

STATE OF OHIO  
OFFICE OF THE INSPECTOR GENERAL

RANDALL J. MEYER, INSPECTOR GENERAL

REPORT OF  
INVESTIGATION



**AGENCY: OHIO DEPARTMENT OF ADMINISTRATIVE SERVICES**  
**FILE ID NO.: 2010-415**  
**DATE OF REPORT: June 8, 2011**

## The Office of the Ohio Inspector General.... The State Watchdog

*“Safeguarding integrity in state government”*

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Statutory authority for conducting such investigations is defined in *Ohio Revised Code §121.41* through *121.50*. A *Report of Investigation* is issued based on the findings of the Office, and copies are delivered to the Governor of Ohio and the director of the agency subject to the investigation. At the discretion of the Inspector General, copies of the report may also be forwarded to law enforcement agencies or other state agencies responsible for investigating, auditing, reviewing, or evaluating the management and operation of state agencies. The *Report of Investigation* by the Ohio Inspector General is a public record under *Ohio Revised Code §149.43* and related sections of *Chapter 149*. It is available to the public for a fee that does not exceed the cost of reproducing and delivering the report.

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RANDALL J. MEYER, INSPECTOR GENERAL

**REPORT OF INVESTIGATION**

**FILE ID NUMBER:** 2010-415

**SUBJECT NAME:** Hedgehog Inc.

**POSITION:** Contractor

**AGENCY:** Ohio Department of Administrative Services

**BASIS FOR INVESTIGATION:** Anonymous Complaint

**ALLEGATIONS:** Payment for Services Not Provided  
Falsification of Records  
Violating an Executive Order

**INITIATED:** November 23, 2010

**DATE OF REPORT:** June 8, 2011

### **Allegation Summary**

On November 16, 2010, the Office of Inspector General (“OIG”) received a complaint alleging that:

- Hedgehog Inc., a procurement solutions contractor, received payment from the Department of Administrative Services (“DAS”) for services not provided;
- Terry Tyler, DAS Chief Procurement Officer, required staff to edit Savings Report forms that showed that Hedgehog was not meeting their contractual duties;
- Hedgehog Inc. outsourced work to India.

DAS also received the allegations and initiated their own internal investigation. Their findings and conclusions form the basis of this report.

### **Background**

Hedgehog Inc. was contracted by DAS to conduct an analysis of spending by the State for goods and services. They were also to coordinate and assist the Office of Procurement Services (“OPS”) in performing strategic sourcing, supply chain reengineering and procurement process improvement. The contract was unique for DAS in that it was a contingency-based performance contract requiring the achievement of cost savings. Goods and services where savings may be achieved were grouped into categories with an estimated expenditure and savings identified for each category. Payment was the lesser of 1.5% of the total cost or 50% of the savings achieved.

The contract was effective October 3, 2008 to June 30, 2009 with a renewal through June 30, 2011. The contract was amended on August 27, 2009 to allow Hedgehog to send data to the Contractor’s facility in India. DAS issued a stop work order to Hedgehog on November 19, 2010. The contract remains open and listed on DAS’s Procurement website as an active contract.

### **Investigative Results**

On February 9, 2011, the OIG received a copy of the DAS internal investigation regarding the complaints. John Kinkela from the Office of Collective Bargaining conducted a fact finding inquiry that was completed on January 31, 2011. The findings showed that:

- The contract did not detail the level of involvement necessary by Hedgehog in order to achieve cost savings and receive payment.
- There was no evidence that OPS staff was required to edit Savings Report forms. The Savings Reports were not a defined requirement in the RFP or contract and were used for administrative purposes to show savings identified and the amount. They were not used to quantify the level of performance by Hedgehog.
- The amendment to the contract allowing data to be sent to the Contractor's facility in India was issued prior to the Governor's Executive Order prohibiting such practices.
- An overpayment of \$26,868.47 occurred as a result of exceeding the maximum compensation caps in the Food category.

A copy of the DAS report is included as Tab 1.

Based on the findings of the DAS investigation there is not reasonable cause to believe a wrongful act/omission occurred in these instances.

### **Recommendations**

As the contract did not define the degree of involvement needed by Hedgehog in order to meet the terms of the contract, as long as they had some type of presence (either via conference calls, e-mails, attending meetings or providing suggestions) they could be entitled to payment. Future contracts should define the type and level of involvement required by the Contractor in order to be entitled to payment.

DAS should also more closely monitor the payments made when compensation caps by categories are included in the contract terms. This could be performed by creating various accounting lines on Purchase Orders that list the compensation caps or by maintaining a detailed

spreadsheet that would show invoices paid year-to-date and the remaining balance before processing invoices received.

**Referrals**

The OIG has no referrals regarding this investigation at this time.

**Recommendation:**

- There **IS NOT** reasonable cause to believe a wrongful act/omission occurred in this instance.
- There **IS** reasonable cause to believe a wrongful act/omission occurred.
- There **IS** reasonable cause to believe that there is an appearance of impropriety.

**CASE ASSESSMENT**

AGENCY: Ohio Department of Transportation (ODOT)

CLASSIFICATION:

WRONGFUL ACT OR OMISSION:	0	RECOMMENDATIONS:	2
APPEARANCE OF IMPROPRIETY:	0	REFERRALS:	0

  
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Randall J. Meyer, Inspector General

06-23-11

Date

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