

STATE OF OHIO  
OFFICE OF THE INSPECTOR GENERAL

RANDALL J. MEYER, INSPECTOR GENERAL

REPORTS OF  
INVESTIGATION



COMPLIANCE REVIEW

**Ardent Technologies Contracts**

**ENTITIES:**

**OHIO BUREAU OF WORKERS' COMPENSATION  
OHIO DEPARTMENT OF ADMINISTRATIVE SERVICES  
ARDENT TECHNOLOGIES, VENDOR**

**FILE ID NO.: 2017-CA00012  
RELEASE DATE: OCTOBER 31, 2019**

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

*"Safeguarding integrity in state government"*

The Office of the Ohio 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. The Inspector General may investigate the management and operation of state agencies on his own initiative. 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*.

The Ohio General Assembly enacted Ohio Revised Code §121.52, effective September 10, 2007, which created the deputy inspector general for the Ohio Bureau of Workers' Compensation (OBWC) and the Industrial Commission of Ohio (ICO). This statute requires a deputy inspector general be designated who "... shall investigate wrongful acts or omissions that have been committed by or are being committed by officers or employees ..." of both OBWC and the ICO, and provides the deputy inspector general the same powers and duties as specified in Ohio Revised Code §§ 121.42, 121.43, and 121.45 for matters involving the OBWC and ICO.

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.



# OFFICE OF THE OHIO INSPECTOR GENERAL

## EXECUTIVE SUMMARY

### SCOPE OF REVIEW

On April 14, 2017, the Office of the Ohio Inspector General initiated an investigation to examine the events resulting in the hiring of and payments issued to Ardent Technologies, Inc. (Ardent) by the Ohio Bureau of Workers' Compensation (OBWC). This investigation sought to determine whether the hiring of and payments issued to Ardent were in accordance with agency and state procurement policies and in accordance with the state term schedule (STS) contract terms and conditions. In July 2018, the investigation was expanded to include payments issued to Ardent by the Ohio Department of Administrative Services (ODAS), based on Ardent's admission that they (Ardent) had used a subcontractor to provide IT consulting services to both OBWC and ODAS.

### FINDINGS

The Office of the Ohio Inspector General examined Requests for Quotes (RFQ) from OBWC and ODAS that were submitted to fill positions needed to complete tasks on two critical agency projects. Subsequently, Ardent Technologies, Inc. was awarded a contract by each agency. However, the Office of the Ohio Inspector General concluded Ardent only provided limited services to OBWC and ODAS. Specifically, investigators discovered Ardent used an out-of-state subcontractor who actually employed the consultant that completed the work Ardent was contracted to perform for OBWC and ODAS. Investigators determined Ardent transferred to the out-of-state subcontractor 79.2% of its payments, or \$522,642.60, that Ardent had received from OBWC and ODAS.

Additionally, investigators determined that:

- Ardent failed to comply with certain terms and conditions of the STS contract;
- OBWC staff failed to comply with: various provisions specified in state law, an executive order, RFQ procedures, and agency policies;
- ODAS staff failed to comply with ODAS directives; and that

- OBWC and/or ODAS improperly issued payments contrary to state law and ODAS procurement policies.

## **RECOMMENDATIONS**

The Office of the Ohio Inspector General issued 11 recommendations to the Ohio Bureau of Workers' Compensation and 17 recommendations to the Ohio Department of Administrative Services in an effort to strengthen the agencies' internal control systems and to clarify procurement guidance provided by ODAS to state agencies, boards, and commissions.

Additionally, the Office of the Ohio Inspector General requests the administrator of the Ohio Bureau of Workers' Compensation and the director of the Ohio Department of Administrative Services respond within 60 days with a plan detailing how these recommendations will be implemented by their respective agencies.

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## ENTITIES UNDER REVIEW

### *Ohio Bureau of Workers' Compensation*

The Ohio Bureau of Workers' Compensation (OBWC) is responsible for providing workers' compensation benefits to public and private employees who are unable to work due to a work-related injury. In Ohio, companies or employers with employees must have coverage from either state funds or be self-insured. For those companies or employers with no employees who meet specific requirements, Ohio law makes workers' compensation coverage elective. The agency also operates workplace safety consulting services, safety and hygiene training, and other programs for Ohio employers to support them in providing safe and healthy workplaces. It is the largest state-funded insurance system in the nation.<sup>1</sup>

### *Ohio Department of Administrative Services*

The Ohio Department of Administrative Services (ODAS) is responsible for providing state agencies with services pertaining to procurement of goods and services, personnel, equal opportunity, collective bargaining, and information technology. The primary divisions of ODAS are general services, human resources, equal opportunity, collective bargaining and information technology. General services division provides procurement, real estate, printing, mail, fleet management, and records management services throughout state government. Human resources division handles matters related to personnel administration, including benefits and payroll, for state agencies. Equal opportunity division ensures that underrepresented populations are fairly considered in the economic and employment opportunities of the state. Collective bargaining provides for the central administration and negotiation of labor contracts for all state agencies, and information technology oversees the state's information technology infrastructure.<sup>2</sup>

### *ODAS Office of Information Technology*

The Office of Information Technology (OIT), a division within ODAS, is responsible for establishing policies and procedures regarding the purchase, use, and security of computer hardware and software in use by state agencies. The office is overseen by a state chief information officer appointed by the director of the Ohio Department of Administrative Services.

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<sup>1</sup> Source: Biennial budget documents and <https://info.bwc.ohio.gov/wps/portal/bwc/site/home>.

<sup>2</sup> Source: Biennial budget documents.

All state agencies, excluding the state of Ohio elected officials,<sup>3</sup> are subject to the rules and standards issued by OIT. The OIT Investment and Governance Division is “authorized to make contracts for, operate, and superintend telephone, telecommunications, computer services, and some professional services for state agencies.” Enterprise IT Contracting (EITC) division with OIT is responsible for issuing contracts for computing and telecommunication products and services. In certain instances, the circumstances may warrant an exception to the above ODAS authority and agencies may apply for a waiver known as a Release and Permit.<sup>4</sup>

#### *Ardent Technologies*

Ardent Technologies (Ardent) is a small business providing a full range of IT support services including staff augmentation to federal, state/local government, and higher education markets since 2000. Ardent is located in Dayton, Ohio, and is a state of Ohio certified Minority Business Enterprise (MBE).<sup>5</sup> The Ohio Department of Administrative Services awarded the initial state term schedule contract to Ardent Technologies for the period of November 19, 2009, through November 13, 2014. This contract was subsequently renewed for the periods of November 13, 2014, through June 30, 2017; and April 18, 2017, through March 11, 2020.<sup>6</sup>

#### *Vsion Technologies*

Vsion Technologies (Vsion) is an information technology consulting firm providing staffing solutions and enterprise solutions to Fortune 2000 customers along with off-shore development services for those who outsource their product development. Vsion is located in Cedar Park, Texas, and also has offices in Canada and India.<sup>7</sup>

#### *Canopy One Solutions, Inc.*

Canopy One Solutions is an information technology consulting firm established in 2009 to provide a variety of services including, but not limited to, consulting and IT

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<sup>3</sup> The elected officials include the Ohio Attorney General, Auditor of State, Secretary of State and Treasurer of State.

<sup>4</sup> Source: State of Ohio Procurement Handbook for Supplies and Services Section 3.4. Revised in September 2014.

<sup>5</sup> Source: <https://ardentinc.com/>.

<sup>6</sup> ODAS awarded a new STS contract to Ardent Technologies prior to the expiration date in the previous STS contract.

<sup>7</sup> Source: <http://www.vSIONtek.com/>.

managed/infrastructure services. Canopy One Solutions operates locations in Chantilly, Virginia; Canada; and India.<sup>8</sup>

## **BACKGROUND**

On February 23, 2017, the Office of the Ohio Inspector General received a referral from the Ohio Auditor of State containing an anonymous complaint about the mismanagement of IT projects by the Ohio Department of Administrative Services. The complaint alleged the ODAS managers and consultants lacked the competency to execute the Ohio Administrative Knowledge Systems<sup>9</sup> (OAKS) IT project and hired additional consultants to “... create the right perception that things are running smoothly.” The complainant further alleged there were inexperienced consultants working on state IT projects “... billing high hourly rates and no actual work is being done for months.”

On March 30, 2017, the Office of the Ohio Inspector General opened a preliminary review into the allegations. Investigators reviewed records supporting the hiring of the consultants and documentation supporting payments that were issued to Ardent Technologies by the Ohio Bureau of Workers’ Compensation (OBWC) and the Ohio Department of Administrative Services (ODAS). Investigators found deficiencies regarding administrative approval on consultant timesheets and inconsistencies in the use of support documentation to substantiate payments issued by OBWC.

On April 14, 2017, the Office of the Ohio Inspector General initiated an investigation to examine the events resulting in the hiring of consultants and payments issued to Ardent Technologies, Inc. by the Ohio Bureau of Workers’ Compensation. This investigation sought to determine whether the hiring of and payments issued to Ardent were in accordance with agency and state procurement policies and in accordance with the state term schedule (STS) contract terms and conditions. During the investigation, Ardent admitted to investigators that the company had used a subcontractor to provide IT consulting services to both OBWC and ODAS. As such, the

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<sup>8</sup> Source: <http://canopyone.com/>.

<sup>9</sup> The Ohio Administrative Knowledge System (OAKS) is the state of Ohio’s enterprising resource planning system and includes specific modules for processing payments to vendors for services and goods received.



investigation was expanded to include payments issued by the Ohio Department of Administrative Services (ODAS).

## **OBJECTIVE, SCOPE OF REVIEW & METHODOLOGY**

The investigation's overall objective was to determine whether OBWC and ODAS adhered to agency and state procurement policies and state term schedule contract terms and conditions in their selection and hiring of Ardent Technologies Services to provide IT consulting services to OBWC for the period from July 15, 2015, through February 3, 2017, and to ODAS for the period from October 24, 2016, through August 31, 2018.

The investigation's review included:

1. Determining whether OBWC and ODAS complied with state of Ohio procurement and agency policies when soliciting, selecting, and awarding the contract to Ardent.
2. Determining whether the payments issued by OBWC and ODAS totaling \$614,628.98 were supported by timesheets and invoices, and were for services actually provided by Ardent; and
3. Determining whether actions taken by Ardent to provide these services were in accordance with the STS contract's terms and conditions.

The Office of the Ohio Inspector General examined OBWC and ODAS records and emails, and conducted numerous interviews to evaluate the procurement process used by OBWC and ODAS. Additionally, investigators analyzed records provided by Ardent, VSION Technologies, and Canopy One Solutions in response to issued subpoenas. Investigators also examined the request for quote (RFQ) responses and statements of work (SOW) Ardent submitted to both OBWC and ODAS.

## **FINDINGS**

The Office of the Ohio Inspector General determined both OBWC and ODAS issued a request for quote (RFQ) to obtain IT consulting services, received resumes in response to the RFQ, completed interviews, and awarded the contract to Ardent Technologies Inc. in accordance to prevailing procurement processes. However, investigators determined:

- Ardent failed to comply with certain terms and conditions of the STS contract;
- OBWC staff failed to comply with: various provisions specified in state law, an executive order, RFQ procedures, and agency policies;
- ODAS staff failed to follow guidance in an ODAS directive; and that
- OBWC and/or ODAS issued payments contrary to ODAS procurement policies or state law.

The specifics of these findings are discussed in the following paragraphs.

### **FINDING 1 – Non-Compliance with STS Contract Terms and Conditions by Ardent**

Section 3.10 of the STS contract terms and conditions awarded by ODAS to Ardent on behalf of the State of Ohio provides that, “... the Contractor must disclose the following ... (c) The principal place of business for the Contractor and all its subcontractors.” Furthermore, Section 9.2 of the STS contract terms and conditions states,

... before the Contractor engages any such subcontractor, the Contractor must submit a list identifying its subcontractors or joint venture partners performing portions of the work under the Contract ... . In addition, all subcontractors and joint venture business partners must agree in writing to be bound by all of the terms and conditions of this Contract and any specifications of any order under this Contract for which they perform work. The State may reject any subcontractor submitted by the Contractor.

Investigators conducted various interviews and analyzed records provided by Ardent in response to a subpoena issued by the Inspector General. Investigators also examined the request for quote (RFQ) responses and statements of work (SOW) that were submitted by Ardent to both OBWC and ODAS. The Office of the Ohio Inspector General determined:

- Ardent failed to document in the SOW that was submitted to either OBWC or ODAS the name and location of the subcontractor used to provide the IT consulting services;
- Ardent failed to notify ODAS, the issuer of the STS contract, that Ardent had entered into a sub-vendor agreement to provide the IT consulting services to OBWC and ODAS;
- Ardent failed to include language in its “sub-vendor agreement” that required the subcontractor, who Ardent employed to perform work for OBWC and ODAS, to adhere to State of Ohio STS contract terms and conditions.

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

### **FINDING 1 RECOMMENDATIONS**

#### *Ohio Department of Administrative Services*

1. Consider implementing procedures to monitor vendor compliance with the STS contract terms and conditions including, but not limited to, the notification of the use of subcontractors. In addition, ODAS should consider conducting random audits to determine whether the STS vendor is compliant with STS contract terms and conditions.
2. Consider developing and implementing a process to assess penalties to STS contract vendors who are found to not be compliant with the STS contract terms and conditions.
3. Consider requiring STS vendors to annually certify their compliance with terms of the STS contract including, but not limited to: the disclosure of and principle location of the subcontractors; certification that the subcontractors have agreed to be bound by the STS contract terms and conditions; and to complete an acknowledgement that ODAS has the right to impose penalties for those determined to not be in compliance with these terms and conditions.

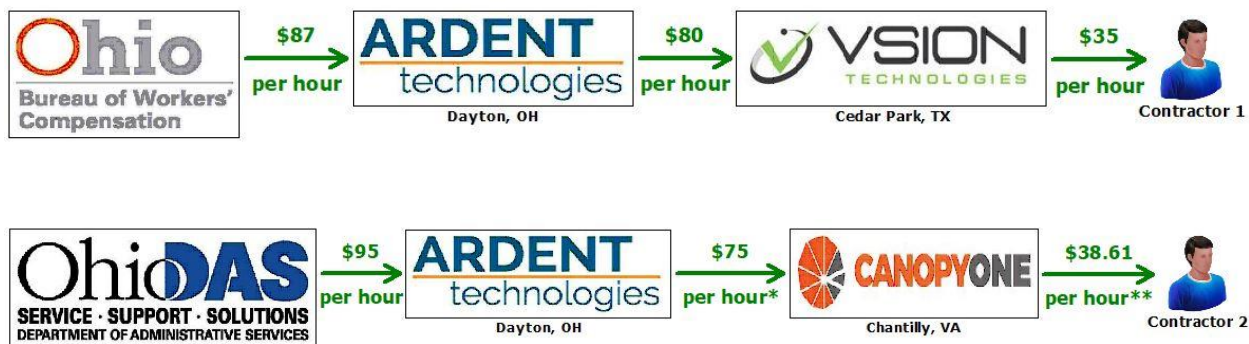
4. Consider the benefits of developing and implementing a training program for STS contract vendors to explain the STS contract terms and conditions and what is expected of the STS contract vendors.

## **FINDING 2 – Ardent’s Use of Pass-Through Vendor**

Section 9.2 of the STS Terms and Conditions of the contract between Ardent and the State of Ohio states:

The State recognizes that it may be necessary for the Contractor to use subcontractors to perform **portions** [emphasis added] of the work under this Contract.

The Office of the Ohio Inspector General learned Ardent entered into sub-vendor agreements with VSION Technologies (VSION) of Cedar Park, Texas, and Canopy One Solutions (Canopy One), of Chantilly, Virginia, to provide contracted temporary IT consulting services to OBWC and ODAS, respectively. Investigators reviewed and analyzed records associated with all payments made by OBWC and ODAS to Ardent and payments received by subcontractors VSION and Canopy One. Investigators determined OBWC’s contracted payment of \$87 per hour to Ardent and ODAS’ contracted payment of \$95 per hour to Ardent were dispersed in the following manner:



\*Canopy's hourly billing rate increased to \$77.50 effective July 2018.

\*\*Contractor 2's hourly wage increased to \$45 effective August 2018; however, the majority of the OIG's analysis occurred at the \$38.61 rate.

Further analysis by investigators of the payments received by Ardent from OBWC and ODAS revealed the following:

Paid By	Time Period	Allocation of Agency Payments			
		Ardent	Subcontractor	Consultant	Total
OBWC	07/15/15 - 02/03/17	\$22,561.38	\$145,045.37	\$112,812.23	\$280,418.98
ODAS	10/24/16 - 08/31/18	\$69,425.00	\$127,542.83	\$137,242.17	\$334,210.00
		<b>\$91,986.38</b>	<b>\$272,588.20</b>	<b>\$250,054.40</b>	<b>\$614,628.98</b>

The Office of the Ohio Inspector General determined Ardent transferred 79.2%, or \$522,642.60,<sup>10</sup> of the payments received from OBWC and ODAS to a subcontractor who actually employed the consultant. Further analysis revealed Ardent's services were limited to processing the paperwork required to obtain payment for services provided by the consultant, meeting with ODAS to evaluate the consultant's work, and remitting payments to the two subcontractors. Furthermore, investigators determined each out-of-state and non-STs subcontractor used Ardent as a pass-through vendor to receive payments from either OBWC or ODAS.

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

### **FINDING 3 – Work Performed Prior to Required Approvals**

The Office of the Ohio Inspector General determined that OBWC and ODAS payments issued to Ardent were charged against ODAS Account Codes 510055 and 510056. Both of these account codes required an approved ODAS Release and Permit (R&P) to create the purchase order. Investigators reviewed procurement guidance provided in the ODAS-issued State of Ohio Procurement Manual. [\(Exhibit 1\)](#) Section 8.6 *Release and Permit* required agencies to obtain an approved R&P prior to making a purchase, and Section 2.8 of the STS *Terms and Conditions* stated:

<sup>10</sup> Calculated as the total retained by the subcontractor (\$272,588.20) and the consultant (\$250,054.40)

... any orders under this Contract are void until the Director of OBM certifies that there is a balance in the appropriation available to pay for the order.

The Office of the Ohio Inspector General determined both OBWC and ODAS issued payments to Ardent for hours worked by the consultant prior to obtaining an approved R&P request and a purchase order being issued. The following table identifies the costs associated with the hours worked by the consultants, contrary to ODAS procurement guidance and Section 2.8 of the STS contract terms and conditions:

Period Worked	R&P No.	R&P Approval Date	Purchase Order Number	Purchase Order Issuance Date	Hours Worked	Hourly Rate	Total Amount Paid
<b>OBWC</b>							
7/15/15 - 8/6/15	27519	8/3/2015	15706	8/7/2015	141	\$87.00	\$12,267.00
7/1/16 - 7/22/16	29842	7/8/2016	17148	7/25/2016	117.5	\$87.00	\$10,222.50
<b>Total:</b>							<b>\$22,489.50</b>
<b>ODAS</b>							
7/5/17 - 7/12/17	32310	7/10/2017	23034	7/13/2017	48	\$95.00	\$4,560.00
<b>Total:</b>							<b>\$4,560.00</b>
<b>Grand Total</b>							<b>\$27,049.50</b>

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

### **FINDING 3 RECOMMENDATIONS**

#### *Ohio Bureau of Workers' Compensation*

1. Consider developing and implementing a process to identify consultant contract extensions for the next fiscal year at the start of the fourth quarter of the fiscal year. Once identified, it is recommended the IT divisional and procurement staff work together to gather the required documentation to submit and obtain an approved R&P and to start processing the R&P request in OAKS to issue a purchase order on or around July 1<sup>st</sup>.

*Ohio Department of Administrative Services*

1. Consider developing written policies or procedures and a frequently asked questions tool to be used by the computer acquisition analysts when reviewing agency R&P requests to ensure the R&P request was in accordance with state procurement policies and ODAS directives.
2. Consider amending the R&P request “approval email” to include not only the end date of the approval, but also the start date of the approval for the hours requested.

**FINDING 4 – Request for Quote – Distribution**

State of Ohio Governor’s Executive Order 2008-12 Section 7 requires,

... all State Agencies that purchase supplies or services to post all state contract opportunities exceeding \$25,000, and all of their current contracts exceeding \$25,000 on the Ohio Business Gateway procurement portal ...

Contrary to this executive order, investigators determined that OBWC Senior Sourcing Analyst JacLynn Romine emailed select STS vendors a copy of the RFQ in an effort to obtain quotes for the vacant position previously held by a state employee. On January 10, 2019, Romine told investigators that she was trained to either send the RFQ to select STS vendors by email or post the RFQ on the ODAS procurement website. On April 23, 2019, ODAS EITC Administrator<sup>11</sup> Eric Glenn told investigators that OBWC should not have been sending emails with the RFQ to select STS vendors.

However, on May 6, 2019, ODAS Computer Acquisitions Supervisor Curtis Brooks emailed investigators a copy of an April 5, 2010, email chain in which ODAS State Purchasing Program Manager Gretchen Adkins stated, “... it was determined if agency is using an STS, higher education, another state agency they do not need to post the opportunity or contract.” The Office of the Ohio Inspector General found no evidence that ODAS had disseminated this guidance in

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<sup>11</sup> In October 2018, Glenn’s title changed to deputy procurement chief – IT.

writing to the state agency procurement officers until the issuance of PM-01 Purchasing Procedures on February 1, 2019.<sup>12</sup>

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

#### **FINDING 4 RECOMMENDATION**

*Ohio Department of Administrative Services*

1. Consider clarifying existing procurement guidance for agencies who use the Request for Quote process to purchase services from STS vendors on acceptable methods for soliciting responses to an RFQ including whether the RFQ is required to be posted on the Ohio Business Gateway procurement portal to promote fair and transparent competition.

#### **FINDING 5 – OBWC Request for Quote – Solicitation Phase**

The Office of the Ohio Inspector General analyzed emails provided by OBWC and found that on June 23, 2015, Romine sent an unsolicited copy of the RFQ to VSION Technologies, Inc., a company from Cedar Park, Texas. Further email analysis revealed that Romine received the following two questions from VSION representative Ram Sathambakam:

1. In order for us to work with State of Ohio directly what needs to be done?
2. Can you suggest a vendor that we can use for Satish as pass-through?

Investigators noted Romine responded to Sathambakam on June 30, 2015, and provided him with “... some suggestions for vendors with Ohio State Term Schedules that you can use. Vendors are in no particular order.” Included in the email were the names and contact information for five separate vendors, one of which was Ardent.

On January 10, 2019, Romine explained her actions to investigators by stating, “it’s just something we’ve done” and that it was a courtesy to provide VSION with “some STS vendors.”

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<sup>12</sup> Section 2.6 of PM-01, provides that “when procuring needed supplies or services from a source **other than a requisite procurement program or a state contract** [emphasis added], State Agencies shall do so in a competitive manner ...”



Romine further acknowledged this practice has been going on as long as she has been in the position, since October 2013. Contrary to Romine's assertions, OBWC Procurement Contracts Administrator Rick Stoner stated when training Romine, that he had not discussed or provided her (Romine) with guidance or training that she should respond to such a request in this manner.

OBWC Memo 1.01 incorporates Ohio Administrative Code §4123-15 and serves as the Code of Ethics for OBWC employees. Ohio Administrative Code §4123-15-3 (G) states:

... The overall intent of this code of ethics is that employees avoid any action, whether or not prohibited by the proceeding provisions, which result in, or create the appearance of:  
(1) Using public office for private gain, or (2) *Giving preferential treatment to any person, entity, or group* [emphasis added].

The Office of the Ohio Inspector General determined Romine's action of providing Sathambakam with a list of five vendors in response to his request of vendors that he could use as a pass-through gives the appearance of preferential treatment toward those vendors, which violates Ohio Administrative Code §4123-15-3.

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

#### **FINDING 5 RECOMMENDATION**

##### *Ohio Bureau of Workers' Compensation*

1. Consider implementing policies and procedures for posting a Request for Quote and reissuing a Request for Quote to ensure the bidding process is completed in a fair and transparent manner.

### **FINDING 6 – OBWC Request for Quote Process**

On May 1, 2015, OBWC issued Request for Quote #JR-RFQ15-222 to fill a vacant IT position with a response due date of May 7, 2016, by 10:00 a.m. OBWC's Request for Quote #JR-RFQ15-222 included the following requirements:

**IMPORTANT NOTE:** We will only consider quotes that have the following Required Information:

1. State Term Schedule Number
2. STS Labor Category Code
3. Request for Quotation number
4. Cost breakdown as described in the Fee Schedule/Rate section of this bid document.
5. Position applying for & resume for proposed consultant
6. Quote date expiration (At least 30 days)
7. See additional requirements below.

Contrary to the RFQ terms, investigators discovered Romine had accepted two resumes without a cost breakdown and quote expiration date; and scheduled an interview for one candidate identified in an incomplete vendor response. Furthermore, investigators found that two weeks after she had contacted Ardent to offer them the contract, Romine emailed the two other vendors who had previously submitted resumes for consideration and requested they each submit a quote for the contract. Investigators discovered Romine attached the two vendors' quote responses to her R&P request for OBWC to contract with Ardent. Romine used these two vendors' quote responses to provide support that she had obtained three valid quotes prior to submitting the R&P request.

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

### **FINDING 6 RECOMMENDATION**

*Ohio Bureau of Workers' Compensation*

1. Consider implementing policies and procedures which describes what actions or conversations can occur during the solicitation, interviewing, and decision-making phases of the RFQ process.

## **FINDING 7 –IT Consulting Services - OBWC**

On September 1, 2009, the Ohio Department of Administrative Services (ODAS) issued Directive HR-D-13 *Independent Contractor Guidelines* ([Exhibit 2](#)) which states, in part:

... careful consideration should be taken to determine whether the respective job responsibilities are that of a state civil service employee as defined in Revised Code section 124.01, or that of an independent contractor. This careful examination of the job responsibilities is necessary in order to prevent potential conflict with current state employees as well as subsequent determinations that the independent contractor is acting as an employee.

Black's Law dictionary defines an independent contractor as, "One who is hired to undertake a specific project but who is left free to do the assigned work and to choose the method for accomplishing it ...

Personnel of the appointing authority usually do not control or supervise the manner of an independent contractor's work ...

The work to be performed by an independent contractor is seen as temporary as opposed to permanent ...

The existence of a continuing relationship between the worker and the employer may indicate an employer-employee relationship. A continuing relationship may exist when work is frequently performed, or when the contract is long term or regularly renewed ... If the employer directs how the work must be performed (e.g., the sequence of tasks, regular reports, the manner in which something is to be accomplished), the worker is likely an employee beyond the guidelines or request for deliverables set forth in the personal services contract ...

The Office of the Ohio Inspector General discovered OBWC management had decided to fill a vacant position with a consultant during the same time a state employee was being trained to acquire the technical skills needed to perform the duties of the vacant position because of the

departure of a state employee. In July 2015, OBWC awarded a contract to Ardent for a senior database position for the period of July 15, 2015, through June 30, 2016.

Investigators conducted various interviews and analyzed OBWC records and emails to evaluate the procurement process used by OBWC to award and renew Ardent's contract. The Office of the Ohio Inspector General determined:

- A consultant previously hired by OBWC participated as a subject matter expert (SME) in the interview of a consultant represented by Ardent and other prospective candidates. No evidence was found to support that OBWC confirmed the SME did not have a conflict of interest when interviewing the prospective candidates. Additionally, OBWC staff stated the SME was not involved in the decision of which candidate to hire.
- OBWC submitted an R&P request to renew a consultant's contract with Ardent for fiscal year 2017 even though OBWC had previously sent a state employee to be trained to acquire the technical skills needed to perform the duties of the contractor.
- The justification statement attached to the R&P request to renew the contract with Ardent for fiscal year 2017, stated, "... BWC doesn't have sufficient staff to support this function. Any re-bidding will cause a loss of historical knowledge, and the risk of not meeting project deadlines." Interviews with OBWC revealed that the justification statement was based on the information contained in the statement of work, an IT Division request to retain the consultant, and that the OBWC IT Division did not approve the justification statement prior to its submission with the R&P request to ODAS.

The Office of the Ohio Inspector General found no evidence that OBWC had conducted a formal assessment to determine whether the identified duties of the contractor could be completed by a state employee prior to requesting an extension of Ardent's contract. Later, after an OBWC supervisor had completed an internal assessment of agency needs, OBWC terminated the contract with Ardent on February 3, 2017, approximately eight months after Romine requested the contract be extended.

Additionally, investigators evaluated and compared applicable OBWC sign-in/out logs; the consultant's timesheets, and invoices Ardent submitted to OBWC. Investigators determined:

- The total hours recorded by the consultant for the day were not supported by the actual hours documented on the sign-in and sign-out logs by the consultant.
- The consultant's sign-in/out sheets indicated instances that he had flexed his work hours during the week. However, the corresponding weekly submitted timesheet did not report the hours were flexed.
- The consultant and/or his supervisor failed to sign the completed timesheet within four days of the timesheet period end-date in 10 instances.
- OBWC did not retain copies of six timesheets signed by a supervisor.
- OBWC IT Division supervisors relied upon an OBWC administrative professional to verify the accuracy of the hours the consultant documented as worked on the weekly timesheet before sending the timesheet to the supervisor for their signature.<sup>13</sup>

#### **AGENCY RESPONSE: OBWC Policy and Procedural Changes**

The Office of the Ohio Inspector General determined the involvement of consultants during interviews of prospective candidates for the IT storage position were similar to those identified in the Office of the Ohio Inspector General Report of Investigation 2018-CA00013,<sup>14</sup> which was released on December 13, 2018. In April of 2019, OBWC provided copies of formalized IT divisional procedures for the onboarding (or hiring) of IT consultants. These procedures prohibited any consultant from participating in the drafting of job duties; resume screening; the interviewing process; or evaluating prospective consultants. On May 16, 2019, OBWC management trained the IT divisional managers on the new procedures and processes.

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<sup>13</sup> In April 2017, OBWC began requiring consultants to use the same electronic timekeeping system as the OBWC employees. However, the administrative professional continues to compare the timesheet submitted by the consultant to the hours recorded in the electronic timekeeping system prior to sending the completed timesheet to the manager for supervisory approval.

<sup>14</sup> This report can be located at <https://watchdog.ohio.gov/Portals/0/pdf/investigations/2018-CA00013.pdf>.

## **FINDING 7 RECOMMENDATIONS**

### *Ohio Bureau of Workers' Compensation*

1. Consider utilizing ODAS Directive HR-D-13 to implement agency procedures prior to hiring an independent contractor for vacant positions to ensure the governmental body has evaluated whether the identified need could be filled by an existing state employee, a new hire, or should be filled with a consultant.
2. Consider implementing procedures which identifies the positions responsible for developing and approving the justification statement to renew a consultant prior to the submission of a Release and Permit request.
3. Consider incorporating guidance addressing the consultant's use of the timekeeping system; flex time; and that supervisors should approve the consultant's hours in the timekeeping system prior to a consultant's timesheet being processed for approval for payment.
4. Consider the benefits of cross-training multiple personnel on how to process consultant timesheets to assist the existing staff during busy times or if the assigned person is on leave or is absent for an extended period.

## **FINDING 8 – Blanket IT Release & Permits**

The Office of the Ohio Inspector General analyzed documentation supporting payments issued to Ardent. Investigators discovered that in FY 2016, Romine obtained two amended statements of work to increase the number of hours Ardent was permitted to provide IT consulting services. Investigators noted Romine submitted R&P request #28920 on April 20, 2016, to amend the initial contract for additional hours. Investigators further noted Romine used the OBWC blanket IT R&P to open PO#16913 on June 15, 2016; and again, for PO#17531 for \$537.66 on August 31, 2016, to pay for Ardent's June 2016 consulting services. Romine told investigators that because the purchase was less than \$25,000, she used the OBWC blanket IT R&P to open the two purchase orders.

On March 20, 2019, ODAS Computer Acquisition Analyst 2 Jim Sutton explained the blanket IT R&P should not be used for items such as staff augmentation or purchases from an STS contract.

The Office of the Ohio Inspector General determined Romine circumvented the proper process of modifying a current R&P and instead improperly used the OBWC blanket IT R&P to open a new purchase order for the additional hours needed.

**Accordingly, the Office of the Ohio Inspector General finds reasonable cause to believe that an appearance of impropriety occurred in this instance.**

### **FINDING 8 RECOMMENDATIONS**

#### *Ohio Bureau of Workers' Compensation*

1. Consider clarifying existing guidance to identify in what instances a modification to an existing contract previously submitted in a R&P request requires ODAS OIT approval, and in what instances an agency blanket IT Release and Permit may be used to purchase goods or services.

#### *Ohio Department of Administrative Services*

1. Consider clarifying existing guidance to identify when an agency blanket IT Release and Permit request can be used and when agencies are prohibited from using the blanket IT Release and Permit to purchase a specific type of good or service.

### **FINDING 9 – Payment of Services After Fiscal Year End**

Ohio Revised Code §131.33 (A) states,

... Except as provided in this section, appropriations made to a specific fiscal year shall be expended only to pay liabilities incurred within that fiscal year.

Contrary to this statute, the Office of the Ohio Inspector General determined that PO #17531 for \$537.66 was opened on August 31, 2016, to use fiscal year 2017 funds to pay for services provided by Ardent in June 2016. Furthermore, investigators determined the FY 2016 POs used

to pay Ardent for IT consulting services had been liquidated and no funds were available to pay for the remaining services.

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

## **FINDING 9 RECOMMENDATIONS**

### *Ohio Bureau of Workers' Compensation*

1. Consider developing and implementing a process that several months before year end, IT division personnel and procurement should review purchase order activity and determine the anticipated hours needed for the remainder of the fiscal year. Once it is determined additional hours are needed, OBWC procurement should begin the process to amend the purchase order for additional hours.

## **FINDING 10 – ODAS' Use of Consultants**

On September 1, 2009, ODAS issued Directive HR-D-13 *Independent Contractor Guidelines* ([Exhibit 2](#)) which states, in part:

... careful consideration should be taken to determine whether the respective job responsibilities are that of a state civil service employee as defined in Revised Code section 124.01, or that of an independent contractor. This careful examination of the job responsibilities is necessary in order to prevent potential conflict with current state employees as well as subsequent determinations that the independent contractor is acting as an employee.

Black's Law dictionary defines an independent contractor as, "One who is hired to undertake a specific project but who is left free to do the assigned work and to choose the method for accomplishing it ...

Personnel of the appointing authority usually do not control or supervise the manner of an independent contractor's work ...



The work to be performed by an independent contractor is seen as temporary as opposed to permanent ...

The existence of a continuing relationship between the worker and the employer may indicate an employer-employee relationship. A continuing relationship may exist when work is frequently performed, or when the contract is long term or regularly renewed ... If the employer directs how the work must be performed (e.g., the sequence of tasks, regular reports, the manner in which something is to be accomplished), the worker is likely an employee beyond the guidelines or request for deliverables set forth in the personal services contract ...

On April 23, 2019, then-ODAS Deputy Director Deven Mehta<sup>15</sup> told investigators that ODAS consultant Randy Preble acted as the liaison between his program area and the OIT Business Office and also served as an administrative liaison between the vendors working on the Ohio Benefits and Business Intelligence Projects and ODAS management. Since he did not have an administrative staff person and there is a large volume of administrative paperwork to be compiled for the OIT Business Office, Mehta stated he directed Preble to compile the required information. Mehta explained his only other option would have been to compile the information himself and he did not have the time to complete the task. Mehta noted he had not seen ODAS Directive HR-D-13 *Independent Contractor Guidelines* before being provided the document by investigators.

Investigators discovered that ODAS had continued extending the following contracts for the Ohio Benefits or Business Intelligence Projects from fiscal year to fiscal year, without evaluating the duration or ascertaining the completion of the projects in either the RFQ or the justification statements:

- A contract awarded in FY 2012 for Preble's services was extended annually for fiscal years 2013 through 2017.

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<sup>15</sup> Mehta resigned his position effective June 4, 2019.

- After rebidding the contract through Knowledge Services<sup>16</sup> and awarding the contract to Preble's employer in FY 2018, ODAS again extended the contract for Preble's position through a generic list of position extensions for FY 2019; and
- A contract awarded in FY 2017 for the Ardent consultant's services was extended annually for both FY 2018 and 2019.

## **FINDING 10 RECOMMENDATIONS**

### *Ohio Department of Administrative Services*

1. Consider utilizing ODAS Directive HR-D-13 to implement agency procedures prior to hiring an independent contractor for vacant positions to ensure the governmental body has evaluated whether the identified need could be filled by an existing state employee, a new hire, or should be filled with a consultant.

## **OTHER GENERAL COMMENTS**

In addition to the findings and recommendations discussed in the previous paragraphs, the Office of the Ohio Inspector General identified the following additional recommendations to bring to the agency's attention:

### Ohio Bureau of Workers' Compensation

1. Review the conduct of employees identified in this report to determine if administrative action is warranted.
2. Consider the benefits of cross-training multiple personnel on processing IT Consultant R&P requests and purchase orders to assist the existing staff during busy times or if the assigned person is off on leave or is absent for an extended period.

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<sup>16</sup> Per the ODAS website, the Ohio IT Staff Augmentation Services contract is used by the state as the preferred method for procuring hourly time and material resources. This contract is currently managed by Knowledge Services.

## Ohio Department of Administrative Services

1. Review the conduct of state of Ohio vendor Ardent Technologies, Inc., to determine if there should be penalties assessed or other remedies available to address Ardent's noncompliance with STS contract terms and conditions.
2. Consider developing and disseminating guidance to the users of the STS contract terms and conditions which defines who is the "state" as referenced in the STS contract. Additionally, the guidance should identify the user's responsibilities for each of the STS contract terms and conditions; identify how to request an audit of an STS vendor; and describe the process to follow for identifying, vetting, and approving the use of a subcontractor by an STS vendor.
3. Consider implementing procedures to monitor vendor compliance with the STS contract terms and conditions relating to the updating of the General Services Administration pricing schedule attached to the STS contract. In addition, consider requiring STS vendors to annually certify their compliance with terms of the STS contract including but not limited to pricing changes.
4. Consider consolidating and simplifying existing procurement guidance currently maintained in multiple manuals throughout multiple ODAS systems into one uniform manual containing clear and concise guidance. Furthermore, the manual should incorporate guidance for agencies who use the Request for Quote process to purchase services, and clarify what activities are prohibited for both state employees and existing consultants participating in the Request for Quote procurement process. The manual should also identify criteria to be met in order for a Release and Permit request to be expedited; and the documentation required to be submitted with a Release and Permit request.
5. Consider establishing a schedule to regularly update, disseminate, and train agency procurement officers, Release and Permit system users, and STS vendors, as needed, to ensure consistent guidance is provided on State of Ohio procurement requirements.

6. Consider identifying the relevant policies and procedures to be reviewed and acknowledged by all ODAS consultants; creating a centralized repository to store the signed documents; and establishing a process to ensure the consultant completed the required onboarding documents for both ODAS and the agency the consultant is assigned to work.
7. Consider the benefits of requiring ODAS consultants to use Kronos or some other electronic timekeeping system to document their hours worked. For work performed off-site or after normal business hours, consider requiring additional documentation be provided identifying what work was performed and the start and end time of the work performed.
8. Consider implementing procedures which identify the positions responsible for developing and approving the justification statement to renew a consultant.

## **REFERRALS**

This report of investigation will be provided to the Ohio Auditor of State's Office for consideration during a review of each agency's internal control system in subsequent audits.



STATE OF OHIO

# OFFICE OF THE INSPECTOR GENERAL

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RANDALL J. MEYER, INSPECTOR GENERAL

**NAME OF REPORT: Ohio Bureau of Workers' Compensation,  
Ohio Department of Administrative Services,  
Ardent Technologies  
FILE ID #: 2017-CA00012**

## **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  
October 31, 2019**

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