

OFFICE OF INSPECTOR GENERAL CITY OF JACKSONVILLE



MANAGEMENT REVIEW 2018-0003

REVIEW OF JEA EMPLOYEE-OWNED GYMS

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“Enhancing Public Trust in Government Through Independent and Responsible Oversight”

EXECUTIVE SUMMARY

The Office of Inspector General (OIG) initiated this Management Review¹ in December of 2017, pursuant to three recent investigations involving JEA employees who voluntarily managed two separate JEA employee-owned gym organizations, which disclosed two instances of JEA employees misappropriating membership dues for personal use, totaling in excess of **\$20,400**. The purpose of this Management Review is to review the processes and procedures related to the six remaining JEA employee-owned gym organizations² operating in nine JEA-owned facilities.

Based upon the three investigations, the OIG determined that at least since 1991 JEA has permitted employees to serve as volunteers and operate JEA employee-owned gyms, without direct oversight, at various JEA facilities as a benefit to its employees. In addition, the prior investigations concluded that within JEA there is an inconsistent understanding by both JEA managers and employees as to whether gyms are part of the JEA Wellness Program and whether the activities associated with managing the gym by JEA employees are considered official duties.

The prior investigations concluded that the duties and responsibilities of the JEA employees managing the various gyms had not been included in any of their official job specifications or included as part of their annual evaluations. JEA employees managed the gyms during the course of their official work hours. In addition, JEA provided all facilities free of charge, which included building maintenance, and covered costs associated with water (as applicable) and electricity. Further, JEA assisted in the collection of bi-weekly membership dues via payroll deduction for JEA employees. From January of 2015 through June of 2018, membership dues for these six gyms totaled **\$204,275**.

The Management Review disclosed various inconsistencies in the operations of the JEA employee-owned gyms. Those of utmost importance are highlighted below:

1. No contract, agreement, or release of liability exists between JEA and any of the JEA employee-owned and operated gyms.
2. There is no accountability or oversight of JEA employees managing the gyms or the respective gym bank accounts.
3. Neither JEA nor the JEA employee-owned gyms established written policies or procedures to govern the operations of the employee-owned gyms.

Finally, based on this Management Review, the OIG has determined that one additional JEA employee may have misappropriated at minimum **\$1,424** in gym funds for personal use. The OIG has referred this matter for criminal investigation relating to possible violations of Florida Statute § 812.014, Theft. The OIG will release a separate report regarding this matter on a later date.

¹ An investigation into the operations of a particular program.

² Westside JEA Workout Facility; Pearl Street Fitness Association; Northside Fitness Association (four locations); SOCC Fitness Association; Southside Fitness Center; and Ridenour Gym.

MANAGEMENT REVIEW

ISSUE UNDER REVIEW

As a result of three recent investigations³ conducted with the assistance of JEA Audit Services, the JEA Interagency Detective, and the JSO Integrity Unit related to the operation of two separate JEA employee-owned and operated gym organizations, the Office of Inspector General (OIG) initiated this Management Review of the processes and procedures related to the *six* remaining JEA employee-owned gym organizations⁴ operating in nine JEA-owned facilities.

Two of the three investigations concluded that two JEA employees, while volunteering to manage the JEA employee-owned gyms located within JEA's former St. Johns River Power Plant (SJRPP) and the JEA Fitness Association, Downtown Facility (Downtown Gym), misappropriated in excess of \$20,400 from membership dues paid by JEA employees.⁵ The third investigation did not disclose misappropriation of gym membership dues; however, the OIG identified that the JEA employee received a benefit of free gym membership.⁶

GOVERNING DIRECTIVES

At the time of this Management Review there are no known governing directives related to JEA employee-owned gyms.

BACKGROUND

In March of 2017, the Office of Inspector General (OIG) initiated an investigation of a JEA employee who voluntarily assisted in the management of the Downtown Gym due to allegations related to time and attendance fraud. Ultimately, the joint investigation, which was completed with the assistance of JEA Audit Services, the JEA Interagency Detective, and the JSO Integrity Unit, determined that the JEA employee misappropriated approximately **\$11,986** in gym membership dues for personal use.

In April of 2017, the OIG initiated a second joint investigation of another JEA employee (the spouse of the JEA employee referenced above), who also volunteered in the management of the Downtown Gym, due to allegations also related to time and attendance fraud. The investigation did not disclose time or attendance fraud or misappropriation of membership dues. However, similar to the first investigation, this investigation concluded that the gym manager received a benefit of free gym membership. JEA management advised this was in violation of JEA's *Secondary Employment* policy.

³ OIG Report of Investigations 2018-0004, 2017-0009 and 2017-0010
(link to reports: <http://www.coj.net/departments/inspector-general/reports.aspx>)

⁴ Westside JEA Workout Facility; Pearl Street Fitness Association; Northside Fitness Association (four locations); SOCC Fitness Association; Southside Fitness Center and Ridenour Gym.

⁵ OIG Report of Investigations 2018-0004 and 2017-0009, respectively.

⁶ OIG Report of Investigation 2017-0010. This benefit was also noted in 2017-0009.

In December of 2017, the OIG initiated a third joint investigation, with the assistance of JEA Audit Services and the JEA Interagency Detective, regarding a JEA employee who managed the employee-owned gym located at JEA's former St. Johns River Power Plant (SJRPP). Similar to the first investigation, the joint investigation determined that the JEA employee misappropriated money from the gym's bank account for personal use in the amount of **\$8,500**.

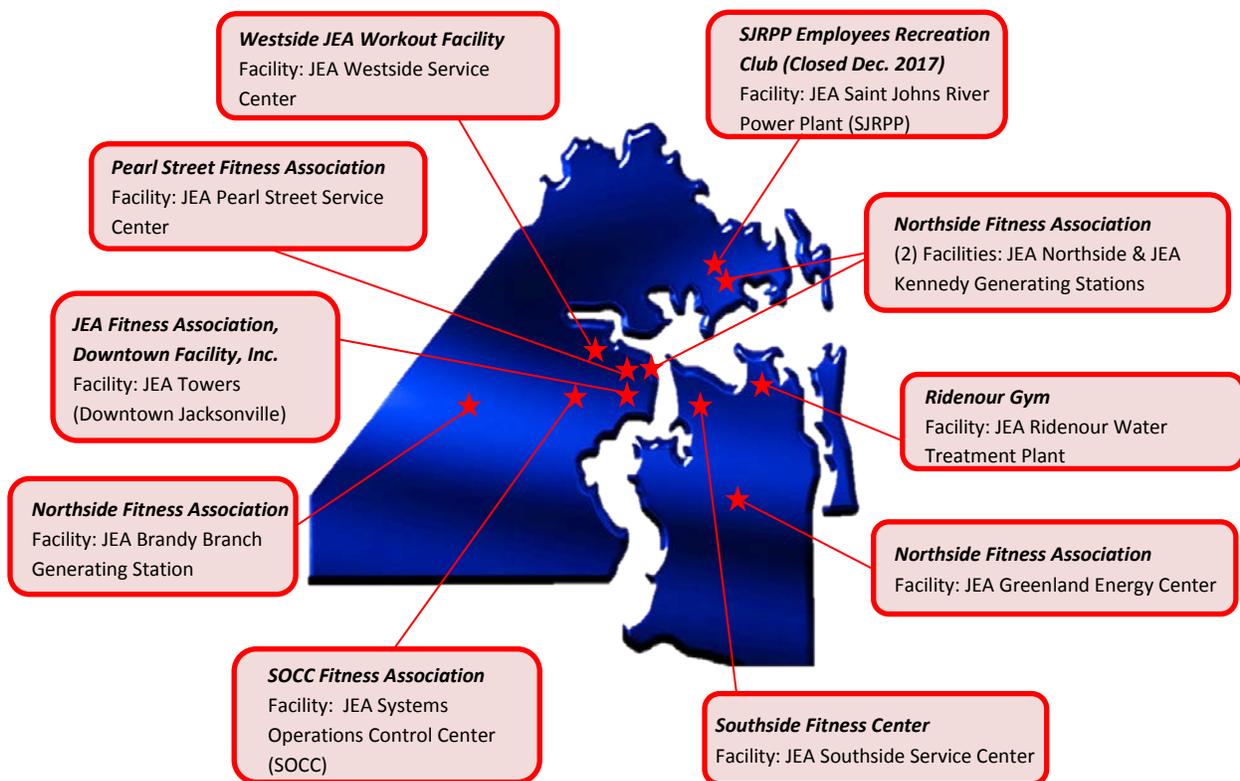
Based upon the three investigations, the OIG determined that at least since 1991 (when the Downtown Gym opened) JEA has permitted employees to serve as volunteer gym managers and operate employee-owned gyms at various JEA facilities as a benefit to its employees without direct oversight. Each employee-owned gym is managed by one or more JEA employees who volunteer their services to the gym as a gym manager.

Each individual gym is funded by membership dues paid by JEA employees through JEA payroll deduction at a rate of \$5.00 bi-weekly. The membership dues are deposited automatically into the respective bank accounts for each individual gym. The investigations determined that each gym operated independently and each maintained a separate bank account. Gym managers were responsible for the day-to-day operations of their gym(s) and the management of monies received through the collection of membership dues.

The investigations concluded that the duties and responsibilities of the JEA employees managing the various gyms had not been included in any of their official job specifications or included as part of their annual evaluations. JEA employees managed the gyms during the course of their official work hours. In addition, JEA provided all facilities free of charge, which included building maintenance and covered costs associated with water (as applicable) and electricity.

As depicted on page four, the various OIG investigations identified eight employee-owned gym organizations located throughout eleven JEA facilities. One gym organization, the Northside Fitness Association, was responsible for the operations of four gyms at four separate JEA facilities.

In December of 2017, the OIG initiated this Management Review of operations for six JEA employee-owned gym organizations. The Management Review does not include matters concerning SJRPP (closed December of 2017) and the Downtown Gym, due to prior investigations reported in OIG Reports of Investigation (OIG Investigations 2018-0004 and 2017-0009, respectively).



The table that follows lists the amount of gym membership dues collected⁷ for the past three calendar years for 2015 through 2017, and the first six-months of 2018, as listed below:

Total JEA-Employee Owned Gym Membership Dues Collected					
	2015 (Jan- Dec)	2016 (Jan- Dec)	2017 (Jan- Dec)	2018 (Jan- June)	Total
Northside Fitness Association	\$15,795	\$16,105	\$15,425	\$7,210	\$54,535
Pearl Street Fitness Association	\$9,935	\$10,435	\$10,145	\$4,710	\$35,225
Ridenour Gym ⁸	-	-	\$270	\$700	\$970
Southside Fitness Center	\$10,170	\$9,725	\$9,455	\$4,590	\$33,940
SOCC Fitness Association	\$6,945	\$6,185	\$5,785	\$2,825	\$21,740
Westside JEA Workout Facility	\$16,915	\$16,025	\$16,575	\$8,350	\$57,865
Total	\$59,760	\$58,475	\$57,655	\$28,385	\$204,275

⁷ According to bank records for each gym organization.

⁸ Ridenour Gym was established in July of 2017.

MANAGEMENT REVIEW SUMMARY

For each employee-owned gym, the OIG obtained statements from gym management and reviewed various records in order to obtain an understanding of the processes in place. The *Management Review Summary* section of the report is separated into the following sections: *OIG Records Review*, *Testimony*, and *Conclusions*. The information included in the *Testimony* section of the report is presented in alphabetical order by the employee-owned gym organization's name.

OIG RECORDS REVIEW

As part of the Management Review, the OIG requested that the managers of the employee-owned gym organizations provide the OIG with all records supporting the financial activity of their respective gyms for the period January 1, 2015, through June 30, 2018. The OIG reviewed the following types of records provided by gym management: membership applications, liability forms, payroll deduction forms, bank statements, copies of receipts provided to gym members for cash or checks received, copies of deposit slips for cash or checks deposited into the bank, purchase receipts, invoices, and Excel worksheet ledgers. In addition to the records provided by gym management, the OIG obtained and reviewed the following bank records: monthly bank statements, *Business Membership Application and Agreement* forms (signature cards), and copies of checks (as necessary).

For each of the employee-owned gym organizations, the OIG reviewed bank statements and other financial records to determine whether (1) gym management maintained records to support all financial transactions of the gym; (2) membership dues used to make purchases were related to the operations of the gyms; (3) JEA's tax-exempt ID card was used without permission; and (4) the individuals named as authorized signers on each gym's bank account were actively involved in managing the gym at the time of this Management Review.

TESTIMONY

NORTHSIDE FITNESS ASSOCIATION (NORTHSIDE GYMS)

Statement of Karen Foreman, Environmental Scientist Senior, Environmental Air Compliance, Air and Lab Services

Foreman was the President of a group of employee-owned and operated gyms known collectively as the Northside Fitness Center.⁹ She managed the Northside Gyms for approximately nine years. The Northside Gyms management also included a Vice-President and Secretary who had say in the day-to-day operations of the gyms. Foreman stated the Northside Gyms served approximately 110 gym members at the Northside Generating Station, Brandy Branch Generating Station, Kennedy Generating Station, and Greenland Energy Center (Greenland). Approximately two years ago, the Northside Generating Station gym donated gym equipment to the Greenland gym. Foreman advised that Greenland Energy Center only had three

⁹ According to bank statements the gym was formally known as the Northside Fitness Association.

to five total JEA employees stationed there and she was unsure if the gym at Greenland was considered a “formal” gym.

Foreman’s responsibilities as President of the Northside Gyms included managing the finances, making decisions about the purchase and disposal of gym equipment, making decisions about the layout of the gym, establishing rules, maintaining the facility and gym equipment, and processing new gym membership applications and payroll deduction forms.

Foreman maintained financial records such as bank statements, purchasing records (i.e. receipts), and Excel spreadsheets for the Northside Gyms. Foreman did not consider her management responsibilities secondary employment because she was managing the gyms on a volunteer basis and because she was not paid to manage the gyms. She stated she paid the full gym membership dues to use the gym.

Foreman was unaware of any written agreement or contract between JEA and the Northside Gyms. The gyms were open for gym members to access 24 hours per day, 7 days per week. Foreman did not recall any written bylaws established for any of the gyms under her control.

Gym members completed a “hold-harmless” agreement upon becoming a member of the gym. Foreman stated the gyms under her control did not carry their own insurance. She assumed the gyms would fall under JEA’s facility insurance.

New members were not required to pay an application or initiation fee. In the past, gym management received cash or check from contracted employees who worked at JEA. These employees could not pay for membership through JEA payroll deduction. Foreman requested contracted employees pay an entire year’s worth of gym membership via cash or check at one time. Cash or checks were usually provided directly to Foreman. She generally deposited cash or checks a few days to a few weeks after receiving them. Foreman kept records of cash or checks received with an Excel spreadsheet. Foreman stated no cash was kept on hand at the gyms.

The Northside Gyms had only one organizational bank account, comprised of both a checking and a savings account. In addition to Foreman, both the Vice-President and Secretary were named (authorized signers) on the account. Each check from the Northside Gym’s checking account had to contain the signatures of both the President and the Vice-President. Foreman performed bank reconciliations at least every two months.

Foreman explained the Northside Gyms’ bank account monies were used to purchase new gym equipment, fans, sound systems, cleaning wipes, and other items for use in the gyms. Foreman stated she never used any money from the Northside Gyms’ account to purchase any personal non-gym related items.

Foreman stated gym purchases for the four employee-owned gyms under her control were primarily made by check or debit card. There was no formal process for making purchases or for obtaining approval or authorization from other gym members prior to making purchases.

Foreman never used JEA's tax-exempt ID number for any reason relating to the operations of any of the gyms under her control.

She stated JEA's oversight was limited to the maintenance of the facility where the gyms were located. JEA did not otherwise have any oversight over gym operations (i.e. finances, gym purchases, sale of equipment).

Statement of Scott Sloniker, Unit Operator, Electric Production Operations, Electric Production

Sloniker managed the Northside Gyms as Vice-President for approximately the past four years. He advised there were approximately 100 members affiliated with the Northside Generating Station gym, 25 members affiliated with the Brandy Branch Generating Station gym, and less than 6 members affiliated with the Kennedy Generating Station gym.¹⁰

Sloniker's responsibilities in managing the Northside Gyms included facility and equipment maintenance and general gym upkeep, taking gym applications and paperwork from new members, reviewing invoices related to gym purchases for accuracy, discussing potential gym equipment purchases with the President and Secretary, and facilitating the purchase of gym equipment from suppliers.

Sloniker did not consider his management responsibilities secondary employment because he was managing the gym on a volunteer basis and because he was not paid to manage the gym. He stated he paid the full gym membership dues to use the gym.

Sloniker was unaware of any written agreement or contract between the gyms and JEA and was unsure why there was no such agreement. However, the Northside Gyms had "rules of participation" that gym members were required to follow.

Gym management did not ordinarily take cash or check from gym members. Currently, Northside Gyms allow contracted employees to pay cash or check for gym membership dues if they paid for an entire year of gym membership at one time. Sloniker did not believe any cash was kept on hand at the gyms.

Foreman was primarily responsible for the bookkeeping (i.e. finances) of the gyms, but Sloniker was involved in making purchases for the gyms. The Northside Gyms had only one organizational bank account comprised of both a checking and a savings account. Both he and Foreman were currently named (authorized signers) on the bank account and were able to deposit or withdrawal money from the account.

The bank account was used to cover costs associated with the gyms. Gym expenses included the purchase of new gym equipment, payments associated with maintaining and repairing gym equipment, and the purchase of standalone fans and other gym supplies. Sloniker stated he never used any money from the gym's account to purchase any personal non-gym related items.

¹⁰ No membership information was provided regarding the Greenland Energy Center. Testimony by Foreman was that there may have only been three to five employees who worked at that JEA facility.

There was no formal process for making purchases or for obtaining approval or authorization prior to making purchases. Purchasing decisions were always made collectively by two individuals (usually Foreman and Sloniker). Sloniker never used JEA's tax exempt ID number for any reason relating to gym operations. Sloniker stated Foreman retained financial records such as bank statements and purchasing records for the Northside Gyms.

PEARL STREET FITNESS ASSOCIATION (PEARL STREET GYM)

Statement of Bryan Spell, Manager, Water and Sewer Preventative Maintenance, Water/Wastewater Reuse Delivery and Collection

Spell stated he had managed the Pearl Street Fitness Association since April of 2017. According to Spell, the gym had approximately 70 to 80 members. Spell's responsibilities in managing the gym included signing up members, taking applications, assisting new members in setting up direct deposit, making any payments by obtaining a money order from the bank, and facilitating repairs to gym equipment. Spell stated no one approved or authorized him to manage the gym.

Spell did not consider his management responsibilities secondary employment because he was managing the gym on a volunteer basis and because he was not paid to manage the gym. He stated he paid the full membership fee to use the gym.

Spell was not aware of any written agreement or contract between the gym and JEA. Spell's understanding of the arrangement was that JEA provided the facility for the gym for free; however, all materials, equipment, and maintenance of equipment were separate from JEA and were the responsibility of the gym. Spell indicated that the application for new members established written "Equipment Use Rules" and "Security Rules" for members; however, Spell was not aware of any legal binding bylaws for the gym.

Spell stated that he, along with two other JEA employees who are no longer gym members, are currently named (authorized signers) on the Pearl Street Gym's bank account and are able to deposit or withdrawal money from the account. Spell stated he did not conduct formal bank reconciliations but retained bank statements, cashier check receipts, and receipts for purchases. He stated he did not maintain separate accounting records (i.e. a ledger) because there had not been any activity since April of 2017.

According to Spell, new gym members were required to pay a \$35 application/ initiation fee, which they paid with cash or check. Spell was the primary individual who deposited funds into the Gym's bank account. Spell did not keep a log of cash or check application/ initiation fee receipts. No cash was kept on hand at the gym.

The Gym's bank account was used to cover costs associated with replacing and maintaining existing equipment and purchasing new equipment. Spell stated he had not used any money from the gym's bank account to purchase any personal items.

Spell stated there was currently no formal gym procedure for obtaining approval or authorization from other gym members prior to making purchases. Spell stated all gym purchases were made

by going to the bank and obtaining a money order. He had not used JEA's tax-exempt ID number for any reason relating to the gym.

RIDENOUR GYM

Statement of Deborah Hopkins, Office Support Associate, Water/Wastewater Business Maintenance, Water/Wastewater System Assets

Hopkins stated she did *not* manage the employee-owned and operated gym located at the Ridenour Water Treatment Plant but had been involved with the finances of the gym for approximately one year. Hopkins stated the gym was established in July of 2017 and had been in operation for approximately one year.

Hopkins stated she and Henry Korous, Control Systems Technician, Water and Wastewater System Controls, Technology and Innovation, (who managed the gym) had a say in the operations of the gym. Because the gym had approximately ten or eleven members, there were no committees or regularly scheduled management or operations meetings. She did not consider management of the gym to be secondary employment because she volunteered her services and received no salary or benefits. She was not a gym member and therefore did not pay into membership dues.

Hopkins was unaware of any written agreement or contract between the gym and JEA and was unsure why there was no agreement. Hopkins was unaware of any legal binding bylaws for the gym.

In addition to membership dues, the Ridenour Gym required new gym members to pay a one-time application fee of \$20. Gym members were able to pay the fee by cash, check, or money order. Hopkins kept all cash and checks with her until deposited. Generally, cash, checks, or money orders received were deposited in the gym bank account as soon as possible, but not more than two weeks after the monies were received. Hopkins provided receipts to gym members for any cash, checks, or money orders received for initiation fees and kept electronic copies of the receipts in her records. No cash was kept on hand at the gym.

Hopkins stated both she and Korous were able to make deposits or withdrawals from the gym's bank account. Hopkins stated she performed bank reconciliations monthly. The monies in the gym's bank account were used to pay for gym operations. Hopkins stated purchases included gym equipment and anything else they determined was necessary for gym operations. Hopkins stated she had never used any money from the gym bank account to purchase any personal non-gym related items.

She stated there was no formal process for obtaining authorization or approval for gym purchases; however, Korous typically notified Hopkins prior to making any purchases for the gym. With the exception of a monthly automatic transfer for gym equipment previously purchased from the Northside Fitness Association, purchases relating to the gym were made with a debit card. Hopkins had never used JEA's tax-exempt ID number for any reason relating to the operations of the gym.

Hopkins maintained the financial records such as bank statements, receipts for new member initiation fees, and receipts for both purchases and donations.

Statement of Jindrich (Henry) Korous, Control Systems Technician, Water/Wastewater System Controls, Water/Wastewater & Resuse Treatment

Korous stated he had managed the Ridenour Water Treatment Plant Gym consisting of approximately ten members for about one year. He thought the gym was established in 2017 and had been operating for approximately a year or a year and a half.

He and Hopkins primarily had a say in the gym's operations. He managed the gym on a volunteer basis and did not receive any salary or benefits. Korous was a member of the gym and paid the full membership dues.

Korous was unaware of, and did not remember signing, any written agreement or contract between the gym and JEA and was not sure why there was no agreement. Korous was unaware of any formalized written bylaws for the gym.

The gym required new members to pay a \$20 "sign-up fee." Members were permitted to pay the fee with cash or check. The fees were provided to Korous or Hopkins and Hopkins deposited the cash or check(s) into the gym's bank account. Hopkins generally deposited cash and checks within a week of receiving them from a new member. Korous stated Hopkins maintained a copy of the deposit slips in her records and preformed bank reconciliations monthly. He stated no cash was kept on hand at the gym.

Korous and Hopkins were both signers on the bank account and each maintained a debit card for the gym account. He and Hopkins primarily used the gym's bank account to retain the "sign-up fees" and membership dues from gym members and to purchase equipment and other items for the gym. Initially, Korous purchased weights, ceiling fans, a scale, a clock, and hand wipes from the monies in the gym's bank account. After these initial purchases, there had been no other purchasing activity except for the purchase of gym equipment from the Northside Fitness Association for \$2,000. Korous stated a majority of the gym's equipment was donated from the JEA Downtown Gym. Korous stated he had never used any money from the gym's bank account to purchase any personal items that were not used for gym operations.

Korous stated there was no formal process for obtaining approval or authorization prior to making a purchase for the gym. Items were purchased with the bank monies using a debit card or with cash if the purchase was made to an individual seller (i.e. through Craigslist), with the exception of the purchase of equipment from Northside Fitness Association, which was being repaid monthly through an automatic transfer. Korous provided Hopkins with receipts or Craigslist advertisements for gym purchases to maintain in her financial records. Korous stated he never used the JEA tax-exempt ID number for any reason relating to the gym.

SOUTHSIDE FITNESS CENTER (SOUTHSIDE GYM)***Statement of Ronald Milligan, Linemaintainer, Distribution Maintenance, Electrical Distribution Construction Maintenance***

Milligan stated he managed the Southside Gym located within the facility of the Southside Service Center for approximately nine years. No one approved or authorized Milligan to manage the Southside Gym. No one assisted Milligan in managing the gym.

Milligan's responsibilities included ordering gym equipment, ordering supplements for gym members, coordinating maintenance for the gym equipment, and overall maintenance of the gym. Milligan did not consider his management responsibilities to be secondary employment because he managed the gym on a volunteer basis and because he was not paid to manage the Southside Gym. He paid the full membership dues to use the Southside Gym.

Milligan was not aware of any written agreement or contract between the Southside Gym and JEA. Additionally, Milligan was not aware of any legal binding bylaws for the gym.

Milligan stated he did not take cash or check(s) from gym members at any time. There had been instances in the past where contracted employees, who did not have the option to pay membership dues through direct deposit, used the gym. However, he believed, instead of having these employees pay cash or check, he permitted them to access the gym at no cost without paying the membership dues.

Milligan stated new gym members completed a liability release form and a JEA payroll deduction form. In a phone call subsequent to this OIG interview, on September 13, 2018, Milligan stated he was unsure whether contracted employees completed a liability release form when they began using the gym. Milligan made the liability release forms available to all gym users by attaching them to the gym door. However, Milligan had not verified that all gym users had completed the forms.

The gym membership dues were used to pay for any products that gym members wanted to purchase. Examples of purchases were nutritional supplements, gym equipment and maintenance, gym wear (i.e. gloves, weight belts), and cable television services. He stated there was no formal process for obtaining authorization or approval for gym purchases. Milligan primarily made purchasing decisions for the gym on behalf of the Southside Gym members. Milligan believed he was the sole authorized signer on the gym's bank account and was able to deposit or withdrawal money from the account. He did not perform bank reconciliations.

Milligan stated Southside Gym purchases were made through a debit card associated with the gym's bank account. Occasionally, Milligan withdrew cash from the bank account to make purchases related to the Southside Gym. Milligan did not keep any records, such as copies of checks or receipts for purchases.

Milligan stated the Southside Gym did not sell nutritional supplements; however, when members requested them, he purchased the supplements for the member with monies from the gym's bank

account. Milligan stated he requested the gym member provide a screenshot of the supplements the member wanted, and he typically purchased them on-line with the debit card associated with the gym's bank account. The supplements were shipped to Milligan and Milligan provided the supplements to the gym member.

Milligan stated, occasionally, the supplements requested by gym members could not be purchased on-line. In these instances, Milligan provided the gym's bank debit card to the gym member to purchase the supplements at a local store. Milligan did not take cash from gym members to purchase supplements.

Over five years ago, the Southside Gym paid fitness instructors for personal training services. The fitness instructors did not come to the Southside Gym facility. Instead, gym members went to the instructors' facilities for services. In a phone call subsequent to the OIG interview, on September 13, 2018, Milligan stated he did not maintain a log or track when gym members utilized personal training services. The personal trainers billed Milligan for the services periodically and Milligan paid for the services with gym membership dues.

Milligan stated he never used any money from the gym bank account to purchase any personal non-gym related items. Milligan never used JEA's tax-exempt ID number for any reason relating to the gym and did not have access to JEA's tax-exempt ID number.

SYSTEM OPERATIONS AND CONTROL CENTER (SOCC) FITNESS ASSOCIATION (SOCC GYM)

Statement of Ryan Mosley, Certified Systems Operator, Bulk Power Operations, Electric Systems Operations

Mosley had managed the gym located within the SOCC facility for three to four years. According to Mosley, the SOCC Gym had approximately 30 to 40 members.

Aside from owning the facility, he did not believe JEA had any oversight over the gyms day-to-day operations. Mosley understood the SOCC Gym continued to operate in a JEA facility (provided by JEA) at JEA's discretion. All of the equipment in the SOCC Gym was financed with gym membership dues and owned by the gym members.

Mosley was unaware of any written agreement or contract between the SOCC Gym and JEA and was unsure why there was no such agreement. He was unaware of any legally binding bylaws for the SOCC Gym.

Mosley's responsibilities in managing the SOCC Gym included signing up new gym members (not often), assisting new gym members in setting up direct deposit, purchasing new gym equipment, and reviewing the gym's bank statement. He did not consider his management responsibilities secondary employment because he was managing the gym on a volunteer basis and because he was not paid to manage the gym. He paid the full membership dues to use the gym.

Mosley and another JEA employee who assisted with the SOCC Gym's management were both authorized signers on the SOCC Gym bank account and ultimately had the authority to spend money from the account. He reviewed the bank statements each month and made them available for other members to review by placing them on a countertop in the gym.

Generally, there was no reason for members to provide the gym management with cash or check and no cash was kept on hand at the SOCC Gym. Mosley had not required new gym members to pay an initiation or application fee since he began managing the SOCC Gym. In one instance a contracted employee who could not pay for gym membership through payroll deduction, paid for gym membership by cashier's check.

The SOCC Gym's bank account was used to cover costs associated with maintaining existing gym equipment and purchasing new gym equipment and supplies. Occasionally, for the last two or three years, he purchased supplements (i.e. protein powder, muscle milk) for gym members from monies in the gym bank account when requested. Supplements were shipped to the SOCC Gym and were stored on a countertop in the gym or in a refrigerator, if necessary, and were available to all gym members.

There was currently no formal process for obtaining approval or authorization prior to making purchases. Mosley stated he never used any money from the gym's bank account to purchase any personal items not used in gym operations. Mosley had never used JEA's tax-exempt ID number for any reason relating to the gym. Mosley stated he maintained financial records, such as bank statements, invoices, and receipts for purchases.

WESTSIDE JEA WORKOUT FACILITY (WESTSIDE GYM)

Statement of Kenneth Pressley, Construction and Maintenance Working Foreman, Distribution Maintenance, Distribution Construction Maintenance

Pressley had managed the gym located within the Westside Service Center facility for six or seven years. He believed the Westside Gym had been in operation for 20 to 25 years and was one of the first JEA "employee-owned" gyms established. No one approved Pressley to manage the Westside Gym. Pressley agreed to manage the Westside Gym after the previous managers retired from JEA and a former Westside Service Center manager threatened to close the gym if no one volunteered to manage it.

Pressley's responsibilities in managing the Westside Gym included overseeing operations, buying cleaning supplies, paying bills, cleaning the gym, picking up weights, and facilitating the maintenance of gym equipment. He did not consider his management responsibilities secondary employment because he was managing the Westside Gym on a volunteer basis and because he was not paid any compensation to manage the gym. He stated he paid the full membership fee in order to use the gym.

Pressley was unaware of any written agreement or contract between the Westside Gym and JEA. He was unaware of any written bylaws established to govern the operations of the gym or the members of the gym.

Pressley, serving as President, and another JEA employee, serving as Vice-President, assisted in the management of the Westside Gym. They were ultimately responsible for the operations of the gym. Pressley stated, however, all matters regarding the gym were discussed with gym members and decisions were made collectively because “it’s all of our money.”

He and the Vice-President were currently authorized signers on the bank account and were able to deposit or withdrawal money from the account. They did not handle any cash or checks for any reason and no cash was kept on hand at the gym. They reviewed the bank statements monthly. New members were not required to pay an initiation or application fee.

The bank account was used to cover costs of equipment, drinking water, cleaning supplies, other gym supplies, liability insurance, and nutritional supplements (i.e. protein bars). Pressley stated he did not *sell* nutritional supplements to members at the Westside gym. However, every one or two months, he purchased supplements (i.e. protein) from monies in the gym bank account and made them available to all members on a “first come, first served” basis.

Pressley stated gym members also donated monies or purchased items from the membership dues to contribute to various fundraising activities, such as food drives, toy drives during holidays, and school supply drives. He explained they had also used gym funds to sponsor participation of children in team sports (i.e. Pop Warner football). Pressley stated he did not maintain any records related to these donations.

There was no formal process for obtaining approval or authorization from gym members prior to making purchases. Pressley stated purchases were mostly made by check or by debit card. He maintained financial records, such as some bank statements, checks, and some receipts for purchases. Pressley stated he had never used any money from the Westside Gym bank account to purchase any personal non-gym related items. He had never used JEA’s tax-exempt ID number for any reason relating to Westside Gym operations.

JEA Management Prior Testimony

Prior investigations concerning the employees who oversaw both the JEA’s former SJRPP and the Downtown Gym concluded that within JEA there is an inconsistent understanding by both JEA managers and employees as to whether the gyms are a part of the JEA Wellness Program and whether the activities associated with managing the Gym are considered official duties.

CONCLUSIONS

The OIG’s conclusions based on statements obtained and records reviewed during the Management Review are presented below in subcategories.

No Contract or Agreement between JEA and Employee-Owned Gyms

No written contract or agreement existed between JEA and any of the employee-owned gyms to clearly define, and make enforceable, the responsibilities of each party with respect to the operations of the employee-owned gyms.

Based on the Management Review, it is unclear who would be liable, for example, for any injuries sustained by a JEA employee or JEA contracted employee while using or managing an employee-owned gym located within a JEA-owned facility during or outside of normal work hours.

No Written Policies and Procedures

Neither JEA nor the JEA employee-owned gyms established written policies or procedures to govern the operations of the employee-owned gyms. Without comprehensive written policies and procedures for the JEA employee-owned gyms, there is no consistency in gym operations across the various JEA facilities.

For example, the OIG found:

- The Pearl Street Gym and the Ridenour Gym required new gym members to pay an application or “sign-up fee;” however, the other four employee-owned gyms did not have this same requirement.
- The Pearl Street Gym, at one time, allowed *retired* JEA employees to access the gym while the Westside Gym restricted gym membership to *current* JEA employees only.
- The Northside Gyms and the SOCC Gym permitted contracted employees, who were not eligible to pay membership dues through payroll deduction (contracted employees), to pay membership dues by cash or check in order to use the gyms. In contrast, the Southside Gym in past years had allowed contracted employees to use the gym without any membership payment.
- Members of the Northside Gyms formally elected a President, Vice-President, and Secretary to manage the gyms. In contrast, the OIG found management for the other five employee-owned gyms to be less structured. For these gyms, the current gym managers were asked to volunteer or volunteered their services when former gym managers retired or transferred to other JEA facilities.
- There was inconsistency among the gyms regarding the use of liability waivers for its members, both JEA employees and/or contracted employees. Additionally, the review determined some gym managers were unclear whether JEA’s insurance would cover injuries sustained at the gym.

Inadequate Accounting Controls

In general, the OIG found, for each of the employee-owned gyms, only one or two individuals were involved in the financial activities of the gym. Consequently, the employee-owned gyms were not organizationally structured to allow for an appropriate separation of duties with regards to handling cash. The OIG found the following examples of inadequate accounting controls:

- Several gyms held onto cash, checks, and money orders collected from members for application/sign up fees for a period prior to being deposited into the bank account.
- Several gyms handled the purchase of supplements for members differently. One gym manager provided the gym bank account debit card to a JEA employee to use to purchase supplements. Another gym manager bought supplements with gym membership monies and provided them on a first come, first served basis.
- Some of the gym managers did not retain adequate financial records or perform any reconciliation of bank statements.
- The Management Review found that two former JEA employees who had been past gym managers for one gym remained authorized and active signers on the gym's bank account. In the case of another gym, the bank account had only one authorized and active signer.¹¹
- For all employee-owned gyms, there was no consistent or written process for obtaining approval or authorization from gym members prior to making a purchase.

Variation in Items Purchased with Membership Dues

The OIG determined that gym management primarily used gym membership dues to purchase gym equipment, accessories, and supplies and to maintain the gym equipment. However, based on statements obtained and records reviewed, the OIG found variations among the gyms in the types of items purchased. These items included payment for nutritional supplements, televisions, cable services, entertainment systems, cleaning services, personal trainer instruction (off site of the gym), and donations to various athletic organizations.

Lack of Financial Records and Documentation for Gym Purchases

In its review of records provided by gym management, the OIG found that several gyms maintained financial records to support most of the financial activity of the gym for the Management Review period. However, in some instances financial records were incomplete, i.e. missing bank statements, missing receipts for purchases, and/or missing records relating to donations or sponsorships.

Based on a review of financial records, the OIG determined that a JEA employee may have misappropriated at minimum **\$1,424** in gym funds for personal use. The OIG has referred this matter for criminal investigation relating to possible violations of Florida Statute § 812.014, Theft. The OIG will release a separate report regarding this matter on a later date.

¹¹ A prior OIG investigation substantiated misappropriation of membership dues by a JEA gym manager who was the sole authorized signer on the bank account.

Tax-Exempt Purchases

All of the gym managers interviewed during the Management Review testified they had not used JEA's tax-exempt ID number when making purchases for the gym. In its review of records, the OIG found no indication that gym managers intentionally and consistently used JEA's tax-exempt ID number to make purchases for the gym without paying tax.¹² However, the OIG found several instances where invoices reflected no tax was paid on the purchase of gym equipment and equipment replacement parts.

Gym Management by Volunteer JEA Employees

This Management Review and prior investigations concluded that the duties and responsibilities of the JEA employees managing the various gyms voluntarily had not been included in any of their official job specifications or included as part of their annual evaluations. In addition, JEA employees managed the gyms during the course of their official work hours.

Based on the Management Review, and prior investigations, the OIG believes that a complete review of the JEA employee-owned gym processes be conducted to ensure oversight, accountability, and consistency in gym operations.

RECOMMENDED CORRECTIVE ACTIONS

The OIG recognizes the JEA employee-owned gyms located in JEA's facilities are a benefit to employees. In order to ensure oversight, accountability, and consistency in gym operations, the OIG recommends JEA consider the following corrective actions:

1. Determine whether JEA employee-owned gyms should continue to operate independently of JEA, without contractual agreement or release of liability for use of JEA facilities. Advise the OIG of any decisions made or actions taken regarding the future of JEA employee-owned gyms.
2. Conduct an inspection of all JEA facilities to determine if any gym equipment may be in use by JEA or contracted employees in locations not already identified during this Management Review.
3. If JEA determines that the gyms should proceed, establish appropriate written procedures to ensure uniformity at all facilities regarding gym operations (i.e. maintain records, separation of duties, and purchases). Provide OIG with copies of any newly established written procedures.
4. If JEA determines that the gyms should be managed by JEA employees (voluntarily or otherwise) identify and incorporate any duties assumed by JEA employees into their formal job specifications and annual evaluations (if deemed appropriate). Provide OIG with copies of any updated job specifications.

¹² This issue had been identified in OIG Report of Investigation 2017-0009.

IDENTIFIED, QUESTIONED, AND AVOIDABLE COSTS

Identified Costs: N/A **Questioned Costs:** N/A **Avoidable Costs:** N/A

Identified Costs is defined as losses from disbursements or activities associated with fraudulent or negligent activity, or mismanagement, which have a substantial likelihood of recovery.

Identified costs are those associated with disbursement or activities of the Consolidated Government.

Based on this Management Review, the OIG has determined that one additional JEA employee may have misappropriated at minimum **\$1,424** in gym funds for personal use. The OIG has referred this matter for criminal investigation relating to possible violations of Florida Statute §812.014, Theft. The OIG will release a separate report regarding this matter on a later date.

MANAGEMENT COMMENTS AND CORRECTIVE ACTIONS

On November 19, 2018, the President and Chief Operating Officer, JEA, was provided the opportunity to submit a written explanation or rebuttal to the findings in the draft Report of Investigation due on or before December 14, 2018. On December 14, 2018, the Vice President and Chief Compliance Officer, JEA, provided the OIG with a written response. The response is attached in its entirety to this report.

Based on the Management Review, JEA is in the process of making a formal decision regarding the future of the JEA gym facilities and a strategy for an employee fitness/wellness program. JEA will finalize and notify the OIG of their decision by the end of March of 2019. If JEA retains the gyms, JEA agreed moving forward Management would exercise significant oversight of gym operations. In addition, JEA will ensure gym facilities operate with uniform guidelines and formally incorporate any related job duties performed by any JEA employee into their respective job specifications. Finally, JEA will conduct an inventory of all fitness equipment on the premises by April of 2019.

Attachments:

Management's Response, dated December 14, 2018

cc: IG Distribution 2018-0003

This investigation has been conducted in accordance with the ASSOCIATION OF INSPECTORS GENERAL Principles & Quality Standards for Investigations.

21 West Church Street
Jacksonville, Florida 32202-3139

December 14, 2018



Ms. Lisa A. Green
Inspector General
Office of Inspector General, City of Jacksonville
231 E. Forsyth Street, Suite 470
Jacksonville, FL 32202

E L E C T R I C

W A T E R

S E W E R

Subject: JEA's Management Response Pursuant to OIG Management Review
Number 2018-0003

Dear Ms. Green:

We are herein providing our management response to your DRAFT Management Review dated November 19, 2018, which includes a summary of all corrective action plans, the status of each, and any supporting documentary evidence.

Recommended Corrective Actions

1. Determine whether JEA employee-owned gyms should continue to operate independently of JEA, without contractual agreement or release of liability for use of JEA facilities. Advise the OIG of any decisions made or actions taken regarding the future of JEA employee-owned gyms.

Management's Response

By March 31, 2019, Management will reach a decision and provide a written report to the OIG regarding the future of the JEA gym facilities, or more specifically, the optimal strategy for an employee fitness/wellness program. Several options are being considered, one of which is continuation of the employee-operated gyms. Having been some 25+ years in existence, there are numerous legal and logistical issues to address.

If JEA determines that continuing the operations of the gyms is the best and most viable solution, it is understood that for the program to be successful, Management must begin exercising significant oversight of, among others, accounting, audit, insurance, physical security and site operations matters. The structure and details of this oversight will be included in the written report.

2. Conduct an inspection of all JEA facilities to determine if any gym equipment may be in use by JEA or contracted employees in locations not already identified during this Management Review.

Management's Response

Whether or not JEA determines that continuing the operations of the gyms is the best solution, there is a need to determine what/where fitness equipment is located on JEA premises, and to decide upon its further deployment and/or removal.

In coordination with Facilities Operations, the Directors of Audit Services and Security have completed their on-site visits to all known gym locations, both structured and makeshift, and provided their summary reports.

Management will coordinate with the lead Director/Manager of each JEA facility to do a "sweep" inventory for all fitness equipment on the premises. These equipment items will be listed, centrally stored, and reported. This inventory initiative will be completed by **April 30, 2019**.

3. If JEA determines that the gyms should proceed, establish appropriate written procedures to ensure uniformity at all facilities regarding gym operations (i.e. maintain records, separation of duties, and purchases). Provide OIG with copies of any newly established written procedures.

Management's Response

If JEA determines that continuing the operations of the gyms is the best solution, then all of the remaining facilities will follow the same written guidelines. These will be drafted and provided to the OIG by **April 30, 2019**.

4. If JEA determines that the gyms should be managed by JEA employees (voluntarily or otherwise) identify and incorporate any duties assumed by JEA employees into their formal job specifications and annual evaluations (if deemed appropriate). Provide OIG with copies of any updated job specifications.

Management's Response

If JEA determines that continuing the operations of the gyms is the best solution, any related JEA employee duties will be incorporated into formal job descriptions and operating guidelines. The written job specifications and supporting documents will be provided to the OIG by **April 30, 2019**.

We thank you for your insightful recommendations. Please contact me if you need additional information regarding our corrective action plans.

Sincerely,

A handwritten signature in blue ink that reads "Ted E. Hobson".

Ted Hobson
Chief Compliance Officer
JEA
21 W. Church Street, T16
Jacksonville, 32202
(904) 665-7126; hobste@jea.com

Cc: Ms. Melissa Dykes, President and Chief Operating Officer