



Ralph Campbell, Jr.
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

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October 23, 2001

Mr. Lyndo Tippett, Secretary
North Carolina Department of Transportation
1 South Wilmington Street
Raleigh, North Carolina 27611

Dear Secretary Tippett:

We received an allegation through the State Auditor's Hotline that the Supervisor of the Division of Motor Vehicles' Charlotte Weigh Station was having state vehicles repaired at his uncle's auto repair shop.

We have completed a special review of this allegation and are submitting the following findings and recommendations for your review and written response. Our review consisted of interviewing DMV and Motor Fleet Management personnel, and the examination of repair records. We also examined applicable policies and regulations.

Testimony

Charlotte Weigh Station Supervisor

According to the Charlotte Weigh Station's Supervisor (supervisor), his uncle owns a local automobile repair shop. According to the supervisor, officers under his supervision have taken their assigned state vehicles to his uncle's shop for repairs but not at his direction. He said when an enforcement officer is involved in an accident while driving a state vehicle, he or she is required by Motor Fleet Management (MFM) to complete an accident reporting form (FM-16), as well as notify the first sergeant. The enforcement officer is also responsible for obtaining estimates from any two auto repair shops. The first sergeant investigates the accident and insures the necessary forms are completed and submitted to MFM. Both estimates are submitted to MFM for review. MFM approves the lowest estimate and submits an authorization number to the first sergeant. The vehicle is then repaired at the approved repair shop.

The Supervisor said he is removed from the accident reporting process to eliminate the perception of a conflict of interest. The supervisor said it is known within the office that his uncle owns the repair shop, but he has never encouraged an officer to obtain an estimate from his uncle's shop nor has he discouraged an officer. However, he agreed the appearance of a conflict of interest could exist.

First Sergeant

According to the first sergeant, the enforcement officers determine where to obtain their estimates. He did admit that when asked by officers, he has given the name of four repair shops, including the supervisor's uncle's repair shop. However, he said he has never encouraged an officer to obtain an estimate there. He said the four repair shops are conveniently located near the Charlotte Weigh Station. He said the supervisor has never implied nor asked him to encourage the officers to obtain an estimate from his uncle's repair shop.

Motor Fleet Management

According to the MFM's Assistant Fleet Service Manager (assistant manager), anyone involved in an accident must report the accident to MFM, and submit the required FM-16 reporting form. The individual involved in the accident is required to obtain two estimates is affiliated with the repair shops that provided the estimates. However, the assistant manager said if an individual submitted an estimate from a relative's repair shop, he would consider it a conflict of interest.

State Regulations

We found no state regulations that applied specifically to DMV enforcement officers and the appearance of a conflict of interest. However, the North Carolina Board of Ethics, which provides guidance for certain state officials, addresses such situations in its policies. The policy states that:

A Public Official shall make every effort to avoid even the appearance of a conflict of interest. An appearance of conflict exists when a reasonable person would conclude from the circumstances that the Public Official's ability to protect the public interest, or perform public duties, is compromised by familial, personal, or financial interests. An appearance of conflict could exist even in the absence of a true conflict of interest.

Furthermore, the Department of Administration's Purchasing Manual gives the following directives to purchasing officers, which should be applied to all employees that are involved in the procurement process, whether the items being purchased are products or services. The directives state,

In purchasing, as in all fields, there are values of pride and worth, there are standards and ideals, and there are specifics of conducts and performances. Impediments to the process must be detected early and safeguards provided at all levels. This applies both to purchasing personnel and the vendor community. It becomes imperative, therefore, that all public purchasing personnel be entirely cognizant of the necessity of ethical behavior. It takes only the slightest hint of

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impropriety to cast doubt on behavior. Sometimes, it may be even more of a perception than an actual event.

Data Analysis

A review of the Charlotte Weigh Station's accident reports and estimates submitted to MFM from 1991-2001 revealed the following:

During this time period approximately 46 accident reports were submitted to MFM requiring two estimates. Of these 46 accidents, 21 (46%) obtained estimates from the supervisor's uncle's repair shop. In 12 of the 21 instances (62%), the uncle's repair shop was the lowest estimate and was authorized to perform the repairs. Therefore, the uncle's repair shop provided 12 (28%) of the lowest estimates out of the 46 estimates submitted to MFM.

Based on the testimony of persons interviewed and the analysis of applicable data, we found no evidence to indicate a actual conflict of interest exists. However, the situation could be viewed by others as being a conflict of interest based on the familial relationship and the supervisor's authority.

Recommendation

Therefore, we recommend DMV management implement procedures that formally address the appearances of conflict of interests. This may be done by identifying any relationship among officers that could be viewed by the public as conflicting with public service, and openly communicating the organization's process for removing the officers from any involvement with the related vendor.

We are presenting the results of this Special Review for you review and written response. The purpose of the response is to allow you the opportunity to outline any corrective actions taken or planned. We request your written response be delivered by October 18, 2001. If you have any questions or wish to discuss this further, please contact us. We appreciate the cooperation received from you and your staff during the course of our review.

Sincerely,



Ralph Campbell, Jr., CFE
State Auditor

RCjr/mfd



STATE OF NORTH CAROLINA
DEPARTMENT OF TRANSPORTATION

MICHAEL F. EASLEY
GOVERNOR

1501 MAIL SERVICE CENTER, RALEIGH, N.C. 27699-1501

LYNDO TIPPETT
SECRETARY

October 10, 2001

Mr. Ralph Campbell, Jr. CFE
N.C. State Auditor
20601 Mail Service Center
Raleigh, North Carolina 27699-0601

Dear Mr. Campbell:

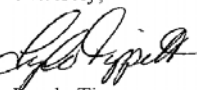
I am in receipt of your draft audit of September 2001 with regard to the DMV Charlotte Weigh Station and the potential conflict of interest involving a DMV Enforcement supervisor.

The thoroughness of your staff in investigating this matter is greatly appreciated. The finding that no evidence existed, which indicated an actual conflict of interest was welcome information. As Secretary, I expect all of our employees to exhibit the utmost caution in dealing with situations where even the hint of impropriety may exist.

I have shared this draft audit with DMV Commissioner Carol Howard and Colonel David Richards, Director of the Enforcement Section, for feedback on how we might best eliminate this situation in the future. It is their opinion that future in-service training contain modules that instruct all employees on conflict of interest with an in-depth review of the N.C. Board of Ethics Guidelines.

Furthermore, familial relationships will be reviewed, where applicable, to remove any perceived notion of conflict of interest concerning daily operations performed by the Enforcement Section. This monitoring of personnel will be handled on the district level and reported to the Enforcement Section Executive Staff.

It is my belief that these steps will satisfactorily address any future concerns of conflict of interest raised by current DOT/DMV employees or taxpayers. Most importantly, these changes will enable this Department to conduct its mission with efficiency, effectiveness and professionalism and continue to promote the public's trust in our role as public servants.

Sincerely,

Lyndo Tippet

LT/dr