



**U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General
Pacific Rim Regional Office of Investigations**

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ADMINISTRATIVE DATA PAGE

Character of Case: THEFT OF GOVERNMENT PROPERTY
MISUSE OF GOVERNMENT PURCHASE CARD
MISUSE OF GOVERNMENT PROPERTY AND POSITION

Subject: Hats Off – Employee Recognition Program
Pacific Rim Region (Region 9)
San Francisco, CA

OIG Case File Number: I1090196

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Prepared By:

Pacific Rim Regional Office of Investigations (JI-9)
Office of Inspector General
U.S. General Services Administration

Approved By:

Pacific Rim Regional Office of Investigations (JI-9)
Office of Inspector General
U.S. General Services Administration

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BASIS FOR INVESTIGATION

The U.S. General Services Administration (GSA), Office of Inspector General (OIG), received information from the Federal Protective Service, U.S. Department of Homeland Security, advising that approximately 40 iPods with an estimated value of \$8,000 were reported stolen from a GSA storage room on the 4th Floor of the Phillip Burton Federal Building in San Francisco, CA. A preliminary review of the referral determined that the alleged theft involved merchandise belonging to the Pacific Rim (Region 9) Hats Off – Employee Recognition Program (Hats Off Program), and the loss involved more than 40 iPods.

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EXECUTIVE SUMMARY

The lack of management controls made it impossible to determine who stole the iPods. In addition, tens of thousands of dollars in gift cards were also maintained in the Hats Off Program storage room. Due to a lack of accountability and internal controls, we could not determine if any of these cards were stolen or otherwise misused.

We identified numerous internal control weaknesses and abuses, including the following:

- There is an inadequate inventory process for tracking purchases and awards from the Hats Off Program store, and no audit mechanism exists to track changes to inventory.
- There are award abuses, including patterns of employees exchanging awards with one another and supervisors accepting awards from subordinates.
- Top award recipients include individuals associated with the administration of the Hats Off Program.
- There is a lack of accountability for “Manager Special” awards, which are items used as gifts or prizes at meetings and events. Records of award recipients, or of justification for the awards, are lacking or inconsistent.
- There is a lack of physical security for award items in storage.
- Award items exceeded the \$99 limit per item, in violation of GSA policy.
- Total employee awards, including the Hats Off Program awards, collectively exceeded four percent of Region 9 associates’ salaries for two of the past four fiscal years, in violation of GSA policy.

In addition, we identified personnel conduct issues involving two Hats Off Program personnel and [REDACTED] The bases for these conclusions are outlined in the following pages.

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BACKGROUND

Public Buildings Service (PBS) Region 9 developed an awards program store known as the Hats Off Store. Shortly after the program was established in 2001, program officials self-identified numerous areas of concern regarding potential abuse, such as employees giving themselves awards or swapping unwarranted awards with other employees, and theft of award certificates. The Hats Off Program initially maintained items of nominal value such as mugs, mouse pads, and backpacks, labeled with GSA logos or insignia. However, over time, high-value items such as iPods, digital cameras, GPS devices, and other electronics were introduced into the program (Exhibits 1 – 6).

Under the Hats Off Program, Region 9 employees have an online account at the Hats Off Store. Each employee receives 40 virtual cards (on-line coupons) that may be given to their coworkers in Region 9 or other regions for a “specific, work-related reason.” Employees are advised that they “may not issue virtual cards to themselves, contractors, or supervisors.” Members of the Leadership Council have the authority to give “Derby Hat” awards, worth up to 20 virtual cards, and the Regional Administrator, PBS Regional Commissioner, and Deputy Regional Commissioner are authorized to give “Top Hat” awards, worth up to 40 virtual cards (or, alternatively, worth any one item in the store). Employees can redeem the virtual cards they receive for items in the store, which include, for example, a Coby 7 Portable DVD Player Tablet (20 virtual cards), an 8GB iPod Nano (30 virtual cards), and an item of Lipault luggage, size large (34 virtual cards). In addition, senior management can award a “Manager Special.” A Manager Special includes items taken out of the inventory and used as gifts for GSA speakers, or as prizes at conferences, off-site meetings, and other events (Exhibits 6 and 7).

As shown in Table 1 below, the annual Hats Off Program budget for Region 9 has increased significantly since its inception, surpassing \$200,000 in FY 2009 and totaling over \$134,000 in FY 2010 (Exhibit 8).

Table 1. FY Hats Off Program Expenditures

Fiscal Year	2007	2008	2009	2010	2011
Total Amount	\$45,300	\$47,012	\$211,842	\$134,596	\$844

For FY 2009, this averages approximately \$256 per Region 9 employee, or \$328 per PBS employee.

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DETAILS OF INVESTIGATION

The investigation revealed that although it was initially reported that 40 iPods were stolen, approximately 115 iPods valued at more than \$20,000 were unaccounted for and may have been stolen from the Hats Off Program. Neither the precise number and value of the missing iPods nor the identity of the person or persons responsible could be determined, due largely to a significant lack of internal controls. We also could not determine whether gift cards acquired for the Hats Off Program were stolen or abused.

Our investigation revealed significant control weaknesses in the Hats Off Program. In addition, the evidence showed certain uses of Government Purchase Cards to acquire items for the Hats Off Program violated GSA policy, and [REDACTED]

[REDACTED] obtained Hats Off Program items for work-related demonstration purposes, but then used them for personal use. [REDACTED] also initially denied to OIG Special Agents that [REDACTED] used them for personal use. Below we discuss each significant internal control weakness as well as the personnel conduct issues that we identified.

PROGRAM WEAKNESSES

The Hats Off Program has an inadequate inventory process for tracking purchases and awards, and no audit mechanism exists to track changes to inventory.

The Hats Off Program utilizes a computerized database that requires an employee log-in and is accessible via the Region 9 InSite webpage to track inventory and awards. The Hats Off Program started in 2001; however, the database did not include all items in the inventory or awards until approximately October 1, 2010. The inventory in the database is updated periodically, but not every time items are added or removed. Furthermore, the database does not possess an audit mechanism, meaning any employee associated with the Hats Off Program who possesses administrator rights (approximately five employees) can add or subtract items from the database, leaving no evidence that they did so. Additionally, through the Manager Special, any GS-14 manager and above can take items out of inventory at his or her discretion with no audit trail indicating that he or she has done so, unless one of the employees associated with the Hats Off Program manually enters the action(s) in the database (Exhibit 6 and 7).

The OIG Investigation revealed many award abuses, including patterns of employees exchanging awards and supervisors accepting awards from subordinates.

The Hats Off database tracks when and to/from whom an award is given. The award types are "Virtual Hat," "Derby Hat," and "Any One Item." At the start of the new fiscal year, each non-supervisory employee receives 40 Virtual Hats (valued at approximately \$5 each for a total of \$200 per GSA employee) to be given out throughout the year for peer-to-peer recognition. An OIG review of the Hats Off Program database from October 2009 to January 2011 combined with an interview of [REDACTED]

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[REDACTED] PBS, revealed a pattern of employees exchanging awards amongst themselves (sometimes within minutes of each other) and supervisors accepting awards from subordinates (Exhibits 9 and 10).

Individuals associated with administration of the Hats Off Program were among the top award recipients.

The OIG investigation of the database showed that personnel associated with Hats Off Program administration were in the top ten award recipients, including [REDACTED] [REDACTED] who administers the day-to-day activities of the Hats Off Program store and storage room, and the employee who created the database used to track inventory and awards. In addition, [REDACTED] [REDACTED], PBS, was in the top ten award givers. Over a 13 month time period, [REDACTED] gave out 635 awards to 113 individuals, totaling \$3,175. [REDACTED] [REDACTED] explained those were not personal awards, but rather were handed out for conference participation (Exhibits 6 and 9).

There is a lack of accountability for Manager Special awards; little or no records are kept of award recipients or of the justification for the awards.

As previously stated, a Manager Special is an item used as a gift for a GSA speaker or a prize at a conference, off-site meeting, or other event. Manager Special requestors contact Hats Off Program personnel or management directly via e-mail or telephone and are not required to submit formal online requests. The merchandise is then provided to the requestor and subsequently entered into the database manually by Hats Off Program personnel. Records reflecting the recipient of the award or the event where the award is going to be presented are lacking or inconsistent, which represents a serious lack of internal controls (Exhibits 3 and 6).

There is a lack of physical security for award items in storage.

The Hats Off Program storage room is protected by a locked door (it has a cipher lock that can be opened with a code or key), but is penetrable by simply climbing over the room walls through the ceiling in the adjacent room. The number of individuals in possession of keys to the Hats Off Store cannot be determined because the store was occupied by another office before being converted to the Hats Off Store. Further, while only two employees had codes to enter the Hats Off Store, they shared those individual codes with other employees (Exhibits 3 – 5 and 11 – 14).

Award items exceed the \$99 limit per item established by GSA policy.

High-value items such as iPods and DVD players exceeded the \$99 value limit per item imposed by GSA Directive CPO P 9451.1, *GSA Associate Performance Recognition System*. That directive states that non-monetary awards “must be of nominal value not to exceed \$99.” Hats Off Program guidelines reiterate that the maximum value of an item in the store is \$99.

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A review of Hats Off Program purchase invoices revealed that Region 9 paid \$179.99 each for the iPods and \$138.99 each for DVD players offered through the program. Furthermore, an examination of a sample of Best Buy invoices documenting Hats Off Program purchases totaling more than \$30,000 during September and October 2009 revealed that approximately 87% of the merchandise purchased exceeded the \$99 threshold. The most expensive item purchased was identified as a \$229.99 Tom Tom GPS.

[REDACTED]
[REDACTED] PBS, is responsible for the day-to-day management of the Hats Off Program. Both [REDACTED] and [REDACTED] immediate predecessor, [REDACTED] told OIG Special Agents that they were unaware of GSA Directive CPO P 9451.1 and the \$99 per item limit until a few months ago (Exhibits 6, 10, and 15).

Total employee awards, including the Hats Off Program awards, collectively exceeded 4% of Region 9 associates' salaries for two of the past four fiscal years, in violation of GSA policy.

[REDACTED] advised that the annual budget for the non-monetary awards in the Hats Off Program combined with the region's monetary awards may not exceed 4% of Region 9 associates' salaries. This is consistent with GSA Directive CPO P 9451.1, *GSA Associate Performance Recognition System*, which limits total awards to 4% of total base pay (Exhibit 16):

Services, Staff Offices and Regions shall allocate up to 4 percent of the base pay of their salary budget for awards during each fiscal year. This acts as a cap on all awards in the Services, Staff Offices, and/or Regions including individual and organizational performance awards, special act awards, award stores, peer awards, as well as the cost of any Quality Step Increases granted, annualized for the first year.

As shown in Table 2 below, documentation provided by [REDACTED] indicated the region exceeded the 4% cap in 2008 and 2010. The Hats Off Program's use of an unreliable awards tracking database and non-compliance with quarterly reporting requirements to the CFO likely contributed to the Region exceeding the cap (Exhibit 8).

Table 2. FY Awards to Total Salary Percentage Information

Fiscal Year	2007	2008	2009	2010	2011
Awards to Total Salary (%)	3.22%	4.75%	3.78%	4.12%	3.77%

According to their statements to the OIG, neither [REDACTED] nor [REDACTED] were aware of the overall 4% cap or that the Hats Off Program was included in that cap; they believed until recently that the Hats Off Program budget was separate and independent

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from any other employee recognition program or other region budget line item (Exhibits 6 and 10).

PERSONNEL CONDUCT ISSUES

We identified the following personnel conduct issues in connection with the administration of the Hats Off Program.

Misuse of GPCs to acquire items for the Hats Off Program

At least five GPCs in Region 9 were used to make purchases for the Hats Off Program. The evidence showed the following violations of GSA Directive CFO 4200.1A, *Use of the GSA Purchase Card*:

- The directive states that cardholders are responsible for safeguarding their cards and preventing others from using them. [REDACTED], PBS, and [REDACTED] [REDACTED] permitted others to use their GPCs to purchase merchandise for the Hats Off Program. The others included two Student Cooperative Interns, who possessed no formal purchase card knowledge or training, an Administrative Assistant who had [REDACTED] own GPC, and an employee who did not possess a GPC. [REDACTED] who approved the purchases, stated [REDACTED] was aware that employees allowed the student co-ops and interns to use their GPCs (Exhibits 4 – 6, 17, and 18).
- [REDACTED] is a cardholder with a \$3,000 purchase limit. [REDACTED] is a warranted contracting officer with a single purchase limit of \$25,000. The directive states that cardholders may not split purchases into two or more transactions to circumvent their single purchase limit. [REDACTED] acknowledged that [REDACTED] GPC was used to complete some split purchases to avoid exceeding [REDACTED] card's single purchase limit. However, both [REDACTED] and [REDACTED] denied there were any split purchases (Exhibits 6, 17, and 18).
- As shown in Table 3 on the next page, an OIG review of purchases made on the same day from the same company disclosed that [REDACTED] GPC was used to complete apparent split purchases on three different days in FY 2009 (Exhibit 19).

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Table 3. Apparent Split Purchases Made Using [REDACTED] GPC

Category	Vendor	Purchase Amount	Date
Electronic Sales	BESTBUYCOM 88994009	\$1,500.00	9/3/2009
Electronic Sales	BESTBUYCOM 88994009	\$1,875.00	9/3/2009
		\$3,375.00	
Miscellaneous and Specialty Retail Stores	AMZ GIFTCARDS	\$1,125.00	9/1/2009
Miscellaneous and Specialty Retail Stores	AMZ GIFTCARDS	\$1,500.00	9/1/2009
Miscellaneous and Specialty Retail Stores	AMZ GIFTCARDS	\$2,500.00	9/1/2009
		\$5,125.00	
Computer Software Stores	APL APPLEONLINESTOREUS	\$1,027.00	8/22/2009
Computer Software Stores	APL APPLEONLINESTOREUS	\$2,923.00	8/22/2009
		\$3,950.00	

- As shown in Table 4 below, [REDACTED] GPC was used to complete an apparent split purchase on one day in FY 2009; no apparent split purchases were noted in FY 2010 (Exhibit 19).

Table 4. Apparent Split Purchases Made Using Aronel Taylor's GPC

Category	Vendor	Purchase Amount	Date
Electronic Sales	BEST BUY 00009738	\$10,542.27	9/21/2009
Electronic Sales	BEST BUY 00009738	\$22,607.95	9/21/2009
		\$33,150.22	

[REDACTED] Use of Items Obtained from the Hats Off Program

During the initial phase of the investigation into the theft from the Hats Off Store, OIG Special Agents obtained registration data from Apple for the iPods that were alleged to have been stolen. One of the iPods alleged to have been stolen was registered to [REDACTED]

[REDACTED] This prompted further investigation into the matter and two interviews by OIG Special Agents with [REDACTED]

- Through a subordinate, [REDACTED] obtained numerous items as Manager Special awards from the Hats Off Program, including a Canon digital camera, a Garmin GPS, a Sony eReader, an iPod and iPod speakers. [REDACTED] said [REDACTED] obtained the merchandise from the Hats Off Program so that [REDACTED] could show [REDACTED] "Road Show" audiences specific examples of the types of items available for employee recognition

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through the Hats Off Program. [REDACTED] Road Shows were intended to inform personnel in [REDACTED] region of ongoing events and [REDACTED] used this opportunity to show off the items that employees could get in the Hats Off Program. During [REDACTED] initial interview with OIG Special Agents, [REDACTED] stated [REDACTED] used the items for work-related purposes only (Exhibits 20 and 21).

- Subsequent to the initial interview, [REDACTED] provided OIG Special Agents the camera, GPS device, and the iPod. [REDACTED] also stated that [REDACTED] had discarded the Sony eReader and iPod speakers because the items were broken or defective (Exhibits 22 and 23).
- OIG Special Agents confirmed that the serial number of the iPod in [REDACTED] possession was one of the iPods originally reported stolen. According to Apple's records, it had been registered to [REDACTED] listing [REDACTED] home address, home telephone number, GSA telephone number, and [REDACTED] GSA e-mail address. A review of the iPod's memory revealed the iPod had been named "GSA iPod" and 41 songs had been downloaded to the device (Exhibit 24).
- A forensic examination of the camera and the GPS device's electronic memory revealed that each had been used for GSA-related purposes. The camera contained digital images (of which over 750 had been deleted from the memory card and had to be forensically recovered) of conferences and ground-breaking events, and the GPS device's memory showed addresses to GSA buildings and other GSA-related addresses. However, the memory review also revealed non-GSA related uses, such as personal home photographs and videos on the camera memory, and addresses not identifiable with a GSA building or event on the GPS device (Exhibits 22 and 25).
- During a follow-up interview with [REDACTED] to address the findings from OIG's review of the camera, GPS device, and iPod, [REDACTED] reiterated that [REDACTED] used the items for GSA-related matters. When confronted with the findings of OIG's review, [REDACTED] admitted that some of the photos and video on the camera were personal in nature, such as photos of [REDACTED] and [REDACTED] in off-duty situations at home, on vacation, and during social events. [REDACTED] also admitted [REDACTED] put personal music and movies on the iPod, although [REDACTED] stated [REDACTED] downloaded the movies to demonstrate how the item worked. Although [REDACTED] stated that the items were obtained temporarily to showcase during [REDACTED] Road Shows, [REDACTED] admitted that [REDACTED] discarded all of the original packaging. [REDACTED] also stated that before [REDACTED] disposed of the Sony e-reader, [REDACTED] lent it to a co-worker who was interested in purchasing one for [REDACTED]. At the end of the interview, [REDACTED] said [REDACTED] wished [REDACTED] could say [REDACTED] had not used the items for personal use, but [REDACTED] just did not remember (Exhibit 26).
- Subsequent to the follow-up interview, [REDACTED] advised OIG Special Agents via e-mail that "now that I have seen the pictures I know they were taken with my personal camera. I am also quite sure that, at some point, I have used the camera and the gps for something other than business. Don't recall specifics but I feel pretty confident I did not use the devices solely for work. As to the pictures, they

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had to have come from my personal camera. I have many micro sd cards – one in my personal cell, one in my personal camera, one in my gsa blackberry, one in my [REDACTED] cell. Etc. To have those images on the gsa camera is only possible if I somehow put the micro sd in the wrong camera. The underwater pics tell me that" (Exhibit 27).

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DISPOSITION

This investigation is closed, pending a review by GSA management to determine whether administrative action is warranted.

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EXHIBITS

1. Memorandum of Activity, Identification of Key Program Personnel (Past and Present), May 19, 2011
2. Memorandum of Interview, [REDACTED] February 24, 2011
3. Memorandum of Interview, [REDACTED] June 24, 2010
4. Memorandum of Interview, [REDACTED], August 25, 2010
5. Memorandum of Interview, [REDACTED], August 25, 2010
6. Memorandum of Interview, [REDACTED] March 3, 2011
7. Memorandum of Interview, [REDACTED] May 18, 2010
8. FY 2007 to FY 2011 Salary and Awards Comparison Information provided by Rollo
9. Memorandum of Activity, OIG Analysis of Hats Off Award Data, May 5, 2011
10. Memorandum of Interview, [REDACTED] February 23, 2011
11. Memorandum of Interview, [REDACTED] June 24, 2010
12. Memorandum of Interview, [REDACTED] December 29, 2009
13. Memorandum of Interview, [REDACTED] May 25, 2010
14. Memorandum of Interview, [REDACTED] May 25, 2010
15. Memorandum of Activity, Telephone Contact with [REDACTED] February 22, 2011
16. Memorandum of Interview, [REDACTED], February 25, 2011
17. Memorandum of Interview, [REDACTED] March 10, 2011
18. Memorandum of Interview, [REDACTED], March 9, 2011
19. Memorandum of Activity, Split Purchase Analysis – [REDACTED], April 9, 2011
20. Memorandum of Activity, Receipt for Program Items to be used for [REDACTED] Road Show, May 25, 2010

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21. Memorandum of Interview, [REDACTED] March 9, 2011
22. Memorandum of Activity, Verification of iPod, GPS, and Camera, March 9, 2011
23. E-mail from [REDACTED] to the OIG Regarding Broken/Missing Hats Off Items, March 15, 2011
24. Memorandum of Activity, Review of iPod Provided by [REDACTED] March 15, 2011
25. Memorandum of Activity, Review of Camera and Media Card Provided by [REDACTED] March 15, 2011
26. Memorandum of Interview, [REDACTED] March 25, 2011
27. E-mails from [REDACTED] to the OIG Regarding the Contents of the Media Card, April 25, 2011

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