

August 18, 1993
ILR 93-P

President Arnold Christensen
Utah State Senate
Utah State Capitol
Salt Lake City, Utah 84114

Subject: **Desk Built by the University Hospital**

Dear President Christensen:

As you requested, we reviewed the construction of the desk and credenza for the Director of Engineering at the University Hospital. The desk and credenza were built in the Department of Engineering shops and cost \$8,887 but were represented to us as costing one-half that amount. We believe that the cost of the desk and credenza was intentionally misrepresented. In addition, evidence indicates that management did not exercise adequate control over the construction of the furniture in question.

The hospital's Department of Engineering is a support department. It operates and maintains the hospital and medical school's physical plant, including patient support equipment. It also designs and carries out remodeling and minor construction projects in the facilities. To accomplish its purposes, the department employs various craftsmen and tradesmen, including carpenters and painters. Although the department contracts out most cabinet work, it does some cabinet work in its shop. However, as far as we could determine, this was the first time that a full desk or credenza have been built in-house.

Costs Were Misrepresented

The Director of the Department of Engineering represented to the auditors that the desk and credenza cost \$4,393, which was only 49 percent of the total cost. Although the full cost had earlier existed in a file since deleted, it was only through our work that the actual cost was determined to be \$8,887.

We believe the misrepresentation was intentional because critical supporting documents (time sheets) are missing. However, we cannot determine who took the missing timesheets or who attempted to cover up the full cost of the furniture. Various management members and staff had access to the missing documents. Since the department abounds with confrontations between department management and various groups of employees, it is possible any number of persons could have attempted to cover up the data. However, department management should have been aware of the cost of the desk and credenza and should have known that what the department represented as the full costs were misrepresented. This section will detail the full costs and the attempted reduction of those costs.

The following summarizes the understanding that the hospital administration had regarding the desk and credenza at the beginning of the audit compared with what we found:

They did not know the cost of the desk and credenza.

The desk and credenza were built with scrap lumber. (It was built with new lumber and materials costing \$913.)

The desk was built during slack time, or time when employees did not have work to do. (A temporary employee helped on the project, indicating some of the hours were not slack time.)

When we began the audit, the Director of Engineering gave us copies of two construction project cost summaries, one for each piece of furniture. He said that the \$4,393 on these summaries represented the total cost of the two units of furniture. These cost summaries proved to understate the cost of the desk and credenza by one-half.

The cost summaries had construction project numbers rather than a maintenance project number as indicated in the allegation letter which you gave to us with the request for the audit. In looking for the maintenance project number, we found that it and the project file had been deleted from the computer on June 14, 1993. The input supervisor told us that on that date the department director told her to delete the computer file and to bring him the folder of time sheets which documented the file. She said she deleted the file and took the folder to the director. Another employee also told us that the folder was requested by and taken to the director.

The director said he had the maintenance project deleted from the computer when he realized the furniture had been built as a maintenance project instead of as a construction project. It should be pointed out that at that time, the file he had deleted showed the full costs of the project. He said he did not receive or see the time sheets, but rather directed that two small-construction project files (one for each unit of furniture) be created in place of the original maintenance file. These two new construction files are the source of the two cost summaries given to us. The difficulty is that the two new construction files contained only part of the time records and hours that were in the original maintenance file.

At our request, the computer programmer recreated the original file from the time sheet entry file. The recreated file contained 63 records and 399 total hours, compared with 41 records and 232 hours in the two small-job construction cost summaries provided by the director. This meant that the two newly created files contained only 58 percent of the original hours. Further, the time sheets accounting for the difference were missing from the hard copy folders. The auditor interviewed carpenters for whom the time sheets were missing and they verified that they had

worked on the desk and credenza.

The construction foreman said he obtained the maintenance project folder of time sheets from the input supervisor's office and sorted them into two groups, one for the desk and one for the credenza. He said the project was divided into two projects to keep the cost under \$1,000 each. Projects anticipated to cost over \$1,000 require hospital administration approval in addition to the department director. He said he then gave all the time sheets that he found in the original folder to the input supervisor to be reentered as the two small construction projects.

We are uncomfortable with several conflicting statements given to us during our audit work. These statements conflict on which employees had access to the time sheets prior to the disappearance of some of them. As best we can determine, four persons had handled the time sheets: the input operator, the data input supervisor, the director, and the construction foreman.

The department director states he never had the missing time sheets in his possession; however, two other employees report that he asked for and received the hard copy folder which included the time sheets. The data input supervisor stated that upon his instructions, she took the file to his office on June 14, 1993. Another employee also confirms this statement.

The director said he requested that the original maintenance project be split into two small construction projects. The construction foreman said that after splitting the project into two projects, he gave all of the time sheets in the original file to the input supervisor. The input operator told us that when she was given the time sheets to reenter as two new, small-job construction projects, she believed that some of the original time sheets were missing. She said she had previously entered the same time sheet data into the maintenance project file, and her recollection of working with the file was that the two separated sets of time sheets together were not as thick as the total thickness of the former maintenance project file.

Finally, another set of time sheets are missing. The data billing supervisor and the former input operator told us there were approximately ten time sheets that came in after the computer file was deleted on June 14. The input operator said the supervisor told her to give these sheets to her; the supervisor said she told the input operator to put them into a folder of things to be sent to the department director. The director said he does not remember receiving the time sheets. These missing time sheets are estimated to represent an additional 63 hours of work on the desk and credenza, bringing the total construction to over 450 hours.

Lack of Control Over Project

The desk and credenza were constructed under the authority of the Director of Engineering, which because they exceeded \$1,000 each, is a violation of hospital policy. In addition, the director never set a cost limitation or approved plans concerning the desk or credenza he requested. Finally, during the four month construction process, neither the director nor his foreman reviewed the cost or progress of the desk. In our opinion, the construction of the desk and credenza lacked reasonable management control and oversight. Without management oversight or direction, one could expect that the shop personnel would put more effort into the project to please the boss and consequently the desk and credenza would be constructed more elaborately.

Hospital policies require that any construction project estimated to cost over \$1,000 have hospital administration approval; a project estimated to cost less than \$1,000 needs only the department head's approval and is called a small-construction project. Since the desk and credenza were represented as costing \$4,393, they should not have been treated as small construction projects but should have been submitted for hospital administration approval, which they were not.

The director of engineering and the construction foreman said they did not realize the desk and credenza had each exceeded the \$1,000 limit. In our opinion, they should have known. When the foreman sorted the time sheets into two projects based on a judgement of how many hours were appropriate for each, the total hours should have been evident, and it is commonly known that the shoptime is priced out at \$15 an hour. Also, the foreman told us that he entered the material list onto the time sheets; from his experience he should have known that its value approximated \$1,000 by itself. It is difficult to understand why he would not have told the director that the costs were over the \$1,000 limit for each project.

According to his statements, the director apparently exercised no control over the size, type, or elaborateness of the furniture being built for him. The director said he told the lead carpenter he needed a large work surface on which to lay out plans and an organizer with pigeon holes. The director said he never looked at any plans for the desk nor saw it during construction. The lead carpenter, who said he never made any plans or sketches of the desk and credenza, said he wanted to make something nice for his boss to let him know the kind of work they were capable of doing in the shop. He said he tried to make the desk and credenza as nice as the organizer and cabinets he had built for the Vice President of Health Sciences.

Cost of Desk and Credenza Were Excessive

We are concerned that \$8,887 would be spent to construct a desk and credenza for a hospital department level director and believe the finished units are not worth their construction cost.

The Director of Engineering occupies a position three administrative levels below the vice president. A University purchasing agent told us that a very good desk can be purchased for \$1,000. The purchasing agent said really nice desks cost \$2,000 to \$3,000 but these are only for vice presidents or above. Thus, an adequate desk could have been purchased for \$1,000 and, presumably, a credenza with organizer could have been purchased for another \$1,000 to \$2,000 for a total of approximately \$3,000. In our opinion, furniture meeting the director's needs could have been purchased for much less money than the \$8,887 that was expended. The director agrees that the cost was excessive and that the two units are not worth the cost.

We are concerned about the productivity of a shop that has over 450 hours of time to invest in a project of this sort. We were told on several different occasions that the desk and credenza were built during slack time. All shops should have productive work to keep staff sufficiently busy, or if not management needs to evaluate the current staffing levels relative to workload.

Recommendations:

1. We recommend that the University Hospital administration determine the appropriate level of construction staffing required for average workload, staff accordingly, and use contractors and manpower personnel to meet its peak construction needs.
2. We recommend that whenever an employee has furniture constructed for his/her own office that it require approval by someone at least one level above his/her own.
3. We recommend that the University of Utah conduct an investigation of the possible cover-up regarding the desk built by the University Hospital and report the results of that investigation to the President of the Senate as soon as possible.

We hope this letter has provided the information you need on these issues. If you have any questions or need additional information, please contact us.

Sincerely,

Wayne L. Welsh
Auditor General

WLW:BRP/lm