

Kennesaw State University

PAD 7250: Leadership & Ethics in Public Administration

Short Memorandum Assignment 5

Distributed: Thursday, April 1, 2021

Due: Thursday, April 8, 2021 @ 11:30 p.m. in the D2L Assignment Box

Directions: Write a short memorandum (4-6 pages, doubled-spaced, with no cover page in a Word file) addressing all parts of the question(s) posed below.

TOPIC

It is the spring of 1992, and you have just accepted a position as director of the state of Oklahoma's Washington, D.C. office. During your orientation, your new boss, Governor David Walters, directs you to oversee the operation of an interstate compact organization, the Southern States Energy Board (SSEB). (By the way, this is a real organization. For more information on the organization as it exists today, see: <http://www.sseb.org/>.)

Each year, SSEB elects a chairman of the board, generally a member state's governor, to set the organization's goals and direct its activities. Accordingly, as chairman of this regional group from 1991-92, Governor Walters is charged with ensuring that SSEB fulfills its statutory mandate in the most efficient and effective manner possible. As the governor's designee, you must report back to him periodically, especially if any unusual situations or problems arise.

To understand the organization's mandate as it existed in 1992, please see the attached one-page summary labeled Attachment A. This is all the information that was available on the organization's background at the time of this case.

Several weeks after you review attachment A, you are distressed to receive a certified letter, return receipt requested, written jointly by one former and one current SSEB employee. A

copy of the letter can be found as Attachment B. For purposes of this exercise, you should imagine that the enclosures referenced in the letter are included.

After reading the letter, you realize you must draft a memorandum to Governor Walters advising him on a course of action to follow for responding, or not responding, to these allegations. Please focus on the ethical issues, if any, raised in the letter. Because you are not an attorney, you should not address legal issues unless they overlap with ethical issues. Instead, your memorandum should refer to the literature that you have read in this course on matters such as character, discretion, and corruption, among other things. Also, in your memorandum, you should specifically address three points:

1. Identify the ethical problems raised in the letter, including problems, if any, associated with the authors' conduct. Assume that the governor has not read the letter, nor is he going to do so. He is a busy man, so you need to "cut to the chase" in explaining the facts and the salient issues.
2. Advise Governor Walters on whether an investigation into these allegations is or is not necessary, and explain your reasoning. If, in your opinion, an investigation is necessary, outline an ethical course of action for investigating the allegations.
3. Outline for Governor Walters what steps should be taken, if any, to resolve the ethical problems and/or punish the unethical behavior identified in your memorandum in the event that the allegations are found to be true. Be specific. Don't just tell the governor that he "better do something." He needs concrete advice on what he should do.

Assume that no written code of ethics or ethics legislation is directly applicable. Accordingly, you should base your answer on concepts and standards discussed in the literature from this course.

About SSEB

In 1992 the Southern States Energy Board celebrates its 32nd year of service to the southern region of the United States. SSEB, a public non-profit interstate compact agency, comprises 16 southern and border states and the commonwealth of Puerto Rico. The Board provides technical staff support, policy and program development and implementation and information services encompassing all areas of energy and environmental quality.

The states of Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, Missouri, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia and the commonwealth of Puerto Rico are members of the Board. Any state contiguous to a member state is also eligible for membership in the Southern States Energy Compact.

Each member state is represented on the Board by three members, the governor and a legislator from both the state House and Senate. A federal representative is appointed by the President of the United States.

Created by state law and with the consent of Congress, SSEB has been granted a broad mandate to contribute to the economic and community well-being of the citizens of the southern region. This mandate is exercised through the creation of programs in the fields of energy, science and technology, environmental quality and related areas of concern. SSEB serves its members directly by providing timely assistance designed to lead to the development of effective energy and environmental policies.

The Board provides policy-making support and technical expertise on energy and environmental quality matters to government, industry and the general public. SSEB represents its members before governmental agencies at all levels and maintains a continuing liaison with other regional and national organizations.

In establishing SSEB more than a quarter of a century ago, the southern states recognized that the development of energy and environmental resources was and would continue to be a crucial factor in the attainment of a balanced and thriving economy. The founding states believed that the optimum benefits to be derived from energy use and management of the environment transcend state lines and require mutual cooperation. SSEB originated as the instrument for implementing this policy.

Attachment B
(Five Pages)

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CERTIFIED MAIL--RETURN RECEIPT REQUESTED

Governor David Walters
Chairman
Southern States Energy Board
c/o Mr. [REDACTED]
Director
State of Oklahoma Washington Office
The Hall of the States
444 N. Capitol Street, NW
Suite 517
Washington, DC 20001

Dear Governor Walters:

We, Ricky [REDACTED] and Alex [REDACTED], are writing today because we are concerned about recent and past occurrences at the Southern States Energy Board, especially the conduct of executive director Kenneth J. Nemeth, and we believe that something must be done soon if the organization is to survive. We would like to present you, as SSEB chairman for 1991-92, with the opportunity to take steps to correct the Board's problems before the information in this letter is presented to other member governors and state budget officials.

Because I, Ricky [REDACTED], am currently an SSEB employee, I would appreciate it if you would not circulate this letter to Mr. Nemeth or his staff owing to the likely negative repercussions of such an action on my employment and the possibility that files may be removed or destroyed. I, Alex [REDACTED], recently resigned from the staff because I refused to be a party to Mr. Nemeth's actions and to the lies and mismanagement that are so prevalent at SSEB.

The impetus for this letter occurred during the past week when Mr. Nemeth directed members of his staff to initial the enclosed memorandum absolving him of responsibility for lying on his resume about a master's degree that he says he earned from the University of Georgia. I, Ricky [REDACTED], refused to initial the memorandum. I know for a fact that Mr. Nemeth intentionally lied on the resume to place it in a proposal for federal funding of SSEB's biomass project. When I confronted him with this information on April 23, Mr. Nemeth said that he had someone on the staff willing to step forward and take the blame for putting the master's degree on his resume. I have a tape recording of the conversation to document this allegation. Interestingly enough, Ken has taken all of his Lexitron disks from SSEB's disk collection, since I erringly informed him of a copy of his resume on one of his Lexitron disks.

I, Alex [REDACTED], am also aware of the deceit. The reason that Mr. [REDACTED] and I know about the lie on the resume is because we were asked to proofread the resume for inclusion in the biomass

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proposal after Mr. Nemeth had typed the resume himself on a Lexitron word processor in his office. The resume was subsequently retyped by the SSEB data coordinator with no revisions to the Lexitron version and placed in the proposal. Clearly, Mr. Nemeth wrote on his resume that he had a master's degree and he knew that the resume was being used to receive federal money.

In addition to lying on his resume, Mr. Nemeth has hired at least one other person as both an employee and a consultant who lied on his resume. Arthur J. Wacaster, who lives across the street from Mr. Nemeth and is his good friend, was an SSEB staff member from 1978 to 1990. Mr. Nemeth asked Mr. Wacaster to resign due to pressure from several staff members who are no longer on the staff. Mr. Wacaster went several years with repeated absences due to alcohol abuse. At the time he resigned owing to his alcoholism in June 1990, Mr. Wacaster was earning approximately \$70,000.00 a year. As recently as March 9th of this year, Mr. Nemeth hired Mr. Wacaster as a consultant to perform work for the Board that other staff members, who were more familiar with SSEB's recent projects, could have performed. See the enclosed invoice.

Mr. Nemeth was supposed to address a committee in Tennessee but fell down the stairs in his condominium and cut his head before he could attend the meeting. It is interesting that Mr. Nemeth dismissed four employees in mid-February on the grounds that he could not afford to pay their salaries and yet a month later he was able to pay \$1,300.00 to his friend, a former employee dismissed for cause, to represent the Board at a public hearing for SSEB's annual appropriation that a current staff member could have attended for far less money. On April 26 Mr. Nemeth left for Tennessee again to get Tennessee's appropriation.

To illustrate how much Mr. Nemeth is willing to help his good friend, in 1991 SSEB had an opportunity to work with the Lawrence Berkeley Laboratory on a model bidding project that required a subcontractor. LBL and SSEB solicited proposals from subcontractors. Scientech, a company located in Washington, D.C., submitted a bid that included Mr. Wacaster on the proposal. Scientech's proposal was supposed to be reviewed by LBL and SSEB. Mr. Nemeth asked Mr. Wacaster to review the merits of three proposals received from potential subcontractors, including Scientech. Not surprisingly, Mr. Wacaster found that the proposal that included himself was the most meritorious. The only reason Mr. Wacaster did not work as the subcontractor was that the project fell through for other reasons. The point is, however, that Mr. Nemeth was willing to allow his friend to review proposals, pick his own proposal, and charge time to LBL on that basis. If this is not fraud, we are at loss to know what constitutes fraud.

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Beginning May 1, 1992, Mr. Wacaster will begin employment at Scientech.

Mr. Wacaster once borrowed Mr. Nemeth's Corvette and was involved in an automobile accident. When the police arrived, Mr. Wacaster posed as Mr. Nemeth and said he did not have his driver's license with him. Later Mr. Nemeth tried to shield his friend from liability by informing the court that someone had posed as him after the accident, but he, Mr. Nemeth, did not know who had done so. Mr. Nemeth apparently will do anything to help his friend, even if it is at his or SSEB's expense.

As far as Mr. Wacaster is concerned, on his resume he claims to hold a master's degree from Georgia State University here in Atlanta. The University, however, has no record of a degree being granted. They have records indicating that Mr. Wacaster took courses in the Spring and Fall of 1977, but no other data are available. Unfortunately, we have been unable to locate a copy of Mr. Wacaster's resume; it seems they have mysteriously disappeared. We find it amazing that two close friends working in the same organization claimed to hold degrees that they had not earned.

We believed that a thorough review of SSEB files and records would reveal other indiscretions, such as:

(1) In October 1991 Mr. Nemeth decided that SSEB needed to conduct "team building" exercises because many of the staff members were not "a part of (his) team." SSEB spent over \$5,000.00 to hire noted Atlanta Braves sports psychologist Jack Llewellyn to speak to the staff in West Palm Beach for one day. Over \$20,000.00 was spent to fly the staff to West Palm Beach, pay Dr. Llewellyn's expenses, and allow Mr. Nemeth and other members of his staff to go diving. Unlimited amounts of alcohol were provided to Mr. Nemeth and his staff. Some of the funding for the trip came from state appropriations and the remainder was charged to a federal project on conservation and renewable energy since a conservation meeting was held in conjunction with the West Palm Beach trip. Less than four months after this extravaganza, Mr. Nemeth released four staff members owing to "budget difficulties."

(2) In each year during 1988, 1989, and 1990, the staff Christmas party cost approximately two thousand dollars for a staff of 10, plus spouses and significant others. The major reason for this expense was the alcohol provided. Please see the accompanying photographs, which show Mr. Nemeth in a drunken state. In one photograph, he and Mr. Wacaster are wearing napkins on their heads

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and in another Mr. Nemeth is holding a vibrator. We do not know if other people present were personally offended by Mr. Nemeth's actions, but they clearly would be offensive to the taxpayers who provided funds for this behavior. Please note that these parties were financed with funds obtained from SSEB member states, including Oklahoma.

(3) Mr. Nemeth leaves the office on personal errands quite often without taking Paid Time Off (PTO), as is required by company policy. We both personally know of his leaving work to have his hair dyed, attend one of his DUI hearings, conduct his SCUBA business (Kenny Sue Enterprises), visit his psychiatrist or otherwise attend to personal matters. Over the years, he has forgotten that he is a public servant, choosing instead to personalize his office for his own gain.

(4) Mr. Raymond J. Peery, who was recently convicted of misappropriating \$800,000.00 of federal funds from the Central States Low-Level Radioactive Waste Compact in Nebraska, was a close friend of Arthur J. Wacaster. Mr. Wacaster persuaded Mr. Nemeth to hire Mr. Peery back in the early 1980s. Mr. Peery got his start under Messrs. Wacaster and Nemeth and he even spent some time as a consultant to the Board after he left SSEB. The television show Inside Edition paid a visit to Mr. Nemeth after Mr. Peery's arrest, but Mr. Nemeth refused to talk about his former employee. While this may not in and of itself mean anything, it is a cause for some concern taken in the context of Mr. Nemeth's other business practices.

(5) Mr. Nemeth is abusive to staff members, cursing and screaming at his subordinates. He is moody, unpredictable and tyrannical. He rewards favoritism and cronyism, encouraging the support staff to report to him when someone else says something that might be construed as negative. When he hears of any dissension, he calls employees into his office and screams at them, telling them to "become part of my team or face the consequences." His behavior has caused at least half a dozen staff members to resign over the years owing to their dissatisfaction with the management of the organization. Almost everyone who refuses to "kiss up" to Mr. Nemeth either leaves because of frustration or is conveniently dismissed owing to "budget difficulties."

(6) Speaking of budget difficulties and extravagant spending, the office space where SSEB is currently located is some of the most expensive rental property in the Atlanta metropolitan area. In fact, it is more expensive than 95 percent of other properties of similar size in downtown Atlanta. The Board pays over \$6,000.00 a month in rent. (Copy of one month's rent payment attached and also comparisons of office space).

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(7) We understand that several states, including Texas, Louisiana, and Tennessee, have not paid their appropriations this year. Virginia has attempted to withdraw from the SSEB compact and Texas may already have done so. Missouri has not paid its appropriation since 1986. In each case, the leadership in these states has questioned the necessity of an organization such as SSEB. Until recently, we thought that the organization contributed a great deal to the economy of the southern region, as it is supposed to do according to its mission statement. Yet the allegations contained in this letter make one doubt the continued validity of the Board unless steps are taken to correct these problems. We believe that even more states will forego payment or withdraw from the compact unless SSEB becomes a more productive agency.

We realize that these allegations are serious; however, we are prepared to testify to the accuracy of this information to the SSEB executive committee, if necessary. Most of these allegations can be verified with a management audit of SSEB. We both know of at least several other former SSEB employees who would come forward willingly with similar information if they were asked to do so. Other former and current employees would reluctantly testify to these allegations if they could be assured that their jobs or their reputations were not in jeopardy.

It is important to us that the abuses at SSEB stop once and for all. The reason these practices have continued as long as they have is because people fear retribution, they feel Ken is entrenched as executive director, and they feel they have no one to turn to with this information. We ask that you take action in this matter or, alternatively, we will ask other member governors and state budget officials to rectify this situation, i.e., that Oklahoma has failed to act on or has helped cover up by alerting Mr. Nemeth to allegations and allowing him to hide evidence. Since the press has had a field day with Congressmen bouncing checks, think of the potential damage these allegations might cause the southern states.

Sincerely,

Ricky [REDACTED]
Manager, Information Services
October 1988-Present
[REDACTED]
[REDACTED]
[REDACTED]

Alex [REDACTED]
Former Research Assistant
July 1990-April 1992
[REDACTED]
[REDACTED]
[REDACTED]