

DEPARTMENT OF TRANSPORTATION

SPECIAL REVIEW: EMPLOYEE THEFT OF EQUIPMENT

MARCH 1994

**Financial Audit Division
Office of the Legislative Auditor
State of Minnesota**

94-07

Centennial Office Building, Saint Paul, MN 55155 • 612/296-4708

DEPARTMENT OF TRANSPORTATION

SPECIAL REVIEW: EMPLOYEE THEFT OF EQUIPMENT

Public Release Date: March 11, 1994

No. 94-07

OBJECTIVES:

We conducted a special review of an allegation that equipment was stolen from the Department of Transportation's Electrical Services Section.

We initiated our review of alleged improprieties upon receiving information from the Department of Transportation. Our review addressed the following questions:

- Were traffic controllers stolen from the Mn/DOT Electrical Services Section? If so, was there evidence indicating who perpetrated the theft?
- How did ACT Electronics, Inc. acquire the traffic controllers? If the traffic controllers were stolen from Mn/DOT, was there evidence that ACT Electronics had knowledge of the theft?

CONCLUSIONS:

We found that James Heurung, while a Mn/DOT employee, stole equipment from the Electrical Services Section.

The evidence shows that Mr. Heurung stole four traffic controllers, valued at about \$3,500 and at least 1,200 terminal blocks worth about \$5,000. Mr. Heurung sold much of this equipment to ACT Electronics, Inc. We did not find evidence, however, that the president of ACT Electronics, Inc., who had negotiated the purchases from Mr. Heurung, was aware the equipment was stolen.

On September 29, 1993, we filed a complaint with the Hennepin County District Court for possible criminal prosecution.

Pursuant to Minn. Stat. Section 3.975, this report shall be referred to the Attorney General for resolution.

Contact the Financial Audit Division for additional information.
296-1730

FINANCIAL AUDIT DIVISION



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

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JAMES R. NOBLES, LEGISLATIVE AUDITOR

Senator Phil Riveness, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

James N. Denn, Commissioner
Department of Transportation

Audit Scope

We conducted a special review of an allegation that equipment was stolen from the Minnesota Department of Transportation (Mn/DOT) Electrical Services Section. The potential theft was discovered when the City of Hibbing purchased three traffic controllers from a private vendor, ACT Electronics, Inc. Mn/DOT employees who were assisting the City of Hibbing recognized the equipment as Mn/DOT property. The serial number of one traffic controller matched the Mn/DOT inventory records as an item stored at the Electrical Services Section. The serial numbers of the other two traffic controllers had been defaced.

Our review addressed the following issues:

- Were the three traffic controllers stolen from Mn/DOT Electrical Services Section? If so, is there evidence indicating who perpetrated the theft?
- How did ACT Electronics, Inc. acquire the traffic controllers? If the traffic controllers were stolen from Mn/DOT, is there evidence that ACT Electronics had knowledge of the theft?

Based on additional evidence, we expanded our review to consider whether additional equipment was also stolen from the Mn/DOT Electrical Services Section.

Audit Techniques

We reviewed supporting documents maintained by the City of Hibbing, Mn/DOT, and ACT Electronics, Inc. We took sworn testimony from several Mn/DOT employees and the president of ACT Electronics. Finally, we subpoenaed the personal bank records for Mr. James Heurung, a former Mn/DOT employee at the Electrical Services Section. As we conducted our review, it became apparent that Mr. Heurung was the Mn/DOT employee who had taken the equipment from the Electrical Services Section and sold it to ACT Electronics, Inc.

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Background

The Mn/DOT Electrical Services Section (Mn/DOT) functions include maintaining and repairing traffic control equipment and traffic signals. The section also maintains an inventory of parts necessary to repair traffic signals and other electrical devices. In addition, the section educates city and county staff in traffic signal maintenance and repair.

Mn/DOT staff conducted training for city staff in April 1993. The Mn/DOT staff unpacked the three traffic controllers the city purchased from ACT Electronics, Inc. (ACT). The serial numbers were defaced on two of the traffic controllers. All three controllers contained tags used by Mn/DOT to cover integrated circuit windows. One Mn/DOT staff recognized his handwriting on the labels. Mn/DOT staff traced the serial number for the third traffic controller to the Mn/DOT inventory records and identified it as state equipment. The inventory records showed the controller as in the spare equipment room.

Originally, the city asked Mn/DOT to prepare a list of signal equipment, including cost estimates, necessary to maintain traffic signals at three intersections. Mr. James Heurung, Mn/DOT traffic electronic maintenance superintendent, prepared the equipment list and asked ACT to quote prices on the equipment. ACT quoted prices for used traffic controllers. However, ACT did not have used traffic controllers on hand. Mr. Heurung told the owner of ACT that he had used traffic controllers and would sell them to ACT. ACT paid Mr. Heurung \$3,486.02 for four used traffic controllers in January 1993. ACT sold three of the traffic controllers to Hibbing for \$2,400.

Mr. Heurung told us he took the traffic controllers from the scrap area at the Mn/DOT Electrical Services Section. Mr. Heurung stated that he took the controllers on separate occasions and repaired them.

Mn/DOT staff contradicted Mr. Heurung's testimony. They told us that repairable traffic controllers would not have been put in the scrap area. Only equipment that Mn/DOT is not going to repair or cannot be repaired is put in the scrap area for eventual disposal. Mn/DOT staff stated that at least one of the controllers was in the inventory room according to the inventory records.

The ACT president provided documentation showing that between December 1989 and February 1993, ACT paid Mr. Heurung \$18,656.52. The ACT president stated that about \$15,300 was for 3,400 to 3,800 terminal blocks, \$3,486.02 for the traffic controllers, and \$585 for services performed by Mr. Heurung.

We questioned Mr. Heurung about the terminal blocks, which is another equipment item stored at the Electrical Services Section. Mr. Heurung admitted taking about 1,200 terminal blocks from Mn/DOT. About 600 have not been resold. Mr. Heurung stated that most of the terminal blocks

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were from cabinets friends and relatives purchased from Mn/DOT. Mr. Heurung made arrangements for others to purchase the equipment. He then stored and resold the parts. Mr. Heurung also thought that more of the money was for services performed. We were able to confirm Mr. Heurung's statement that one person purchased seven salvage signal cabinets and equipment from Mn/DOT for \$42 in July 1989. We were unable to confirm other purchases.

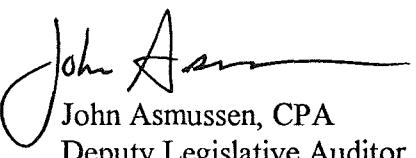
Conclusions

We found sufficient evidence indicating that Mr. James Heurung, while a Mn/DOT employee, stole equipment from its Electrical Services Section. The evidence shows that Mr. Heurung stole four traffic controllers, valued at about \$3,500, and at least 1,200 terminal blocks worth about \$5,000. Mr. Heurung sold much of this equipment to ACT Electronics, Inc. We did not find evidence, however, that the president of ACT Electronics, Inc., who had negotiated the purchases from Mr. Heurung, was aware that the equipment was stolen.

On September 29, 1993 we filed a complaint with the Hennepin County District Court for possible criminal prosecution. The criminal prosecution was diverted to Project De Novo in November 1993, under which diversion Mr. Heurung has made restitution to Mn/DOT in the amount of \$2,400 for the three traffic controllers which were sold. Mr. Heurung will remain in Project De Novo until February 1995. ACT returned the fourth traffic controller to Mn/DOT. Also, pursuant to Minn. Stat. Section 3.975, we have filed a copy of this report with the Legislative Audit Commission and the Attorney General. The Attorney General has the responsibility to ensure the recovery of state funds, and in fulfilling that role, may negotiate the propriety of individual claims. The Attorney General also shall cause criminal proceedings to be instituted by the proper authority as the evidence may warrant.

This report is intended for the information of the Legislative Audit Commission, and the Department of Transportation. This restriction is not intended to limit the distribution of this report, which was released as a public document on March 11, 1994.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

Report Signed On: March 8, 1994