

SPECIAL REVIEW

**EAST CAROLINA UNIVERSITY
GREENVILLE, NORTH CAROLINA**

MAY 1994

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May, 1994

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May, 1994

The Honorable James B. Hunt, Jr., Governor
Mr. C. D. Spangler, Jr., President
University of North Carolina System
Dr. Richard R. Eakin, Chancellor
East Carolina University
Board of Trustees, East Carolina University
Members of the General Assembly of North Carolina

Ladies and Gentlemen:

Pursuant to General Statute 147-64.6(c)(16), we have completed our special review into allegations concerning East Carolina University. The results of our review, along with recommendations for corrective actions are contained in this report. East Carolina University has reviewed this report and their written comments are included in Exhibit A.

We would like to express our appreciation to the management and staff of the university for their cooperation during our review.

Ralph Campbell, Jr.
State Auditor

OVERVIEW

East Carolina University (ECU), a constituent member of the University of North Carolina System, is the third largest institution of higher learning in the state. Each department reports to one of the five division heads (Vice Chancellors) except for the athletic department, which reports directly to the Chancellor. Each of the five Vice Chancellors reports directly to the Chancellor.

During 1990, ECU contracted with a dining service contractor to provide dining services on the campus of ECU for the period August 1, 1990 through July 31, 1995. The dining service contractor was recommended for selection by a ten member dining service committee, comprised of seven university employees and three university students. The committee members voted unanimously for the dining service contractor after reviewing the seven proposals presented to the university and recommended the dining service contractor to the Purchase and Contract Division in the North Carolina Department of Administration.

For the fiscal year July 1, 1992 through June 30, 1993, the total revenues for the university totaled approximately \$286,325,887 million. Total expenditures for the fiscal year July 1, 1992 through June 30, 1993 totaled \$264,729,083 million.

INTRODUCTION

The following allegations were received through the State Auditor's Hotline concerning the dining service contract at East Carolina University (ECU):

- ◆ In exchange for providing the university's dining service contract, the Vice Chancellor for Student Life and the Director of Dining Service have received gifts and fishing trips from the dining service contractor.

The following procedures were used to conduct our special review:

1. Interviews with ECU employees and individuals external to the university.
2. Examination of the dining service contract, dining service invoices, and other related documents.
3. Examination of documents related to the meal cards provided to ECU.
4. Review of ECU Administrative Policies and Procedures.
5. Examination of travel reimbursements.

This report presents the findings and recommendations resulting from our review. We did not conduct a financial audit in accordance with generally accepted auditing standards. Such coverage is accomplished during the Office of the State Auditor's annual financial audit of East Carolina University.

FINDINGS AND RECOMMENDATIONS

1. **East Carolina University Employees Have Received Free Meals from the Dining Service Contractor.**

According to the Director of Dining Services, representatives of the dining service contractor (Contractor) visit ECU approximately once or twice each month. During these visits, Contractor's representatives usually invite the Director of Dining Services to dinner at a local restaurant and pay for the Director's meal. The Vice Chancellor for Student Life stated that he had also been provided dinner by Contractor's representatives on three or four occasions during each year that ECU has had the dining service contract with the Contractor.

Recommendation

We recommend that ECU personnel refrain from accepting free meals from Contractor's representatives visiting ECU. We further recommend that ECU develop a policy that would prohibit the acceptance of such gifts and enforce adherence to the policy.

2. **Costs Related to Conferences Attended by the Director of Dining Services and the Dining Service Contractor's Food Service Director Have Been Divided Between ECU and the Dining Service Contractor.**

According to the Director of Dining Services and the Contractor's Food Service Director at ECU, most of the costs incurred by these two individuals while attending the same conferences have been divided between ECU and the Contractor. During these trips, the Director of Dining Services usually pays for the car rental expense, conference registration fees for both individuals, and hotel charge (both individuals stay in one hotel room). ECU reimburses the Director of Dining Services for these expenses. The Contractor's Food Service Director, who is reimbursed by the

Contractor, normally pays for the cost of the meals and any outside conference activities. Both individuals stated that while on these conferences, they have attended several professional baseball games. The tickets for these games were either purchased by the Contractor's Food Service Director or provided free of charge by the Contractor.

In addition, the Contractor's Food Service Director received reimbursement directly from ECU for the expense of an airline ticket and the cost of registering to attend a National Association of Food Equipment Manufacturers' exhibition. According to the Vice Chancellor for Student Life, the Contractor's Food Service Director was reimbursed for those expenses because the university wanted him to attend the exhibition in order to benefit from his expertise as a consultant. However, according to the dining service contract, the university may "...request the professional services of the Contractor to assist on a consulting basis in the development of layouts and specifications for new or remodeled food service facilities. All costs of this service will be borne by the Contractor."

Recommendation

We recommend that the Director of Dining Services not divide costs associated with attending conferences with the Contractor's Food Service Director. The Director of Dining Services should pay for the cost of his own meals and any other recreational activities while attending conferences paid by the university.

In addition, we recommend that the university not reimburse the Contractor's Food Service Director for any expenses that are not outlined in the dining service contract.

3. Meal Cards Provided by the Contractor to ECU Are Not Always Being Used As Outlined in the Dining Service Contract.

During our review, we noted that the dining service contract requires Contractor to provide ten meal cards to ECU to be used by the university administration for periodical monitoring of the food service operation. According to the Director of Dining Services, the meal cards have been provided to several professors and administrators at ECU. In addition, a meal card has been made available by the Director of Dining Services to the Accounting Clerk IV and the Clerk Typist III who work in the same office as the Director of Dining Services. According to the Accounting Clerk IV, the meal card is used to purchase bagels or snacks by the two ECU employees approximately three times a week. The Accounting Clerk IV stated that the food service operation is observed when they use the meal card.

According to the Director of Dining Services, a meal card is also being used to purchase meals and/or snacks for staff members and students working with the Director of University Housing Services. Based on our review of the transactions made with the meal card provided to the Director of University Housing Services, an average of ten meals per day were provided to the staff members and students working for the University Housing Services during the week of March 21, 1994. The Director of Dining Services authorized the use of the meal card in this capacity.

Recommendation

We recommend that all meal cards provided by the Contractor to the university be used by the university administration to monitor the Contractor's food service operation, as stated in the dining service contract. These meal cards should not be used to provide free meals and/or snacks to staff members nor to students working with the Director of University Housing Services.

4. **Two ECU Employees Went On a One Day Fishing Trip With Employees of the Dining Service Contractor.**

During the summer of 1992, three employees of the Dining Service Contractor (the former Food Service Director at ECU, the current Food Service Director at ECU, and a Food Service Director at the University of North Carolina at Wilmington) and two ECU employees (the Vice Chancellor for Student Life and the Dean of Student Development) went on a one day fishing trip. According to the two ECU employees, they were driven by the former Contractor's Food Service Director at ECU from Greenville to Wilmington, stayed overnight at a hotel in Wilmington, and went fishing the following day on a boat owned by one of the Contractor's employees. According to the Vice Chancellor for Student Life, the costs associated with the fishing trip, including the charge for the hotel room, were paid by one of the Contractor's employees.

Recommendation

We recommend that ECU employees refrain from accepting any type of gifts, including expense paid trips, from current and potential future contractors. Again, we recommend that ECU develop a policy that would prohibit the acceptance of such gifts.

STATEMENT OF FINANCIAL IMPACT

The following schedule represents a quantification of the items examined during our special review. We cannot completely quantify the tangible benefits or detriments, if any, to the taxpayer resulting from the findings of our review. We are simply noting those areas where the system of internal controls were either circumvented or should be enhanced.

1) Cost of airline ticket reimbursed to the Dining Service Contractor's employee.	\$ 235.00
2) Cost of the National Association of Food Equipment Manufacturers' exhibition reimbursed to the Dining Service Contractor's employee.	29.50
3) Cost of free meals/snacks charged on the meal cards by ECU employees and students fro the period August 3, 1993 through March 28, 1994.	<u>1,557.69</u>
TOTAL FINANCIAL IMPACT	<u>\$1,822.19</u>

Auditor's Note: The schedule above does not include the amount expended by the Dining Service Contractor for university employees such as hotel rooms and tickets to professional sports events since we did not have access to records, if any, that would identify these amounts.