

OFFICE OF INSPECTOR GENERAL CITY OF JACKSONVILLE



REPORT OF INVESTIGATION 2019-0001

**THIRD JEA EMPLOYEE MISAPPROPRIATED
JEA EMPLOYEE-OWNED GYM MEMBERSHIP DUES**

**LISA A. GREEN
INSPECTOR GENERAL**

JUNE 4, 2019

DATE ISSUED

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

EXECUTIVE SUMMARY

In October of 2018, the Office of Inspector General (OIG) issued Management Review 2018-0003, *Review of JEA Employee-Owned Gyms* (Management Review), a review of the processes and procedures related to six JEA employee-owned gym organizations operating in JEA-owned facilities. During the course of the Management Review, the OIG discovered possible misappropriation of funds from the bank account of the Southside Gym, located within the JEA Southside Service Center, by Ronald Milligan, Linemaintainer, Electrical Overhead Distribution, JEA, who also volunteered as the Manager of the Southside Gym (Gym). The Gym bank account was comprised of JEA employee gym membership dues.

During the Management Review, the OIG interviewed Milligan, who testified under oath he *did not* use any money for personal use from the Gym's bank account. However, OIG's subsequent review of the Gym's bank records from January 1, 2015 through June 30, 2018, disclosed that on at least **35** occasions, money from the Gym's bank account totaling **\$1,424.48** appeared to have been used for non-gym-related expenses. Milligan was the sole signatory on the Gym's bank account.

In November of 2018, pursuant to §602.303(j), *Ordinance Code*, the OIG referred the matter to the Jacksonville Sheriff's Office (JSO) Integrity Unit for criminal investigation, due to possible violations of Florida Statute §812.014, Theft.

In April of 2019, the OIG was notified by the JSO Integrity Unit that the criminal investigation had concluded. The investigations conducted by the OIG and JSO Integrity Unit *substantiated* that Milligan used **\$11,627.83** (which included the **\$1,424.48** initially identified by the OIG) from the Gym's bank account for personal use. In addition, the OIG determined that Milligan falsely testified under oath when he stated he did *not* use any funds retained in the Gym's bank account for personal use.

In April of 2019, Milligan was arrested, pursuant to an arrest warrant for violation of Florida Statute §812.014, Theft. The Office of the State Attorney for the Fourth Judicial Circuit is currently handling the matter. Subsequent to Milligan's arrest, he was found to be in violation of JEA's Security Procedure and was terminated on May 23, 2019.

Milligan is the *fourth* JEA employee investigated and the *third* JEA employee arrested for violation of Florida Statute §812.014, Theft, in relation to JEA employee-owned gym membership dues.¹ On May 31, 2019, JEA advised that JEA is in the process of transitioning from employee-owned to JEA-managed gyms.

At this time, the OIG has concluded investigative activities related to the JEA employee-owned gym organizations operating in JEA-owned facilities.

¹ Information pertaining to the various JEA employees investigated may be found in OIG Reports of Investigations 2018-0004, 2017-0010, and 2017-0009. (link: www.coj.net/departments/inspector-general/reports.aspx)

INVESTIGATIVE REPORT

BACKGROUND

In October of 2018, the Office of Inspector General (OIG) issued Management Review 2018-0003, *Review of JEA Employee-Owned Gyms* (Management Review), a review of the processes and procedures related to six JEA employee-owned gym organizations operating in JEA-owned facilities. During the course of the Management Review, the OIG discovered possible misappropriation of funds from the bank account of the Southside Gym, located within the JEA Southside Service Center, by Ronald Milligan, Linemaintainer, Electrical Overhead Distribution, JEA, who also volunteered as the Manager of the Southside Gym (Gym). The Gym bank account was comprised of JEA employee gym membership dues.

During the Management Review, the OIG interviewed Milligan, who testified under oath he *did not* use any money for personal use from the Gym's bank account. However, OIG's subsequent review of the Gym's bank records from January 1, 2015 through June 30, 2018, disclosed that on at least **35** occasions, money from the Gym's bank account totaling **\$1,424.48** appeared to have been used for non-gym-related expenses. Milligan was the sole signatory on the Gym's bank account.

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In April of 2019, Milligan was arrested, pursuant to an arrest warrant for violation of Florida Statute §812.014, Theft. The Office of the State Attorney for the Fourth Judicial Circuit is currently handling the matter. Milligan is the fourth JEA employee investigated and the third JEA employee arrested for violation of Florida Statute §812.014, Theft.

ALLEGATION

Misappropriation of Southside Gym (Gym) membership funds by Ronald Milligan, Linemaintainer, Electrical Overhead Distribution, JEA, who also volunteered as the Manager of the Gym.

GOVERNING DIRECTIVES

Florida Statute

Chapter 812, Theft, Robbery, and Related Crimes

- §812.014(2)(c)(3), Theft

JEA Policy and Procedures – JEA Employee-Owned Gyms

- No known governing directives related to JEA employee-owned gyms.

INVESTIGATIVE FINDINGS

OIG RECORDS REVIEW

The OIG reviewed various records, including applicable Florida Statutes and Jax Metro Credit Union (Jax Metro) bank account records, as highlighted below.

Florida Statute

§812.014, *Theft*, specifies in part:

(1) *A person commits theft if he or she knowingly obtains or uses, or endeavors to obtain or to use, the property of another with intent to, either temporarily or permanently:*

(a) *Deprive the other person of a right to the property or a benefit from the property.*

(b) *Appropriate the property to his or her own use or to the use of any person not entitled to the use of the property ...*

(2)(c) *It is grand theft of the third degree and a felony of the third degree, punishable as provided in s. 775.082, s. 775.083, or s. 775.084, if the property stolen is: ...*

1. *Valued at \$300 or more, but less than \$5,000.*
2. *Valued at \$5,000 or more, but less than \$10,000.*
3. *Valued at \$10,000 or more, but less than \$20,000.*

Jax Metro Credit Union Bank Records (Gym's Bank Account)

The OIG reviewed the Gym's⁴ bank statements for the period of January 1, 2015 through June 30, 2018, and discovered multiple occasions where it appeared Milligan used the Gym's debit card for personal use. The review determined that in addition to cash withdrawals using the debit card, Milligan also conducted personal financial transactions with various businesses, to include transactions with a financial institution, a major retailer (e-book), a gas station, and a

⁴ The Gym is referred to as "Southside Fitness Facility" on Jax Metro bank statements.

video gaming company. In addition, he purchased services related to medical weight loss and anti-aging treatments.

The OIG identified that between January 1, 2015 and June 30, 2018, on at least **35** occasions, money from the Gym's bank account totaling **\$1,424.48** appeared to have been used for non-gym-related expenses.

JSO Integrity Unit Criminal Investigation

The criminal investigation **substantiated** that Milligan used funds derived from the Gym's bank account totaling **\$11,627.83** (which included the **\$1,424.48** identified by OIG) for personal use. In April of 2019, pursuant to an arrest warrant, Milligan was arrested for violation of Florida Statute §812.014, Theft. The Office of the State Attorney for the Fourth Judicial Circuit is currently handling the matter.

TESTIMONY

In July of 2018, during the Management Review, and prior to the criminal investigation, the OIG interviewed Milligan. The interview was sworn under oath and audio recorded.

Statement of Ronald Milligan, Linemaintainer, Electrical Overhead Distribution

Milligan stated he had been employed by JEA since May of 2004. His job duties included the installation and maintenance of overhead distribution electrical utilities, replacement of power poles, and repair of power lines.

Milligan stated he voluntarily managed the Southside Gym, located within the JEA Southside Service Center. He managed the Gym for approximately nine years. During this time period no one assisted Milligan in managing the Gym.

Milligan's responsibilities related to the management of the Gym included ordering gym equipment, ordering supplements for gym members, coordinating maintenance for the gym equipment, and, overall, maintaining the Gym. Milligan used the Gym's bank account, derived from membership dues, for Gym related expenses. The gym membership dues were used to pay for any products that gym members wanted to purchase. Examples of gym related expenses were protein, 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 gym members.

Milligan was responsible for the finances of the Gym's bank account maintained at Jax Metro. 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. Milligan received the monthly bank statements; however, he stated that he did not perform bank reconciliations. Milligan did not retain any records for purchases.

JEA employees paid gym membership dues in the amount of \$5 per pay period (bi-weekly) through payroll deduction, which was automatically deposited into the Gym's bank account.

Milligan stated monies deposited into the Gym's bank account included the gym membership dues and any proceeds from the sale of any gym equipment. However, he had not sold any gym equipment in the last five years.

Milligan stated Gym purchases were made using the Gym's bank account debit card. Occasionally, Milligan withdrew cash from the bank account to make purchases related to the Gym. He explained the Gym purchased some of its equipment from individual sellers (via social media), which required payment in cash. Milligan did not maintain any receipts or "*paper trail*" for these purchases.

Milligan stated the 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 that occasionally the supplements requested by gym members could not be purchased online. In these instances, Milligan provided the Gym's bank account 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.

Milligan stated he *never* used any money from the Gym's bank account to purchase any personal non-gym-related items.

CONCLUSION

The investigations conducted by the OIG and the JSO Integrity Unit *substantiated* that Milligan used **\$11,627.83** (which included the **\$1,424.48** initially identified by OIG) from the Southside Gym's bank account for personal use. In addition, the OIG determined that Milligan falsely testified under oath when he stated he did *not* use any funds retained in the Southside Gym's bank account for personal use.

RECOMMENDED CORRECTIVE ACTIONS

The OIG recommends the following corrective actions:

1. Update the OIG on the status of the JEA employee-owned gyms.
2. Please advise the OIG if any personnel action(s) (including all outcomes) is (are) taken as a result of this investigation.

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.

Although both the OIG administrative and the JSO criminal investigations identified theft of funds, which totaled **\$11,627.83**, these funds were derived from the Southside Gym's bank account and are not related to disbursements or activities associated with the Consolidated Government.

MILLIGAN'S RESPONSE

On May 2, 2019, the OIG mailed a copy of the draft Report of Investigation to Milligan's residential address on file via certified mail. The OIG provided Milligan an opportunity to submit a written explanation or rebuttal to the findings in the draft Report of Investigation, due on or before May 13, 2019. Per the United States Postal Service's Proof of Delivery, the draft Report of Investigation was signed for (signature is illegible) on May 4, 2019. No response from Milligan was received.

MANAGEMENT COMMENTS AND CORRECTIVE ACTIONS

On May 2, 2019, 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 within twenty-one (21) calendar days, due on or before May 22, 2019. JEA management subsequently requested and was granted an extension, with a response then due on May 31, 2019.

On May 31, 2019, a written response was received from the Vice President and Chief Compliance Officer, JEA. The response is attached in its entirety to this report. On May 23, 2019, JEA terminated Milligan due to a violation of JEA's Security Procedure.

Additionally, on May 31, 2019, JEA also provided an update to OIG's Management Review 2018-0003, concerning the overall status of corrective actions regarding the employee-owned gyms. As part of JEA's updated response, JEA advised that JEA is transitioning from employee-owned to JEA-managed gyms and provided a copy of an Invitation to Negotiate for gym management services for JEA facilities. JEA also provided a copy of a newly created Benefits Manager job profile, which in part includes management oversight of JEA-operated gym facilities.

Attachment: JEA Management Response, dated May 31, 2019

cc: IG Distribution 2019-0001

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

May 31, 2019



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

ELECTRIC

WATER

SEWER

Subject: JEA's Management Response Pursuant to OIG Report of Investigation
Number 2019-0001

Dear Ms. Green:

We are herein providing our management response to your DRAFT Report of Investigation dated May 2, 2019, which includes a summary of all corrective action plans, the status of each, and any supporting documentary evidence.

Recommended Corrective Actions

1. Update the OIG on the status of the JEA employee-owned gyms.

Management's Response

The transition from employee-owned to JEA-managed gyms continues. We are providing a detailed update in our concurrent response to your DRAFT Management Review Number 2018-0003 dated November 18, 2018.

2. Please advise the OIG if any personal action(s) (including all outcomes) is (are) taken as a result of the investigation.

Management's Response

The employee who was the subject of the investigation was terminated for cause on May 23, 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 black ink that reads "Ted Hobson". The signature is written in a cursive, slightly slanted style.

Ted Hobson
VP & Chief Compliance Officer
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Cc: Ms. Melissa Dykes, President and Chief Operating Officer
Mr. Herschel Vinyard, Chief Administrative Officer