

Investigative Report

Fleet Services: Misappropriation and Misuse of City Resources

August 2018



We found evidence that Donald Vaughan, Service Center Supervisor for Fleet Services, took used vehicle parts and oil owned by the City for his personal use on at least five occasions. Additionally, we found evidence that Vaughan misused his City computer to browse automotive auction sites to make purchases for his nonprofit organization.

Contents

Allegation	2
Background	2
Investigation Results	3
Appendix A - Subject Response	5
Appendix B - Office of City Auditor's Response to Subject Response	6
Appendix C - Management Response	7
Investigation Criteria	8
Methodology	9
CAIU Investigative Standards	9

Cover: Aerial view of downtown Austin, iStock.com/RoschetzkyIstockPhoto

Allegation

In April 2018, the Office of the City Auditor received an allegation from the Fleet Services department that a Fleet Service Center Supervisor, Donald Vaughan, may have misused City property by taking and selling used parts from the Service Center's scrap bin for non-City purposes, and that Vaughan's supervisor may have been aware of his actions, and explicitly or tacitly approved of them.

Background

Fleet Services is responsible for overseeing the purchase, maintenance, and repair of City of Austin vehicles. The department has multiple service centers across the City that perform vehicle work. Donald Vaughan is a supervisor in one of these service centers. As a Fleet Service Center Supervisor, Vaughan oversees a team of technicians who are responsible for maintaining and repairing City vehicles and motorized equipment. Vaughan is also responsible for enforcing Citywide and department-specific policies, assisting with the budget development process, and assisting with inventory counts.

Fleet Services' management team first received the allegation and submitted it, along with work they performed on the allegation, to our office for further investigation. Fleet Services' work and cooperation throughout the process aided our investigation.

Investigation Results

Summary

On at least five occasions during Vaughan's time in Fleet Services, he took used vehicle parts and oil owned by the City for his personal use. Additionally, Vaughan misused his City computer to browse automotive auction sites to make purchases for his nonprofit organization.

We did not find sufficient evidence to support the claim that Vaughan's supervisor was aware of or permitted Vaughan to take City supplies. However, Vaughan's supervisor was aware of and appears to have allowed Vaughan to browse internet auction sites on his City computer during breaks.

Finding 1

Fraud: Misappropriation of Vehicle Parts and Oil

Investigation Criteria:

"Fraud includes, but is not limited to the misappropriation of funds, supplies, or other City resources, through methods including, but not limited to theft, embezzlement, or misrepresentation..."

City Code: Powers and Duties §2-3-5(A)(2)(b)

See Investigation Criteria Section for More Details

Vaughan admitted to taking used vehicle parts and oil for his personal use on at least five occasions.

We heard testimony from multiple Fleet Services employees that Vaughan had put City vehicle parts in his truck, and we saw photographs that appeared to show used catalytic converters from City trucks in Vaughan's personal vehicle. Fleet Services management explained to us that used parts and obsolete items are considered City property and must be sold for scrap, returned to the manufacturer, recycled, or otherwise disposed of according to department procedures. When interviewed by our office, Vaughan admitted to the following:

- Vaughan took two used catalytic converters around January 2018 that would otherwise have been sold for scrap value. He sold these catalytic converters to a buyer he found online for a combined total of \$150. According to Vaughan, he used this money to help pay for a coworker's retirement party.
- On "two or three" occasions, Vaughan swapped a used City-owned battery with one of his own dead batteries. Vaughan said that he last swapped a battery around 9 months ago, and when asked why he didn't swap batteries more often, he said, "that's the only time I needed them."
- Vaughan took a hose and hose fittings from the trash and had a Service Center technician help him make a hydraulic hose out of them. According to Vaughan, the technician did not know what the hose was for, but Vaughan informed us that he intended to use it for one of his personal vehicles.
- Vaughan "took a few quarts" of City-owned oil that he pumped into a jug to use for one of his personal vehicles

One Fleet Services manager we spoke with said that Fleet employees were not permitted to take City property and described the actions listed above as "unethical."

Finding 2

Misuse of City Computer and Internet

Investigation Criteria:

“No City official or employee shall use City facilities, personnel, equipment or supplies for private purposes, except to the extent such are lawfully available to the public.”

City Code: Standards of Conduct §2-7-62 (J)

See Investigation Criteria Section for More Details

Vaughan misused his City computer to browse automotive auction sites related to his nonprofit organization.

Vaughan described himself as the founder and CEO of a nonprofit organization that provides vehicles and offers repairs to people who cannot otherwise afford vehicles or their maintenance. To provide this service, Vaughan purchases secondhand vehicles from internet auction sites to repair or use for parts. Vaughan visited one of these auction sites at least 105 times between December 2017 and April 2018 on his City computer.

Additionally, on at least two occasions, Vaughan misused his City email account to contact the website’s support team. In one email chain with the subject line “can’t bid,” Vaughan writes, “I am not able to bid on any vehicles says you are not eligible to bid on this lot. What is causing this[?]” At least 10 emails were exchanged regarding this topic including one in which Vaughan writes, “On the auction now and it will not let me bid on any lot[.]”

When interviewed, Vaughan’s supervisor said that he was aware that Vaughan visited the auction site on his City computer, but thought it was done during Vaughan’s lunch hour and breaks. Vaughan’s supervisor estimated that Vaughan visited the website on his City computer 1-2 times per week.

Vaughan taking city supplies for personal use and misusing City resources appears to constitute violations of the following criteria:

- §2-7-62(O): Prohibition of Fraud and Abuse
- §2-3-5(A)(2)(b): Fraud includes the Misappropriation of City Resources
- City Code §2-7-62(J): Standards of Conduct
- City Personnel Policies – I.G: Use of City Resources
- Administrative Bulletin 98-06: Acceptable Internet Use

Appendix A - Subject Response

Salas, Keith

From: Donald Vaughan <donvaughan4611@yahoo.com>
Sent: Friday, July 13, 2018 12:00 PM
To: Salas, Keith
Subject: responce

The catalytic converters I did not know they were in my truck until the next day when i woke up and I was hesitant to go back to work with them in my truck due to not knowing who had placed them there and I could not explain why I had them. I later did sell the converters to help pay for another employees retirement dinner. The oil was hydrolic oil and was left over when the shop went to a different grade. i was informed to dump it in the waste oil tank but did not want to see more waste. The batteries were swapped battery for battery because i needed a different group for a core. i gave my core battery and took a core battery. The internet use for the website in question was done before i clocked in or while at lunch. i would sometimes open the site but not close the window until I clocked out at the end of shift. I do not remember searching the site while clocked in. I did not realize I had used my city e-mail to contact the auction site. I usually used my personal e-mail from my cell phone to contact the auction site. I did use an old damaged hose and fitting that were in the trash to make up a small hose.

Appendix B - Office of City Auditor's Response to Subject Response

We have reviewed the subject's response. We believe our findings stand.

Appendix C - Management Response




City of Austin

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Fleet Services Department 1190 Hargrave Street, Austin, Texas 78702

M E M O R A N D U M

TO: Corrie Stokes, City Auditor, Office of the City Auditor

FROM: Jennifer Walls, Fleet Officer, Fleet Services Department 

DATE: July 30, 2018

SUBJECT: Investigation Report (IN18008) Fleet Services: Misappropriation and misuse of City resources

Thank you Corrie for following-up on the concerns/allegations Fleet reported to the Auditor's office. Fleet Services has received the Auditor's Office draft investigation report regarding allegations of misappropriation and misuse of City Resources by Fleet Service center supervisor Donald Vaughn. Fleet Management concurs with the draft investigation report and both the supervisor and manager remain on administrative leave as we finalize the investigation with Corporate Human Resources to determine appropriate personnel action.

Fleet Services takes these findings very seriously as we continue to work to promote the standard of ethics, integrity and accountability outlined in our City values. Fleet management is performing a comprehensive review of current practices to strengthen internal controls to ensure compliance with city policy.

We appreciate the diligent work of the City Auditor Office and their quick response when this issue was brought to their attention.

Should you need additional information, please contact me at 512-974-1795.

Cc: Mark Washington, Assistant City Manager

Investigation Criteria

Finding 1

City Code §2-7-62 – STANDARDS OF CONDUCT

(O) A City official or employee may not engage in fraud or abuse, as defined in City Code Chapter 2-3 (City Auditor) [as the misappropriation of funds, supplies, or other City resources, through methods including, but not limited to theft, embezzlement, or misrepresentation];

City Code §2-3-5 – POWERS AND DUTIES

(A)(2)(b) FRAUD includes, but is not limited to the misappropriation of funds, supplies, or other City resources, through methods including, but not limited to theft, embezzlement, or misrepresentation;

Findings 1 and 2

City Code §2-7-62 – STANDARDS OF CONDUCT

(J) No City official or employee shall use City facilities, personnel, equipment or supplies for private purposes, except to the extent such are lawfully available to the public.

City Personnel Policy – USE OF RESOURCES

(G) Employees are prohibited from using City facilities, equipment, supplies, employee time, or any other City resource for personal use, except to the extent that such resources are available to the public. City resources which may not be used by employees for personal use include, but are not limited to, the following: computers, internet accounts, e-mail and voice mail systems, telephones, facsimile machines, copiers, postage machines, vehicles, office space, desks, and filing cabinets. These resources are dedicated to City business, and City Management shall have full access to both the resources and any contents thereof at all times. Employees have no legitimate expectation of privacy when using these resources. Department Directors may allow employees limited use of telephones for local calls while ensuring that the operational needs of the department are being met.

Finding 2

Administrative Bulletin 98-06 – ACCEPTABLE INTERNET USE

Unacceptable use can be defined generally as activities that do not conform to the purpose, goals, and mission of the department and to each user's job duties and responsibilities.

Methodology

To accomplish our objective, we performed the following steps:

- reviewed applicable City Code and policy;
- conducted background research;
- reviewed photographic evidence of alleged misuse;
- conducted interviews with City of Austin staff;
- conducted forensic analysis of email and computer data;
- conducted a site visit of the subject's worksite; and
- interviewed the subject.

CAIU Investigative Standards

Investigations by the Office of the City Auditor are considered non-audit projects under the Government Auditing Standards and are conducted in accordance with the ethics and general standards (Chapters 1-3), procedures recommended by the Association of Certified Fraud Examiners (ACFE), and the ACFE Fraud Examiner's Manual. Investigations conducted also adhere to quality standards established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE), Quality Standards for Investigations, and City Code.

The Office of the City Auditor, per City Code, may conduct investigations into fraud, abuse, or illegality that may be occurring. If the City Auditor, through the Integrity Unit, finds that there is sufficient evidence to indicate that a material violation of a matter within the office's jurisdiction may have occurred, the City Auditor will issue an investigative report and provide a copy to the appropriate authority.

In order to ensure our report is fair, complete, and objective, we requested responses from both the subject and the Department Director on the results of this investigation. Please find attached these responses in Appendix A and C.

The Office of the City Auditor was created by the Austin City Charter as an independent office reporting to City Council to help establish accountability and improve city services. We conduct investigations of allegations of fraud, waste, or abuse by City employees or contractors.

City Auditor

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