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State Auditor Mike Foley Reports Contract Violations at the Department of Corrections

State Auditor Mike Foley announced today the release of a comprehensive audit of the Nebraska Department of Corrections. The report covers a wide variety of accounting and fiscal matters. One of the most notable findings of the report relates to a serious breach of State government contracting rules regarding conflicts of interest.

A psychologist employed by the Department requested and received Department approval for a \$4,800 sole source contract to an outside corporation known as First Step -- a corporation owned by his wife and where the psychologist serves as President and Clinical Director. The psychologist then authored a "request for proposals" (RFP) for a \$200,000 contract for additional services to be purchased by the Department. He was also instrumental in the development of the scoring criteria to be used in evaluating any proposals received.

First Step bid through the RFP process and was selected as the winner of the \$200,000 contract by a review panel composed of three subordinates of the psychologist who he assigned to serve on the review panel. A notice of intent to award the contract to First Step was published by the Department but was immediately withdrawn when a competing bidder filed a complaint. An investigation commenced and the psychologist resigned his position with the Department.

In this case, our review disclosed that other personnel within the Department had various levels of knowledge of the psychologist's involvement with First Step and that Department personnel ignored obvious evidence and warning of a conflict of interest. The auditors also heard disputed accounts of how much information the psychologist disclosed regarding his involvement with First Step.

State Auditor Foley noted that the cases highlight the need for a greater awareness among some State government employees of the requirement that outside financial interests and government service must be properly segregated. Foley added, "I hope the Accountability and Disclosure Commission takes a good hard look at this case and takes whatever action it deems appropriate to send a message that this type of behavior cannot be tolerated."

A copy of the audit report can be found on the State Auditor's website under "**What's New**":
<http://www.auditors.state.ne.us/>