



**April 11, 2011**

**Mr. Christopher Beschler, DCAO, Operations**  
**Mr. Robert Steidel, Director of Public Utilities**

The Office of the Inspector General has completed an investigation in the Department of Public Utilities (DPU). This letter informs you of the results of the investigation.

### **Complaint**

The Office of the Inspector General received a complaint alleging employees of the Water Division within DPU were abusing time.

### **Legal Requirements**

In accordance with the Code of Virginia, §15.2-2511.2, the City Auditor is required to investigate all allegations of fraud, waste and abuse. Also, the City Code section 2-231 requires the Office of the Inspector General to conduct investigations of alleged wrongdoing.

### **Background**

The Gas and Water Divisions each employ a Trades Supervisor and a Pipeline Technician who work a 4pm to 12am shift, and are “on call” from 12am-8am. These employees are responsible for resolving gas and water leaks, and responding to various work orders generated from service calls. The Trades Supervisor for the Gas and Water Divisions also oversees a vendor’s crew who assists with resolving these leaks and service calls. The City employees work overtime as necessary as gas and water leaks, and other emergencies are resolved by the vendor at the contracted rate.

The table below provided by DPU demonstrates that the Gas and Water Divisions have consistently exceeded their overtime budget in recent years. These Divisions were over budget by 32% in FY 2008, 52% in FY 2009, and 21% in FY 2010. However, according to the Deputy CAO over DPU, the Department focuses in management of their entire payroll budget. The table below does not include payments made to the vendor noted above.

Description	Approved 2008	Expended 2008	% Variance	Approved 2009	Expended 2009	% Variance	Approved 2010	Expended 2010	% Variance
Overtime	\$ 605,000	\$ 798,216	-31.9%	\$ 623,000	\$ 945,930	-51.8%	\$ 718,800	\$ 869,956	-21.0%
Straight Time	\$4,897,004	\$4,554,398	6.9%	\$5,188,059	\$5,184,987	0.1%	\$5,541,070	\$5,442,889	1.7%
<b>Total Payroll</b>	<b>\$5,502,004</b>	<b>\$5,352,614</b>	<b>2.7%</b>	<b>\$5,811,059</b>	<b>\$6,130,917</b>	<b>-5.5%</b>	<b>\$6,259,870</b>	<b>\$6,312,845</b>	<b>-0.8%</b>

## Findings

The investigator performed surveillance on the Water Division employees between October 13, 2010 and March 4, 2011. The investigator determined that the Trades Supervisor for the Water Division and two Pipeline Technicians overstated their overtime. Based on the improprieties of the Water Division, the investigator initiated surveillance on the Gas Division between January 31, 2011, and March 4, 2011. The investigator determined that the Trades Supervisor for the Gas Division and a Pipeline Technician also overstated their overtime.

Collectively, the Trades Supervisors and Pipeline Technicians in both utilities indicated that management routinely approved all overtime reports without questioning the validity of the information presented. They also indicated that overtime has been abused by many employees in DPU for several years and is a common practice. During this investigation, only the subject employees were interviewed. Their supervisors or managers were not interviewed. An evaluation of the entire process will be addressed in a currently ongoing audit. Under these circumstances, employees could claim significant, fraudulent overtime. It appears that management and supervision in these Divisions need significant improvement.

The following table depicts the amount of the overstated overtime and how much the City of Richmond overpaid the DPU employees.

Title	Overtime Hours Paid For	Actual/Verified Overtime Hours Worked	Overstatement	Overpayment
<b>Water Trades Supv.</b>	370.00	209.50	160.50	\$4,238.80
<b>Water Pipeline Tech</b>	139.00	50.50	88.50	\$1,786.82
<b>Water Pipeline Tech</b>	67.00	24.50	42.50	\$ 917.15
<b>Gas Trades Supv.</b>	27.00	12.00	15.00	\$ 461.20
<b>Gas Pipeline Tech</b>	27.00	12.00	15.00	\$ 293.55
<b>Total</b>	630.00	308.50	321.50	<b>\$7,697.52</b>
<b>% Overstatement</b>			<b>51%</b>	

## **Water Division Observations**

The Trades Supervisor inflated the amount of time he and his subordinate spent at work locations. When interviewed, the Trades Supervisor stated that they wait three hours for utility markings performed by a vendor, which contributes to spending a large amount of time at each location. When confronted with data to the contrary, the Trades Supervisor stated even though utility markings are performed in less than three hours, he was required to wait for the full three hours before he could work at the location. However, his subordinates disagreed with his claim and indicated that they begin working once utility markings are completed. The Pipeline Technicians indicated their overtime hours had to agree with the overtime reported by the Trades Supervisor, to enable him to submit inflated overtime for payment. The investigator noted the Pipeline Technicians were cooperative, forthcoming, and remorseful for their actions when interviewed, but their supervisor, the Trades Supervisor, was not cooperative and was dishonest.

## **Gas Division Observations**

The Trades Supervisor admitted to inflating his overtime by leaving work locations sooner than what his overtime report indicated. The Pipeline Technician that worked with this Trades Supervisor was placed on administrative leave, so the investigator could not interview him. However, the Trades Supervisor indicated the Pipeline Technician's overtime hours had to agree to his, so his overtime hours were inflated as well. The investigator noted that the Trade Supervisor was cooperative, forthcoming, and remorseful for his actions when interviewed.

In addition to the overstated overtime, over a period of 22 days the Trades Supervisor did not work 32 hours or 18% of his regular hours, and over a period of 19 days the Pipeline Technician did not work 25 hours or 16% of his regular hours. Therefore, these employees were leaving work prior to the end of their regular shift. As a result, in addition to inappropriate overtime, these individuals received \$982 for work they did not perform during the observation period.

## **Management Actions**

At the inception of this investigation, the City Auditor's Office contacted the City's Administration. With the Administration's cooperation, the investigators were able to complete their work. In addition, we appreciate the Richmond Police Department's assistance during this investigation.

## **Conclusion**

If the observed behavior in the Gas and Water Divisions had continued, it appears that a significant amount of fraudulent overtime would have been paid. This may partially explain why the Gas and Water Divisions were significantly over their budgeted amount for overtime. Due to the issues noted above, the City Auditor's Office has initiated a detailed labor management

process study for the Gas and Water Divisions. The City Auditor's Office will also be performing a review of the vendor to evaluate compliance with the contract terms and the appropriateness of billings and payments.

The Inspector General's Office (IGO) forwarded the above observations to the Commonwealth Attorney's office for prosecution. In addition, the IGO recommends that appropriate disciplinary action be taken against the subject employees.

If you have any questions, please contact me at extension 5616.

Sincerely,

A handwritten signature in black ink, appearing to read "Umesh Dalal", with a long horizontal flourish extending to the right.

Umesh Dalal, CPA, CIA, CIG  
City Auditor/Inspector General

cc: Byron C. Marshall, Chief Administrative Officer