencies. MassDOT notified the RMV to cancel registrations for the MassDOT vehicles that were no longer in service, and to transfer registrations for the vehicles used by other agencies to those agencies.
5. **Underutilized vehicles:** MassDOT reassigned, auctioned or repaired many of the vehicles that the agency did not use regularly.
6. **Misuse of federal funding designated for reducing pollution associated with vehicle emissions:** MassDOT investigated the ISAU's finding that the agency improperly used \$3.4 million of the federal funds designated for vehicle-emission reduction to increase the size of its fleet. MassDOT maintains that between federal fiscal years 2012 and 2013, the agency has retired 184 less-efficient vehicles and replaced that fleet with 184 alternative fuel-efficient vehicles targeted at reducing emissions. In 2014, at MassDOT's request, the FHWA reviewed the agency's alternative fuel vehicle program and in a letter to MassDOT, the FHWA concluded there was no misuse of federal funds and that MassDOT was in compliance with the FHWA's grant guidelines.

The ISAU reviewed the limited information that MassDOT provided to the FHWA and that the FHWA used to form its conclusion on the use of the grant funds. The ISAU determined that of the vehicles MassDOT referenced as disposed of in federal fiscal years 2012-2014:

- Only 89 vehicles were Crown Victoria sedans; MassDOT had promised to retire 107 Crown Victoria sedans in federal fiscal year 2013 alone, in return for receiving \$3.4 million in federal funding in 2013.
- 15 of the 89 Crown Victoria sedans were auctioned after the ISAU released its report.
- 26 of the 184 vehicles auctioned were alternative fuel vehicles to begin with, and thus likely did not contribute to the vehicle emissions reduction goals of the federal program.

MassDOT provided the following response regarding issues in which the agency did not take any action:

1. **Unnecessary purchase of Ford Explorers, costing \$204,000, for six senior-ranking MassDOT officials:** MassDOT stated that it wanted to obtain four-wheel drive vehicles for certain highway division employees whose daily activities did not warrant pickup trucks, because their duties are not solely field-oriented. MassDOT stated that acquiring these vehicles ensured that employees who are travelling to work sites during snow emergencies had safe and reliable vehicles.

Note: MassDOT did not address the fact that these vehicles were purchased under the premise that they would be used by the State Police. MassDOT also did not address the fact that it could have purchased the same vehicles – without the State Police Emergency Equipment Package – through another state contract for thousands of dollars less per vehicle.

2. **Questionable domiciled vehicle privileges:** MassDOT indicated that employees who have this privilege are “on call” twenty-four hours a day. MassDOT reviewed the vehicle assignments for all employees in question and deemed the privilege necessary.

Note: MassDOT did not address that, according to the Executive Branch’s vehicle policy, the “on call” factor is not a valid reason for a domicile vehicle assignment.

Investigations Referred to the Massachusetts Office of the Inspector General

In accordance with M.G.L. c. 6C, § 9(d), the ISAU may report and refer findings to the investigative division in the OIG, and the results of such investigations may be referred to the Attorney General for appropriate action. During 2014, all issues the ISAU identified or received were investigated or reviewed internally; therefore, no items required referral.

RMV Disability Placard Task Force

Following the Inspector General’s 2013 report on the abuse of disabled persons parking placards, the Registry of Motor Vehicles (“RMV”) created a joint task force dedicated to addressing and resolving issues surrounding placard abuse. The task force is committed to increasing enforcement of the current law, amending state law to increase the penalties for placard abuse, and tightening administrative controls to make abuse more difficult to accomplish and easier to detect. The ISAU actively participates in the task force along with members of the RMV, the Massachusetts Office on Disability, the State Police, the City of Boston’s Office of the Parking Clerk, and the Boston Police Department.

The Inspector General's 2013 report is available at www.mass.gov/ig.

ISAU Hotline

In 2014, the ISAU agreed to take over responsibility for MassDOT's internal employee hotline and the RMV's disability placard abuse hotline. This agreement enabled MassDOT to save approximately \$30,000 in costs associated with outsourcing the employee hotline. The ISAU hotline enables MassDOT employees to anonymously report fraud, waste or abuse of public or private MassDOT funds, including any wrongdoing, misuse of equipment, or otherwise prohibited activity. For the RMV hotline, the ISAU fields incoming phone calls from the public regarding the alleged misuse or abuse of disability parking placards. The information is recorded and forwarded to the RMV's Medical Affairs Bureau for further investigation. In 2014, the ISAU received over 120 phone calls on the RMV hotline.

Reports and Publications

The ISAU's reports and publications are available on the Inspector General's website at www.mass.gov/ig.