

October 21, 1997

Mr. Garland B. Garrett, Jr., Secretary
N.C. Department of Transportation
1 South Wilmington St.
Raleigh, NC 27611-5201

Dear Secretary Garrett:

We received allegations through the State Auditor's Hotline that the Department of Transportation's General Services Section (General Services) had wasted state funds by hiring contractors to perform work that could have been done by their own employees.

Based on these allegations, we reviewed vendor records and other documents. We also interviewed Department of Transportation (DOT) employees and other individuals.

We found that General Services had hired private contractors for projects that had been competently completed by their own employees in the past. In addition, we found that as a result of a reorganization in the section the responsibilities of the director's position had been reduced without review by State Personnel or adjustment of pay grade. We also found that DOT had expended \$10,203 to produce a four-minute video tape that was never used as intended.

Use of Private Contractors

General Services had used their own maintenance mechanics to replace the Heating, Ventilation and Air Conditioning (HVAC) systems in Division of Motor Vehicles (DMV) buildings throughout the state. These were mechanics who had been trained to do this work.

This policy was changed in October 1994 when a new director was hired for General Services. A series of contracts were awarded to private contractors for work that had been done by General Services personnel (and which is now performed by them again).

In 1996 General Services awarded a \$25,000 contract to a professional engineering firm to assist the section in replacing HVAC systems in five DMV buildings.

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The same firm also received a separate contract for \$3,210 to assist the section in replacing an HVAC system for a garage in Salisbury. In this instance the firm recommended a different HVAC system than the one that had already been purchased for \$5,000. The new system was purchased at a cost of \$49,000 and the previously purchased system was stored for use at another building.

General Services awarded another professional engineering firm contracts to assist in replacing the HVAC systems in a DMV building in Hudson and a Highway Patrol office in Newton. These contracts were for \$4,400 and \$9,150 respectively.

The Hudson facility had two HVAC systems. General Services personnel replaced one and the professional engineering firm replaced the other.

We questioned the individual who was director of General Services at the time about his rationale for hiring private contractors to do this work. He responded that the DMV buildings throughout the state had major building code violations and he was attempting to correct some of these violations as they replaced HVAC systems. He asserted that inspections by the Department of Insurance had reported these violations, but General Services had done little to correct them.

The Department of Insurance maintains records of the inspections done on the DMV buildings. We reviewed these files and found nothing to indicate any violations of building codes associated with the HVAC systems. In addition, the reports did not indicate any requirement that professional engineers assist with the installation.

According to the Building Maintenance Supervisor in General Services, it had been the practice to use their own employees in replacing HVAC systems. The systems were purchased by the department after going through the steps required by the Division of Purchase and Contracts in the Department of Administration. The maintenance mechanics installed the systems.

Employees within General Services advised us that several of the above projects incurred delays due to the use of the professional engineering firms.

General Services has discontinued the practice of using professional engineering firms for these projects. They went back to using their own employees. This occurred after the section was reorganized.

We are questioning the use of professional engineering firms for these projects, given that the section had successfully completed them using their own personnel. As noted above, the Department of Insurance's inspection reports did not reveal any violations in the systems installed by General Services' personnel. The amount expended on the contracts for professional engineering firms, coupled with the extra \$45,000 for the HVAC system in Salisbury, totaled \$85,760.

Reorganization and Change in Duties

During the course of our review, we were informed that General Services had undergone a significant reorganization. As part of this effort, the duties and responsibilities of the Director were changed and he became the Departmental Services Director. Although we requested a copy of the job description for that position, the department did not furnish one. However, we did obtain a copy of the current organizational chart that revealed a significant decrease in the supervisory responsibilities, both in terms of skill level and total number of positions supervised. Nonetheless, there was no change in the pay grade or salary level. DOT has not notified the Office of State Personnel of the change; therefore they have not been able to determine if the current salary grade is warranted.

Video

During the course of work, we learned that General Services expended \$10,203 to produce a video intended to convince the Board of Transportation and the General Assembly to construct a new headquarters for the Division of Motor Vehicles. Prior to making the video, the Board of Transportation decided to seek a new building rather than renovating the old one. Therefore, the video was not needed for that purpose and it was never shown to the General Assembly.

According to the individual who had been Director of General Services, the video had been authorized by both the former Secretary and former Deputy Secretary of Transportation. The original cost was \$4,995. However, he said the cost rose because the Secretary of Transportation had insisted that one shot be removed from the first version of the video. He said this required remaking the entire video at an additional cost of \$5,208.

DOT therefore, expended \$10,203 on a video that was not used or needed for the purpose for which it was made.

Conclusion

Based on the foregoing we recommend:

- ◆ That the Department of Transportation develop specific and clear guidelines covering the use of professional engineering firms for HVAC work;
- ◆ That the Department of Transportation submit the Departmental Services Director's position description to the Office of State Personnel for study as to the appropriate pay grade; and
- ◆ That the Department of Transportation carefully monitor any future expenditures for producing videos.

We are presenting these findings and recommendations for your review and written response. The purpose of the response is to allow you the opportunity to outline any corrective

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actions taken or planned. We request that your written response be delivered to us by November 4, 1997.

Sincerely,

Ralph Campbell, Jr.

State Auditor

RCjr:dj

Management letters and responses receive the same distribution as audit reports.



STATE OF NORTH CAROLINA
DEPARTMENT OF TRANSPORTATION

JAMES B. HUNT JR.
GOVERNOR

P.O. BOX 25201, RALEIGH, N.C. 27611-5201

GARLAND B. GARRETT JR.
SECRETARY

November 4, 1997

Mr. Ralph Campbell, Jr.
State Auditor
300 N. Salisbury Street
Raleigh, North Carolina 27603

Dear Mr. Campbell:

We have reviewed your findings and recommendations based on an audit of our Department's General Services Division. Your recommendations and our response are as follows:

Recommendation: That the Department of Transportation develop specific and clear guidelines covering the use of professional engineering firms for HVAC work.

Response: Our Department's engineers will develop specific guidelines covering HVAC work using professional engineering firms or in-house engineers versus using our employees. These guidelines will be distributed to our HVAC mechanics and their supervisors, as well as our design staff.

Recommendation: That the Department of Transportation submit the Departmental Service Director's position description to the Office of State Personnel for study as to the appropriate pay grade.

Response: Our Personnel Section is having a new position description prepared for our Support Services Director. They will coordinate with the Office of State Personnel in determining the appropriate classification based on current duty assignments.

Recommendation: That the Department of Transportation carefully monitor any future expenditures for producing videos.

Response: Our Purchasing Section has agreed to assign a Purchasing Agent to monitor and approve expenditures for producing videos.

We trust our responses will bring this matter to a conclusion.

Sincerely,

Garland B. Garrett, Jr.

GBG:jrm

cc: Deputy Secretary Daniel H. DeVane

