

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



DWI / FELONY SPEEDING TO ELUDE VEHICLE SEIZURE PROGRAM

DEPARTMENT OF ADMINISTRATION
DEPARTMENT OF PUBLIC INSTRUCTION

FINANCIAL RELATED AUDIT
SEPTEMBER 2017



NC OSA
The Taxpayers' Watchdog

EXECUTIVE SUMMARY

PURPOSE

The objective of this audit was to determine whether private contractors operated the DWI/Felony Speeding to Elude Vehicle Seizure Program (Program) in accordance with contract terms and state regulations.

BACKGROUND

Under the State's DWI/Felony Speeding to Elude Vehicle Seizure Program (Program), vehicles operated by drivers arrested for repeat DWI offenses and for Felony Speeding to Elude Arrest are seized, maintained, stored, and sold.

North Carolina General Statute 20-28 sets forth the guidelines for the Program and authorizes State Agencies to enter into and administer contracts for towing, storing, processing, maintaining, and selling vehicles seized by law enforcement.

Two contractors operate the Program for the State. Martin Edwards & Associates, Inc. (MEA) operates the Program in the east region and Eastway Wrecker Service, Inc. (Eastway) operates the Program in the west region.

The Department of Public Instruction (DPI) was responsible for the administration and oversight of the Program from December 1, 1997 to February 29, 2016. The Program was moved to the Department of Administration's State Surplus Property Agency as of March 1, 2016.

KEY FINDINGS

- Contractors cannot account for 234 vehicles

KEY RECOMMENDATIONS

- The Department of Administration should monitor contractor performance on a regular basis and follow-up on any matters of noncompliance
- The Department of Administration should determine to what extent the contractors are able to provide these services under current and future state contracts

The key findings and recommendations in this summary may not be inclusive of all the findings and recommendations in this report.

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Office of the State Auditor



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AUDITOR'S TRANSMITTAL

The Honorable Roy Cooper, Governor
Members of the North Carolina General Assembly
Machelle Sanders, Secretary of the Department of Administration
Mark Johnson, State Superintendent, Department of Public Instruction

Ladies and Gentlemen:

We are pleased to submit this financial related report titled *DWI/Felony Speeding to Elude Vehicle Seizure Program*. The objective of this audit was to determine whether private contractors operated the DWI/Felony Speeding to Elude Vehicle Seizure Program (Program) in accordance with contract terms and state regulations.

The Department of Administration Secretary Machelle Sanders and Department of Public Instruction State Superintendent Mark Johnson reviewed a draft copy of this report. Their written comments are included starting on page 14.

This audit was conducted in accordance with *Article 5A of Chapter 147 of the North Carolina General Statutes*.

We appreciate the cooperation received from management and the employees of Department of Administration and Department of Public Instruction during our audit.

Respectfully submitted,

A handwritten signature in cursive script that reads 'Beth A. Wood'.

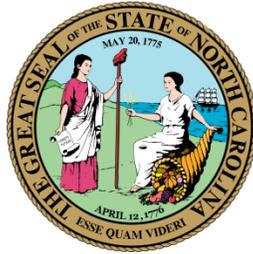
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BACKGROUND

Under the State's DWI/Felony Speeding to Elude Vehicle Seizure Program (Program), vehicles operated by drivers arrested for repeat DWI offenses or Felony Speeding to Elude Arrest are seized, maintained, stored, and sold.

North Carolina General Statute 20-28 sets forth the guidelines for the Program and authorizes State Agencies to enter into and administer contracts for towing, storing, processing, maintaining, and selling vehicles seized by law enforcement.

Two contactors operate the Program for the State. Martin Edwards & Associates, Inc. (MEA) operates the Program in the east region and Eastway Wrecker Service, Inc. (Eastway) operates the Program in the west region.¹

The Department of Public Instruction (DPI) was responsible for the administration and oversight of the Program from December 1, 1997 to February 29, 2016. The Program was moved to the Department of Administration's State Surplus Property Agency as of March 1, 2016.

¹ The Program applies to vehicles seized in accordance with *North Carolina General Statute 20-28* in all counties in North Carolina except Cleveland County.



OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this audit was to determine whether private contractors operated the DWI/Felony Speeding to Elude Vehicle Seizure Program (Program) in accordance with contract terms and state regulations.

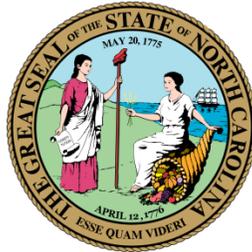
The audit scope included a review of Program activities between July 1, 2011, and June 30, 2016.

To accomplish the audit objective, auditors interviewed personnel, observed operations, reviewed policies, analyzed records, and examined documentation supporting transactions, as considered necessary. Whenever sampling was used, auditors applied a nonstatistical approach. Therefore, results could not be projected to the population. This approach was determined to adequately support audit conclusions.

Because of the test nature and other inherent limitations of an audit, together with limitations of any system of internal and management controls, this audit would not necessarily disclose all performance weaknesses or lack of compliance.

As a basis for evaluating internal control, auditors applied the internal control guidance contained in professional auditing standards. However, our audit does not provide a basis for rendering an opinion on internal control, and consequently, we have not issued such an opinion.

We conducted this financial related audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.



FINDING, RECOMMENDATIONS, AND RESPONSES

CONTRACTORS CANNOT ACCOUNT FOR 234 VEHICLES

Contractors for the State’s DWI/Felony Speeding to Elude Vehicle Seizure Program (Program) cannot provide documentation² to account for 234 vehicles. As a result, the state has no way of knowing what happened to approximately \$634,000³ of seized vehicles, including whether or not contractors inappropriately kept or auctioned these vehicles for their own profit.

234 Vehicles Worth \$634,000 Unaccounted for

Contractors for the Program cannot provide documentation² to account for 234 vehicles. These vehicles had a value of approximately \$634,000. The vehicles were seized between July 1, 2013, and June 30, 2016.

Per terms of the Program contract, these vehicles should have (1) been auctioned, (2) been in contractor storage, or (3) been returned to the owner.

However, contractors were unable to provide documentation supporting the status or location of the vehicles (See Appendix for full list of missing vehicles).

<u>Contractor</u>	<u>Total Seized Vehicles</u>	<u>Total Missing Vehicles</u>	<u>Vehicle Value</u> ³
MEA	4,772	221	\$ 594,800
Eastway	4,018	13	<u>39,150</u>
Total		<u>234</u>	<u>\$ 633,950</u>

NOTE: Auditors performed limited procedures to determine the status and location of these vehicles. However, auditors were unable to make a clear determination. Information contained in reports and documentation (vehicle seized dates, vehicle title issuance dates, etc.) from the Division of Motor Vehicles (DMV), Contractors, and other external sources was not consistent and therefore could not be relied upon to make conclusions.

Due to lack of audit resources and competing priorities, auditors referred this matter to DMV’s License & Theft Bureau for a more thorough investigation into the status and location of these vehicles.

² Contractors claimed that some of these vehicles were never in their possession, some were returned to vehicle owners, and some were auctioned through the program. If so, there should be documents that support these claims such as DMV Certificates of Repossession and auction receipts. However, contractors and other parties (DMV, local law enforcement, etc.) were unable to provide documentation to support the status and location of these vehicles.

³ Values of the vehicles are the bond value assigned by DMV at the time of vehicle seizure and obtained from the DMV STARS database.

Resulted in Risk that Contractors Inappropriately Benefited from Contracts

Because contractors were unable to provide documentation supporting the status or location of these vehicles, there is a risk that contractors inappropriately benefited from the contract.

And because of the lack of documentation, it would be difficult to detect if contractors inappropriately benefited from the Program. For example, they could have kept the vehicles for themselves or auctioned them off and retained all the proceeds.

Also Potentially Resulted in Fewer Funds to Local School Districts

There is also a risk that local school districts⁴ received fewer funds to support educational operations.

Per terms of the contract, contractors were required to issue checks to school districts for a portion⁵ of the proceeds of vehicle sales. If these vehicles were never auctioned within the Program, then the school districts did not receive a portion of the proceeds.

Caused by Lack of Departmental Priority and Oversight

According to Department of Public Instruction (DPI) Deputy Chief Financial Officer, DPI never wanted the responsibility of administering the Program because it was burdensome and was never considered part of DPI's core business. As such, DPI never allocated the proper amount of time and resources necessary to ensure that the Program was properly administered and monitored.

Because DPI didn't want the Program, DPI did not effectively monitor the Program⁶ in two key areas.

First, DPI did not attempt to validate the contractor's inventory reports for completeness by comparing them to DMV records.

If DPI had done so, it would have noticed that DMV records showed that vehicles were seized and entered into the Program in one month that were not included on the contractor's inventory records the next month.

Secondly, DPI did not reconcile the contractor's inventory reports from one month to the next.

If DPI had done so, it would have noticed that several vehicles were missing from contractor reports in subsequent months. For example, DPI would have noticed that a 2007 Mercedes SLK 350 went missing and was unaccounted for. This vehicle was listed on MEA's October 2015 inventory report but not their November 2015 inventory report. There is no record of the vehicle being sold and it was not listed in the contractor sales reports or auction documentation.

⁴ Checks were issued to the school district in which the vehicle was seized.

⁵ The amounts received by school districts were based on a formula that took into account the proceeds from the sale of the vehicles minus certain contractor costs including but not limited to sub tow fees, contractor tow fees, administrative fees, and storage fees.

⁶ DPI was the administrator of the Program from December 1, 1997 to February 29, 2016. Oversight of the Program was moved to the Department of Administration as of March 1, 2016.

Although DPI attended some of the auctions, the vehicles sold were not reconciled to the contractor sales data reports on a regular basis. Instead, DPI simply relied on the sales documentation provided by the contractors.

Contractors Are Responsible for Seized Vehicles

The State's contracts for the Program required contractors to account for vehicles in the Program. Contract terms required Program contractors to tow, store, process, maintain, and sell vehicles seized under North Carolina's DWI law. Included in the contract terms are the requirement that contractors ensure the safety of the vehicles and maintain adequate documentation of the vehicles through the time of sale. According to the contract:

- "Contractor shall be responsible for the safety of the motor vehicles in their custody and control"
- "Contractor shall provide DPI, on the 1st of each month, a computerized up-to-date inventory of all motor vehicles in their custody and control"
- "Contractor shall notify DPI not less than 20 days prior to the sale of the forfeited vehicle"
- "Contractor shall provide DPI with a copy of each bill of sale at the end of each sale"

RECOMMENDATIONS

The Department of Administration should monitor contractor performance on a regular basis and follow-up on any matters of noncompliance.

The Department of Administration should determine to what extent the contractors are able to provide these services under current and future state contracts.

Note: This finding was referred to DMV's License & Theft Bureau for a more thorough investigation into the status and location of these vehicles.

AGENCY RESPONSE

See page 14 for the Department of Administration's response to this finding.

See page 16 for the Department of Public Instruction's response to this finding.



MATTERS FOR FURTHER CONSIDERATION

During the course of an audit, Office of the State Auditor staff may uncover potential issues that are outside of the audit objective. Although the issues may not have been part of the planned objective, the issues need to be presented to those charged with governance of the organization under audit. Below are such issues.

Martin Edwards and Associates, Inc. Actively Hindered the Audit

The Department of Administration (DOA) should consider if the State should continue to contract with Martin Edwards and Associates, Inc. (MEA). In addition to its inability to produce documentation supporting the status or location of 221 seized vehicles, MEA was uncooperative and actively presented scope limitations to auditors. For example, MEA:

- Tried to Refuse a State Auditor Subpoena
- Was Unwilling to Produce Documentation Requested by Auditors
- Had Poor Recordkeeping and Could Not Produce Over 440 Documents

Auditors served MEA with a subpoena. MEA tried to refuse the subpoena and threw it back to the serving auditor.

The reason why auditors attempted to serve a subpoena to MEA is because from the time auditors notified MEA of the audit objectives and scope, MEA was uncooperative. When auditors initially requested documentation necessary to perform audit procedures, MEA stated that they would be unable to provide the documentation in a timely manner, if at all.

MEA eventually provided auditors with a portion of the documentation requested over the course of four and a half months, but were unable to provide, or chose not to provide, over 440 documents.

It should be noted that all documentation requested by auditors were those that MEA was required to retain per the terms of their contract with the State.

Conversely, the State's other Program contractor was cooperative and produced nearly all requested documentation to auditors within two weeks.

Title Holds Not Placed on Seized Vehicles on a Timely Basis

The Basic Law Enforcement Training (BLET)⁷ Curriculum should include a course that trains law enforcement officers with the Department of Transportation's Division of Motor Vehicle's (DMV) notification requirement for the DWI/Felony Speeding to Elude Vehicle Seizure Program (Program).

Law Enforcement⁸ did not provide timely vehicle seizure information to DMV. Once a vehicle has been seized by law enforcement, it is the duty of the officer to notify DMV within 24 hours so DMV can place a title hold⁹ on that vehicle.¹⁰

⁷ The Basic Law Enforcement Training (BLET) Curriculum is designed to prepare entry-level individuals with the Cognitive and physical skills needed to become certified law enforcement officers in North Carolina. The 16 week course includes topics such as Firearms, Driver Training, Motor Vehicle Law, and Arrest, Search and Seizure.

⁸ Law Enforcement agencies include local police, county sheriffs, and highway patrol.

⁹ When title holds are placed on vehicles, the owner is prohibited from repossessing the vehicle without a court order. It also alerts DWI/Felony Speeding to Elude Vehicle Seizure Program (Program) contractors that the seized vehicles are authorized for pick-up.

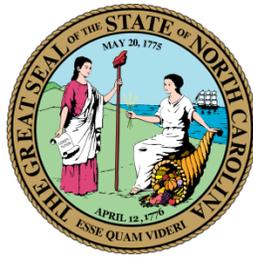
¹⁰ *North Carolina General Statute 20C-28.3(b)*

According to law enforcement agencies, they are not properly trained on the state law requiring notification to DMV within 24 hours. They are not trained or made aware of the law during BLET and instead only learn of the requirement while on the job from other officers with previous seized vehicle experience.

Auditors reviewed DMV vehicle seizure reports¹¹ for the period July 1, 2013, to June 30, 2016, and found that 4,098 of 8,825 (46%) of vehicles seized by law enforcement were reported to DMV after the 24 hours required by state law. Of those 4,098 vehicles, 360 were not reported until after at least 10 days after the time of seizure.

Without notification, DMV cannot appropriately place a title hold on these vehicles. If title holds are not placed on vehicles on a timely basis, there is an increased risk that the owner that violated the DWI/Felony Speeding to Elude law might repossess the vehicle and continue to be a hazard to other motorists. It also increases the risk that Program contractors improperly take custody of and keep the vehicles themselves or sell the vehicles and retain all proceeds.

¹¹ DMV reports that document vehicle seizure dates, title hold dates, title removal dates for vehicles seized under the DWI/Felony Speeding to Elude law.



APPENDIX

Martin Edwards & Associates Inc.					
	VIN	Vehicle Year	Vehicle Make	Vehicle Model	Value*
1	1G6DV1EP8D0115176	2013	Cadillac	CTS	\$ 28,220
2	WAURVAFD2BN005065	2011	Audi	A8	25,350
3	1FTFW1ET6DFB79259	2013	Ford	F-150	14,690
4	3C4PDCBG5GT13?	2016	Dodge	Journey	13,360
5	5J6TF3H58DL000873	2013	Honda	Crosstour	12,910
6	1ZVBP8EM9E5219805	2014	Ford	Mustang	12,780
7	1C4RJFAG7CC244380	2012	Jeep	Grand Cherokee	12,510
8	4JGBF71E48A394792	2008	Mercedes-Benz	GL-Class	12,210
9	3D6WZ4CLXBG562087	2011	Dodge	Ram 3500	12,110
10	1N4AA5AP6CC833823	2012	Nissan	Maxima	10,890
11	1N4AL3AP5DN511646	2013	Nissan	Altima	9,750
12	2FMDK3GC3CBA86769	2012	Ford	Edge	9,480
13	1N4AL2AP2CC209221	2012	Nissan	Altima	8,960
14	1N4AL2AP9CN515000	2012	Nissan	Altima	8,960
15	5NPDH4AE1DH243059	2013	Hyundai	Elantra	8,430
16	1G1PC5SB0D7149421	2013	Chevrolet	Cruze	7,970
17	1G1PG5SC2C7137041	2012	Chevrolet	Cruze	7,350
18	KNDJP3A57E7000734	2014	Kia	Soul	7,300
19	5FNYP18547B010436	2007	Honda	Pilot	7,250
20	1FTNE2EL7BDA58396	2011	Ford	E-Series Van	7,020
21	2G1WG5EK1B1147716	2011	Chevrolet	Impala	6,540
22	5GZER13768J202890	2008	Saturn	Outlook	6,270
23	1YVHP82A995M11992	2009	Mazda	6	5,590
24	1FTPW14V66KD69791	2006	Ford	F-150	5,430
25	1GCGG25CX81104543	2008	Chevrolet	Express	5,110
26	JS1GN7FA0C2100966	2012	Suzuki	GSX-R600L1	5,100
27	1N4BA41E26C845100	2006	Nissan	Maxima	4,790
28	2G1WG5EK0B1113850	2011	Chevrolet	Impala	4,700
29	1FTYR44E08PA57100	2008	Ford	Ranger	4,690
30	2A8GF78486R652434	2006	Chrysler	Pacifica	4,610
31	JS1GX72A592101541	2009	Suzuki	GSX-1300R	4,610
32	1GYEK63N43R104396	2003	Cadillac	Escalade	4,540
33	1FTYR10D99PA47128	2009	Ford	Ranger	4,470
34	SAJEA71C64SG06552	2004	Jaguar	Xj	4,370
35	5TEGM92N74Z376006	2004	Toyota	Tacoma	4,350
36	WMWRE33425TD92476	2005	MINI	Cooper	4,230
37	2GTEK19T341189501	2004	GMC	Sierra 1500	4,190
38	JNKC51F54M702231	2004	Infiniti	G35	4,180
39	3D4GG47B99T158767	2009	Dodge	Journey	4,150
40	1HGCM56405A178051	2005	Honda	Accord	4,110
41	5TDZA23C95S243963	2005	Toyota	Sienna	4,090
42	SAJWA01T15FN13960	2005	Jaguar	S	4,090
43	WDBWK56F07F140066	2007	Mercedes-Benz	SLK	3,980
44	1HGCM66564A012968	2004	Honda	Accord	3,750
45	1N4AL11D76C121737	2006	Nissan	Altima	3,690
46	1GNDS13S962340153	2006	Chevrolet	TrailBlazer	3,580
47	1FTRF12277KC22950	2007	Ford	F-150	3,550
48	2G2WP552561127146	2006	Pontiac	Grand Prix	3,350
49	1GTDT136168118549	2006	GMC	Canyon	3,300
50	2D8GZ48V65G511230	2005	Dodge	X	3,290

Martin Edwards & Associates Inc.					
	VIN	Vehicle Year	Vehicle Make	Vehicle Model	Value*
51	YV1NC63D94J042577	2004	Volvo	C70	3,260
52	KNAFG526877112368	2007	Kia	Rondo	3,150
53	5N1ED28Y84C674512	2004	Nissan	Xterra	3,120
54	1GNEC13Z03R108669	2003	Chevrolet	Tahoe	3,110
55	1FAFP23115G118407	2005	Ford	500	3,070
56	1GCEC19V54Z302340	2004	Chevrolet	Silverado	3,050
57	5LMFU27R43LJ25304	2003	Lincoln	Navigator	2,970
58	JH2SC57086M210664	2006	Honda	CBR 1000	2,820
59	3VVSP69MX3M172368	2003	Volkswagen	Jetta	2,750
60	1FTRW07652KD62879	2002	Ford	F-150	2,710
61	1G1ZU64834F215463	2004	Chevrolet	Malibu	2,650
62	JS1GN7DA072104380	2007	Suzuki	GSX-R600	2,550
63	JKAZXCC1X4A007816	2004	Kawasaki	ZX1000-C	2,540
64	JKAZXCD196A011227	2006	Kawasaki	ZX1000-D	2,470
65	1B7MC337X1J575821	2001	Dodge	Ram Truck	2,420
66	19UUA5664YA039818	2000	Acura	TL	2,390
67	KNAFE121865232877	2006	Kia	Spectra	2,370
68	WBADD6320WBW44212	1998	BMW	5-Series	2,260
69	1HGCG56772A137820	2002	Honda	Accord	2,240
70	1B3EL46T85N601058	2005	Dodge	Stratus	2,190
71	1B3EL46X75N605640	2005	Dodge	Stratus	2,190
72	JH2SC57024M003555	2004	Honda	CBR 1000	2,180
73	1FMNU43S71EB38083	2001	Ford	Excursion	2,080
74	JNKCA31A61T020366	2001	Infiniti	I30	2,040
75	JS1GN7DA262111796	2006	Suzuki	GSX-R600	2,040
76	JHMCG56631C010098	2001	Honda	Accord	2,000
77	1G4HP52K034152962	2003	Buick	LeSabre	1,990
78	1LNHM82W31Y696892	2001	Lincoln	Town Car	1,960
79	2F28061H8	1978	Harley Davidson	X	1,920
80	2GTEC19T6Y1365086	2000	GMC	Sierra 1500	1,910
81	2GTEC19V5Y1234393	2000	GMC	Sierra 1500	1,910
82	JH2PC35076M701739	2006	Honda	CBR 600F4	1,910
83	1J4GW48S62C243897	2002	Jeep	Grand Cherokee	1,890
84	JT8BF28G0W5027763	1998	Lexus	Es 300	1,880
85	1HGCG55601A012634	2001	Honda	Accord	1,870
86	1HGCG2245YA008185	2000	Honda	Accord	1,850
87	JN1CA31D6YT724141	2000	Nissan	Maxima	1,840
88	5TENL42N92Z005052	2002	Toyota	Tacoma	1,830
89	1FMPU18L4XLC41684	1999	Ford	Expedition	1,820
90	1FMRU166XYLB49762	2000	Ford	Expedition	1,820
91	1GTHC33F6WF021579	1998	GMC	Sierra	1,820
92	1LNHM82W2YY937156	2000	Lincoln	Town Car	1,780
93	1GNEK13TXYJ107632	2000	Chevrolet	Tahoe	1,770
94	4C3AG42G64E136940	2004	Chrysler	Sebring	1,760
95	JA4LS21H33J043747	2003	MITS	Montera Sport	1,760

Martin Edwards & Associates Inc.					
	VIN	Vehicle Year	Vehicle Make	Vehicle Model	Value*
96	1GNDS13SX22249564	2002	Chevrolet	TrailBlazer	1,750
97	1G1YY0780G5107269	1986	Chevrolet	Corvette	1,730
98	3B7HC13Z6YG126087	2000	Dodge	Ram 1500	1,710
99	1FAFP40412F232385	2002	Ford	Mustang	1,650
100	1FTYR14V6YPA38579	2000	Ford	Ranger	1,650
101	1G4HR54K91U197693	2001	Buick	LeSabre	1,650
102	5N1ED28T51C570446	2001	Nissan	Xterra	1,650
103	SALTY12441A291540	2001	Landrover	Discovery	1,650
104	1HD4CAM17LY132808	1990	Harley Davidson	XLH 883	1,630
105	JNKBY31A7VM303902	1997	Infiniti	Q45	1,620
106	1FTRX17WXXNC29883	1999	Ford	F-150	1,610
107	4T1BG22K2YU646137	2000	Toyota	Camry	1,570
108	1D4GP24333B130943	2003	Dodge	Caravan	1,560
109	2T1CG22P6YC388545	2000	Toyota	Camry	1,560
110	3C4FY48B63T591698	2003	Chrysler	PT Cruiser	1,520
111	1G6DW52P3TR709824	1996	Cadillac	Fleetwood	1,490
112	2FAFP71WX1X109608	2001	Ford	Crown Victoria	1,490
113	1GNEK13R7VJ390023	1997	Chevrolet	Tahoe	1,470
114	1FAFP34Z73W243294	2003	Ford	Focus	1,450
115	1FAFP53243G174073	2003	Ford	Taurus	1,450
116	1FAFP53U83A160410	2003	Ford	Taurus	1,450
117	1FMFU18L6VLC26340	1997	Ford	Expedition	1,410
118	1GCEK19M2VE254881	1997	Chevrolet	C-K 1500	1,410
119	1J4GZ48S6WC316389	1998	Jeep	Grand Cherokee	1,410
120	1B4HS28N1YF274824	2000	Dodge	Durango	1,400
121	1J4FF48S4YL195403	2000	Jeep	Cherokee	1,370
122	1C4GP64L1YB615688	2000	Chrysler	Town and Country	1,350
123	2G4WB55K011133029	2001	Buick	Regal	1,330
124	WBACB3320SFE20671	1995	BMW	3-Series	1,330
125	1G8ZR14762Z194732	2002	Saturn	SC	1,310
126	2G1WF55E719114782	2001	Chevrolet	Impala	1,310
127	1J4GZ78Y7WC111895	1998	Jeep	Grand Cherokee	1,270
128	1B4GP25392B657800	2002	Dodge	Caravan	1,260
129	JT2BG22K4X0345193	1999	Toyota	Camry	1,250
130	1B4HS28Y2XF613261	1999	Dodge	Durango	1,240
131	1B3EL46X32N236447	2002	Dodge	Stratus	1,230
132	2G1FP22G7W2110135	1998	Chevrolet	Camaro	1,230
133	1GNDM19W11B144415	2001	Chevrolet	Astro	1,200
134	1GNDM19W21B130149	2001	Chevrolet	Astro	1,200
135	2HGEGJ6612YH506590	2000	Honda	Civic	1,190
136	KNAFB121145311510	2004	Kia	Spectra	1,190
137	1G6KD52Y7VU201507	1997	Cadillac	Deville	1,180
138	1G3WS52H2YF296877	2000	Oldsmobile	Intrigue	1,170
139	1G3WS52H8YF142464	2000	Oldsmobile	Intrigue	1,170
140	1G2NW12E3XM906976	1999	Pontiac	Grand AM	1,140

Martin Edwards & Associates Inc.					
	VIN	Vehicle Year	Vehicle Make	Vehicle Model	Value*
141	1GKDT13W0W2546913	1998	GMC	Jimmy	1,130
142	1GNDD13W7X2229814	1999	Chevrolet	Blazer	1,130
143	3N1CB51D51L500443	2001	Nissan	Sentra	1,130
144	1HGEJ6677WL056598	1998	Honda	Civic	1,110
145	1FAFP55U81G199036	2001	Ford	Taurus	1,100
146	1G8ZH5285Z2187714	2002	Saturn	SL	1,100
147	1C4GP54L5WB584078	1998	Chrysler	Town and Country	1,090
148	1J4FX58S8VC610348	1997	Jeep	Grand Cherokee	1,060
149	JKAZX2E13YA004818	2000	Kawasaki	ZX900-E	1,060
150	1G3HN52KXX4813137	1999	Oldsmobile	88	1,030
151	4T1BF12B0TU120157	1996	Toyota	Avalon	1,030
152	1G6KD52Y6TU259654	1996	Cadillac	Deville	1,020
153	1GMDX03E9YD162116	2000	Pontiac	Montana	1,020
154	KNDJB723415094564	2001	Kia	Sportage	1,010
155	KNDJB723915087870	2001	Kia	Sportage	1,010
156	3VWAA81E8VM804185	1997	Volkswagen	Cabrio	990
157	2G4WS52M0X1540475	1999	Buick	Century	970
158	JH2MF06174K201122	2004	Honda	NSS250	960
159	1G8ZH52811Z338272	2001	Saturn	SL	950
160	3C3EL45HXWT258416	1998	Chrysler	Sebring	930
161	1G1JC124617209987	2001	Chevrolet	Cavalier	910
162	1HGCD5655SA022642	1995	Honda	Accord	910
163	2FMZA5147YBC62106	2000	Ford	Windstar	910
164	1HGCD563XSA148817	1995	Honda	Accord	890
165	4S3BK4358V7321610	1997	Subaru	Legacy	890
166	3B7HC13YXTG192805	1996	Dodge	Ram 1500	870
167	1J4FJ68S4VL592406	1997	Jeep	Cherokee	860
168	1P4GP44G1WB648271	1998	Plymouth	Grand Voyager	860
169	1J4GZ58Y4TC178891	1996	Jeep	Grand Cherokee	850
170	1J4GZ58Y4TC226566	1996	Jeep	Grand Cherokee	850
171	1J4GZ58Y4TC379786	1996	Jeep	Grand Cherokee	850
172	4TAVL52N4TZ130961	1996	Toyota	Tacoma	850
173	1FMDU35P6TUD69970	1996	Ford	Explorer	840
174	JN8HD17Y8SW077972	1995	Nissan	Pathfinder	820
175	1GNEV18K4JF111739	1988	Chevrolet	Blazer	800
176	4T1GK12E2RU063965	1994	Toyota	Camry	800
177	2G1WL52M3X9202189	1999	Chevrolet	Lumina	790
178	1FTEX15N4PKB82764	1993	Ford	F-150	780
179	JN1CA21D8ST011324	1995	Nissan	Maxima	780
180	JM1NA3511N0316519	1992	Mazda	Miata	760
181	1FTEF14Y0JNB42668	1988	Ford	F-150	750
182	1FMDU34X6RUA90836	1994	Ford	Explorer	740
183	1GNCS18W1VK204105	1997	Chevrolet	Blazer	700
184	1FMDU32X9SUA44958	1995	Ford	Explorer	690
185	1J4GZ58S9PC604415	1993	Jeep	Grand Cherokee	690

Martin Edwards & Associates Inc.					
	VIN	Vehicle Year	Vehicle Make	Vehicle Model	Value*
186	4T1SK12E9PU291730	1993	Toyota	Camry	690
187	JT2ST87N3P0140773	1993	Toyota	Celica	690
188	1HGCB9754NA010580	1992	Honda	Accord	680
189	1FMDU15N0GLA06739	1986	Ford	Bronco	670
190	1G1JC124XX7215042	1999	Chevrolet	Cavalier	660
191	1HGCB7656NA144769	1992	Honda	Accord	640
192	1G2HX52K9TH200721	1996	Pontiac	Bonneville	610
193	1G8ZH528XWZ145450	1998	Saturn	SL	610
194	NCMS72348	2002	Suzuki	GSX-R600	610
195	1FTDF15Y5LNA96185	1990	Ford	F-150	600
196	1GCCS19Z1SK248828	1995	Chevrolet	S10	580
197	JT2AC52L5V0235428	1997	Toyota	Tercel	570
198	1HGCB7157LA038934	1990	Honda	Accord	550
199	1B4GH44R8NX235409	1992	Dodge	Grand Caravan	540
200	1G5CS18B6E0503954	1984	GMC	Jimmy	540
201	1GCCS19Z1N8194383	1992	Chevrolet	S10	540
202	1GCDC14H5EF353885	1984	Chevrolet	C-K 10	540
203	4S1CL11L9M4202300	1991	Isuzu	Pickup	540
204	F10ANT41517	1974	Ford	X	540
205	F10HNB75300	1976	Ford	X	540
206	JT4RN81A3N0105332	1992	Toyota	Pickup	540
207	1NXAE04B6RZ173296	1994	Toyota	Corolla	530
208	2S2AB21H6Y6601419	2000	Suzuki	Swift	530
209	JS1GN72A4V2103152	1997	Suzuki	GSX 600F	520
210	JT2EL45F1N0084489	1992	Toyota	Paseo	470
211	4T1SV24EXLU145566	1990	Toyota	Camry	450
212	1G3AJ55M3S6342665	1995	Oldsmobile	Ciera	430
213	1G1LT53G9MY185806	1991	Chevrolet	Corsica	370
214	2C1MR5293S6703891	1995	Chevrolet	Metro	370
215	2G1WN54T6L9282838	1990	Chevrolet	Lumina	370
216	2G3AL54R3L2325018	1990	Oldsmobile	Cutlass Ciera	370
217	JF1AC4229MC207384	1991	Subaru	Loyale	370
218	1GNEC13Z13J53456	1998	Ford	X	300
219	L9NTEACT9E1004819	2015	TAOTAO	CY50-A	X
220	RFGBS1HE79XAW2668	2009	SYMBA	Base	X
221	5FNRL384X6B102619	2006	Honda	Odyssey	X

Total

\$ 594,800

X Information Unavailable

* This is the bond value assigned by DMV at the time of vehicle seizure according to the Department of Administration (DOA). Obtained from the DMV STARS database.

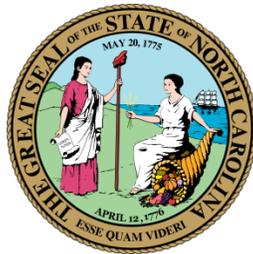
Eastway Wrecker Service, Inc.

	Vendor	VIN	Vehicle Year	Vehicle Make	Vehicle Model	Value*
1	Eastway	1D4PU7GX7BW549535	2011	Dodge	Nitro	\$ 8,450
2	Eastway	1G8MN35B19Y103192	2009	Saturn	Sky	8,120
3	Eastway	3N1CN7AP4CL828324	2012	Nissan	Versa	6,010
4	Eastway	2C3KA53G86H384016	2006	Chrysler	300	4,610
5	Eastway	KNAFE121X85531421	2008	Kia	Spectra	3,530
6	Eastway	1D7HE22K86S608592	2006	Dodge	Dakota	2,540
7	Eastway	KL5JD52ZX4K027613	2004	Suzuki	Forenza	1,720
8	Eastway	1G2WP52K72F107567	2002	Pontiac	Grand Prix	1,610
9	Eastway	4T1BF12BXTU122739	1996	Toyota	Avalon	1,030
10	Eastway	2B6HB11X2XK546729	1999	Dodge	Ram Van	880
11	Eastway	1GCDT14Z6SK220712	1995	Chevrolet	S10	650
12	Eastway	2G1B58K089207604	X	X	X	X
13	Eastway	LFETCKPR5C1570233	2012	Mei-Tian	X	X

Total	<u>\$ 39,150</u>
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X Information Unavailable

* This is the bond value assigned by DMV at the time of vehicle seizure according to the Department of Administration (DOA). Obtained from the DMV STARS database.



RESPONSE FROM THE DEPARTMENT OF ADMINISTRATION



North Carolina
Department of Administration
Office of the Secretary

Machelle Sanders
Secretary

September 14, 2017

The Honorable Beth A. Wood, State Auditor
Office of the State Auditor
2 South Salisbury Street
20601 Mail Service Center
Raleigh, North Carolina 27699-0600

Dear Auditor:

Thank you for allowing our review of the Office of the State Auditor's (OSA) draft Findings and Recommendations concerning the DWI/Felony Speeding to Elude Vehicle Seizure Program Financial Related Audit of September 2017. The Department of Administration (DOA) takes the responsibility to administer this program seriously and appreciates the opportunity to respond. DOA has reviewed the draft audit and agrees with its findings and recommendations. The following represents our response.

AUDIT FINDING, RECOMMENDATIONS, AND DOA RESPONSE

Finding: Contractors cannot account for 234 vehicles.

Recommendations:

- The Department of Administration should monitor contractor performance on a regular basis and follow-up on any matters of noncompliance.
- The Department of Administration should determine to what extent the contractors are able to provide these services under current and future state contracts.

Agency Response:

DOA agrees with the finding and recommendations.

DOA began monitoring contractor performance in the DWI/Felony Speeding to Elude Vehicle Seizure Program ("Program") on March 1, 2016 and continually monitors contractor performance.

When DOA received the Program on March 1, 2016, Program services were governed by a contract between Martin, Edwards & Associates, Inc. (MEA) and the Department of Public Instruction (DPI). DOA immediately began an assessment of contractor performance. However,

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Department of Administration
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September 14, 2017

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MEA refused to cooperate with DOA or provide requested documentation. Consequently, DOA was unsuccessful in obtaining requested documentation to properly account for seized vehicles.

On May 25, 2016, DOA issued a new RFP for handling vehicles seized by law enforcement under the Program and incorporated stronger reporting requirements in the contract terms. MEA and Eastway were the only respondents to the RFP. The eastern region contract was re-awarded to Martin Edwards & Associates, Inc. (MEA) and the western region was re-awarded to Eastway Wrecker Service Inc. (Eastway). The new contracts became effective on July 1, 2016.

DOA staff implemented the following actions to improve oversight and reporting: 1) daily reconciling of the DMV STARS seizure report to data provided from the contractor; 2) contacting law enforcement when title hold issues are identified by the contractor; and 3) attending and independently certifying all contractor auctions.

In determining to what extent MEA and Eastway can provide Program services under current and future state contracts, DOA will review contract requirements and performance, including requirements to cooperate with the Department of Administration and the Office of the State Auditor.

It should be noted that the guidelines set forth in N.C.G.S. 20-28 et al., which authorize State Surplus Property to contract for services to tow, store, process, maintain, and sell motor vehicles seized pursuant to the Program, have a limiting effect on the pool of potential bidders because of the length of time that vehicles are required to be stored prior to sale. Legislative changes to the governing statutes would be necessary to increase the competitive pool of potential service providers for the Program.

DOA concurs with the recommended referral of this matter to DMV's License & Theft Bureau for a more thorough investigation into the status and location of the missing vehicles. We appreciate the assistance and professionalism provided by OSA staff in performing this audit, and we are committed to continuing improvements in DOA's management of the DWI/Felony Speeding to Elude Vehicle Seizure Program.

Sincerely,

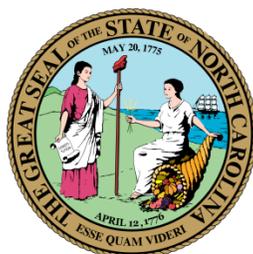


Machelle Sanders

Secretary

Department of Administration

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RESPONSE FROM THE DEPARTMENT OF PUBLIC INSTRUCTION



PUBLIC SCHOOLS OF NORTH CAROLINA

DEPARTMENT OF PUBLIC INSTRUCTION | Mark Johnson, *Superintendent of Public Instruction*
 WWW.NCPUBLICSCHOOLS.ORG

September 19, 2017

The Honorable Beth A. Wood, State Auditor
 Office of State Auditor
 2 South Salisbury Street
 20601 Mail Service Center
 Raleigh, North Carolina 27699-0601

The Department of Public Instruction would like to thank the Office of State Auditor for the audit work performed related to the DWI/Felony Speeding to Elude Vehicle Seizure Program. It is our understanding that the objective of the audit was to determine if private contractors were operating the program in accordance with contract terms and regulations. This letter serves as our response to information contained in the audit report. We do not intend to speak for any other agency or contractor involved in the program.

It is our understanding that this program was created with the purpose of "keeping impaired drivers and their cars off the roads" *State v. Chisholm*, 135 N.C. App. 578, 584 (1999). The program was originally set up to be overseen by each individual Local Education Agency (LEA). This proved to be difficult for LEA's to oversee and was transitioned to the NC Department of Public Instruction (DPI) for oversight. DPI was never set up to oversee a vehicle seizure and auction type of program as this is not part of our core function. At one time DPI had a staff member devoted to overseeing the program. Due to DPI budget cuts and continued focus on the core mission of the department, oversight duties were shifted and added to the current workload of other positions. DPI did develop and disseminate training tools for both police officers and court personnel, but over time it seemed that requests for this information dwindled.

The audit report clearly uncovered problems in the program, but the information provided renders it difficult to determine the source of the problem. There are several entities involved in the process including police officers from various agencies, the NC Department of Transportation's Division of Motor Vehicles, court offices across the state, contractors and the agency tasked with oversight. As stated in the report DPI was tasked with oversight of the

OFFICE OF THE NORTH CAROLINA SUPERINTENDENT

Mark Johnson, *Superintendent of Public Instruction* | mark.johnson@dpi.nc.gov
 6301 Mail Service Center, Raleigh, North Carolina 27699-6301 | (919) 807-3430 | Fax (919) 807-3445
 AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER

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Vehicle Seizure Program
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program until March 1, 2016 when oversight was transferred to the NC Department of Administration (DOA). Generally the DWI/Felony Speeding to Elude Vehicle Seizure process is initiated by the police officer who reports the incident to DMV. The vehicle is towed and retained until further action. DMV upon receipt of notification from the police officer places a hold on the vehicle. DMV is required to report a list of vehicles seized for this program to the program contractors on a daily basis. This report gives the contractors authority to pick up the vehicle from its current location and retain it. The hold can only be removed by the oversight agency or by court order. The court system could remove the hold if the defendant was deemed innocent of the charges, if the lienholder sufficiently completes the process for requesting the vehicle, or if the vehicle is owned by a person other than the defendant and that person completes the process for requesting the vehicle.

All vehicles seized under this program should be included on the DMV seizure records, but if the hold was removed by the court system before the contractors picked the vehicle up, the contractor would have no documentation for the released vehicle. The court system should have documentation of such. If a contractor did pick up a seized vehicle under the program, the contractor is required to keep supporting documentation for the vehicle and report such to DPI. DPI could remove a hold only if a vehicle was sold at auction or requested to be transferred to an LEA for use. DPI staff attended every auction that occurred during the period in which DPI had oversight of the program. Attendance was considered necessary in order for DPI to have sufficient evidence to release the hold on the vehicle. For situations in which an LEA wanted to obtain a vehicle for use, DPI communicated directly with the LEAs in order to have sufficient evidence to release the hold on the vehicle.

DPI required regular reporting from the contractors, but relied on the contractors to provide accurate and complete information. DPI verified vehicles sold at auction and transfers to LEAs, but did not adequately reconcile reports on a monthly basis to determine if vehicles were missing from contractor records from one month to the next. DPI also did not reconcile between DMV seizure records and contractor records since there was no mechanism to collect or show evidence of hold releases issued by court system. Given that there were only two methods by which removal of a hold could be processed, transfer of vehicle titles should have not been possible.

As noted in the audit report, the value associated with the vehicles listed is the bond value assigned by DMV at the time of vehicle seizure. This value does not account for any damages that the vehicle may have suffered if the vehicle was wrecked. The values listed also do not reflect fees associated with towing and storage of the vehicles if a contractor actually picked up and retained the vehicles.

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Vehicle Seizure Program
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DPI is unable to take action related to the recommendations in this report due to the transfer of program oversight to DOA, but does appreciate the assessment and will utilize this information in reviewing and assessing other oversight and monitoring activities within the department.

Sincerely,



Mark Johnson

c: William Cobey, State Board of Education Chairman
Adam Levinson, Chief Financial Officer
Ben Matthews, Chief School Operations Officer
Jani Allen, Director of Internal Audit

ORDERING INFORMATION

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For additional information contact:
Brad Young
Director of External Affairs
919-807-7513



This audit investigation required 2,362 hours at an approximate cost of \$233,789.