

STATE OF NORTH CAROLINA

SPECIAL REVIEW

**NORTH CAROLINA STATE UNIVERSITY
COOPERATIVE EXTENSION
MITCHELL 4-H CAMP**

SWANSBORO, NORTH CAROLINA

NOVEMBER 1999

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

LETTER OF TRANSMITTAL

November 8, 1999

The Honorable James B. Hunt, Jr., Governor
Dr. Marye Anne Fox, Chancellor
North Carolina State University
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 Mitchell 4-H Camp. 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., CFE
State Auditor

TABLE OF CONTENTS

	PAGE
OVERVIEW.....	1
INTRODUCTION	5
FINDINGS AND RECOMMENDATIONS	7
STATEMENT OF FINANCIAL IMPACT	33
EXHIBIT 1	35
RESPONSE FROM THE CHANCELLOR OF NORTH CAROLINA STATE UNIVERSITY	37
DISTRIBUTION OF AUDIT REPORT	39

OVERVIEW

The Cooperative Extension Service, established in 1914, was originally designed as a partnership between the U.S. Department of Agriculture and each of the United States' 1862 and 1890 land grant universities. However, state legislation has enabled local governments and other organized groups to join in the partnership. As a result, the Cooperative Extension Service has become a federal-state-local partnership, functioning for more than seven decades.

The Cooperative Extension Service is geared towards an educational program rather than financial or regulatory. Thus, Cooperative Extension Service is administratively attached to the 1862 and 1890 land grant universities. The main objectives of the Cooperative Extension Service are to: ensure the sustainability of agriculture, forestry, and a safe food supply; strengthen the economic and social structure of families; enhance the economic and social viability of communities; protect and improve the environment; and help people address problems through public policy education.

In North Carolina, extension agents work in all 100 counties, the Cherokee Reservation, as well as North Carolina's two land grant institutions: North Carolina State University and North Carolina A&T State University. The North Carolina Cooperative Extension Service has developed a statewide plan focusing on 20 major programs. These programs center on sustaining agriculture and forestry, protecting the environment, developing responsible youth, and developing strong, healthy and safe families.

OVERVIEW (CONTINUED)

One of the programs developed by the Cooperative Extension Service is the 4-H (Heart, Head, Hands and Health) and Youth Program. The primary goal of the 4-H Program is to assist youth and adults in becoming competent members of society. To achieve their goals, the North Carolina 4-H Program offers Junior and Specialty camps throughout the year at various locations in the state. Specialty camps include fur, fish, and game; marine science and sailing; outdoor resources career camps; horsemanship; space technology; Appalachian adventure camp; clover bud camp; and cool “ventures” camp. The 4-H camps sites in North Carolina are Anita-Alta Outpost Camp, Betsy-Jeff Penn Camp, Millstone Camp, Mitchell Camp, Sertoma Camp and Swannanoa Camp. These camps receive funding from county, state and federal sources, as well as private donations. In some instances, a fee is charged to participants. Since our review focuses mainly on Mitchell Camp, a more detailed description of the camp is stated below.

Mitchell Camp is located on 32 acres near the coast of North Carolina along the banks of Queen Creek near the town of Swansboro. The Camp offers the following programs: Environmental Education Workshops, Junior Camps, Environmental Day Camps, Clover Bud Camps, and Marine Science and Sailing. The facility has eight cabins, a recreational hall, staff housing, a swimming pool, and a business office that are located on the grounds. Beginning in November 1998, North Carolina State University (NCSU) provided separate housing located at the camp for a Camp Director. Mitchell Camp is available for rent to various groups as well as individuals.

OVERVIEW (CONCLUDED)

In the fall of 1997, after Mitchell Camp began offering year round programs, a full time Camp Director was employed. An Administrative Assistant, Groundskeeper and Maintenance Assistant are employed on a temporary basis. Additionally, temporary camp counselors and camp staff are employed during the camp season.

Mitchell Camp charges camp and rental fees that are used to offset expenses. A portion of each camp fee paid by the County Extension Services is placed in a maintenance contingency fund that is used to pay for capital maintenance. Revenues and expenditures are to be processed by the North Carolina State University (NCSU) Cooperative Extension Department. Mitchell Camp maintains an imprest checking account for small camp expenses. The NCSU Program Assistant for 4-H and Youth Development (NCSU Program Assistant) processes deposits and reconciles the imprest checking account. Both the Camp Director and the Administrative Assistant have signature authority on the imprest checking account.

For the fiscal year ending June 30, 1999, Mitchell Camp reported total support service revenues of \$274,701.97 and total expenditures of \$115,164.71.

On July 29, 1999, the Camp Director submitted his letter of resignation effective September 1, 1999.

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INTRODUCTION

In April 1999, we received allegations through the State Auditor's Hotline concerning employees at Mitchell 4-H Camp (Camp) located near Swansboro, NC. The allegations included the following:

- ◆ The Camp Director used Camp funds to pay for personal expenses.
- ◆ Camp employees performed personal services for the Camp Director and were reimbursed for their expenses with Camp funds.
- ◆ The Camp Director cashed Camp checks and did not deposit the money.
- ◆ The Administrative Assistant and her husband falsified time records.
- ◆ The Camp Director gave Camp equipment to employees.

We used the following procedures to conduct our special review:

- ◆ Interviews with employees at Mitchell Camp and NCSU.
- ◆ Interviews with individuals external to Mitchell Camp and NCSU.
- ◆ Examination of Mitchell Camp and NCSU records.
- ◆ Examination of NCSU policies and procedures.

This report presents the results of our Special Review. This review was conducted pursuant to G.S. 147-64.b(c)(16), rather than a financial audit. An annual audit of North Carolina State University is performed by the Office of the State Auditor.

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FINDINGS AND RECOMMENDATIONS

1. THE CAMP DIRECTOR CASHED CHECKS MADE PAYABLE TO THE CAMP WITHOUT THE KNOWLEDGE OF HIS SUPERIORS.

The Camp Director said he cashed three commission checks from a Soft Drink Company and established a petty cash fund for the Camp. The Camp Director said he did not tell anyone about the petty cash fund because he did not trust the Camp employees. He said he used the money to purchase meals for Camp employees and to pay \$200 for stump grinding at the Camp.

We determined the Camp Director cashed three commission checks from the Soft Drink Company totaling \$471.09. According to the Soft Drink Company's Accounts Payable Representative (A/P Representative), Mitchell Camp receives a quarterly commission check for the drink machine sales at the Camp. The A/P Representative said only three commission checks have been issued since the drink machine was installed in February 1998. The A/P Representative said the first commission check for \$185.59 was issued on October 9, 1998, and cashed on November 17, 1998; the second check for \$219.83 was issued on July 9, 1998 and cashed September 14, 1998; and the third check for \$65.67 was issued January 11, 1999 and cashed April 27, 1999. All three checks were mailed to Mitchell Camp and were payable to the Camp.

At the time of our review, the Soft Drink Company could only provide us with two of the canceled commission checks. The Camp Director endorsed both checks, and admitted to cashing all three commission checks. In fact, the Camp Director said he

FINDINGS AND RECOMMENDATIONS (CONTINUED)

was able to cash the checks at a local bank even though they were payable to the Camp, because his friend was the Branch Manager.

The NCSU Extension Specialist, who was the Camp Director's supervisor, said he was not aware the Camp Director received the commission checks. According to the NCSU Extension Specialist, the checks should have been forwarded to NCSU for processing and the camp expenses should have been paid from the imprest checking account. He said there was absolutely no reason for the Camp Director to establish a petty cash fund.

According to the NCSU Program Assistant for 4-H and Youth Development (NCSU Program Assistant), an imprest checking account is maintained at the Camp. This account is used to pay camp expenses. The NCSU Program Assistant said checks are written at the Camp and the Administrative Assistant submits a summary sheet along with receipts supporting each check. The NCSU Program Assistant said she reviews the receipts to ensure the amounts agree to the checks. Once the documents are reviewed, NCSU Accounting issues a reimbursement check to the imprest checking account. The NCSU Program Assistant said none of the Camp employees make deposits in the account; however, the Administrative Assistant and the Camp Director have signature authority over the account. The NCSU Program Assistant is responsible for reconciling the imprest checking account.

The Camp Director said NCSU does not allow employees' meals to be purchased from the imprest checking account, so he established a petty cash fund with the commission

FINDINGS AND RECOMMENDATIONS (CONTINUED)

checks to purchase staff meals. However, a review of the imprest checking account revealed the Camp Director has written checks totaling approximately \$3,857 for employee meals over a two year period. We could not find any written policy regarding the purchase of meals.

The Camp Director said he could not submit an invoice to NCSU for the stump grinding because of the extended time it took for NCSU to pay a prior stump grinding invoice. However, the Camp Director could not explain why he did not pay for the stump grinding from the imprest checking account. The Camp Director said he paid \$200 in January 1999 for the stump grinding, although the grinding was not performed until May 1999. The Camp Director provided an invoice dated January 10, 1999, for \$200. No company name or phone number is listed on the invoice (see EXHIBIT 1). The Camp Director could not recall who performed the stump grinding.

On May 19, 1999, we questioned the Camp Director about the commission checks. He stated the money along with all the receipts were located in a black bank bag in his desk drawer at the Camp. The Camp Director told us the exact location of the bank bag and stated his office is locked when he is out. At that time, we phoned the Administrative Assistant and asked her if the Camp Director's office was locked. According to the Administrative Assistant, the office was unlocked and with the permission of the Camp Director, she searched for the bank bag. The Administrative Assistant was unable to locate a bank bag. The Administrative Assistant said she was unaware the Camp Director had a separate petty cash fund.

FINDINGS AND RECOMMENDATIONS (CONTINUED)

The following morning after the Administrative Assistant searched for the bank bag, we visited the Camp to retrieve additional information. When we arrived, the Camp Director informed us the bank bag had been found and the Administrative Assistant had searched the wrong area. The Camp Director provided a black bank bag containing \$155.40. Additionally, receipts totaling \$305.43 were in the bank bag. The majority of receipts were dated within days of our interview, and many of the receipts were for purchases at a local grocery store. Mitchell Camp has a charge account with this grocery store; therefore, there is no need for cash purchases.

The Administrative Assistant said when the Camp Director returned from our interview, she questioned him about the bank bag. The Administrative Assistant said the Camp Director told her the bank bag was in his briefcase, which he brought to our interview. However, during the interview, the Camp Director emptied his briefcase in our presence and a bank bag was not among the contents. The Camp Director said he never told the Administrative Assistant the bank bag was in his briefcase.

RECOMMENDATION

We recommend NCSU immediately notify the Soft Drink Company and have all commission checks sent directly to NCSU. Additionally, we recommend NCSU take any action deemed necessary to recoup any funds that were not used for purchasing camp supplies and services.

FINDINGS AND RECOMMENDATIONS (CONTINUED)

2. THE CAMP DIRECTOR USED CAMP FUNDS TO PAY HIS PERSONAL TELEPHONE AND UTILITY BILLS.

The Camp Director admitted he made personal long distance telephone calls from the Camp's business telephone. He said when he moved his residence, his personal telephone service was accidentally billed to the Camp. However, according to the Administrative Assistant, the Camp Director requested she contact the telephone company to arrange the installation of his personal telephone. She said that in November 1998, the Camp Director told her to include his personal telephone and utility services with the Camp's services. The Administrative Assistant said she contacted both the local telephone and utility companies and requested the Camp Director's personal services be included on the Camp's invoices. She then immediately reported this to the NCSU Extension Specialist.

The NCSU Extension Specialist said he told the Camp Director to remove his personal telephone and utility services from the Camp's accounts. He also requested reimbursement for any personal expenses paid by NCSU. Both the telephone and utility companies verified the Camp Director's personal services were no longer included on the Camp's invoices.

A review of the Camp's telephone invoices revealed NCSU paid \$31.15 for the Camp Director's local telephone service for the period December 16, 1998 to January 15, 1999. In addition, NCSU paid \$94.80 for personal long distance telephone calls made by the Camp Director from November 30, 1998 to January 27, 1999 from his personal telephone. NCSU also paid \$93.88 for personal

FINDINGS AND RECOMMENDATIONS (CONTINUED)

long distance telephone calls he made from the camp's business telephone from July 1997 to January 1999.

The Camp Director said he reimbursed NCSU for the majority of his personal long distance telephone calls. However, the NCSU Extension Specialist stated the Camp Director reimbursed NCSU \$37.00 for personal long distance telephone calls. As shown above, NCSU paid a total of \$188.68 for personal long distance telephone calls.

A review of the Camp's utility invoices revealed NCSU paid \$26.06 for the Camp Director's personal utility service for the period December 4, 1998 to December 7, 1998. Records indicate the Camp Director reimbursed NCSU \$26.06 for this service.

RECOMMENDATION

We recommend NCSU take whatever actions deemed necessary to recoup the additional \$182.83 paid by NCSU for the Camp Director's personal local and long distance telephone services that he did not reimburse. We also recommend NCSU review telephone and utility invoices to detect any further personal calls or unauthorized charges.

3. THE CAMP DIRECTOR CHARGED REPAIRS AND GAS FOR HIS PERSONAL VEHICLE USING THE CAMP'S CHARGE ACCOUNTS.

The Camp Director admitted he charged auto repairs for his personal vehicle to the Camp's account. A review of auto repair invoices submitted by the Camp Director

FINDINGS AND RECOMMENDATIONS (CONTINUED)

revealed that on November 11, 1998, an oil change was performed on a blue Chevrolet pick-up truck, the same make and model as the Camp Director's personal truck. The amount paid by NCSU for the oil change was \$38.66. According to the NCSU Extension Specialist, the Camp Director reimbursed NCSU \$38.66 for this service after being questioned.

Further review of the invoices revealed that on March 5, 1998, auto repairs in the amount of \$154.27 were performed on a Chevrolet van. However, the invoice originally listed the vehicle as a Chevrolet truck. The word "truck" was crossed out and replaced with the word "van." The owner of the auto repair shop recalled that the work was performed on the Camp Director's personal vehicle and said the invoice had been altered. The camp has a Dodge van rather than a Chevrolet van.

The Camp Director further admitted he charged gas for his personal vehicle with the Camp's charge card and also received mileage reimbursement for the same travel. We determined the Camp Director charged \$310.61 for gas on the same dates he filed for mileage reimbursement. The Camp Director was not entitled to the gas charges since he was reimbursed \$846.86 for mileage.

In addition, the Camp Director charged gas for his personal vehicle from May 1997 to May 1998, when he commuted from his home in Wilmington to Swansboro each day. The Camp Director said he charged gas for commuting at the direction of the NCSU Extension Specialist. The Camp Director said the NCSU Extension Specialist told him he was entitled to commuting fees since NCSU could not provide him housing at that

FINDINGS AND RECOMMENDATIONS (CONTINUED)

time. The NCSU Extension Specialist said he approved for the Camp Director to charge gas to the Camp for commuting after the fact. He said he did not approve it in advance.

According to the NCSU State 4-H Director, Assistant Director of Cooperative Extension (State 4-H Director), the Camp Director was not entitled to commuting fees and NCSU never agreed to pay for his personal gas. Therefore, we determined an additional \$368.87 of the gas charges were personal and should not have been paid by NCSU.

RECOMMENDATION

We recommend NCSU take whatever actions deemed necessary to recoup the \$154.27 paid for the Camp Director's personal auto repairs, as well as, the \$679.48 in personal gas charges. We further recommend NCSU reimburse for mileage only and discontinue the use of gas charge cards by camp employees.

4. THE CAMP DIRECTOR LEASED A CELLULAR PHONE FOR THE CAMP WITHOUT APPROVAL FROM NCSU.

According to the Camp Director, in September 1998, he leased a cellular phone for use at the Camp. The Camp Director said each month the cellular phone bill was submitted to the NCSU Program Assistant for payment.

According to the NCSU Extension Specialist, the Camp Director leased the cellular phone for his personal use and did not have approval from NCSU. Therefore, the

FINDINGS AND RECOMMENDATIONS (CONTINUED)

NCSU Extension Specialist said the Camp Director is responsible for the cellular phone bills. He said he was unaware NCSU paid for the cellular phone service.

According to the NCSU Program Assistant who processes all Camp invoices, NCSU did not pay for the cellular phone service. However, a review of all payments made from the Mitchell Camp account revealed that NCSU paid \$446.06 for the Camp Director's cellular phone service from September 1998 to March 1999. After March 1999, the Camp Director began paying for his cellular phone service.

RECOMMENDATION

We recommend NCSU take whatever action deemed necessary to recoup the \$446.06 paid for the Camp Director's personal cellular phone service. Additionally, NCSU should terminate any unauthorized cellular phone service contracts.

5. THE CAMP DIRECTOR REIMBURSED EMPLOYEES FOR PERSONAL EXPENSES INCURRED ON HIS BEHALF WITH CAMP FUNDS.

Both the current Administrative Assistant and the former Administrative Assistant said the Camp Director directed them to pay for his personal expenses. In return, they were reimbursed with Camp funds.

The current Administrative Assistant said she incurred a \$45 expense for framing a poster at the request of the Camp Director. She said the Camp Director told her to include an additional 8 hours on her time sheet for reimbursement. The current

FINDINGS AND RECOMMENDATIONS (CONTINUED)

Administrative Assistant stated she received an additional \$56 in one of her paychecks, but could not recall when she received the additional pay.

The Camp Director said the current Administrative Assistant framed a picture that was displayed in the Camp's office and the Camp reimbursed her for the expense. The Camp Director said the NCSU Extension Specialist handled the reimbursement. According to the NCSU Extension Specialist, the poster is property of the camp; therefore, he did not see a problem with the reimbursement.

However, the reimbursement should not be made by falsifying an employee's time sheet to show more hours than actually worked.

The former Administrative Assistant said the Camp Director asked her to frame a personal certificate. She said the framing cost approximately \$25. The former Administrative Assistant said she took \$25 from the camp store change fund as reimbursement (see Finding 9). The former Administrative Assistant said the Camp Director was aware she took the money.

The Camp Director said the former Administrative Assistant framed his college diploma and has not been reimbursed for her expense. He said he thought she framed it "out of the kindness of her heart" and did not expect to be reimbursed.

RECOMMENDATION

We recommend that camp employees record actual hours worked on their time sheets. We further recommend NCSU establish appropriate

FINDINGS AND RECOMMENDATIONS (CONTINUED)

reimbursement procedures for the camp and advise employees to adhere to these procedures. We also recommend NCSU take whatever actions deemed necessary to recoup the \$25 taken from the camp store change fund since the expense was not camp related.

6. THE CAMP DIRECTOR ALLOWED FORMER EMPLOYEES TO TAKE CAMP EQUIPMENT HOME FOR PERSONAL USE WHICH HAS NOT BEEN RETURNED.

The Camp Director stated he received nine computers at no charge in August 1998 from the surplus property of the Environmental Protection Agency. The Camp Director said he told the current Administrative Assistant, the former Administrative Assistant and the former Groundskeeper that each of them could use a computer at home since there was no storage space at the camp. He said he traded-in five or six computers for a newer computer to be used at the camp. The manager of the computer store said the computers traded-in were valued at \$100 each.

The Camp Director said he told each employee the computers were property of the camp and must be returned. He said the current Administrative Assistant returned her computer in January 1999. He said the former Administrative Assistant has not returned the computer although her employment ceased in December 1998. Additionally, the Former Groundskeeper ceased working at the camp in February 1999, but according to the Camp Director, has not returned the computer.

The former Administrative Assistant said she received a computer from the Camp Director in November 1998. She said it was her understanding the computer was a

FINDINGS AND RECOMMENDATIONS (CONTINUED)

gift and did not have to be returned. She said the Camp Director has never asked for the computer and he also took one of the computers home. The former Administrative Assistant said she asked the NCSU Extension Specialist about the computer and he told her not to return the computer until she received a written request. The Camp Director said he did not take a computer home.

The current Administrative Assistant said the Camp Director allowed her to borrow one of the computers for her personal use. She said the Camp Director told her the computer must be returned to the camp. She said she returned the computer in January 1999.

After numerous attempts, the former Groundskeeper failed to return our calls.

RECOMMENDATION

We recommend NCSU take whatever action deemed necessary to retrieve the two computers that have not been returned. Further, we recommend the camp refrain from allowing employees to take camp equipment home for personal use.

7. THE CAMP DIRECTOR PAID EMPLOYEES IN CASH OUTSIDE THE PAYROLL PROCESS.

During the course of our Special Review, we traced manual receipts recorded in the Camp's receipt books to the Mitchell Camp's NCSU account from July 1, 1998 through June 30, 1999. We were unable to trace all receipts to the Camp's account because of the manner in which cash receipts are processed. Cash collected at the

FINDINGS AND RECOMMENDATIONS (CONTINUED)

Camp is supposedly used to purchase money orders and cashier's checks that are sent to NCSU to be deposited in the Camp's account. During the time period we examined, the Camp did not keep records of the sources of cash collected, therefore, the sources of cash making up the deposits at NCSU can not always be identified.

During our examination of receipts, we found a manual receipt for \$680 written to a Church, but the \$680 was not deposited in the Camp's account. We contacted the Church and found that the Church had written a \$680 check payable to the Camp Director, at his request, in order to pay his staff.

In 1998, the Church's after school program arranged with the Camp Director to have Mitchell Camp provide camp activities for over 50 children. The Church wrote a \$255 check to Mitchell Camp for "facilities, equipment, maintenance fees." This check was deposited into the Camp's account. The Church wrote a second check for \$680 payable to the Camp Director for "staff." The Camp Director cashed the \$680 check on July 3, 1998, the date he received the check. According to the Camp Director, the Camp staff's normal work week begins Sunday at 11:00am and ends Friday at 10:00am. He said he asked the Camp staff if they wanted to work on a Friday afternoon during their off time assisting with the Church's activities. He said ten or twelve staff members agreed to work. He said he requested the Church make a check payable to him for the staff's time. He said he cashed the check and paid the staff, however, he could not recall the amount he paid each staff member or the number of

FINDINGS AND RECOMMENDATIONS (CONTINUED)

staff members paid. The Camp Director does not have records supporting the transactions other than the Camp receipt written to the Church for \$680.

We contacted several of the 1998 Camp staff, but none were able to recall the specifics of who worked and the amounts they were paid.

RECOMMENDATION

We recommend all staff be paid through the NCSU payroll system. The Camp Director should never request that checks for Camp services be made payable to him. NCSU should implement policies requiring the submission of documentation supporting deposits.

8. THE ADMINISTRATIVE ASSISTANT SUBMITTED FALSE PAYROLL INFORMATION IN ORDER TO CONCEAL PAYMENTS TO HERSELF.

According to the Administrative Assistant, she began working for Mitchell Camp in August 1994. Her husband was hired as the Camp Maintenance Assistant in August 1995. Both the husband and wife have continued to work for Mitchell Camp except for the summer of 1998, when the Administrative Assistant was hospitalized on April 30, 1998 and returned to work in August 1998. The husband was absent from work in June and July 1998 to accompany his wife during her hospitalization. His time sheets reflect he returned to work on August 10, 1998.

The Administrative Assistant is responsible for collecting all Camp employees' time sheets and computing each employee's gross pay. She prepares a list of employees and the amount of their gross pay, including herself and her husband, and submits the

FINDINGS AND RECOMMENDATIONS (CONTINUED)

list to the Camp Director for approval. After the Camp Director approves the list, the Administrative Assistant forwards the list to the NCSU Program Assistant in the NCSU Extension Office. The NCSU Program Assistant enters the information in the NCSU payroll system. The NCSU payroll department prints the payroll checks and mails the checks to the Camp's Administrative Assistant for distribution.

The Maintenance Assistant (husband) works full time as a federal government employee in addition to working at the Camp. We compared the Maintenance Assistant's federal time sheets to his Camp time sheets for the period August 10, 1998 through April 29, 1999 and found 39 instances of overlapping hours. When we confronted the Administrative Assistant with this information, she said she recorded the hours she worked on her husband's Camp time sheets. She said she could not be paid directly because she was receiving social security disability payments. She said her disability payments would have been terminated if she was paid directly, so she concealed the payments to herself by paying her husband for the hours she worked. She said she returned to work in August 1998 on a trial basis, unaware if she was physically able to work. She said she did not want to jeopardize losing her disability payments until she knew she was capable of working.

According to the Administrative Assistant, from August 1998 through January 1999, she submitted her work hours on her husband's time sheets. She said that in late January 1999, she began submitting 21 hours every two weeks on her time sheets and reporting the remaining hours she worked on her husband's time sheets. She said that

FINDINGS AND RECOMMENDATIONS (CONTINUED)

during this time she was classified as partially disabled and could not earn over \$300 a month without affecting her disability. She said that 21 hours every two weeks equated to the maximum amount of wages she could earn without affecting her partial disability status.

We were unable to verify the actual number of hours worked by these two individuals due to the lack of reliable supporting evidence. From January 1, 1998 through April 30, 1999, the husband and wife were paid a combined amount of \$14,434.

The Administrative Assistant said the Camp Director, the NCSU Program Assistant, and the NCSU Extension Specialist knew her husband was paid for the hours she worked. The Camp Director said the arrangement was made directly between his supervisor, the NCSU Extension Specialist, and the Administrative Assistant. The NCSU Extension Specialist said he knew the Administrative Assistant's husband was paid for hours she worked and indirectly approved the practice. He said he discussed the situation with the NCSU State 4-H Director in August 1998. He said the NCSU State 4-H Director told him he did not want the family's income affected by the wife's disability. The NCSU State 4-H Director also told us he did not want the family's income affected by the wife's disability, but was unaware they were submitting false time sheets.

The NCSU Extension Department could not provide written documentation, such as contracts or letters of understanding, reflecting the rate of pay, or the number of hours to be worked by the Administrative Assistant or her husband. The Administrative

FINDINGS AND RECOMMENDATIONS (CONTINUED)

Assistant said it was understood that she and her husband worked as a team. She said the rates were set by the Camp Director.

In addition, the Maintenance Assistant (husband) was paid \$1,160.00 in advance on June 12, 1998 to maintain the Camp swimming pool while his wife was hospitalized during June and July 1998. According to the Maintenance Assistant, he determined he was unable to maintain the Camp swimming pool; therefore he paid a person to do the job.

The Administrative Assistant originally told us she volunteered her time at the Camp from August 1998 through January 1999 and was not paid. She later admitted, after being confronted with her husband's conflicting time sheets, that she recorded her work hours on her husband's time sheets. Prior to the Camp Director resigning, he forwarded to the NCSU State 4-H Director a copy of e-mail messages that were transmitted between the Administrative Assistant, the NCSU Extension Specialist, and the Camp Director. The messages revealed the NCSU Extension Specialist instructed the Administrative Assistant to tell us she volunteered her time. In another message, the Administrative Assistant informed the NCSU Extension Specialist that her husband did not prepare time sheets from January 1, 1998 through July 31, 1998, and asked for his assistance. In his reply, he informed her to prepare time sheets for that period.

The first message, dated May 5, 1999, was transmitted from the NCSU Extension Specialist to the Administrative Assistant. The message reads,

FINDINGS AND RECOMMENDATIONS (CONTINUED)

This lady here is a piece of work... remember that you volunteered... she is pulling every timesheet for you and Coby from the beginning...

The next message relating to the time sheets was transmitted from the Administrative Assistant to the NCSU Extension Specialist on May 11, 1999. The message reads,

Terry:

Wanda told me yesterday that Catherine Johnson is requesting copies of Coby's timesheets from Jan. 1998 thru July 31, 1998. During this time frame, Coby did not do timesheets [sic]. The only timesheets [sic] that were kept during this time were hourly employees, i.e., Walter Wells. Coby's time was called in, as was mine, Tara's or whoever else was a contracted employee at the time. I need to know what you would like to do about this situation. Also remember that Coby was paid an advance for his six weeks off. Please think about and advise. I have spoken with Scott in regards to this and he told me to ask you.

Becki

The NCSU Extension Specialist responded to the Administrative Assistant the next day by transmitting the following message:

Yes do the timesheets [sic] just to be certain... Simply send those into here... so we can pass them along... make absolutely certain they match up with what has been paid.

Terry

The same day, one hour later, the Camp Director transmitted the following message to the NCSU Extension Specialist the following message:

Terry,

I need to know if or what you need for me to do in this situation with Coby. If you wish to have me or Becki do these time sheets up, please give me a directive and guidance on this. I do not, as center director,

FINDINGS AND RECOMMENDATIONS (CONTINUED)

feel that Becki and Coby should be making the decision on whether or not to do these time sheets.

Scott

The NCSU Extension Specialist said the Administrative Assistant subsequently prepared time sheets for her husband for the period January 1, 1998 through July 31, 1998 and forwarded them to him. However, he said he threw the time sheets in the trash. We have not received time sheets for the Maintenance Assistant for that time period.

RECOMMENDATION

We recommend all camp employees record their actual hours worked on their own time sheets. The time sheets should be signed by the employee and Camp Director as being true and accurate statements of the time worked. A copy of the time sheets should be forwarded to the NCSU Extension Office, where the gross pay amounts are computed. After the pay amounts are computed, the NCSU Extension Specialist should sign the form approving payment.

At the beginning of each year, all Camp employees should sign a contract describing the terms of employment. The contract should be signed by the employee, the Camp Director, the NCSU State 4-H Director and the NCSU Personnel Officer. Copies of the contract should be filed at the camp and with the NCSU Extension Department.

FINDINGS AND RECOMMENDATIONS (CONTINUED)

NCSU should take appropriate action against the NCSU Extension Specialist for his role in advising the Administrative Assistant to prepare falsified time sheets in order to conceal a circumvention of the payroll process.

9. THE FORMER ADMINISTRATIVE ASSISTANT WROTE A CAMP CHECK TO HERSELF WITHOUT SUBMITTING SUPPORTING DOCUMENTATION.

As stated in Finding 1, an imprest checking account is maintained at the Camp. This account is used to pay incidental Camp expenses. Both the Camp Director and the current Administrative Assistant have signature authority over the checking account. The former Administrative Assistant was employed from July 1998 to December 1998 and during that time, she had signature authority. Camp employees are not permitted to make deposits in this account.

During her employment, the former Administrative Assistant was responsible for submitting summary sheets along with receipts for all checks written from the imprest checking account. A review of the imprest checking account revealed on September 8, 1998, the former Administrative Assistant wrote herself a check in the amount of \$308.46. The Camp Director said the check was reimbursement for camp supplies purchased by the former Administrative Assistant. However, the receipts submitted by the former Administrative Assistant only totaled \$179.20.

FINDINGS AND RECOMMENDATIONS (CONTINUED)

In December 1998, the NCSU Program Assistant notified the Camp Director that the check amount did not agree to the receipts submitted by the former Administrative Assistant. The Camp Director said he contacted the former Administrative Assistant and requested the additional receipts. The former Administrative Assistant said she would bring the receipts to the Camp. At this time, the Camp Director has not received any additional receipts. On February 9, 1999, the NCSU Extension Specialist requested in writing the additional receipts from the former Administrative Assistant. No receipts have been received.

According to the former Administrative Assistant, she received permission from another NCSU Extension Specialist to write herself a check for reimbursement for the camp supplies she purchased. She said she submitted receipts totaling \$279.46 to the NCSU Program Assistant. The former Administrative Assistant said some of the receipts were misplaced; however, she later discovered more receipts and faxed them to the NCSU Extension Specialist in February 1999. Again, the NCSU Extension Specialist said he has not received any additional receipts.

In January 1999, the current Administrative Assistant discovered a note signed by the former Administrative Assistant stating "I got \$35" in the camp store change fund. According to the current Administrative Assistant, a \$150 change fund is maintained for the camp store. The current Administrative Assistant said she is responsible for the change fund and the money is locked in a file cabinet each day. She said after the note was discovered, the Camp Director had the lock changed to the file cabinet.

FINDINGS AND RECOMMENDATIONS (CONTINUED)

The former Administrative Assistant said she took \$35 from the camp store change fund as reimbursement for camp expenses she incurred. According to the former Administrative Assistant, \$10 was for gas she purchased while running camp errands; and \$25 was reimbursement for framing the Camp Director's college diploma (see Finding 5). She said the Camp Director was aware she took the money.

RECOMMENDATION

We recommend NCSU take whatever actions deemed necessary to recoup the \$139.26 taken by the former Administrative Assistant. We also recommend NCSU establish a policy requiring dual signatures on the imprest checking account checks.

10. NCSU PAID INVOICES AND PROCESSED PAYROLL CHECKS WITHOUT ADEQUATE SUPPORTING DOCUMENTATION.

During the course of our review, we found it difficult, if not impossible in some cases, to determine what was purchased by the NCSU Extension Service. For example, the NCSU Program Assistant responsible for reviewing the Camp's invoices was unaware the Camp Director's cellular phone service was paid by NCSU. Furthermore, the NCSU Extension Specialist could not offer us any assistance.

In many instances, invoices were paid by NCSU without any detailed information as to what had been purchased. For example, the invoices submitted for payments to a local

FINDINGS AND RECOMMENDATIONS (CONTINUED)

grocery store only listed the amounts charged, not the items purchased. Therefore, we were unable to determine if the items purchased were camp related or personal.

Additionally, adequate documentation for rental and camp fees could not be provided. Many camp rental agreements could not be located and the agreements that were provided were not accurate. According to the Administrative Assistant, the amounts actually paid for renting the facilities sometimes differed from the amounts stated in the rental agreements.

As stated in previous findings, employment contracts and time sheets were not maintained at NCSU. According to the NCSU Program Assistant, she processed the payroll based on a summary sheet that listed the amount to pay each employee. The summary sheets were prepared by the Administrative Assistant and, in many cases, were not accurate. Time sheets were not submitted to the NCSU Program Assistant.

According to the NCSU Payroll Supervisor, time sheets are required for all temporary employees and should be maintained by the NCSU Program Assistant. The NCSU Program Assistant said she received time sheets for all temporary employees at other 4-H Camps, but did not receive time sheets from Camp Mitchell because it would be too much paperwork.

Additionally, the NCSU Program Assistant told us the Camp employees were temporary contract employees. However, the NCSU Program Assistant could not provide us with employment contracts nor the amounts paid to employees. Rather she

FINDINGS AND RECOMMENDATIONS (CONTINUED)

relied on the summary sheets submitted by the Administrative Assistant when processing the payroll.

The lack of meaningful and effective internal controls and oversight contributed to the findings detailed in this report. Furthermore, after the allegations were reported to the NCSU Extension Specialist, no one reviewed or examined invoices for inappropriate purchases or expenses. In fact, the NCSU Extension Specialist stated he allowed the Camp Director to identify his personal expenses. Consequently, many of the Camp Director's personal expenses were not identified.

FINDINGS AND RECOMMENDATIONS (CONCLUDED)

RECOMMENDATION

We recommend the NCSU Extension Service adhere to the policies and procedures established by the NCSU Payroll Department. We also recommend the NCSU Program Assistant review invoices submitted by each camp to ensure the necessary documentation has been submitted. Furthermore, we recommend the NCSU Extension Service develop procedures for maintaining accurate camp rental agreements and ensure employees adhere to these procedures.

CONCLUSION

As noted in the cover letter to this report, G.S. §147-64.6(c)(12) requires us to provide the Governor, the Attorney General, and other appropriate officials with written notification of apparent violations of penal statutes or apparent instances of malfeasance, misfeasance or nonfeasance. This report is being referred in accordance with that mandate. Not only do the individual findings represent apparent violations, but they also demonstrate a pattern of behavior at Mitchell Camp that requires a referral to law enforcement agencies.

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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 detriment, if any, to the taxpayer resulting from the findings of our review. We are simply noting these areas where the system of internal controls were either circumvented or should be enhanced, or where, in our judgment, questionable activities or practices occurred. Of particular concern was the lack of controls over the cash receipting and payroll functions.

1. Commission checks cashed by the Camp Director.	\$ 471.09
2. Personal utilities and telephone charges billed to the Camp by the Camp Director.	182.83
3. Personal repairs and gasoline charged by the Camp Director to the Camp.	833.75
4. Unauthorized cellular phone services.	446.06
5. Personal expenses reimbursed with Camp funds.	81.00
6. Computers that have not been returned.	200.00
7. Check from the Church cashed by the Camp Director.	680.00
8. False payroll information submitted by the Administrative Assistant from January 1, 1998 through April 30, 1999.	14,434.00
9. Check written by the former Administrative Assistant to herself.	<u>139.26</u>
	<u>\$ 17,467.99</u>

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NAME Mitchell 4-H Camp DATE 1-10-99

DESCRIPTION OF WORK:

Grind (18) Stumps

TOTAL LABOR 200.⁰⁰
TOTAL MATERIALS 0
TOTAL AMOUNT 200.⁰⁰

Paid

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NC STATE UNIVERSITY

919.515.2191 (phone)
919.831.3545 (fax)

October 8, 1999

*Response from the Chancellor of
North Carolina State University*

Mr. Ralph Campbell, Jr., State Auditor
State of North Carolina
Office of the State Auditor
300 N. Salisbury Street
Raleigh, N.C. 27603-5903

Dear Mr. Campbell:

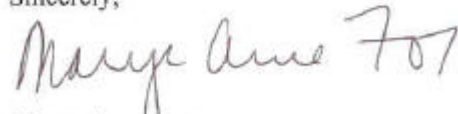
We have reviewed the draft report on your special review of North Carolina State University, Cooperative Extension, Mitchell 4-H Camp dated September 1999. The report provides useful information as guidance to the Cooperative Extension 4-H Camp to ensure future occurrences do not occur.

Several recommendations directed to NC State University addressed recoupment of inappropriate disbursements and handling of funds within the Mitchell 4-H Camp. NC State University has initiated appropriate action to address this recommendation in the report.

Other recommendations direct NC State University to implement and comply with policies to assure the primary purpose of any transaction is for the benefit of the University. Applicable policies have been re-evaluated and will be communicated to all appropriate personnel within the Cooperative Extension 4-H Program. Further, corrective actions have been initiated to address the handling of funds, documentation for expenditures and personnel matters. This fiscal year the University's Internal Audit Department will perform a detailed review of the Mitchell 4-H Camp as well as the other five camps in the 4-H program. The scope of these reviews will be internal controls and compliance with policy and procedures.

We appreciate your assistance and cooperation in this matter.

Sincerely,



Marye Anne-Fox
Chancellor

cc: Dr. Kermit L. Hall, Provost and Vice Chancellor for Academic Affairs
and Professor of History
Ms. Mary Elizabeth Kurz, University General Counsel
Dr. James L. Oblinger, Dean, College of Agriculture and Life Sciences
Dr. Jon F. Ort, Associate Dean and Director, Cooperative Extension Service
Mr. George Worsley, Vice Chancellor for Finance and Business

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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.

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Mr. Bryan Beatty	Director, State Bureau of Investigation
Mr. Marvin K. Dorman, Jr.	State Budget Officer
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Representative N. Leo Daughtry	Minority Leader of the N.C. House of Representatives
Mr. Thomas L. Covington	Director, Fiscal Research Division

Other Parties

Dr. Molly Corbett Broad	President, The University of North Carolina System
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November 8, 1999

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