



Department of Rehabilitation & Correction

Mike DeWine, Governor
Annette Chambers-Smith, Director

April 12, 2019
Randall J. Meyer
Ohio Inspector General
30 East Broad Street, Suite 2940
Columbus, Ohio 43215-3414

RE: IG File ID Number 2017-CA00024

Dear Inspector General Meyer:

This letter shall serve as the response of the Ohio Department of Rehabilitation and Correction (ODRC) to investigative file #2017-CA00024 submitted to this agency on December 20, 2018 with findings of “reasonable cause to believe that a wrongful act or omission occurred in this instance”. The letter describes the specific actions taken by our agency in response to the recommendations made by your office and also responds to several concerns raised in your office’s report.

Recommendation #1: Review the actions of the individuals named in this report and who remain employed at the ODRC to determine if additional training or administrative actions is warranted.

The Director is waiting on confirmation from both the Franklin County Prosecutor and the Ohio Ethics Commission of completion of their respective office’s review of the facts and conclusions contained in your report. Once we are advised that our agency may proceed with our own internal administrative action, it is our intention to complete an internal administrative investigation and take any appropriate responsive actions.

To ensure that the management issues revealed by your investigation will not occur in the future, ODRC took immediate employment action against those individuals who were most culpable. Several of these individuals were placed on administrative leave and eventually removed by the Director from their unclassified employment with ODRC. The replacement for the Chief of Ohio Penal Industries (OPI), John Coleman, has been specifically tasked with ensuring full compliance with applicable laws, rules, and regulations associate with OPI and ODRC business activities. Mr. Coleman is an experienced ODRC employee with more than 20 years of service. He holds a master’s degree in business administration degree, with a focus in executive management and project management.



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The Chief Fiscal Officer (CFO) position at OPI was evaluated and modified to become a Financial Program Manager 2 position with dual reporting to both OPI and ODRC. Prior to your office's investigation, the OPI CFO reported directly only to the Chief of OPI. The Financial Program Manager 2 position now reports directly to the Chief of OPI for daily activities, and weekly, or as needed, to the ODRC CFO-Chief of the Division of Business Administration (DBA). This new, dual reporting enables the OPI CFO to report directly to ODRC any concerns, issues or perceived improprieties that may occur from direction given by, or dealings with, the Chief of OPI, or other OPI staff.

OPI staff have engaged in several activities that have culminated in the creation of a detailed strategic plan with control and monitoring mechanisms to improve compliance with OPI and ODRC policies and regulations. In addition to the strategic plan, staff have reviewed and updated OPI's vision and mission statements and developed a set of core values to drive its efforts.

Back in March 2018, the Vehicle Service Center (VSC) stopped providing auto maintenance service work on private vehicles owned by staff from ODRC or OPI. Since that time, VSC-related work has been limited to providing manufacturer's warranty repair work on staff private vehicles. VSC has resumed the practice of having offenders provide vehicle detailing cleaning services on privately owned staff vehicles. Provision of these limited services were approved by ODRC management staff through the process outlined in ODRC Policy 25-OPI-03—Establishment of New OPI Industries. These services are offered at no special discounts to state employees. All services rendered are processed in OPI's new enterprise resource management system (ERP), Global Shop Solutions (GSS). This system has been approved in accordance with 05-OIT-01 Hardware and Software and purchased through the State of Ohio purchasing procedures. GSS software is used to manage all OPI shop activities to include tracking production, inventory management, and financial transactions. The system is set-up for individual user access with separate groups access levels.

The Department of Administrative Services (DAS) Office of Internal Audits (OIA) was commissioned for a consultation engagement regarding OPI business activities and operations. OIA conducted the consulting engagement during the months of July 2018 through September 2018. The engagement focused on several important factors: systems access, physical inventory processes, work orders, new product reviews, fiscal reporting and OPI's discounting. The

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consultation resulted in OIA delivering a memorandum to OPI containing seven recommendations and two additional findings. A follow-up plan was established and has been implemented by OPI to further improve operations and accountability.

Next, ODRC will respond to the investigative findings related to the closure of farm operations. As noted in the report, several of the barns, which were constructed and/or renovated during the time frame that ODRC was in discussions about possible closure of farming operations, were sitting idle and not being utilized at the time of the writing of the report. Notably, one of the barns, however, has been re-purposed. The newly built beef barn at Allen-Oakwood Correctional Institution (AOCI) is currently being used as a composting site in a joint venture between AOCI, OPI, and Barnes Nursery, Inc. This building was given to AOCI and is operated by OPI staff through this partnership. The partnership with Barnes Nursery was established through the Office of Enterprise Development (OED).

ODRC and OPI are actively exploring opportunities to repurpose the other newly built farm facilities. Because these other facilities were built for specific farming operations, however, opportunities for re-purposing have been limited. For example, OPI evaluated the potential use of the dairy facilities as an OPI warehouse, however, warehousing could not be readily achieved without significant additional cost for redesign.

The investigative findings of the IG's report suggest that ODRC leadership may have failed to adequately develop contingency plans for the competing objectives of closing farm operations while construction was underway. While we understand these concerns, discussions and decisions about farm closures were a fluid process with no concrete, final decision made by ODRC until a point in time when ODRC was already contractually obligated to proceed with the projects, and substantial construction had already begun.

The Deputy Director of Administration, Kevin Stockdale, was responsible for supervising both Divisions involved with farm closures (OPI) and farm building construction (Construction Activation, Maintenance and Sustainability (CAMS)). If, during the many months of discussions about farm closures, Mr. Stockdale had begun discussions about construction modification or mitigation with either outside contractors or ODRC's staff in CAMS or Architectural and Engineering (A&E), this would have very likely alerted ODRC staff to the possible farm closures. In turn, this information would have negatively impacted operations at multiple institutions throughout Ohio. Mr. Stockdale was acting in good faith to balance the competing

goals of providing safe and secure prison operations, while planning for the possible farm closure in juxtaposition to the expansion.

Once Mr. Stockdale was advised that Director Mohr had definitively decided to close farm operations, he began to take remedial action to limit the costs of the expansion projects. The investigators specifically mention that the grooving in the floor at the London dairy site was never completed, preventing the buildings from being used for the intended purpose. This action was taken for two reasons: 1) as a cost savings measure: and 2) to make the building more versatile. He also made the decision to cancel the installation of the milk parlor to save additional monies.

ODRC and OPI remain fully committed to repurposing these facilities and will continue to market and consider them for future operations that are fiscally sound and enhance our mission. Currently, there are several projects under consideration:

- London Dairy Barn; potential uses include: Growing trees for ODOT replenishment projects along roadways and rest areas. Storage for ODOT equipment, storage for ODRC institutional equipment, or other uses.
- London Mono-slope Beef Barn, potential uses include: Composting, storage of hay, and/or equipment, or other uses.
- Marion Free-stall Dairy Barn, potential uses include: Growing trees for ODOT replenishment projects along roadways and rest areas. Storage for ODOT equipment, storage for ODRC institutional equipment, or other uses.

Recommendation #2: When establishing new lines of business at OPI, ensure compliance with ODRC Policy Number 25-OPI-03: Establishment of New OPI Industries.

The IG's report mentions that OPI management failed to ensure that proper New Product/Service Information Reports were created for new business lines. Specifically mentioned are the expansion of the Vehicle Service Center (VSC), the Deconstruction/Demolition work crews, and creation of the Barbeque Smokers. In each of these cases, the provisions of ODRC department policy 25-OPI-03 was not followed. OPI leadership has reviewed this policy and developed a

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new form that will be required to be submitted prior to the creation of any New Product line, or product that substantially deviates from a current product line, e.g., expansion of the Deconstruction/Demolition work crews in OPI's construction shop. OPI staff are currently creating New Product/Service Information Reports utilizing this new form in compliance with policy 25-OPI-03.

In February and March 2019, OPI administrative staff held a series of Operational and Budget review meetings with all current OPI shops. Where it was determined that an OPI shop was not sufficiently tracking operational expenses and costs, shop managers were asked to create a suitable business plan that includes expense projections in order to improve assessments of sustainability of OPI operations. It is recognized that, in some instances, OPI leadership may decide to continue operations which operate at a loss if those operations provide beneficial training that improves offenders' reentry efforts. If beneficial, OPI believes these instances of operational loss can be offset by gains from larger OPI shop operations.

In the matter of deconstruction/demolition work by OPI, the report notes that the Office of Economic Development (OED) board was not included in the process. There is no current requirement that OPI must work through OED to establish new lines of business. Similarly, OPI is not required to utilize partnerships with outside companies when creating new lines of business, expanding lines of business, or developing training programs. Notably, OPI has had construction operations in place for several decades and the deconstruction/demolition work cited in the report was not a new OPI operation. Rather, the deconstruction/demolition work was an expansion of OPI construction operations. This expanded type of construction work should not have been undertaken, however, without first engaging in proper planning and establishment of adequate training programs for the use of heavy equipment that had not previously been used in conjunction with OPI construction operations.

OPI recognizes and understands the importance of conducting adequate research and planning, including seeking input from outside sources, when making decisions to expand current operations, like the example of construction operations. It is equally important for OPI to be monitored by a neutral third party when making these decisions. For these reasons, the Director is requesting additional language be added to Ohio Revised Code 5145.162 --Office of enterprise development advisory board:

“(D) The advisory board shall have the following duties:(1) Solicit business proposals offering job training, apprenticeship, education programs, and employment opportunities for inmates and releasees, **including ohio penal industries;**”



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This proposed language will require OPI leadership to work through the OED board when establishing new lines of business.

Recommendation #3: Consider paying the state-issued bonds for the dairy expansion project using OPI funds received through the sale and lease of property and equipment related to the prison farm closures.

The Office of Budget and Management has advised ODRC Administrative staff that returning the bond money is not a possibility. As these properties are still part of OPI business assets we will continue to consider other options for their use.

Recommendation #4: Ensure an annual inventory is conducted at all OPI shops, including the Vehicle Service Center, in accordance with ODRC Policy Number 25-OPI-12: OPI Fiscal Reporting.

The annual inventory of OPI shops was completed in June/July 2018. During the OIA auditing consulting engagement requested by ODRC Leadership, several discrepancies were noted. As a result, OPI began an inventory of shop raw materials to be completed by the Material Resource Planner (MRP). OPI requires that a plan of action be developed for any shop with P16 inventory adjustments totaling \$1,000 or more. (P16 is an identifier/marker for inventory adjustments to raw of finished goods). This inventory was completed in February 2019, except for the Vehicle Modification Shop (VSC). VSC is currently being folded into the GSS system and will undergo a complete inventory in June 2019.

Two staff members were assigned to review our inventory process utilizing LEAN tools and tasked with developing an improvement plan. The testing phase was completed and successful. The process is being implemented in all locations with training by the Material Resource Planner (MRP). The MRP's are providing individualized site training during bi-monthly (every other month) site visits on an ongoing basis. ODRC policy 25-OPI-08—Material Resource Planning and policy 25-OPI-12—OPI Fiscal Reporting will be updated to reflect the new requirements. The policies will require cycle counts of all material on inventory monthly, with a full inventory in June. P16 adjustments of \$1,000 or more in any one month of raw material and/or supplies will trigger the need to develop a plan of action and investigative accounting. All adjustments will be monitored to determine if further investigative action is warranted based on type, kind, or cost of the loss.



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All OPI shop Penal Industry Managers responsible for shop oversight will have a specific evaluation performance goal associated with proper inventory control for performance evaluation review year 4/1/2019 through 3/31/2020. (All ODRC and OPI employees are evaluated annually from April 1 through March 31). This performance goal will be required to be completed by 6/30/2019 requiring them to complete an inventory control process review. They will create a plan of action to ensure that each shop's internal processes meet the requirements of ODRC inventory policy, and adequately control inventories.

MRP planner duties are being separated by location of the shop. One MRP will be assigned to shops located in the Northern Region and one to shops in the Southern Region. These positions will be required to spot check all assigned location on a bi-monthly basis (every two-months) to monitor GSS usage and shop inventory processes, findings will be documented in writing to the CFO. This requirement will become effective April 1, 2019 as the second position was filled effective February 3, 2019. During the month of March 2019, OPI staff completed Budget and Operations reviews of all sites, which required the presence of both MRP's.

Recommendation #5: Work with AutoZone to determine if OPI is owed a credit for invoices double paid or owes the vendor for invoices not paid.

The process of utilizing AutoZone as a sole, or primary parts vendor for the Vehicle Service Center (VSC) has ceased. Inventory levels and parts purchasing is maintained and regularly monitored by OPI staff.

On February 11, 2109 OPI hired an independent contractor, Shonta Cade, to review VSC's fiscal operations. She is auditing the last three years of financial transactions between VSC and Carroll Tire (now National Tire Warehouse – NTW), AutoZone, O'Reilly Auto Parts, and Goodyear Tires.

As of April 1, 2019, Ms. Cade has found an outstanding balance payable to AutoZone in the amount of \$70.77, which has been paid. She also identified over payments in the amount of \$4,220.33 to NTW, for which a refund was requested. Ms. Cade is still reconciling possible double payments with our accounts payable staff, totaling \$424.18.



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The auditor is expected to complete and provide a final report identifying any noted fiscal discrepancies with respect to accounts payable, accounts receivable, and inventory levels by April 30, 2019.

The previous OPI administration was utilizing QuickBooks™ accounting software in violation of ODRC policy 05-OIT-01, as noted in the report. Those accounting records were inaccurate and incomplete and did not match the actual financial transactions for the VSC. A review of the actual official credit card logs and transactions in the OAKS financial system revealed de-minimis financial errors.

VSC offers offenders receive valuable training and certification as part of our overall training and reentry plan. Certifications are issued to qualifying offenders through Automotive Service Excellence (ASE) and paid for through OPI funds. The value of this certification process must be balanced against the overall VSC operating costs. If VSC is determined by the auditor to not be profitable, then the cost per certification will be calculated by the auditor. This will give us a cost estimate of the VSC program based on certification as an output. Profitability is not the sole indicator of shop operations as our mission is to provide beneficial offender training for post incarceration employment. As noted previously, there are times that OPI may absorb an operational loss in one area of operations if the benefits are significant and the loss can be offset by gains and contributions from other OPI operations.

Recommendation #6: If the Vehicle Service Center is re-opened to service personal vehicles, ensure all customers are charged the same in accordance with Ohio Revised Code §5120.28, Fixing prices for labor and services.

On November 1, 2018, the Vehicle Service Center was re-opened for limited purposes—car detailing services only. A business plan was created and approved by OSC leadership and reviewed by ODRC Legal. All appointments for car detailing services are scheduled and tracked through our ERP system, GSS. As previously noted, offenders do have access to GSS however, the access is limited and user specific.

OPI leadership is considering re-opening VSC for services on privately owned vehicles to support our offender training program. If services offered at VSC are expanded, establishment of those services will be in accordance with ODRC policies 25-OPI-02 OPI Marketing and Sales, 25-OPI-03 Establishment of New OPI Industries, applicable Ohio Revised Code(s), and Administrative Regulations governing OPI.



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All OPI work is based on an established pricing structure developed by the OPI CFO in conjunction with the Penal Industry Managers and approved by the Chief of OPI. All pricing mark-ups are established by product and/or product line and approved by the Chief of OPI for use in calculating final sales pricing. Effective April 30, 2018, OPI discounting structure was updated in amendments to ODRC policy 25-OPI-02 OPI Marketing and Sales. Recently, this policy was updated again, during annual review process, to make the discounting policy more stringent with respect to determining discount percentages. The updated version of the policy is scheduled to become effective on April 22, 2019.

Recommendation #7: Establish a policy regarding showroom item furniture including, but not limited to: who is authorized to approve the items, the situations in which the items can be provided, and how long the customer may keep the items.

ODRC Policies 25-OPI-02 - Marketing and Sales (effective 4/22/19) and 25-OPI-08 - OPI Customer Purchase Orders and Service (currently in the approval process) are both being revised to add specific language addressing the purchase and use of showroom furniture. The purchase of any item for showroom or “display” purposes will require the express authorization of the Chief of OPI. This authorization may not be delegated to any other person or position. Any item loaned, e.g., a chair, for a “trial” or “testing” period, prior to purchase, will be tracked through GSS, as an order, for inventory purposes. All showroom items have been added to GSS as current inventory on hand at the OPI McKinley Rd. shop.

OPI staff recently participated in a one-week Kaizen event to improve our sales order process. This event focused on the sales process from order placement through delivery. Prior to this event, OPI had a sales process that allowed for significant variation in how sales staff conducted routine order processing. The new uniform process creates a more controlled and accountable system that will reduce variation and improve staff accountability.

Recommendation #8: Create a policy regarding inmates driving outside of institutions.

ODRC policy 310-SEC-51 OPI Vehicle Service Center Key and Lock Control has been in effect since November 12, 2010. The policy was carefully reviewed and, on December 10, 2018, the policy was revised to clearly define the circumstances in which an offender may drive a vehicle during their assigned duties:

“Inmates shall have access to vehicle keys while working on the vehicle in the Vehicle Service Center. Inmates may drive vehicles when a valid Ohio driver’s license has been issued and is current. At no time shall the inmate be permitted to drive a vehicle without a supervisor’s approval. Vehicles shall not leave state grounds unless directed by a supervisor and followed by a [sic] ODRC employee.” (emphasis added).

Recommendation #9: Create a policy that addresses what level of supervision is necessary to inmates outside of an institution.

ODRC currently utilizes a policy that addresses this recommendation; that policy is followed by OPI staff. See Policy 310-SEC-42 --Supervision and Accountability of Level 1 Inmates. OPI administrative staff were not following established policy as it related to offender supervision in the instances described in the report. OPI staff, as a rule, follow the cited policy and process is monitored by the parent facility housing the offender.

This policy requires offender observation and supervisor site inspections utilizing ODRC2593 and ODRC2700 forms. Compliance with this policy and related forms will continue to be closely monitored and reviewed by the Penal Industry Manager for each institution.

The report details inappropriate behavior by OPI leadership allowing them to deliver and/or pick-up items at their personal residence. With respect to VSC transporting vehicles to a private residence, the employment of that employee was terminated. Except for vehicle detailing services, as described above, OPI has stopped the practice of VSC working on employee private vehicles and/or personal outdoor equipment or machinery. With respect to the instance where an employee allowed offenders to deliver a personal item to his residence the employment of that employee was also terminated.

Recommendation#10: Determine how to dispose of assets acquired for the defunct heavy equipment program in order to minimize losses and apply the proceeds to the existing bond obligations to the extent permissible under law.

The new leadership assigned to manage OPI operations reviewed the heavy equipment expansion to the Construction Program. It was determined that with proper training and oversight, the program could provide marketable job skills for inmates and be profitable. OPI chose to maintain these operations and has been completing bid work for other agencies and ODRC. All contract work is based on an established pricing structure developed by the OPI CFO in conjunction with the assigned manager. The Construction Program is currently operating with a net contribution (FY19) to OPI in excess of \$1,000,000 dollars as of February 28, 2019.

OPI utilizes an outside contractor to provide training to staff who are certified to train the offenders in the operation of heavy equipment. The contractor has also provided training directly to the Offenders. Participants are independently certified to utilize construction equipment through this training process. This includes a plan for continuing education/training, as well as the establishment of an official apprenticeship program. A new Penal Workshop Specialist (PWS) manual has also been prepared and was implemented in January 2019. OPI is in the process of expanding this PWS manual and create them for all OPI positions.

OPI established a management level exempt position (Reentry Coordinator) specifically designed to review and improve all training programs. The Reentry Coordinator position was established through the reclassification of the Assistant Chief of OPI position. This position is tasked with ensuring that all OPI shops have:

- 1) an established Offender orientation manual which is maintained in ODRC forms;
- 2) a training programs for currently utilized equipment;
- 3) a minimum of one staff certified as a train the trainer; and
- 4) one certified training program.

Additionally, this position is required to monitor all OPI apprenticeship programs, inspection of all training records, and assist in the placement of restored citizens into private sector jobs upon release from incarceration.

The Reentry Coordinator has been able to ensure all construction staff and assigned offenders are currently trained on all heavy equipment used, and the OSHA 10-hour Construction Safety course. These certifications have also been rolled out to other OPI locations depending on the



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industry. Several other sites have received certification training in forklift operations and the OSHA 10-hour safety course for General Industries.

OPI leadership is assigning an existing Penal Workshop Specialist (PWS) to work closely with the Reentry Coordinator and other OPI Leadership to guide OPI support shop staff in developing the necessary skills and subject matter knowledge required to properly train Offenders. This change is expected to occur on or before May 26, 2019.

Thank you for the opportunity to respond to your recommendations. If you require any additional information or have any questions, please do not hesitate to contact me.

Sincerely,

Annette Chambers-Smith

Director