



# **STATE OF NORTH CAROLINA**

**SPECIAL REVIEW**

**NORTH CAROLINA STATE  
PORTS AUTHORITY**

**WILMINGTON, NORTH CAROLINA**

**MARCH 1997**

**OFFICE OF THE STATE AUDITOR**

**RALPH CAMPBELL, JR.**

**STATE AUDITOR**

**SPECIAL REVIEW**

**NORTH CAROLINA STATE  
PORTS AUTHORITY**

**WILMINGTON, NORTH CAROLINA**

**MARCH 1997**

## LETTER OF TRANSMITTAL

---

March 17, 1997

The Honorable James B. Hunt, Jr., Governor  
Mr. William D. Goldston, Jr., Chairman  
North Carolina State Ports Authority  
Mr. Erik Stromberg, Executive Director  
North Carolina State Ports Authority  
Members of the North Carolina General Assembly

Ladies and Gentlemen:

Pursuant to General Statute §147-64.6(c)(16), we have completed our special review into allegations concerning the North Carolina State Ports Authority. The results of our review, along with recommendations for corrective actions, are contained in this report.

General Statute §147-64.6(c)(12) requires the State Auditor to provide the Governor, the Attorney General, and other appropriate officials with written notice of apparent instances of violations of penal statutes or apparent instances of malfeasance, misfeasance, or nonfeasance by an officer or employee. In accordance with that mandate, and our standard operating practice, we are providing copies of this special review to the Governor, the Attorney General, and other appropriate officials.

Respectfully submitted,

Ralph Campbell, Jr.  
State Auditor

## TABLE OF CONTENTS

---

	PAGE
OVERVIEW .....	1
INTRODUCTION.....	3
FINDINGS AND RECOMMENDATIONS.....	5
EXHIBITS	
A        Statement of False Expenses .....	23
B        Response from the Executive Director of the North Carolina State Ports Authority.....	25
DISTRIBUTION OF AUDIT REPORT.....	27

## OVERVIEW

---

The North Carolina State Ports Authority was created in 1945 through the ratification of North Carolina General Statute §143B-453. The organization became operational in 1949 and has the powers of a body corporate. The North Carolina State Ports Authority is governed by a board of 11 members appointed by the Governor, Speaker of the House, and the President of the Senate. The North Carolina State Ports Authority has ocean terminals in Wilmington, North Carolina and Morehead City, North Carolina, and intermodal terminals in Charlotte and Greensboro, North Carolina. In addition, the North Carolina State Ports Authority operates a small boat marina in Southport, North Carolina.

The mission of the North Carolina State Ports Authority is “to enhance the economy of North Carolina by the dynamics and sound growth of international waterborne trade through the ports terminals owned and operated by the State of North Carolina.” The North Carolina State Ports Authority has approximately \$185.5 million invested in facilities and receives approximately \$27 million in annual revenue. The North Carolina State Ports Authority has approximately 305 employees.

[ This Page Left Blank Intentionally ]

## **INTRODUCTION**

---

In July 1996, we received a complaint through the State Auditor's Hotline that the North Carolina State Ports Authority's Assistant to the Executive Director had submitted false expense reports. We contacted the North Carolina State Ports Authority (NCSPA) and determined that the NCSPA Controller had some concerns in the past as to the validity of business promotion expenses claimed by the Assistant to the Executive Director. In September 1996 we began an investigation of the NCSPA Assistant to the Executive Director's business promotion expense claims. We examined his business promotion expense claims for the time period of July 1994 through August 1996.

In addition, at the request of the NCSPA Executive Director, we confirmed the business promotion expenses claimed by all NCSPA employees for the three (3) month period of June 1996 through August 1996. We expanded the time period on the Charlotte Regional Marketing Manager to include the period of November 1994 through May 1996 because of the negative confirmations we received on the first three (3) months examined. Due to the implications made by the Charlotte Regional Marketing Manager, we expanded the scope of examination to include the business promotion expenses claimed by all NCSPA employees from June 1995 through May 1996. It should be noted, with the exception of the Assistant to the Executive Director and the Charlotte Regional Marketing Manager, we received 100% confirmations from all the individuals contacted. In comparison, approximately 33% of all the individuals contacted failed to confirm the business

## **INTRODUCTION (CONCLUDED)**

---

promotion expenses reported by the Assistant to the Executive Director and approximately 19% of all the individuals contacted failed to confirm the business promotion expenses submitted by the Charlotte Regional Marketing Manager.

We used the following procedures in conducting our investigation:

1. Interviews of North Carolina State Ports Authority employees.
2. Interviews with persons external to the North Carolina State Ports Authority.
3. Examination of business promotion expense reports submitted by North Carolina State Ports Authority employees.
4. Examination of North Carolina State Ports Authority credit card invoices.
5. Review of the North Carolina State Ports Authority's "Travel and Business Promotion Expense Policy."
6. Examination of telephone records.

This report presents the results of our special review conducted pursuant to G.S. §147-64.6(c)(16) rather than a financial audit. The Office of the State Auditor performs an annual financial audit of the North Carolina State Ports Authority.



## **FINDINGS AND RECOMMENDATIONS**

---

### **1. THE ASSISTANT TO THE EXECUTIVE DIRECTOR SUBMITTED FALSE INFORMATION ON SOME OF HIS “TRAVEL AND/OR PROMOTIONAL EXPENSE REPORTS.”**

We examined the Assistant to the Executive Director’s claims for business promotion expenses for the time period June 1, 1994 through August 31, 1996. Based on the information submitted by the Assistant to the Executive Director on his expense reports, we attempted to contact some of the individuals he supposedly entertained to verify that they in fact had been entertained. We questioned the Assistant to the Executive Director about the allegations received prior to contacting the individuals referred to on his expense reports. At the time of questioning, we were aware that some individuals had been contacted by the NCSPA Controller’s Office to verify the validity of the reported expense. At least one of the individuals contacted stated he had not been entertained. We specifically asked the Assistant to the Executive Director if we would find any individuals indicated on his expense reports that had not been entertained. The Assistant to the Executive Director replied, “not to my knowledge.” He also stated, “maybe I wasn’t supposed to take them out, but if I put them down on that list, that’s who I took.” When we questioned the Assistant to the Executive Director about the individual that was contacted by the NCSPA Controller’s Office, we informed him the individual stated he had not been entertained nor did he recall being in North Carolina. The Assistant to the Executive Director did not confirm nor deny the expense, but was surprised the individual could not recall being in North Carolina because of the amount of business he conducted

## **FINDINGS AND RECOMMENDATIONS (CONTINUED)**

---

in the area. The Assistant to the Executive Director also commented that anybody with an expense account has done something wrong, if they haven't, they haven't done their job properly. Furthermore, he stated he kept blank receipts in his desk drawer to use when he lost an actual receipt. However, in the one instance where a receipt was lost, the Assistant to the Executive Director signed an affidavit attesting that the expense was incurred. Therefore, it appears that the blank receipts may not be needed.

We found the following discrepancies between the information submitted by the Assistant to the Executive Director and information provided by the contacted person:

1. The Assistant to the Executive Director submitted a \$40 claim to the NCSA on September 3, 1994, for two tickets to the UNC vs. TCU football game in Chapel Hill. The Assistant to the Executive Director wrote on his expense report he gave the tickets to a NCSA Advisory Board member and the Advisory Board member's wife. The Advisory Board member said he did not receive the tickets, nor did he or his wife attend the game. When questioned, the Assistant to the Executive Director said he could not remember, but to the best of his knowledge he sent the tickets, however, someone else may have used the tickets.
2. The Assistant to the Executive Director submitted a \$26.45 lunch receipt for Friday, September 9, 1994. He wrote on his expense report he entertained two employees of a furniture retailer. Both of the employees of the furniture retailer stated the Assistant to the Executive Director did not take them to lunch. In fact, one of the employees stated she has never been entertained by a NCSA employee. When questioned, the

## **FINDINGS AND RECOMMENDATIONS (CONTINUED)**

---

Assistant to the Executive Director said to the best of his knowledge, he purchased their lunch. He also stated one of the employees may not have eaten.

3. The Assistant to the Executive Director submitted a \$121.05 dinner receipt for Friday, September 30, 1994, from a Wrightsville Beach, North Carolina restaurant. He wrote on his expense report he entertained an employee of a trade association. The employee of the trade association said he was not in the Wilmington area on that date. When questioned, the Assistant to the Executive Director stated he did not entertain the employee of the trade association, but entertained another man and his wife. He said they discussed the trade association so he wrote the trade association employee's name on the expense report. Additionally, he said the man and his wife are his personal friends.
4. The Assistant to the Executive Director submitted a \$34.55 dinner receipt for Monday, March 13, 1995, from a Wilmington, North Carolina restaurant. He wrote on his expense report he purchased dinner for an employee of a national retailer. The employee of the national retailer said the Assistant to the Executive Director had not purchased her dinner, and she was not in the Wilmington area on that date. When questioned, the Assistant to the Executive Director stated that if the employee of the national retailer was not in town, then he took someone else.
5. The Assistant to the Executive Director submitted a \$42.04 dinner receipt for Sunday, April 16, 1995, from a Wrightsville Beach, North Carolina restaurant. He wrote on his expense report he entertained an employee of a manufacturing company. The employee of the manufacturing company said the Assistant to the Executive Director

## **FINDINGS AND RECOMMENDATIONS (CONTINUED)**

---

did not take her to dinner. When questioned, the Assistant to the Executive Director stated to best of his knowledge he did take her to dinner.

6. The Assistant to the Executive Director submitted a \$45.91 dinner receipt for Friday, May 19, 1995, from a Wrightsville Beach, North Carolina restaurant. He wrote on his expense report he entertained an employee of a national retailer. The employee of the national retailer said the Assistant to the Executive Director did not take him to dinner. In fact, the employee stated he was in Hong Kong on that date. When questioned, the Assistant to the Executive Director stated he may have entertained a freight forwarder that handles the freight for the national retailer. He stated he was instructed by his prior Supervisors to write someone else's name on the expense report rather than the person he actually entertained, in order to keep the NCSPA Controller happy. Furthermore, he said the NCSPA Controller makes a negative comment if he believes you are entertaining someone too often. We questioned the prior Executive Director about such a directive, and he said it was his policy to report the actual people entertained. He also stated the Assistant to the Executive Director should only entertain NCSPA customers, potential customers, and groups that work with the NCSPA. The NCSPA Controller said he questioned expenses only when he had information indicating the expenses may not be business related. Additionally, the NCSPA Controller stated he has never rejected a business promotion expense submitted by the Assistant to the Executive Director, and all business promotion expenses were paid, regardless of how often an individual was entertained.

## **FINDINGS AND RECOMMENDATIONS (CONTINUED)**

---

7. The Assistant to the Executive Director submitted a \$29.29 breakfast receipt for Saturday, July 1, 1995, from an unknown location. He wrote on his expense report he entertained an employee of a national retailer. The employee of the national retailer said the Assistant to the Executive Director did not purchase her breakfast. When questioned, the Assistant to the Executive Director stated he purchased breakfast for a man and his wife. However, he wrote the employee's name on the expense report because the individuals he actually entertained lived in the Wilmington area. He said he was told by the NCSPA Controller he was entertaining local people too often. The Assistant to the Executive Director said that based on the assumption he would have problems with the NCSPA Controller, he supplied false information.
8. The Assistant to the Executive Director submitted a \$38.45 dinner receipt for Saturday, August 5, 1995, from a Wilmington, North Carolina restaurant. He wrote on his expense report he entertained an employee of a manufacturing company. The employee of the manufacturing company said the Assistant to the Executive Director did not purchase his dinner. When questioned, the Assistant to the Executive Director stated he entertained another employee of the manufacturer, however, he could not use the individual's name because he is the boyfriend of an NCSPA employee. The Assistant to the Executive Director said if he indicated the actual person he entertained, the NCSPA Controller would ask questions. The Assistant to the Executive Director said there have been other instances where he entertained someone but referred to someone else's name on the expense report.

## **FINDINGS AND RECOMMENDATIONS (CONTINUED)**

---

9. The Assistant to the Executive Director submitted a \$44 dinner receipt for Thursday, August 24, 1995, from a Wilmington, North Carolina restaurant. He wrote on his expense report he entertained a NCSPA Advisory Board member. The Advisory Board member said no one from the NCSPA purchased him dinner on that date. When questioned, the Assistant to the Executive Director stated he remembers taking the Advisory Board member to lunch, but he does not recall taking him to dinner.
10. The Assistant to the Executive Director submitted a \$22 claim to the NCSPA on October 7, 1995, for one ticket to the UNC vs. Virginia football game. He wrote on his expense report he gave the ticket to a NCSPA Advisory Board Member. The Advisory Board Member said he did not receive a ticket, nor did he attend the game. When questioned, the Assistant to the Executive Director stated he could not recall who received the ticket. Additionally, he stated he purchased tickets from his daughter for his personal use. However, if he was unable to attend a game, he gave the tickets to a customer and submitted an expense report for reimbursement.
11. The Assistant to the Executive Director submitted a \$53.80 dinner receipt for Thursday, October 12, 1995, from a Wilmington, North Carolina restaurant. He wrote on his expense report he entertained an employee of a heavy equipment manufacturer. The employee of the heavy equipment manufacturer said the Assistant to the Executive Director did not take him to dinner. When questioned, the Assistant to the Executive Director stated he does not remember the employee nor does he recall the dinner.

## **FINDINGS AND RECOMMENDATIONS (CONTINUED)**

---

12. The Assistant to the Executive Director submitted a \$30.71 dinner receipt for Monday, October 16, 1995, from a Wrightsville Beach, North Carolina restaurant. He wrote on his expense report he entertained an employee of a national retailer. The employee of the national retailer said the Assistant to the Executive Director did not take her to dinner. When questioned, the Assistant to the Executive Director stated he could not remember.
13. The Assistant to the Executive Director submitted a \$21.37 lunch receipt for Wednesday, November 1, 1995, from a Wrightsville Beach, North Carolina restaurant. He wrote on his expense report he entertained an employee of a manufacturer. The employee of the manufacturer said the Assistant to the Executive Director did not take her to lunch. When questioned, the Assistant to the Executive Director stated to the best of his knowledge he did take the employee to lunch.
14. The Assistant to the Executive Director submitted a \$25 claim to the NCSPA for one ticket to the UNC vs. Florida State football game at Chapel Hill on November 11, 1995. He wrote on the expense report that he gave the ticket to an employee of a trading company. The employee of the trading company said the Assistant to the Executive Director did not give him a ticket. When questioned, the Assistant to the Executive Director stated he left the ticket at the trading company and someone else may have used the ticket.
15. The Assistant to the Executive Director submitted a \$50 dinner receipt for Thursday, January 4, 1996, from a Wilmington, North Carolina restaurant. He wrote on his expense report he entertained an employee of a national retailer. The employee of the

## **FINDINGS AND RECOMMENDATIONS (CONTINUED)**

---

national retailer said the Assistant to the Executive Director did not take him to dinner. When questioned, the Assistant to the Executive Director stated he entertained a freight forwarder that did business with the national retailer.

16. The Assistant to the Executive Director submitted a \$22.49 lunch receipt for Friday, August 2, 1996, from a Winston-Salem, North Carolina restaurant. He wrote on his expense report he entertained a North Carolina Department of Transportation (NCDOT) employee in Winston-Salem, North Carolina. We asked the Assistant to the Executive Director how we could contact the NCDOT employee. Originally, the Assistant to the Executive Director said we could contact the NCDOT employee in Greensboro. However, if we called him, the NCDOT employee would deny that the Assistant to the Executive Director purchased his lunch. The Assistant to the Executive Director went on to say it was a state policy that NCDOT employees could not accept meals. The Assistant to the Executive Director then admitted the name written on his expense report was not correct, however, he refused to reveal the name of the individual who had been entertained. We explained we were verifying expenses and needed the name to confirm his claim. The Assistant to the Executive Director then said he had been out of town on business and spent the night with his daughter. In order, to repay his daughter and son-in-law, he purchased them lunch the next day and submitted the receipt. Additionally, he stated he saved the NCSPA money because he did not submit a lodging claim. He stated that when he completes his expense reports he identifies the expenses as being business related to ensure the expenses are paid. Furthermore, he said he has done this before when traveling to



## **FINDINGS AND RECOMMENDATIONS (CONTINUED)**

---

Washington, DC or Atlanta, Georgia. It should be noted, however, that the Assistant to the Executive Director claimed no travel expenses on August 2, 1996; the day he purchased lunch for his daughter and son-in-law.

17. The Assistant to the Executive Director submitted a \$41.40 dinner receipt for Tuesday, August 13, 1996, from a Wilmington, North Carolina restaurant. He wrote on his expense report he entertained a shipping company employee. We contacted the shipping company and were informed they did not have an employee by that name, but had an employee who's name sounded very similar. We talked to this employee who said the Assistant to the Executive Director did not take him to dinner. When questioned, the Assistant to the Executive Director stated he entertained an employee of a bulk company. He said they discussed the business of the shipping company, so he wrote the shipping company employee's name. He said he could not reflect the bulk company employee's name on the expense report because the NCSA Controller had made the comment he had entertained the bulk company employees too often.
18. The Assistant to the Executive Director submitted a \$30.81 dinner receipt for Monday, August 26, 1996, from a Wrightsville Beach, North Carolina restaurant. He wrote on his expense report he entertained a service company employee in Wrightsville Beach, North Carolina. The employee of the service company said the Assistant to the Executive Director did not purchase him dinner. In fact, the employee stated he had not been to North Carolina in the last 25 years. When questioned, the Assistant to the Executive Director stated he entertained someone else, and not the service company employee. The Assistant to the Executive Director said he could not reveal the actual

## **FINDINGS AND RECOMMENDATIONS (CONTINUED)**

---

person entertained because the individual did not want others to know they were meeting.

19. The Assistant to the Executive Director submitted a \$13.50 refreshment receipt for Friday, August 30, 1996, from Wrightsville Beach, North Carolina restaurant. He wrote on his expense report he entertained two employees of a manufacturing company. Both employees of the manufacturing company stated the Assistant to the Executive Director did not purchase them refreshments. When questioned, the Assistant to the Executive Director stated he purchased refreshments for a former employee of the manufacturing company and a friend, who was a NCSA clerical employee at the time. He said he could not reveal their names because the Controller would take the expense report to his boss. He said the two are friends of his, as well as, in the business. It should be noted an employee of the NCSA stated she saw the Assistant to the Executive Director at the Wrightsville Beach restaurant on the night in question. Days later she discovered the Assistant to the Executive Director submitted a business promotion expense with a receipt from the Wrightsville Beach restaurant on the date she had seen him. The expense report stated he was entertaining two NCSA customers. However, the NCSA employee said she did not see any NCSA customers with the Assistant to the Executive Director during the time she was present at the restaurant. In fact, the NCSA employee stated the Assistant to the Executive Director was accompanied by his wife, another NCSA employee and the NCSA employee's boyfriend.

The North Carolina State Ports Authority's "Travel and Business Expense Policy" reads,

## **FINDINGS AND RECOMMENDATIONS (CONTINUED)**

---

...Authority representatives are required to submit receipts in requesting reimbursement of entertainment expenses. Generally, the expenses will be incurred and handled in the following manner:

Entertaining: When an Authority representative is in the company of a customer or other person whose goodwill will be helpful to the purpose of the Authority, his meal will usually be included in the receipt received from the restaurant. Therefore, the cost of the meal, including the representative's, should be recorded as business promotion. When the employee is not entertaining, he should follow the rules under "routine travel."

Representatives incurring business promotion expenses must complete a business expense form showing the amount, the date, company name and company representative hosted. This form must be approved by the division head and sent subsequently to the Comptroller for reimbursement...

Each "Travel And/Or Promotional Expense Report" submitted by the Assistant to the Executive Director was signed by him certifying that,

I CERTIFY THAT THE INFORMATION SHOWN HEREON (AND ATTACHMENTS) ARE TRUE AND CORRECT, AND THAT THE EXPENSES WERE INCURRED ON OFFICIAL BUSINESS FOR THE NCSPA

Based on the testimony of the individuals interviewed and the testimony of the Assistant to the Executive Director, in some instances, the Assistant to the Executive Director intentionally submitted information that was false, thereby, violating the certification and the business promotion expense policy.

### **RECOMMENDATION**

The authority to incur these entertainment expenses is unusual to state government. These type of expenses, by their nature, are more susceptible to abuse than other reimbursable expenses. Therefore, the agency needs to constantly review not only the expense reimbursement requests, but its

## **FINDINGS AND RECOMMENDATIONS (CONTINUED)**

---

ongoing monitoring efforts. In addition, the agency needs to take those steps necessary to assure that willful or intentional abuses are identified and eliminated as soon as possible. The agency also needs to seek reimbursement of non-business expenses.

### **2. THE CHARLOTTE REGIONAL MARKETING MANAGER SUBMITTED FALSE INFORMATION ON SOME OF HIS "TRAVEL AND/OR PROMOTIONAL EXPENSE REPORTS."**

We initially examined the Charlotte Regional Marketing Manager's claims for business promotion expenses for the three month period of June 1996 through August 1996. As stated earlier, we expanded the time period to include November 1, 1994 through May 31, 1996 because of the negative confirmations we originally received. Based on the information submitted by the Charlotte Regional Marketing Manager on his expense reports, we attempted to contact some of the individuals he supposedly entertained to verify that they had in fact been entertained. We found the following discrepancies between the information submitted by the Charlotte Regional Marketing Manager and the information provided by the contacted person:

1. The Charlotte Regional Marketing Manager submitted a \$30.00 golf receipt and a \$32.25 lunch receipt to the NCSPA on July 12, 1995. He wrote on his expense report he entertained a customer of the NCSPA. The customer referred to on the expense report stated he did not have lunch or play golf with the Charlotte Regional Marketing Manager. When questioned, the Charlotte Regional Marketing Manager said he did not entertain the customer identified on his expense report, but took another individual

## **FINDINGS AND RECOMMENDATIONS (CONTINUED)**

---

that indirectly dealt with the NCSPA. It should be noted that the individual the Charlotte Regional Marketing Manager claimed to have actually entertained, had been a customer of the NCSPA and was identified on the Charlotte Regional Marketing Manager's expense reports as having been entertained on three different occasions.

2. The Charlotte Regional Marketing Manager submitted a \$33.00 golf receipt and a \$37.79 dinner receipt to the NCSPA on September 16, 1995. He wrote on his expense report he entertained a customer of the NCSPA. The customer referred to on the expense report stated he never played golf or had dinner with the Charlotte Regional Marketing Manager. Again, when questioned, the Charlotte Regional Marketing Manager said he did not entertain the customer identified on his expense report, but entertained another individual that indirectly dealt with the NCSPA. The Charlotte Regional Marketing Manager stated he did not identify the actual person he entertained because he was not a customer of the NCSPA. However, as with the incident stated above, the individual the Charlotte Regional Marketing Manager claimed to have actually entertained is a customer of the NCSPA and is identified as being entertained on the Charlotte Regional Marketing Manager's expense report on two different occasions.
3. The Charlotte Regional Marketing Manager submitted a lunch receipt for \$16.15 on August 21, 1995 and a lunch receipt for \$23.50 on February 12, 1996 to the NCSPA. He wrote on his expense report that he entertained the same customer of the NCSPA on both dates. The customer stated he was not provided a lunch on August 21, 1995

## **FINDINGS AND RECOMMENDATIONS (CONTINUED)**

---

or February 12, 1996 by the Charlotte Regional Marketing Manager. In fact, the customer stated he had never eaten at the establishment indicated on the receipt submitted by the Charlotte Regional Marketing Manager. When questioned, the Charlotte Regional Marketing Manager stated he did not entertain the customer identified on his expense report, but entertained other NCSPA employees. The Charlotte Regional Marketing Manager stated he probably took out two employees in the Operations Department of the NCSPA on both of the dates in question. He also stated it has always been the policy with his previous employers that you could entertain fellow employees that were in the “business”. The Charlotte Regional Marketing Manager said he had done this numerous times.

4. The Charlotte Regional Marketing Manager submitted a lunch receipt for \$24.76 on August 23, 1996 to the NCSPA. He wrote on his expense report he entertained two customers of the NCSPA. One of the customers contacted stated she was in Disneyland on the date in question. The other customer contacted stated she did not have lunch with the Charlotte Regional Marketing Manager. When questioned, the Charlotte Regional Marketing Manager stated he could not remember who he took to lunch, but it may have been a NCSPA employee.
5. The Charlotte Regional Marketing Manager submitted a lunch receipt for \$36.26 on March 29, 1996 to the NCSPA. He wrote on his expense report he entertained two customers of the NCSPA. Both of the customers contacted stated they did not have lunch with the Charlotte Regional Marketing Manager on the date in question. One of

## **FINDINGS AND RECOMMENDATIONS (CONTINUED)**

---

the customers stated she had never been entertained by the Charlotte Regional Marketing Manager. When questioned, the Charlotte Regional Marketing Manager stated he took out NCSPA employees.

6. The Charlotte Regional Marketing Manager submitted a lunch receipt for \$16.15 on June 21, 1995 to the NCSPA. He wrote on the expense report he entertained a customer of the NCSPA. The customer referred to on the expense report stated she has never been entertained by the Charlotte Regional Marketing Manager. When questioned, the Charlotte Regional Marketing Manager stated he may have written down the wrong customer name and he probably took out a previous employee of the same company.
7. The Charlotte Regional Marketing Manager submitted a lunch receipt for \$20.51 on August 8, 1996 to the NCSPA. He wrote on the expense report he entertained a customer of the NCSPA. The customer referred to on the expense report stated he did not recall having lunch with the Charlotte Regional Marketing Manager nor did his records indicate a lunch. When questioned, the Charlotte Regional Marketing Manager stated he probably took another NCSPA employee to lunch.
8. The Charlotte Regional Marketing Manager submitted a lunch receipt for \$20.01 on June 27, 1996 to the NCSPA. He wrote on the expense report he entertained a customer of the NCSPA. The customer referred to on the expense report stated she had not been entertained by the Charlotte Regional Marketing Manager within the past two years. Additionally, she stated she has never been entertained by the Charlotte

## **FINDINGS AND RECOMMENDATIONS (CONTINUED)**

---

Regional Marketing Manager since his employment with the NCSPA. When questioned, the Charlotte Regional Marketing Manager stated he could not recall who he took out to lunch.

The Charlotte Regional Marketing Manager stated on most of the occasions described above he took out an employee in the Operations Department of the NCSPA. He said he felt it was necessary to maintain a relationship between the marketing department and the operations department. However, he was aware the expense would not be paid if he entertained a fellow employee, therefore he wrote a customer's name on his expense reports. The Charlotte Regional Marketing Manager volunteered an additional six instances where he took NCSPA employees out for dinner or lunch instead of the customer indicated on the expense report. The receipts for the additional instances total \$185.77. Additionally, the Charlotte Regional Marketing Manager stated he had been instructed on how to complete his expense report by his supervisor, the Marketing Manager.

We questioned the Marketing Manager about his instructions on completing business promotion expense reports. The Marketing Manager stated he could not recall the specific instructions he gave the Charlotte Regional Marketing Manager. He also stated it was not acceptable to entertain a fellow employee and he had never taken a fellow employee out to lunch or dinner and claimed a customer's name to insure the expense was paid. Additionally, we interviewed the Director of Business Development regarding the business promotion expense policy. She too stated it was not acceptable for a NCSPA



## **FINDINGS AND RECOMMENDATIONS (CONTINUED)**

---

employee to entertain another NCSPA employee without being accompanied by a customer or prospective customer. She also stated there would be no need to maintain a relationship between the marketing department and the operations department. She informed us that the Charlotte Regional Marketing Manager shared an office with the operations employees and any business meetings could be held within the office.

The North Carolina State Ports Authority's Travel and Business Expense Policy referred to in Finding 1 applies to the business promotion expenses submitted by the Charlotte Regional Marketing Manager. Additionally, each of the "Travel and/or Promotional Expense Report" submitted by the Charlotte Regional Marketing Manager were signed certifying the information was true and correct, and the expenses were incurred on official business for the NCSPA. Therefore, based on the information provided by the Charlotte Regional Marketing Manager, as well as the contacted customers, the Charlotte Regional Marketing Manager intentionally submitted information that was false, thereby violating the certification and the business' promotion expense policy.

### **RECOMMENDATION**

The authority to incur these entertainment expenses is unusual to state government. These type of expenses, by their nature, are more susceptible to abuse than other reimbursable expenses. Therefore, the agency needs to constantly review not only the expense reimbursement requests, but its ongoing monitoring efforts. In addition, the agency needs to take those steps necessary to assure that willful or intentional abuses are identified and eliminated as soon as possible. The agency also needs to seek reimbursement of non-business expenses.

## *Statement False Expenses*

*Exhibit A*

---

The following schedule presents the total inappropriate expenses claimed by the two individuals referred to in the preceding findings. These amounts may not be all inclusive but are the amounts that we were able to confirm as being false. There were numerous individuals on the Assistant to the Executive Director's expense reports that we could not locate to confirm the expenses.

1. False expense information submitted by the Assistant to the Executive Director.	\$ 732.82
2. False expense information submitted by the Charlotte Regional Marketing Manager.	<u>476.15</u>
Total False Expenses	<u>\$ 1,208.97</u>

[ This Page Left Blank Intentionally ]

***Exhibit B***



## **DISTRIBUTION OF AUDIT REPORT**

---

In accordance with G.S. §147-64.5 and G.S. §147-64.6(c)(14), copies of this report have been distributed to the public officials listed below. Additional copies are provided to other legislators, state officials, the press, and the general public upon request.

### **EXECUTIVE BRANCH**

The Honorable James B. Hunt, Jr.	Governor of North Carolina
The Honorable Dennis A. Wicker	Lieutenant Governor of North Carolina
The Honorable Harlan E. Boyles	State Treasurer
The Honorable Michael F. Easley	Attorney General
Mr. James J. Coman	Director, State Bureau of Investigation
Mr. Marvin K. Dorman, Jr.	State Budget Officer
Mr. Edward Renfrow	State Controller

### **LEGISLATIVE BRANCH**

Appointees of the Joint Legislative Commission on Governmental Operations

Senator Marc Basnight, Co-Chairman	Representative Harold J. Brubaker, Co-Chairman
Senator Austin Allran	Representative James W. Crawford, Jr.
Senator Betsy L. Cochrane	Representative Billy Creech
Senator J. Richard Conder	Representative N. Leo Daughtry
Senator Roy A. Cooper, III	Representative Theresa H. Esposito
Senator David Hoyle	Representative Robert Grady
Senator Fountain Odom	Representative Lyons Gray
Senator Beverly M. Perdue	Representative George M. Holmes
Senator Aaron W. Plyler	Representative Larry T. Justus
Senator Anthony E. Rand	Representative Richard T. Morgan
Senator Ed N. Warren	Representative Liston B. Ramsey
	Representative Carolyn B. Russell

### **Other Legislative Officials**

Senator Robert G. Shaw	Minority Leader of the N.C. Senate
Representative James B. Black	Minority Leader of the N.C. House of Representatives
Mr. Thomas L. Covington	Director, Fiscal Research Division

March 17, 1997

## **ORDERING INFORMATION**

---

Copies of this report may be obtained by contacting the:

Office of the State Auditor  
State of North Carolina  
300 North Salisbury Street  
Raleigh, North Carolina 27602-5903

Telephone: 919/733-3217

Facsimile: 919/733-8443

E-Mail: [reports@aud.osa.state.nc.us](mailto:reports@aud.osa.state.nc.us)

A complete listing of other reports issued by the Office of the North Carolina State Auditor is available for viewing and ordering on our Internet Home Page. To access our information simply enter our URL into the appropriate field in your browser:  
<http://www.osa.state.nc.us/OSA/>.

As required for disclosure by G. S. §143-170.1, 250 copies of this public document were printed at a cost of \$137.50, or 55¢ per copy.