

STATE OF OHIO
OFFICE OF THE INSPECTOR GENERAL

RANDALL J. MEYER, INSPECTOR GENERAL

REPORT OF
INVESTIGATION



AGENCY: OHIO DEPARTMENT OF ADMINISTRATIVE SERVICES
FILE ID NO.: 2018-CA00011
DATE OF REPORT: SEPTEMBER 17, 2019

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

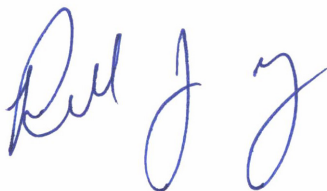
“Safeguarding integrity in state government”

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

Statutory authority for conducting such investigations is defined in *Ohio Revised Code §121.41* through *121.50*. A *Report of Investigation* is issued based on the findings of the Office, and copies are delivered to the Governor of Ohio and the director of the agency subject to the investigation. At the discretion of the Inspector General, copies of the report may also be forwarded to law enforcement agencies or other state agencies responsible for investigating, auditing, reviewing, or evaluating the management and operation of state agencies. The *Report of Investigation* by the Ohio Inspector General is a public record under *Ohio Revised Code §149.43* and related sections of *Chapter 149*. It is available to the public for a fee that does not exceed the cost of reproducing and delivering the report.

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

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



Randall J. Meyer
Ohio Inspector General



STATE OF OHIO
OFFICE OF THE INSPECTOR GENERAL
RANDALL J. MEYER, INSPECTOR GENERAL

REPORT OF INVESTIGATION

FILE ID NUMBER: 2018-CA00011

SUBJECT NAME: TSG Partners, LTD
Kyle Schriml

Advocate Consulting Group
Mark Schriml

Advocate Solutions

POSITION: Vendors

AGENCY: Ohio Department of Administrative Services

BASIS FOR INVESTIGATION: Inspector General Initiative

ALLEGATIONS: Criminal Conduct;
Failure to Comply with State Law and/or
Regulations.

INITIATED: February 21, 2018

DATE OF REPORT: September 17, 2019

INITIAL ALLEGATION AND COMPLAINT SUMMARY

On April 13, 2017, the Office of the Ohio Inspector General initiated an investigation into State of Ohio IT procurement processes; specifically, the hiring of IT consultants/contractors using state term schedule contracts. The investigation was based, in part, on complaints received by the Office of the Ohio Inspector General, a letter from State Representative Jack Cera articulating concerns regarding State of Ohio IT procurement practices, and numerous news articles published in The Columbus Dispatch.

During the course of other investigations by the Office of the Ohio Inspector General (ROI 2017-CA00014A – released December 7, 2017; ROI 2017-CA00014B – released December 18, 2017; and ROI 2017-CA00014C – released November 15, 2018), investigators discovered records indicating multiple transfers totaling \$15,762,527.51 from the State of Ohio and deposited into the bank account of TSG Partners, LTD¹ (TSG) and records indicating subsequent transfers from TSG totaling \$12,293,271.15 and deposited between the bank accounts of Advocate Consulting Group (ACG) and Advocate Solutions (AS).

BACKGROUND

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 provides procurement, real estate, printing, mail, fleet management, and records management services throughout state government. Human resources handles matters related to personnel administration, including benefits and payroll, for state agencies. Equal opportunity 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.²

¹ Formerly Advocate Technical Services.

² Source: Biennial budget documents.

ODAS Equal Opportunity Division (EOD) and Minority Business Enterprise (MBE) Program

The mission of the ODAS Equal Opportunity Division (ODAS-EOD) is to advocate and assist on behalf of Ohio's minority and socially disadvantaged businesses and work to align those businesses with state government contract and procurement opportunities. The goals and objectives of ODAS-EOD are to increase the utilization of certified Minority Business Enterprise (MBE) and Encouraging Diversity, Growth and Equity (EDGE) businesses; ensure that all state contractors are complying with EEO construction compliance regulations; and that all state agencies are adhering to the state's affirmative action mandates for contracting and employment. The MBE program is designed to assist minority-owned businesses in obtaining state government contracts for goods and services. The State of Ohio developed the program because it recognized the need to encourage and support the growth of minority businesses, to foster their development, and increase the number of qualified competitors in the marketplace.

An MBE-certified business must be owned and controlled by a U.S. citizen who is a resident of Ohio and a member of one or more of the following minority groups: Blacks or African Americans, American Indians, Hispanics or Latinos, and Asians. In addition, the following criteria must be met:

- The business must have been in business for at least one year prior to applying and be at least 51 percent minority-owned.
- The business owner must possess requisite knowledge of the business industry in which he or she is applying; have day-to-day control over the business, exercising final authority over all aspects of daily operations, including but not limited to, operations, financial and business management, human resources, and policy decisions; demonstrate capability or expertise within the classifications identified for a period of one year prior to certification; and possess all licenses and permits required by law to perform the scope of work within classifications requested.³

³ Source: www.das.ohio.gov

TSG Partners, LTD

TSG Partners, LTD was originally registered with the Ohio Secretary of State on June 4, 2008, as K&M Ventures, LLC with Mark Schriml as the authorized representative. On November 18, 2013, Mark's son Kyle Schriml, on behalf of K&M Ventures, LLC amended the original filing to change the company's name to Advocate Technical Services, LLC. On March 24, 2017, Kyle Schriml on behalf of Advocate Technical Services filed for another name change to TSG Partners, LTD. On March 31, 2017, Kyle Schriml changed the registered agent from Mark Schriml to Kyle Schriml.

On October 10, 2018, and January 28, 2019, reviews of the TSG Partners' website revealed that TSG Partners claimed they were "now certified as an Ohio Minority Business Enterprise." TSG Partners was not certified by ODAS-EOD as an Ohio Minority Business enterprise on either of those dates.

Advocate Consulting Group (ACG)

Advocate Consulting Group, LTD filed articles of organization with the Ohio Secretary of State on April 14, 2003. Mark Schriml was listed as the statutory agent, and Mark Schriml and Dwaine Gould were listed as the authorized representatives. On April 22, 2003, the articles of organization were amended to reflect a single member, Dwaine Gould, and to change the statutory agent from Mark Schriml to Dwaine Gould. On May 17, 2018, Advocate Solutions, LLC filed "consolidation – domestic for-profit LLC" documents with the Ohio Secretary of State. Advocate Consulting Group, LTD and Advocate Solutions, LLC were consolidated effective May 10, 2018, and the resulting entity became Advocate Solutions, LLC with their attorney listed as the statutory agent. Mark Schriml signed on behalf of Advocate Consulting Group, LTD and Rex Plouck signed as CEO on behalf of Advocate Solutions, LLC.

Advocate Solutions (AS)

Advocate Solutions was originally Government Consulting Resources, LTD (GCR). GCR filed articles of organization with the Ohio Secretary of State on March 1, 1995, "... to engage in the practice of providing interactive computer consulting services to state and local governments, and other business or activity as may be agreed to by the members." The articles of organization

were signed by members Gregory Krause and Dwaine Gould, and designated Lynn Gould as the statutory agent. On November 13, 2013, GCR filed to change the statutory agent from Lynn Gould to Alan Dillman. On February 24, 2014, Dillman filed a “certificate of merger” on behalf of GCR and as a result the name changed to Advocate Solutions, LLC. On May 17, 2018, Advocate Solutions, LLC filed “consolidation – domestic for-profit LLC” documents with the Ohio Secretary of State. Advocate Consulting Group, LTD and Advocate Solutions, LLC were consolidated effective May 10, 2018, and the resulting entity became Advocate Solutions, LLC with their attorney listed as the statutory agent. Mark Schriml signed on behalf of Advocate Consulting Group, LTD and Rex Plouck signed as CEO on behalf of Advocate Solutions, LLC.

Applicable policies and laws

Ohio Administrative Code §123:2-15-01(A) states:

“Minority business enterprise” means an individual, partnership, corporation, or joint venture of any kind that is owned and controlled by United States citizens, residents of Ohio, who are and have held themselves out as members of the following economically disadvantaged groups: Blacks, American Indians, Hispanics, and Asians.

Ohio Administrative Code §123:2-15-01(A)(1)(c) states:

“Owned and controlled” means that: ... If the minority business enterprise is a sole proprietorship, one hundred percent of the business is owned by a person who belongs to one of the groups set forth in paragraphs (A)(6) to (A)(9) of this rule, that such owner has ultimate control over the management and day-to day operations of the business, and that such owner has the entire interest in the capital, assets, profits and losses of the business, not including mortgages and other types of financial arrangements secured by assets or bonds secured by revenues.

Ohio Administrative Code §123:2-15-01(B)(12) states, “No person who is acting as an agent or intermediary in making contracts under section 123.151 of the Revised Code will be certified as a minority business enterprise.”

Ohio Administrative Code §123:2-15-01(G) states:

Any person who intentionally misrepresents himself as owning, controlling, operating, or participating in a minority business enterprise for the purpose of obtaining contracts, subcontracts, or any other benefits under sections 123.151 and 125.081 of the Revised Code shall be guilty of theft by deception as provided in section 2913.02 of the Revised Code and such other provisions as may apply.

INVESTIGATIVE SUMMARY

During the course of another investigation, the Office of the Ohio Inspector General issued subpoenas for ACG, AS, and TSG bank account records. From an analysis of TSG's bank records, investigators determined that from January 1, 2015, to August 31, 2017, the State of Ohio and/or Guidesoft dba Knowledge Services,⁴ through multiple transactions, deposited \$15,762,527.51 into TSG's bank account. Investigators further discovered from the records reviewed that there were subsequent transfers from TSG totaling \$12,293,271.15 deposited between the bank accounts of Advocate Consulting Group (ACG) and Advocate Solutions (AS).

The analysis further determined that 78% of the State of Ohio and/or Guidesoft payments into TSG's bank account were subsequently transferred into ACG's or AS's Key Bank accounts within a few days after TSG received the payments from the State of Ohio and/or Guidesoft.

TSG's transfer of over \$12 million to ACG and AS indicates TSG had a limited, if any, commercial useful function. Specifically, in order to gain the benefits provided exclusively to certified MBE vendors, ACG and AS used TSG as a pass-thru vendor to access MBE set-aside opportunities. In addition, during a December 8, 2016, interview with ODAS' Equal Opportunity Division, Kyle Schriml admitted that TSG had no employees and that the contractors they used were either from ACG or AS. Kyle Schriml was also unable to provide simple details or answer work status questions to ODAS EOD pertaining to TSG's contracts with the State of Ohio.

⁴ Knowledge Services is the managed service provider for the State of Ohio's IT staff augmentation program.

Bank account records also revealed loan documents for ACG and AS. On a loan amendment document dated April 4, 2017, there was a section titled “ATS Subcontracts.” The document stated:

ATS is a related party firm formed in 2014 to help the State of Ohio toward its Minority Enterprise procurement requirements/goals. Advocate and ACG were already performing work for the State on several projects and the State asked them if they could move the work under an MBE Prime contract. In order to facilitate the State’s request, the Company established Advocate Technical Services (“ATS”) as a certified Ohio MBE. The owner of ATS is the son of Mark Schriml, 50% owner of ACG ... The company has assumed a subcontractor role to ATS on several task orders it used to Prime on Ohio STS (“State Term Schedule”) contract vehicles ...

... the Company was recently notified that ATS may be decertified as an MBE ... One of three scenarios would happen if ATS were to lose its MBE status: 1.) the project would continue as is with Advocate subcontracting from ATS, but the State would not be able to recognize this under its MBE program; 2.) Advocate would move to the Prime position on the contract; or 3.) Advocate would partner with another certified MBE to take the Prime position on that contract. They have already identified several potential MBE contractors that could fill ATS’ role if necessary ...

On June 15, 2017, the Office of the Ohio Inspector General requested copies of TSG’s MBE certification file from ODAS. On July 7, 2017, investigators received a response to the request. A review by investigators of that file found that on January 24, 2017, ODAS-EOD issued a “Notice of Intent to Revoke MBE Certification” to TSG. Specifically, the letter stated:

EOD intends to revoke the certification because:

- The applicant business is not owned and controlled by a member of an economically disadvantaged group; and
- The certified business is acting as an agent or intermediary in making contracts under R.C. 123.151.

The Notice of Intent to Revoke MBE Certification was a result of a compliance review ODAS-EOD initiated in October 2016.

On December 8, 2016, ODAS-EOD conducted an interview with Kyle Schriml as part of its review of TSG's MBE certification. Schriml stated that his company provided IT professional services, and he cited an OIT telecommunications project as an example of services TSG provided. Schriml explained that TSG teamed up with Advocate Consulting Group to assist with the State of Ohio's deployment of the "voice override pe [sic] next generation telephony system."

Kyle Schriml said TSG "started up" while he was working for Advocate Consulting Group and, ... we realized that um yeah Mark Schriml, is the owner of ACG and ... he had to partner with an MBE company that he did not have relationship with so we kinda came to an inclusion that uh why won't I try to get my MBE certification since I am qualified and yeah, we kinda ran with it from there. Just tryin' to grow the business from then on ...

Kyle Schriml told ODAS-EOD that TSG had "teaming agreements" with other companies, including Oracle, Televate, and Advocate Consulting Group. When asked to explain "teaming agreements," Kyle Schriml said,

... just an agreement between companies um to um ... uh I forget ... I kinda know a little bit about it, not too much, but um it's kinda something that I'm growing on – I'm learning on um my dad has a ... better understanding of that.

Kyle Schriml stated in his interview with ODAS-EOD that he was 51% owner of TSG and his father, Mark Schriml was 49% owner.⁵ Kyle Schriml said that he and his father Mark have the authority to enter into agreements on behalf of TSG, and have co-authority to sign these teaming agreements. Kyle said he thought ACG approached him about a teaming agreement, but he did

⁵Originally, TSG ownership was as follows: Kyle Schriml 52%, Mark Schriml 16%, Frank Carchedi 16% and Alan Dillman 16%. On May 30, 2014, Mark Schriml sent an email to ODAS-EOD notifying them the ownership was changed to two owners, Kyle 51% and Mark 49%. On October 20, 2017, TSG Partners, LTD ownership changed. Kyle Schriml owns 60%, Mark Schriml 30%, and Liz Kheng 10%.

not know the terms or specifics of the teaming agreement. Kyle told ODAS-EOD that he was, "... not completely familiar with the agreement but it's something I'm growing on."

When asked about the teaming agreement with Oracle, Kyle was unable to respond to ODAS-EOD without referring to the contract. When ODAS-EOD interviewers asked Kyle what TSG's responsibilities were on this contract, Kyle replied, "... just to provide resources on the project and like maybe ... provide ... bodies on the project to carryout ... employees." Kyle was unable to specify how many employees he provided for the Oracle project. Kyle told ODAS-EOD that ACG was a subcontractor on this project. When asked what TSG completed on the contract, Kyle said "we" went to Medicaid and assisted with the dual migration over to VOIP with ACG. Kyle said ACG was the,

... contract expert on it so they kinda provided the resource and such for carrying out the project but ... I mean I assisted with the deployment of we'll say the phone system, the ... their network ... infrastructure ... assisted with deploying monitor ... just user interactions helping out with the full migration over to the VOIP system.

Kyle said he was not sure how much his company TSG was paid for this contract. Kyle told ODAS-EOD interviewers he could not go into "full detail" about the contracts because he had "... people that assist with them." Kyle said, "I kinda pay people to carry out these contracts. I mean it's something I'm learning on, something I'm growing on, to the exact details of every single contract" Kyle stated that he used nine employees to carry out this particular VOIP migration project, and that the employees were ACG employees and not TSG employees. When asked if TSG paid ACG for the nine employees, Kyle stated, "I'm not too sure how the payments went forth" When asked how much he was paid on the project, Kyle said he did not know, but he "... went over there every single day, every other day and just provided onsite support with the deployment."

Kyle told Equal Employment Opportunity (EEO) Program Manager Todd McGonigle that TSG has no employees but has "1099 employees."⁶ Kyle explained TSG receives assistance provided

⁶ A 1099 employee is a self-employed worker or independent contractor. Form 1099 reports the income that an independent contractor receives throughout the year to the IRS for tax purposes.

through the company's property "lease agreement," and that in-house resources assist with finding employees for jobs. On this lease agreement, Kyle Schriml is listed as the tenant and Mark Schriml is listed as the landlord with Old Bull Ventures. TSG pays \$3,000 rent per year for a property in the German Village area. When asked if this rental amount was a rate that was comparable for that area, Kyle stated he wasn't sure. McGonigle explained to Kyle that the property lease for TSG stated the rent was \$250 per month. On November 9, 2017, TSG paid \$6,000 for two-years' rent, to cover 2014 and 2015. Kyle stated that "they" did some research and found the rent was paid two years late because the landlord had not invoiced TSG for the annual rent before that time. Kyle said that the services of Lynn Farley, an "in-house resource" who helped with accounting issues, was included in the rent. Kyle stated no late fees were assessed even though the rent was two years late.

Kyle stated to McGonigle that most of the work TSG provides is MBE set-aside work. Kyle stated,

... a corporation usually if they want to do work ... usually get maybe at least 15% of a contract. Now I am trying to be more competitive so it kinda varies, but I try to lower the 15%, usually around five to seven percent since we are sort of trying to grow the contract ... trying to grow the company.

Kyle added that he just wanted each contract to cover his expenses. Kyle told McGonigle that he, his father Mark, and "in-house resource" Lynn Farley discuss what percentages to charge to ensure the contract amounts exceed the TSG office's annual rent, and to ensure Kyle receives a profit. McGonigle noted to Kyle that TSG held 10 contracts with the State of Ohio, and asked him if he or his father actually submitted the bids on those contracts. Kyle stated they both submitted the bids together. Kyle said it was a learning process for him and that he and his father performed much of the work together. When asked how he determined how much to bid on a contract to ensure he had enough funds to cover his expenses and earn some profit, Kyle could not provide an answer and added, "I am learning."

During a discussion about TSG's contract with Televate, Kyle told McGonigle that Televate reached out to him because they wanted to work with an MBE-certified vendor. Kyle said he was involved in developing the teaming agreement with Televate, but he could not provide any

specifics. Kyle said, “I was there ... I was in the meeting ... I get a lot of help, it’s not illegal to get help ... I’m the majority owner but me and my father do a lot of the work together.”

Kyle could not provide an answer when asked if TSG Partners, LTD was paid by the State of Ohio or ACG. McGonigle asked Kyle, “... And your company did nothing?” Kyle responded, “I personally went on site to provide my services.” McGonigle explained that what Kyle was describing was called a pass-thru, and “... if not for your MBE certification, you would not be in the mix.” McGonigle asked Kyle, “when the company was formed – was the intent to be a pass-thru?” Kyle stated, “No, it was for my own company ... I take advantage of my MBE certification.” Kyle said TSG did not perform any work in the private sector. When asked if TSG Partners did any work that was not MBE set-aside, Kyle stated, “um ... I don’t know the details of this contract, but I don’t think it was for my certification. Yeah, kinda passing it thru, but they have to compensate for it”

Kyle was asked to explain the process involved which consequently assigned him “52% ownership” of TSG Partners when he was 21-years-old. Kyle said,

... just finished one year of college ... opportunity for me to establish my career, to establish myself ... he has his own company. I wanted to build my company. He wanted to mentor me and guide me. I want this opportunity more than anybody ... I want to be a businessman.

Kyle said the intention of giving him 52% ownership of TSG was not related to obtaining MBE certification for his company. However, when Kyle was asked if TSG engaged in any other business where TSG’s MBE certification was not used, Kyle stated, “No.” Investigators determined TSG’s MBE certification was used in all its previous contracts with the State of Ohio.

Kyle was asked why Alan Dillman was listed on TSG Partners’ bank account. Kyle said Dillman was a mentor and helped him gain more knowledge about general accounting practices. Kyle noted that though the records showed Dillman was originally a 16% owner of TSG Partners, he actually was not an owner. Kyle said his father, Mark, was now 49% owner. Kyle

said he thought it was better if he and his father ran the company, but he left Dillman on the bank account. Kyle explained, "... you have Team Advocate, which includes Advocate Solutions owned by Alan [Dillman] and Frank [Carchedi], ACG owned by Mark [Schriml] and TSG owned by me." Kyle was asked what he was required to pay Alan and Frank for their 16% ownership. Kyle said he thought Alan and Frank gave their ownership "... freely because of the relationships they have."

Kyle was asked if he had any involvement with Tenable Consulting. Kyle said, "I have no idea who that is. I don't think I have ever heard of that company before." McGonigle told Kyle that TSG Partners had a teaming agreement with Tenable Consulting which was signed by his father Mark. Kyle said Mark is allowed to sign-off on contracts. Kyle said, "I just have to understand what's going on and he has to run it by me, he can't just sign anything." When asked if he knew Tenable Consulting owner Liz Kheng, Kyle stated, "She doesn't sound familiar, Tenable doesn't sound familiar. I've never heard of it."

Kyle was told that TSG Partners was listed as a dealer for Mission Critical Partners. Kyle said he was not aware of what Mission Critical Partners did, nor that TSG Partners was a dealer listed on Mission Critical Partners' state term schedule contract. Kyle stated, "... there's a lot of things I need to brush up on. Nobody uses my company for free. Nobody goes behind my back and signs things. I rely a lot on Mark's help to guide me."

On February 21, 2017, an attorney for TSG appealed the January 24, 2017, ODAS-EOD decision to revoke TSG's MBE certification and requested a hearing. The hearing was originally scheduled for March 6, 2017, but was rescheduled to October 5, 2017. On October 4, 2017, TSG, through their attorney, notified ODAS-EOD that TSG was relinquishing its MBE certification. The letter stated, "this letter serves as TSG's official relinquishment of its current MBE Certification, number 220720. TSG no longer desires to operate as a Minority Business Enterprise under the Equal Opportunity Division."

On March 21, 2018, TSG submitted another MBE certification application. The application listed Kyle Schriml as the president and Mark Schriml and Liz Kheng as members. ODAS-EOD

conducted an onsite interview with Kyle Schriml on June 19, 2018. On August 10, 2018, ODAS-EOD sent TSG a Notice of Intent to Deny MBE Certification for the following reasons:

- The applicant business is acting as an agent intermediary in making contracts under R.C. §123.151; and
- The applicant business is not owned and controlled by a member of an economically disadvantaged group.

In the Notice of Intent to Deny, ODAS-EOD specifically stated:

Mr. Kyle Schriml has failed to demonstrate that he has the requisite experience, expertise, and knowledge to operate this type of business ... Mr. Kyle Schriml has no work experience apart from ATS/TSG ... Mr. Kyle Schriml has not provided any information that he has attended any training or educational opportunities to learn the stated business. Nor has he provided any documentation of membership in industry related organizations or how he obtained the ability to run this type of business. Mr. Kyle Schriml does not demonstrate the ability to critically evaluate information presented by other participants in the business's activities and to use this information to make independent decisions concerning the business's daily operations and oversight of personnel work product. Many answers to questions posed to Mr. Kyle Schriml during the interview were met with general, non-specific answers ... Therefore, it is determined that Mr. Kyle Schriml does not have the experience, expertise, or knowledge to operate a business of this type with 2016 sales of \$5,730,058 without the direct involvement of Mr. Mark Schriml and others.

The letter further stated:

- TSG has limited staff, mostly two office personnel. Mr. Kyle Schriml indicated that the company employs three persons "Matt, "Margaret" (unsure if employed by Cisco or TSG) and "Angela." Mostly ATS/TSG does not provide the services required in the above stated contracts directly, but has entered into Subcontracting Agreements with Accenture, Blue Wolf, Burkhart Group, Mythics, and Televate none of which are MBE to provide the required services and personnel.

- TSG has only one employee to perform the stated business of “Information technology network design and deployment, contract management, procurement and project support, business solutions including growth strategy, analysis and management, enterprise solutions business tools (Oracle, Fusion Middleware), and resource management and staffing.” Mr. Kyle Schriml does not have the expertise to oversee day-to-day activities of those companies with which TSG subcontracts.
- TSG has no lines of credit to purchase any large quantities of product as required in the contracts awarded ...
- TSG Partners, Ltd. is closely affiliated with Advocate Consulting Group (ACG) and Tenable Consulting Group, which are in the same or similar type of business;
- Ms. Liz Kheng-Chidavong, owner of Tenable Consulting, LLC, is in the same or similar business. Tenable Consulting, LLC’s services include the following: computer technology consulting in area of staff placement and staff augmentation, application development, web design, company branding, project management, data gathering, and analysis; and
- Mr. Mark Schriml, part owner of ACG, is in the same or similar business. Advocate Consulting Group services include: acquisition support, project management, quality assurance, independent verification and validation, consulting, and call center and technical staffing ...
- At the time of application, TSG’s address was 601 S. High St. Columbus, Ohio. Pictures of that location show no signage either in or outside and empty rooms. But at the time of the interview, ATS, TSG had signed a lease for 979 S. High St. Columbus, Ohio. Pictures show empty office space, but for a few chairs, a couple of desks that have nothing or very little on or in them, no pictures, no office supplies i.e. staplers, folders, paper clips, etc., Four empty cubicles, one copier

and some paper. The office does not appear to the common viewer that it is used much;

- Mail for TSG is received at 601 S. High St. Columbus, Ohio; and
- ATS/TSG subcontracted with Advocate Consulting Group. Mr. Kyle Schriml stated that he has paid ACG approximately \$400,000 last year.

In response to the August 10, 2018, ODAS-EOD Notice of Intent to Deny MBE Certification, TSG Partners requested a hearing which was scheduled for January 24, 2019, at 10:00 a.m. Prior to the hearing date, the attorney for TSG Partners withdrew the request for a hearing. On January 25, 2019, EOD sent a letter to TSG Partners confirming the cancellation of the hearing to appeal the August 10, 2018, Notice of Intent to Deny MBE Certification.

On April 29, 2019, TSG Partners attempted to reenter the MBE program by obtaining certification from the Ohio Minority Supplier Diversity Council (OMSDC) and then applying for MBE certification using an Expedited Certification Agreement between EOD and OMSDC.⁷ On May 3, 2019, EOD sent a letter to TSG Partners denying the request for expedited certification. EOD stated in the letter that TSG Partners was ineligible for expedited certification because TSG Partners was previously certified and withdrew its certification. EOD explained:

... Section 4.1 of this agreement states, among other things, that “DAS reserves the right ... to refuse to certify a business to which certification was previously denied or revoked, or which was previously certified but withdrew or allowed its certification to lapse.”

Because TSG withdrew a previous certification, EOD is denying the applicant’s request to be certified through, and on forms supplied for, the expedited certification process established between itself and OMSDC.

⁷ EOD has a “fast track” system that reduces the application time to approximately five days. To qualify, the applicant must submit an application through one of the regional Minority Business Assistance Centers, which are operated by the Ohio Development Services Agency; and have a pending contract award that requires certification or be a candidate for and in need of financing or bonding where certification is a requirement.

CONCLUSION

On April 13, 2017, the Office of the Ohio Inspector General initiated an investigation into State of Ohio IT procurement processes; specifically, the hiring of IT consultants/contractors using state term schedule contracts. During the course of other investigations released by the Office of the Ohio Inspector General (2017-CA00014A – released December 7, 2017; 2017-CA00014B – released December 18, 2017; and 2017-CA00014C – released November 15, 2018), investigators discovered records of multiple transfers totaling in the amount of \$15,762,527.51 from the state of Ohio and deposited into the bank account of TSG Partners, LTD (TSG) and records indicating subsequent transfers from TSG totaling \$12,293,271.15 and deposited between the bank accounts of Advocate Consulting Group’s (ACG) and Advocate Solutions (AS) bank accounts.

On June 4, 2008, TSG was originally registered as K&M Ventures with Mark Schriml as the authorized representative. On November 18, 2013, Mark Schriml’s son Kyle, on behalf of K&M Ventures, changed the name of the company to Advocate Technical Services. Advocate Technical Services received its MBE certification from the Ohio Department of Administrative Services Equal Opportunity Division (ODAS-EOD) on May 30, 2014. This certification was effective for a period of two years, expiring on May 30, 2016. On April 24, 2016, TSG received its recertification letter from ODAS-EOD. The letter stated that the certification period was extended from April 24, 2016, to April 24, 2018.

On October 31, 2016, ODAS-EOD sent a letter to TSG notifying the company that EOD was conducting a review to ensure TSG’s certification in the MBE program remained in compliance with program rules. As a result of this compliance review, ODAS-EOD sent a Notice of Intent to Revoke MBE Certification to TSG on January 24, 2017, stating TSG was not owned or controlled by a member of an economically disadvantaged group, and that TSG was acting as an agent or intermediary in making contracts under Ohio Revised Code §123.151. In response to the Notice of Intent to Revoke MBE Certification, TSG requested a hearing on the matter, which was later rescinded on October 4, 2017, when TSG relinquished its MBE certification.

As part of the TSG’s compliance review conducted by ODAS-EOD, an interview was conducted on December 8, 2016, with Kyle Schriml, who owned 51% of TSG. During this interview, Kyle

was unable to provide any details on his business or the contracts TSG had with the State of Ohio. Kyle repeatedly responded, “I’m learning” to many of the questions that were asked regarding TSG. On one occasion, Kyle became frustrated with the questioning and stated, “I get a lot of help ... it’s not illegal to get help.” Kyle stated that he was uncertain as to whether TSG was paid by the State of Ohio or by vendors Advocate Consulting Group (ACG) and Advocate Solutions (AS). It was clear to investigators during this interview that while Kyle Schriml was majority owner of TSG on paperwork that was filed, Mark Schriml was clearly operating the business.

On March 21, 2018, TSG once again applied for MBE certification after changing the ownership structure of TSG. On October 21, 2017, the ownership of TSG changed to Kyle Schriml - 60%, Mark Schriml - 30% and Liz Kheng - 10%. Kheng is the owner of Tenable Consulting, which also has an MBE certification. During the ODAS-EOD interview with Kyle Schriml on December 8, 2016, Kyle stated he did not know who Liz Kheng was and was unfamiliar with Tenable Consulting. On August 10, 2018, ODAS-EOD sent TSG a Notice of Intent to Deny MBE Certification for the same reasons noted on the revocation letter dated January 24, 2017. TSG was not owned or controlled by a member of an economically disadvantaged group and TSG was acting as an agent or intermediary in making contracts under Ohio Revised Code §123.151. TSG requested a hearing with ODAS-EOD that was scheduled for January 24, 2019, but TSG, through their attorney, withdrew the request prior to the hearing date.

On April 29, 2019, TSG Partners attempted to reenter the MBE program by obtaining certification from the Ohio Minority Supplier Diversity Council (OMSDC) and then applying for MBE certification using an Expedited Certification Agreement between EOD and OMSDC. On May 3, 2019, EOD sent a letter to TSG Partners denying the request for expedited certification.

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

Although ODAS-EOD conducted a more thorough review of TSG’s compliance with the MBE certification requirements in October 2016, this thorough review should have been conducted

prior to issuing TSG the initial MBE certification on May 30, 2014. ODAS-EOD's failure to adequately evaluate TSG's original MBE certification application in 2014 allowed TSG to receive numerous MBE set-aside contracts with the State of Ohio until TSG relinquished its certification in October 2017, with contracts worth more than \$15 million. Even after relinquishing its MBE certification, TSG continued to conduct business with the State of Ohio.

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

The investigation also found that TSG was created specifically to act as a pass-thru vendor for ACG and AS. A review of loan amendment documents directly stated TSG was created to act as a pass-thru vendor at the state's request. During a review of bank records for the period from January 1, 2015, to August 31, 2017, investigators discovered records of multiple transfers totaling \$15,762,527.51 from the state of Ohio and deposited into the bank account of TSG Partners, LTD (TSG) and records indicating subsequent transfers from TSG totaling \$12,293,271.15 and deposited between the bank accounts of Advocate Consulting Group (ACG) and Advocate Solutions (AS). The analysis further found 78% of the State of Ohio and/or Guidesoft payments were subsequently transferred into ACG's or AS's Key Bank accounts within a few days after TSG received the payments from the State of Ohio and/or Guidesoft.

The multiple transfers from TSG's bank account to ACG's and AS's bank account, totaling more than \$12 million, suggests that TSG has a limited, if any, commercial useful function. ACG and AS, in order to gain the benefits provided exclusively to vendors who are certified as MBE, used TSG as a pass-thru vendor to gain MBE set-aside opportunities. In addition, during Kyle Schriml's interview with ODAS-EOD, Schriml admitted TSG had no employees and that the contractors TSG used were actually from ACG or AS. Kyle Schriml was also unable to provide details or answer work status questions pertaining to TSG's contract with the State of Ohio.

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

RECOMMENDATION(S)

The Office of the Ohio Inspector General makes the following recommendations and asks the director of the Ohio Department of Administrative Services to respond within 60 days with a plan detailing how the recommendations will be implemented. The Ohio Department of Administrative Services should:

1. Review the conduct of TSG Partners, LTD and Kyle Schriml to determine if debarment is warranted pursuant to Ohio Revised Code §125.25.
2. Review the conduct of Advocate Consulting Group and Mark Schriml to determine if debarment is warranted pursuant to Ohio Revised Code §125.25.
3. Review the conduct of Advocate Solutions to determine if debarment is warranted pursuant to Ohio Revised Code §125.25.
4. Implement a rule change to add Commercially Useful Function criteria to the MBE certification requirements contained in the Ohio Administrative Code §123:2-15. This language is already applicable to state EDGE (Encouraging Diversity, Growth and Equity program) certification through Ohio Administrative Code §123:2-16-15.
5. Implement a more thorough review process of applications for MBE certification, including on-site reviews and stronger affiliated business reviews, to remove the potential of pass-thru businesses receiving MBE certification.
6. Strongly consider a review of the EOD staffing and budget to assist EOD with the collection, assessment, and enforcement of the MBE program requirements and restrictions. EOD staff will continue to be strained with additional responsibilities from other EOD business enterprise initiatives.

REFERRALS

This report of investigation will be provided to the Franklin County Prosecuting Attorney for review and consideration.



STATE OF OHIO
OFFICE OF THE INSPECTOR GENERAL

RANDALL J. MEYER, INSPECTOR GENERAL

NAME OF REPORT: Ohio Department of Administrative Services

FILE ID #: 2018-CA00011

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
September 17, 2019

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