

STATE OF OHIO
OFFICE OF THE INSPECTOR GENERAL

RANDALL J. MEYER, INSPECTOR GENERAL

**REPORT OF
INVESTIGATION**



**AGENCY: OHIO DEPARTMENT OF NATURAL RESOURCES
FILE ID NO.: 2011-231
DATE OF REPORT: APRIL 11, 2013**

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

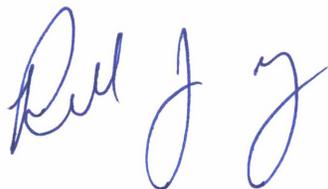
“Safeguarding integrity in state government”

The Ohio Office of the Inspector General is authorized by state law to investigate alleged wrongful acts or omissions committed by state officers or state employees involved in the management and operation of state agencies. We at the Inspector General’s Office recognize that the majority of state employees and public officials are hardworking, honest, and trustworthy individuals. However, we also believe that the responsibilities of this Office are critical in ensuring that state government and those doing or seeking to do business with the State of Ohio act with the highest of standards. It is the commitment of the Inspector General’s Office to fulfill its mission of safeguarding integrity in state government. We strive to restore trust in government by conducting impartial investigations in matters referred for investigation and offering objective conclusions based upon those investigations.

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.

The Office of the Inspector General does not serve as an advocate for either the complainant or the agency involved in a particular case. The role of the Office is to ensure that the process of investigating state agencies is conducted completely, fairly, and impartially. The Inspector General’s Office may or may not find wrongdoing associated with a particular investigation. However, the Office always reserves the right to make administrative recommendations for improving the operation of state government or referring a matter to the appropriate agency for review.

The Inspector General’s Office remains dedicated to the principle that no public servant, regardless of rank or position, is above the law, and the strength of our government is built on the solid character of the individuals who hold the public trust.



Randall J. Meyer
Ohio Inspector General



STATE OF OHIO
OFFICE OF THE INSPECTOR GENERAL

RANDALL J. MEYER, INSPECTOR GENERAL

REPORT OF INVESTIGATION

FILE ID NUMBER: 2011-231

SUBJECT NAME: Indian Lake State Park

POSITION: State Agency Division

AGENCY: Ohio Department of Natural Resources

BASIS FOR INVESTIGATION: Complaint Referral

ALLEGATIONS: Failure to comply with state law and/or regulations;
Mismanagement of state property

INITIATED: January 23, 2012

DATE OF REPORT: April 11, 2013

INITIAL ALLEGATION AND COMPLAINT SUMMARY

On December 13, 2011, the Office of the Ohio Inspector General received a complaint forwarded by the Ohio Department of Natural Resources (ODNR). The complainant, an ODNR regional supervisor for Indian Lake State Park, had concerns with several activities occurring at the park. In particular, he stated there were issues with improper handling of invoices; improper handling of state equipment; improper fuel usage; unsecured state equipment; and missing state equipment. A preliminary investigation was opened to obtain more information regarding the allegations, and based on the additional information, a full investigation was opened on January 23, 2012.

During the course of the investigation, another complainant came forward alleging Indian Lake State Park Manager Frank Giannola was improperly steering ODNR contracts to A&A Contractors, a construction firm. This allegation was added to the issues being reviewed.

BACKGROUND

Ohio Department of Natural Resources (ODNR)

The Ohio Department of Natural Resources is responsible for the state's wildlife, forests, natural areas, state parks, inland lakes and waterways, geological and mineral resources, regulation of the issuance of hunting and fishing licenses, watercraft registrations, and the enforcement of state law in regard to natural resources and conservation. ODNR is also responsible for more than 714,000 acres of land, including 75 state parks, 21 state forests, 135 state nature preserves, and 140 designated wildlife areas. In addition, ODNR oversees 120,000 acres of inland waters, 7,000 miles of streams, 481 miles of the Ohio River, and 2.25 million acres of Lake Erie and its coastline. ODNR is comprised of a central administrative office and 10 operating divisions that oversee day-to-day operations.¹

Indian Lake State Park is located in Lakeview, Ohio (Logan County), and is an 800-acre multi-use park with boating, fishing, skiing, and camping. The lake encompasses 5,800 acres. The park was designated as a recreation area by the Ohio General Assembly on April 9, 1898.²

¹ Source: Legislative Services Commission budget documents.

² Source: Ohio Department of Natural Resources' website.

Asset Management

The Ohio Department of Administrative Services (ODAS) is responsible for overseeing agencies' reporting of inventory and disposal of surplus supplies and equipment as specified under Ohio Revised Code Chapter 125. Pursuant to the "Asset Management Policies and Procedures" directive issued by ODAS, state agencies must update and certify the accuracy of an inventory of the agency's assets each fiscal year by October 1. In addition, a physical inventory of agency assets is to be conducted at least once every two fiscal years.³ All forms and supporting documentation are to be submitted to ODAS.⁴

Pursuant to ORC §125.13, "Disposing of excess and surplus supplies," agencies are to notify ODAS when supplies or equipment are no longer in use, including items that cannot be repaired and are subject to disposal. ODAS facilitates the disposal of state-owned surplus property to the general public via auction, sealed bid, or negotiation. Additionally, ODAS' approval is required should an agency wish to donate or transfer to another entity a surplus item slated for disposal. All disposed items or those no longer in use are designated as such in the state's asset management system, a component of OAKS.⁵

INVESTIGATIVE SUMMARY

In late 2011, Tom Grabow, a newly appointed supervisor at Indian Lake State Park, was assigned to the dredge operations at the lake. While meeting with the staff, Grabow was made aware of some concerns the employees had regarding invoices, fuel usage, and equipment at the park. Grabow summarized the concerns in a memo to the Ohio Department of Natural Resources Office of Law Enforcement, which ODNR then provided to the Office of the Ohio Inspector General. After speaking to Grabow, the Office of the Ohio Inspector General asked ODNR to provide additional records from Indian Lake State Park, including:

- Copies of invoices;
- Inventory documents including any disposal records and verification of inventory forms;

³ The state's fiscal year is July 1 – June 30.

⁴ Source: Ohio Department of Administrative Services' website.

⁵ OAKS stands for the Ohio Administrative Knowledge System and is the state's accounting system.

- Any waivers made to the Ohio Department of Administrative Services' office of state surplus;⁶ and
- Fuel logs.

Based on a review of these documents, an investigation was opened on January 23, 2012.

On February 7, 2012, the Office of the Ohio Inspector General interviewed the employees in dredge operations regarding the allegations. Shortly after, on February 10, 2012, ODNR officials contacted the Office of the Ohio Inspector General and stated Frank Giannola, park manager, and Joseph Moran, assistant park manager,⁷ would be reassigned to another location while the investigation was being conducted. ODNR stated the reason for the reassignment was to prevent any supervisory influence on the investigation.

Improper Handling of Invoices

At the time of the meeting with the dredge operation employees, Tom Grabow recalled being handed 40 invoices found in a box at the park's maintenance shop. Of the 40 invoices, 31 were still sealed in envelopes, and only 9 had been opened. Grabow stated the USPS postmark dates on the envelopes containing the invoices ranged from 2009 to 2011. The Office of the Ohio Inspector General instructed Grabow to send the invoices to the ODNR central office for further review. From this review, ODNR determined the invoices had been paid promptly and were "most likely" duplicates.

Gary Obermiller, the former chief of ODNR Law Enforcement, contacted the Office of the Ohio Inspector General and said an employee in the department's fiscal office had concerns regarding one invoice and contacted the vendor for additional information. Obermiller stated that a few minutes after the office had contacted the vendor, Frank Giannola called the ODNR fiscal office demanding to know why ODNR was looking into the invoices. As a result, the Office of the Ohio Inspector General requested Obermiller forward the invoice to its office for further review.

⁶ Waivers would include any documentation sent to ODAS requesting permission to dispose of items on site instead of sending them to the state surplus office.

⁷ Moran was Giannola's subordinate, his office was physically located in the same building as the dredge operations, and he was said to be good friends with Giannola. ODNR felt given this relationship and his close proximity to the dredge operation employees, Moran should also be reassigned to avoid any conflicts.

Upon receiving the invoice, the Office of the Ohio Inspector General noted that the vendor, Phlipot's Marine, Inc., located in Ft. Loramie, Ohio, had prepared invoice #660355 on June 13, 2011, in the amount of \$1,643.95. In the description section of the invoice, it stated "created invoice so they could give us the rest of the money on the PO." ([Exhibit 1](#))

During an interview conducted by the Office of the Ohio Inspector General on February 13, 2012, Don Newman, a co-owner of Phlipot's Marine, said the shop was repairing an ODNR boat for Indian Lake State Park. Newman reported someone from the park, whose name he could not recall, contacted him asking for an invoice for the remaining work to be completed so the park could use the current purchase order.⁸ Phlipot's Marine complied with the request and sent an invoice even though the repairs on the boat had not been completed.

According to the Ohio Office of Budget and Management, purchase orders can remain open after the fiscal year ends for goods or services received by June 30, even though the invoice is received in the next fiscal year. Otherwise, purchase orders should be closed by fiscal year-end. Agencies can pay an invoice as long as it is considered to be a "proper invoice." Pursuant to Ohio Administrative Code §126-3-01(A)(5) "receipt of a proper invoice" is defined as having received both the goods or services and an accurate corresponding invoice free of defects or errors. As the boat was still under repair, officials at Indian Lake State Park should not have requested and paid the invoice until the repairs were complete.

Improper Use of Fuel

Indian Lake State Park employees also expressed concern regarding an increase in fuel usage during a three-week period in November 2011. The Office of the Ohio Inspector General requested and received from ODNR hand-written fuel logs for the park from January 2011 to December 2011. An evaluation of these logs showed 188.58 gallons were used in October 2011 and 88.77 gallons of fuel were used in November 2011. When the employees were questioned as to why they believed fuel may have been improperly used, they were unable to provide further details. Because dredge operations and other uses of fuel typically slow down during late fall

⁸ A purchase order, or encumbrance, is a document used to reserve funding for a particular vendor for certain goods or services.

and because the employees were unable to cite specific information, the Office of the Ohio Inspector General did not investigate this issue further.

Improper Handling, Unsecured and Missing State Equipment

Tom Grabow stated he was informed by the dredge employees that it was a practice to take non-operable boat motors and other miscellaneous parts to Phlipot's Marine. The marine would then sell the parts from the motors and give the park monetary credits toward future invoices.

Additionally, Grabow said the dredge employees alleged Frank Giannola gave an inoperable laptop computer to a park "VIP" to try and repair it; however, the "VIP" kept the laptop and did not compensate the park. In addition, the dredge operations' employees stated equipment assigned to the maintenance shop would either be unaccounted for or found in another location.

During interviews conducted on February 7, 2012, none of the dredge operations' employees stated they had actually seen Giannola give the laptop to the park "VIP" and said they had learned about the occurrence from other park employees. The dredge operation's employees could not identify the "VIP" and the Office of the Ohio Inspector General was unable to determine the "VIP's" identity. The Office of the Ohio Inspector General also conducted a physical inspection of the maintenance shop where the laptop was assigned and was unable to locate the device.

Also, during the interviews, an employee recalled assisting Giannola in conducting the park's annual physical inventory of park equipment. The employee said Giannola was the park manager in charge of the annual inventory verification. The employee also stated that during the course of the physical inventory, he and Giannola found numerous problems including: asset tag numbers listed on the inventory worksheet not corresponding to the asset tag numbers affixed to the actual assets; assets' serial numbers listed on the inventory worksheet not matching the serial numbers of the actual assets; and assets assigned to the maintenance shop not physically located in the maintenance shop. The employee interviewed stated the "inventory left a lot to be desired."

In the course of an interview conducted by the Office of the Ohio Inspector General on February 13, 2012, Don Newman, co-owner of Phlipot's Marine, reported the boat motors from the park were still in his possession at the shop. Newman recalled being at the park one day and saw the motors sitting out by the maintenance shop. Newman asked Giannola if he could take the motors and sell the parts to his customers and give the park monetary credits for any items sold, and Giannola agreed. Newman said he would sell used parts to his customers, if they were interested, because it was cheaper than ordering new parts. The total amount of credits issued to the park was \$127.34.

The Office of the Ohio Inspector General was escorted to where the motors were being stored at the marine shop. The visual inspection determined that an Ohio State Parks inventory tag was actually affixed to the motor. ([Exhibit 2](#)) A review of the state's inventory system specified the motor as being "in service" at the park and not as being disposed of. In May 2012, Grabow contacted the Office of the Ohio Inspector General and asked if he could retrieve the state's boat motors from Phlipot's Marine. The Office of the Ohio Inspector General had no objection to this request.

On February 13, 2012, the Office of the Ohio Inspector contacted the Ohio Department of Administrative Services (ODAS) to ask if the department had received a waiver request from ODNR to dispose of their excess inventory or non-operable equipment as they saw fit. ODAS stated they did not have a waiver request from ODNR for these particular items.

Other Matter

In April 2012, the Office of the Ohio Inspector General was contacted by Carol Williams, one of the owners of Don Williams Contracting. Williams stated her company had been requesting bid information from officials at Indian Lake State Park because they believed Frank Giannola was steering contracts to a particular firm, A&A Contractors.

On May 1, 2012, the Office of the Ohio Inspector General met with the owners of Don Williams Contracting who reported Giannola would request quotes from the company for emergency dock repairs at Indian Lake. The owners stated they believed Giannola forwarded copies of their

quotes to A&A Contractors so that A&A could submit a lower bid in order to receive the job. The owners of Don Williams Contracting said they have requested various documents from officials at Indian Lake State Park, but were only able to obtain copies of three bid requests. Copies of these bid requests were provided to the Office of the Ohio Inspector General.

An examination of these documents showed the proposal date for A&A's bid was before the proposal dates from the two other contractors who had submitted bids. There was no indication on any of the documents (e.g., date and time stamp, fax line information, etc.) of a date when ODNR actually received the bids. Because there was no information on the documents to indicate a date when ODNR actually received the quotes, the Office of the Ohio Inspector General was unable to determine if A&A Contractors submitted backdated quotes or prepared quotes with prior knowledge of the content of other competing bids.

In addition, the project information on the ODNR bid documents lacked details on the scope and content of the work to be completed. For example, the bid documents would broadly state "renovate and expand" an existing dock or "improve boating access." The owners of Don Williams Contracting stated they would submit additional documents with their bids to specify a better quality of work and materials to be used. Don Williams Contracting believed A&A, however, would bid the minimum amount of labor and materials needed to complete a project and therefore, the quote would be less. The owners of Don Williams Contracting added that while they would bid on the whole job with one quote for the total project, A&A would submit one quote with a minimum bid price, with options and pricing listed for additional items. According to Don Williams Contracting, quoting the minimum bid price and not including the optional items could have resulted in a lower quote for the competitor when compared to the other bids submitted.

Documents obtained by the Office of the Ohio Inspector General showed A&A Contractors submitted quotes with different pricing for a variety of services while Don Williams Contracting was submitting just one quote. Because ODNR's initial requests for bids did not contain complete project details, it was up to the contractors to construe how specific or what details they believed needed to be included when submitting bids.

CONCLUSION

During the course of the investigation, various news articles were published reporting Indian Lake State Park, and in particular, Park Manager Frank Giannola, were under investigation. Though it is the policy of the Office of the Ohio Inspector General not to comment publically regarding ongoing investigations, the office does not have the authority to prohibit those involved in the investigation from speaking to the media. As a result of the news articles, several individuals, organizations, and government officials throughout the Logan County area sent letters addressed to the inspector general in support of Frank Giannola. It should be noted the Office of the Ohio Inspector General did not request the Ohio Department of Natural Resources to reassign Giannola. The decision to reassign Giannola was determined by ODNR.

In late 2011, Tom Grabow, a newly appointed supervisor at Indian Lake State Park, was assigned to the dredge operations at the lake. While meeting with the staff, Grabow was made aware of some concerns the employees alleged were occurring. In particular, Grabow was concerned about the inventory practices at Indian Lake State Park. During an interview conducted by the Office of the Ohio Inspector General, Grabow stated that when working on assignments at other state parks, he would complete and submit inventory disposal forms to the ODNR central office when disposing of equipment. In addition, Grabow said all unwanted assets were sent to ODAS state surplus for disposal, and that assets would not have been given to other vendors or sold for scrap without prior proper approval.

Several ODNR Indian Lake State Park employees stated it was a practice to dispose of items no longer in use or to give the items to vendors to sell. The investigation did not find evidence indicating that any ODNR employee personally profited from this practice. Though monetary credits were given to Indian Lake State Park for boat motor parts sold by Phlipot's Marine, the monetary total of the credits was minimal. To give away or dispose of state property without completing the proper forms and obtaining a waiver from the Ohio Department of Administrative Services is a violation of Ohio Revised Code §125.13.

Accordingly, the Office of the Ohio Inspector General finds reasonable cause to believe a wrongful act or omission occurred in this instance.

Asset inventory verification forms are required to be submitted to ODAS by October 1 of each year. Documents obtained from ODNR show the appropriate documents were completed, indicating an inventory had been conducted each fiscal year as required. However, records in the state accounting system show the boat motor given to Phlipot's Marine was designated as being "in service." From the inventory records provided, no documentation was found to indicate the motor was disposed of or salvaged. As a result, the Indian Lake State Park's annual asset inventory verification forms are inaccurate and may have resulted in an incorrect asset total being listed in the state's official annual financial report.

Accordingly, the Office of the Ohio Inspector General finds reasonable cause to believe a wrongful act or omission occurred in this instance.

Indian Lake State Park officials requested Phlipot Marine to submit an invoice for payment of repairs on a boat which, at the time, had not been completed. Indian Lake State Park officials told Phlipot Marine to submit an invoice to the park for the exact amount which remained available on an open purchase order. This is in violation of Ohio Administrative Code §126-3-01(A)(5) which states an agency is permitted to pay an invoice only upon receipt of a "proper invoice." A "proper invoice" is defined as having received both the goods or services and an accurate corresponding invoice free of defects or errors.

Accordingly, the Office of the Ohio Inspector General finds reasonable cause to believe a wrongful act or omission occurred in this instance.

Don Williams Contracting alleged Indian Lake State Park Manager Frank Giannola was steering contracts to a particular firm, A&A Contractors. Documents obtained by the Office of the Ohio Inspector General showed A&A Contractors was submitting quotes with different pricing for various types of services, while Don Williams Contracting was submitting one all-inclusive quote. Because ODNR's requests for bids did not specify project details, it was up to the contractors to construe how specific they needed to be or what details to include when submitting bids. In regard to the allegation of contract steering, the documents provided to the Office of the Ohio Inspector General did not show when ODNR actually received the quotes for

requested work. Because the ODNR bid documents did not state specifically what the park was requesting and what materials were to be used, the Office of the Ohio Inspector General was unable to determine if contract steering occurred. It should be noted, Indian Lake State Park officials may have also solicited bids on behalf of private property owners at Indian Lake. This work would not have been paid with ODNR funds and these bids were not investigated.

Accordingly, the Office of the Ohio Inspector General does not find reasonable cause to believe a wrongful act or omission occurred in this instance.

Frank Giannola and Joseph Moran retired from ODNR on December 31, 2012.

RECOMMENDATION(S)

The Office of the Ohio Inspector General makes the following recommendations and asks that the Ohio Department of Natural Resources respond within 60 days with a plan detailing how these recommendations will be implemented. The Ohio Department of Natural Resources should:

- 1) Conduct a thorough physical inventory of all assets assigned to Indian Lake State Park. Appropriate revisions should be made to the state accounting system to properly account for items reported as salvaged or missing.
- 2) Review asset inventory policies and procedures with all park managers.
- 3) Review payment of invoice policies and procedures with all park managers.
- 4) Ensure bids received by all parks are date and time stamped when received.

REFERRALS

With regard to the issues relating to asset inventory control, the Office of the Ohio Inspector General will provide a copy of this report to the Ohio Department of Administrative Services, the Ohio Office of Budget and Management, and the Ohio Auditor of State.

[\(Click here for exhibits 1-2 combined\)](#)



STATE OF OHIO
OFFICE OF THE INSPECTOR GENERAL

RANDALL J. MEYER, INSPECTOR GENERAL

NAME OF REPORT: Ohio Department of Natural Resources

FILE ID #: 2011-231

KEEPER OF RECORDS CERTIFICATION

This is a true and correct copy of the report which is required to be prepared by the Office of the Ohio Inspector General pursuant to Section 121.42 of the Ohio Revised Code.

Jill Jones
KEEPER OF RECORDS

CERTIFIED
April 11, 2013

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