



## REPORT OF INVESTIGATION

**FILE ID NUMBER:** 2004022

**AGENCY:** Ohio Board of Motor Vehicle Collision Repair  
Registration

**BASIS FOR INVESTIGATION:** Written Complaint

**ALLEGATION:** Improper Use of State Computer

**RECEIVED:** February 9, 2004

**INVESTIGATED BY:** Thomas P. Charles  
Inspector General  
  
Arnie J. Schropp Jr.  
Deputy Inspector General

**DATE OF REPORT:** April 8, 2004

## **EXECUTIVE SUMMARY**

File ID No. 2004022

The Office of the Inspector General received a complaint alleging that the executive director of the Ohio Board of Motor Vehicle Collision Repair Registration, John (Jack) Lundberg, had inappropriately used his state computer. Interviews were conducted, computerized data was analyzed, and documents were reviewed during the course of the investigation.

Our investigation revealed there was reasonable cause to believe that Lundberg committed wrongful acts by utilizing his state computer during work hours for personal purposes. He subscribed to pornographic web sites, downloaded hundreds of pornographic images and videos, facilitated personal sales transactions, and downloaded files and wrote editorial commentary.

We also identified questionable management practices that resulted in Lundberg and the Board committing acts of omission. Lundberg failed to properly monitor his agency's payroll activities, resulting in a variety of payroll discrepancies. He also failed to develop policies and procedures in a timely manner. These same issues were previously cited in an Auditor of State's management letter addressed to the Board in 2002. Additionally, he permitted an unprofessional work atmosphere to envelop his office by allowing his assistant director to work a completely flexible schedule and bring her children to work with her for nearly a year.

We have offered six recommendations to the Ohio Board of Motor Vehicle Collision Repair Registration and requested they respond to this office within sixty days.

Additionally, the Auditor of State conducted a Biennial Management Audit of the Board that will further address some of the management issues found in this report.

A copy of this report will also be provided to the Ohio Ethics Commission for their review.

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## **I. BASIS FOR INVESTIGATION**

The Office of the Inspector General received a complaint from a former employee of the Ohio Board of Motor Vehicle Collision Repair Registration (Board). The complainant alleged that the executive director of the Board had improperly used a state computer.

## **II. ACTION TAKEN IN FURTHERANCE OF INVESTIGATION**

We examined a computer and requested various documents from the Board. We also requested and received records from the Ohio Department of Administrative Services, issued subpoenas for other records, and conducted several interviews.

## **III. DISCUSSION**

### *Background*

The Board was created in 1998 to register motor vehicle collision repair businesses throughout Ohio. Seven members are appointed to the Board to oversee the Board staff and activities. Currently the Board registers approximately 1,700 motor vehicle collision repair businesses each year. In October 1998 John (Jack) Lundberg was hired as the first executive director. At this time, the Board office consists of the executive director, assistant director, and a vacant investigator's position.

***Allegation: Executive Director Lundberg inappropriately used his state computer for personal purposes.***

Based on the information we received, which indicated that Director Lundberg was misusing his state computer, we examined a computer located in the Board office that he had retired from service in July 2003.

Upon that examination, we found significant evidence that the computer had been misused based upon information found on the computer hard drive. We found various non-work related web sites. These included sites for fly-fishing, shooting sports, cycling, and golf. We also identified eBay transactions that Lundberg had made.

More troublesome was the fact that this computer had been used to access several pornographic sites and downloads of eight photos and seven movie files depicting adult sexual activity. Our analysis of e-mail activity on Lundberg's computer revealed he received 180 pornographic related messages and advertisements in the six-week period between January 1, 2004, and February 11, 2004. We found an electronic receipt dated March 27, 2003, which acknowledged Lundberg's paid subscription to a pornographic website. When interviewed, Lundberg admitted to subscribing to other pornographic web sites at his own expense, and downloading hundreds of pornographic images and videos over the past several years.

We also found instances of Lundberg using his computer to send and receive e-mails, download files, and write editorial commentary, some of which were of a political nature. All of these activities were clearly unrelated to the mission of his state agency or his official duties as executive director. Lundberg used his computer to download files that identified individuals who contributed to his wife's campaign for the Ohio Supreme Court, along with her opponent's. Additionally, we found e-mails discussing election activities and congratulatory messages following the election. At best, Lundberg's use of his state computer in this manner can be described as personal. However, his editorial commentary and e-mails were electronically sent and easily identified as originating from his state office, thereby giving the appearance they were sent under the authority of his position.

The Ohio Department of Administrative Services (DAS) has established policies regarding the use of state computers and software. DAS Directive ITP E.8 addresses misuse of state computers. Section 5.1.3 of the policy establishes that a public employee's use of an office computer for purposes other than work-related matters is prohibited.

We believe Lundberg's subscribing to pornographic websites, downloading pornographic photos and videos, engaging in personal sales transactions, and writing commentary (some of which were of a political nature), during his work hours, was certainly inappropriate. His actions are inconsistent with DAS policy and what the public has a right to expect from state employees. This is made more serious by the nature of his position and the fact that we found additional problems set forth below related to his management practices.

Accordingly, we find reasonable cause to believe wrongful acts occurred in this instance.

#### **IV. OTHER MATTERS**

##### *MANAGEMENT ISSUES*

During the course of our investigation, we uncovered questionable management practices by Director Lundberg. Our observations here are with respect to general office operations, as there are no established policies and procedures with which to gauge the general performance of the Board.

One issue we discovered during the course of our investigation dealt with Diane Hoenig, assistant director for the Board. Following the birth of her second child in 2000, she planned to take twelve weeks off on childbirth leave. A temporary worker they hired to fill in for her was terminated, and Lundberg asked Ms. Hoenig if she would return to work six weeks early. Hoenig was unable to arrange childcare at the time, so Lundberg offered to permit her to bring her two children to work. Hoenig said she continued to bring her children to work for nearly a year. She continues to occasionally bring her children to work if they are sick, or if she works on the weekend. Ample evidence exists to demonstrate the use of this office as a day care facility. In the waiting and break room areas of the Board Office there were children's games, toys, and clothing articles. In addition, Lundberg also permitted Hoenig to work a flexible schedule. Her payroll records indicate a variety of work hours that include split days, weekends, and some late evenings.

A problem maintaining accurate payroll records is another issue we discovered in the course of our investigation. Ms. Hoenig utilized a time stamp and an electronic time sheet to record her work hours. She submitted her time sheets to Lundberg for his approval. Nonetheless, in reviewing Hoenig's 2002 payroll records, we identified more than 130 discrepancies. Many of these involved stamped times being handwritten over, and times not matching the actual payroll entries. Based on her stamped time sheets obtained from the Board, it appears that Hoenig worked less than 8 hours per day 62% of the time during 2002. (See Exhibit A)

We also found discrepancies in the payroll records of Joe Montano, the former Board investigator. We found instances where the time sheets submitted by Montano did not match those submitted to DAS by Lundberg. Montano stated that he typically worked four ten-hour days, and that he recorded his working hours on the time sheets he submitted to Lundberg. However, in some cases the time sheets Lundberg submitted to DAS for payroll listed different work hours and days than those actually submitted by Montano.

We also found that none of the Board employees submitted leave requests when they used any type of leave during 2002. DAS Directive No. 04-06 requires the use of leave forms to document instances when an employee uses compensatory time. However, it does not appear that Board employees submitted leave forms before July 2003.

Because of these discrepancies, we were unable to reconcile the payroll hours to ensure their accuracy.

On November 16, 2001, the Auditor of State completed an audit of the Board for fiscal years 1999 through 2001, inclusive. On May 30, 2002, the Auditor of State issued a management letter detailing areas of noncompliance found in the audit. (See Exhibit B) The management letter addressed the following four areas of noncompliance:

1. Timeliness of Expenditures
2. Lack of Policies and Procedures

3. Revenue Internal Control
4. Payroll Missing Documentation - Reconciliation

We found that nearly two years after receiving the auditor's report, the Board still lacked established policies and proper payroll accountability. When interviewed, the chairman of the Board indicated that all of the Board members were provided a copy of the 2002 audit report. Regardless, Lundberg failed to correct these deficiencies, and the Board failed to provide the proper leadership to ensure these noncompliance issues were addressed in a manner consistent with their responsibilities as Board members.

Accordingly, we find reasonable cause to believe acts of omission occurred in these instances.

## **V. CONCLUSION**

As a result of our investigation of the allegation of misuse of a state computer, we identified several instances of wrongful acts involving personal use for which there can be no excuse. However, Lundberg's wrongful acts in this regard are equaled only by his failure to effectively manage the Board he was charged with operating. We recognize the need for executive directors to have some latitude in order to properly manage their agency. However, directors are expected to set high standards of conduct for themselves and their employees. They are expected to properly fulfill their duties, and follow all applicable laws and established policies. In our view, Lundberg failed to fulfill his mission and meet the standards of professionalism the public reasonably expects from state officials.

## **VI. REFERRAL**

During the course of our investigation, we discovered that Lundberg vacationed in Costa Rica at the home of Board member Barbara Lewis on two occasions. Lundberg and his wife spent a week in Costa Rica with Ms. Lewis and her husband in January 2002, and Lundberg spent

another week in September 2002, on both occasions rent-free. Lundberg failed to disclose these trips as gifts on his 2002 Ohio Ethics Commission Financial Disclosure Statement. Ohio Ethics Commission Opinion 96-003 outlines the requirements for disclosing such gifts. Accordingly, we are providing a copy of our report to the Ohio Ethics Commission for their review.

## **VII. RECOMMENDATIONS**

Based upon the results of our investigation, we make the following recommendations and request the Board respond to this office within the next 60 days with a plan of action as to how these recommendations will be implemented:

1. The Board should implement clear policies prohibiting misuse of state computers.
2. The Board should ensure compliance with all Ohio Department of Administrative Services policies regarding proper payroll documentation and accountability.
3. The Board should ensure employee accountability and adopt a professional business environment in the Board office.
4. The Board should provide adequate training and staffing levels to properly fulfill the mission of the Board.
5. The Board should develop and adopt a policy manual outlining the operations and procedures of the Board.
6. The Board should address the findings of the recent Biennial Management Audit conducted by the Auditor of State and comply with the recommendations.

**EXHIBIT A**

**ASSISTANT DIRECTOR DIANE HOENIG PAYROLL RECORDS FROM 2002  
RANGE OF HOURS FROM DATE/TIME STAMPED RECORDS**

<b>HOURS WORKED</b>	<b><u>OCCURRENCES</u></b>	<b><u>PERCENTAGE OF TOTAL OCCURRENCES</u></b>
OVER 9	24	9.2%
8-9	75	28.7%
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7-8	64	24.5%
6-7	35	13.4%
5-6	21	8.0%
4-5	8	3.1%
3-4	13	5.0%
2-3	8	3.1%
1-2	11	4.2%
0-1	<u>2</u>	<u>0.8%</u>
	261	100.0%

62.1% worked less than 8 hours

**OHIO BOARD OF MOTOR VEHICLE COLLISION  
AND REPAIR REGISTRATION  
FRANKLIN COUNTY**

**MANAGEMENT LETTER**

**FOR THE YEARS ENDED JUNE 30, 2001 - 2000 - 1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



STATE OF OHIO  
OFFICE OF THE AUDITOR

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## MANAGEMENT LETTER

Ohio Board of Motor Vehicle Collision and Repair Registration  
37 West Broad Street, Suite 880  
Columbus, Ohio 43215

The Ohio Board of Motor Vehicle Collision and Repair Registration is part of the primary government of the State of Ohio. In accordance with *Government Auditing Standards* applicable to financial audits, we have audited the general-purpose financial statements of the State of Ohio as of and for the year ended June 30, 2001, and have issued our report thereon dated November 16, 2001.

*Government Auditing Standards* also require that we describe the scope of our testing of compliance with laws and regulations and internal controls over financial reporting and report any irregularities, illegal acts, other material noncompliance and reportable conditions in the internal controls. We have issued a report on compliance and internal controls over financial reporting required by *Government Auditing Standards* as of and for the year ended June 30, 2001. The procedures we performed at your agency did not result in the identification of any material noncompliance or reportable conditions in internal control that required inclusion in the statewide report described above.

We are also submitting for your consideration the following comments on the Ohio Board of Motor Vehicle Collision and Repair Registration's noncompliance with applicable state and federal laws and regulations and on its internal controls. These comments reflect matters that, while in our opinion do not represent material instances of noncompliance or reportable conditions in internal control, we believe represent matters for which improvements in compliance or internal controls or operational efficiencies might be achieved. Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing the recommendations suggested below. However, these comments reflect our continuing desire to assist your Board. If you have questions or concerns regarding these comments, please do not hesitate to contact us.

### 1. TIMELINESS OF EXPENDITURES

Ohio Revised Code §126.30(A) states: "Any state agency that purchases, leases, or otherwise acquires any equipment, materials, goods, supplies, or services from any person and fails to make payment for the equipment, materials, goods, supplies, or services by the required payment date shall pay an interest charge to the person in accordance with division (E) of this section, unless the amount of the interest charge is less than ten dollars. Except as otherwise provided in division (B), (C), or (D) of this section, the required payment date shall be the date on which payment is due under the terms of a written agreement between the state agency and the person or, if a specific payment date is not established by such a written agreement, the required payment date shall be thirty days after the state agency receives a proper invoice for the amount of the payment due." It is management's responsibility to implement internal control procedures to reasonably ensure non-payroll expenditure transactions are processed timely, accurately, and completely.

Under current procedures, the Department of Administrative Services' Central Service Agency processes Board expenditures based on original invoices approved and submitted for payment by the Board within two to three weeks. Four out of 40 (10%) invoices, totaling \$9,761, selected for testing were paid from 3 to 41 days beyond the required 30 day limit. No interest payments were made for these late disbursements. Given the payments were not made within the time limits of

**1. TIMELINESS OF EXPENDITURES (continued)**

ORC § 126.30, the Board may be required to pay interest to vendors, limiting the amount of funding available for Board activities.

We recommend the Board strengthen their internal control structure by devising and implementing sufficient procedures to reasonably ensure expenditure transactions are in compliance with Ohio Rev. Code §126.30 and other applicable requirements. This will require the Board to promptly forward all approved original invoices to the Central Service Agency to expedite payment processing and maintain copies for Board records. We also recommend the Board implement monitoring procedures to identify invoices nearing the 30 day limit with appropriate follow-up to Central Services to provide reasonable assurance payments are processed timely.

**2. POLICIES AND PROCEDURES**

An entity's internal controls consist of the policies and procedures established by management to provide reasonable assurance that specific financial and non-financial objectives will be achieved. These policies establish the authorization level for transactions to be executed and set the tone for management's commitment to the accomplishment of their goals and professional and statutory requirements. Additionally, the documentation of policies represents the initiation point for the development and implementation of control procedures which provide specific direction for consistent and timely processing of financial and non-financial transactions. It is management's responsibility to periodically monitor internal control procedures to ensure the prescribed controls are operating as intended.

As of the date of our audit, the Board had not documented specific procedures to ensure its revenue, expenditure, and payroll transactions were processed accurately, consistently, and timely. Without documented policies and procedures, the Board subjects itself to increased risk that transactions may be processed incorrectly or in an untimely manner. The lack of formalized, documented procedures could potentially result in employees not adequately performing assigned tasks, especially in the event of employee turnover. Given the fact the Board is a relatively new entity employees may not be familiar with State laws and regulations and may not understand the full scope of their responsibilities.

We recommend the Board develop written policies and procedures relating to the processing and tracking of revenue, expenditures, and payroll which could include, but not be limited to:

- A detailed description of the specific procedures to be performed for each transaction cycle;
- Employees' responsibilities within the transaction cycles;
- The authorization level for transactions initiated by administrative staff;
- Required documentation necessary to proceed with the processing of a transaction; and
- Periodic reconciliations of CAS fund balances and activity to ensure all transactions were posted accurately.

Once finalized, these procedures should be formally communicated to all employees and updated on a regular basis to address any significant changes. We recommend management periodically monitor a selection of transactions to obtain reasonable assurance that employees are adhering to the Board's policies and to determine whether the established control procedures are operating as intended.

### 3. REVENUE INTERNAL CONTROL

It is management's responsibility to design and implement internal control policies and procedures to reasonably ensure specific financial objectives will be achieved. A sound internal control structure requires procedures performed to be thoroughly documented to provide management with reasonable assurance they are being performed timely and consistently. Additionally, it is management's responsibility to design and implement internal control procedures to reasonably ensure all fees are appropriately collected, safeguarded, deposited, and accurately recorded into the accounting records.

Current procedures require the Executive Director to review and approve all revenue receipts prior to deposit; however, this control does not appear to have been applied consistently given five of 25 (20%) revenue receipts tested did not contain the Executive Director's signature to indicate his review and approval. In addition, the Board does not have a reconciliation procedure in place to ensure that the number of registrations and/or renewals processed for each month agrees to the amount of funds deposited into the State treasury and recorded in CAS.

Without adequate internal controls over the processing and recording of Board revenues, management cannot obtain reasonable assurance that all funds have been deposited and recorded in their proper accounts. In addition, Board management cannot determine if employees are executing transactions in accordance with Board policies and State laws and regulations without procedures to periodically measure employee output against established benchmarks.

We recommend management create and implement policies and procedures requiring a review of revenue receipts prior to deposit. Alternative review and approval procedures should be developed to reasonably ensure the accuracy and completeness of revenue deposits in the absence of the Executive Director. In addition, we recommend an employee other than the Deputy Director perform periodic reconciliations of the number of registrations and/or renewals processed within a given time period to the amount of revenue recorded in CAS. Discrepancies should be investigated immediately to ensure State funds are accurately recorded.

### 4. PAYROLL MISSING DOCUMENTATION - RECONCILIATION

In order to function properly, an entity needs to have an effective filing and record retention system to provide employees with the information necessary to complete their required work duties, to demonstrate to management the performance of internal control procedures, and to confirm compliance with applicable laws and regulations to the citizens of the State of Ohio. An effective filing system should allow employees the ability to access valuable information in an efficient manner to enhance agency operations and minimize lag times for decision makers. An effective internal control structure requires implementation of policies and procedures which provide management with assurance payroll expenditure transactions are processed accurately, completely, and are indicative of actual activity performed. An effective control procedure would be a reconciliation of payroll activity reported in the State's accounting records to documentation in the internal records for accuracy and completeness.

During the review of the Board's payroll process, several documents required to validate the accuracy of payroll expenditures could not be located by the Board or Central Services. Payroll Disbursement Journals for four out of six (66.67%) pay periods tested and warrant journals were not retained for all six pay periods tested. The payroll disbursement journals record the details of payroll transactions processed including hours worked and leave time used. The warrant journals present a record of the actual payment made to the employee. In addition, the Board had no documented evidence on file to indicate that internal payroll records were reconciled to State payroll disbursement records to ensure accuracy and allowability of these expenditures.

4. **PAYROLL MISSING DOCUMENTATION – RECONCILIATION (continued)**

As a result of this missing documentation, the Board could not substantiate that internal controls identified for payroll were in place and operating effectively during the audit period and/or that they were in compliance with applicable state laws and regulations. Without sufficient documentation on file, management cannot effectively evaluate whether payroll warrants were processed correctly by verifying this information to the payroll disbursement journal. Additionally, without proper payroll documentation on file and without reconciling internal records to the payment disbursement journals, the risk is increased of inaccurate and/or incomplete payroll expenditures being processed.

We recommend the Board establish and implement an effective method of retaining payroll disbursement and warrant journals. In addition, we recommend management periodically review a sample of payroll files to ensure prescribed internal control and record retention procedures are followed by Board personnel. We also recommend the Board implement monitoring procedures, such as a reconciliation of internal payroll records to the corresponding payroll disbursement journals to ensure the overall accuracy and allowability of transactions processed.

On May 30, 2002, we held an exit conference with Ohio Board of Motor Vehicle Collision and Repair Registration's management and discussed the contents of this letter. The Board has responded to the issues discussed in this Management Letter. A copy of this response may be obtained from Jack Lundberg, Executive Director at (614) 995-0714. This letter is intended for the information and use of State of Ohio management and the Ohio General Assembly and is not intended to be and should not be used by anyone other than these specified parties.



**JIM PETRO**  
Auditor of State

May 30, 2002