



Ralph Campbell, Jr.
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

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July 2, 2002

Dr. James C. Renick, Chancellor
North Carolina A&T State University
1601 East Market Street
Greensboro, NC 27411

Dear Chancellor Renick:

During the time period from February 2001 through February 2002, we received allegations through the State Auditor's Hotline concerning possible violations of state and university regulations and policies at North Carolina A&T State University (NC A&T). The complaints included but were not limited to: inappropriate use of state vehicles by several staff members; violation of tenure policies for faculty and performance of secondary job duties during the regular workday, and; possible violations of bidding procedures.

We have completed a special review of these allegations and are submitting the following findings and recommendations for your review and written response. Our review consisted of interviews with relevant university and various state agency personnel, examination of individual personnel records, grievance files, timesheets, bid packets, invoices, admissions records and applicable state and university guidelines.

VEHICLE USE

We received a complaint that the NC A&T Public Safety Director commuted in his permanently assigned state vehicle from Charlotte to Greensboro on a daily basis without proper approvals. According to the Public Safety Director, he has commuted daily from his home in Charlotte to NC A&T in Greensboro since being hired in February 2002. He also stated his use of the state vehicle for commuting was discussed with the Vice Chancellor of Business and Finance as part of the offer for his employment. The Director estimated the mileage from his home to the university to be 72 miles each way. Based on our estimation, commuting use of the vehicle for five months (based on five days a week, four weeks a month) would total 14,400 miles.

The Public Safety Director believed such use was allowable because of the possibility he could be called back to the university after work hours for emergency response to an on-campus situation. However, he explained in the five months since his hire, he has not been called back to campus for emergency response to any situation. During this time the Public Safety Director said he was not aware of any trip or daily mileage log requirements for his vehicle, but explained his department does complete monthly mileage logs for all vehicles assigned to them.

According to the Vice Chancellor of Business and Finance, he authorized the Public Safety Director's use of a state vehicle for commuting. However, the Vice Chancellor stated he authorized such use conditionally, based on the belief the Public Safety Director would be moving to Greensboro. The Vice Chancellor also explained he was solely responsible for failure to follow up on the situation.

The Department of Administration's Motor Fleet Management Division's Regulations Manual allows a state employee to commute to and from work in their permanently assigned vehicle if certain criteria are met. However, for most employees allowed to commute in their assigned vehicle the following conditions are stipulated:

Employees who routinely drive any state-owned vehicle between their home and workstation shall reimburse the state for mileage. Reimbursement shall be made by payroll deduction. The amount of reimbursement shall approximate the benefit derived from the use of the vehicle as prescribed by federal law at a rate established by Motor Fleet Management and shall be for 20 days per month. Commuting privilege requires prior approval of MFM.

Based on the MFM commuting fee stipulation, the time period in question would amount to roughly \$300 in unpaid fees by the Director. In the MFM Regulations Manual, an exception to the commuting fee policy does exist for:

(xvi) unmarked law enforcement vehicles that are used in undercover work and are operated by full-time fully sworn law enforcement officers whose primary duties include carrying firearms, executing search warrants, and making arrests....

However, the Public Safety Director did not indicate routine involvement in the types of activities listed above. In addition, we did not find sufficient evidence to support use of the vehicle for commuting based on emergency response needs. As the Public Safety Director himself stated, no emergency call-back has occurred in the first five months of his employment. It is our opinion that in the event the Director is called back to campus for emergency response, he could submit a request for mileage reimbursement for his personal vehicle.

We also spoke with the Assistant Director of Motor Fleet Management who concurs with our concern that the amount of time for the commute negates the emergency response explanation. The Assistant Director also suggested reimbursement for any instance in which a call-back might occur.

While investigating the above complaint we received an additional complaint concerning NC A&T vehicle use as a whole. The complainant specifically alleged unnecessary mileage on vehicles assigned to other officials. We found no evidence supporting the allegation of personal or excessive use of the vehicles in question but we did note inadequate mileage reporting. Based on interviews with several employees and staff within the Physical Plant (overseeing vehicles) we concluded most employees at NC A&T are simply recording a monthly mileage total with no breakdown of actual trips or use when mileage was incurred. Such mileage reporting leaves the university in noncompliance with Motor Fleet regulations regarding rates and billings:

Travel logs (form FM-12) for permanently assigned vehicles are to be filled out on a daily or trip basis when the vehicle is in use. Log entries should accurately reflect the use of the vehicle.

During an interview with the Administrative Assistant at Facilities Maintenance that oversees vehicle assignment at NC A&T, she explained they had received different instructions from a Motor Fleet representative regarding mileage recording. Based upon the information given by Motor Fleet, it was her understanding monthly mileage recording is sufficient. However, we spoke with the Assistant Director of Motor Fleet Management again and he confirmed the written regulations regarding daily or trip recording of mileage are the ones to follow. Regardless of any other information inaccurately provided previously, employees at the university should be recording mileage on a daily and/or trip basis for their vehicles in order to accurately reflect miles driven and to avoid the appearance of any impropriety with the vehicles in question.

RECOMMENDATION

We recommend management review and reiterate the importance of adherence to correct Motor Fleet regulations by all appropriate employees. We also recommend university officials contact Motor Fleet Management for guidance on any issues they are unclear about in order to give employees the appropriate information regarding all motor vehicle regulations.

CONFLICT OF INTEREST

We received an allegation that a tenured professor at the university was violating the university's teaching policies by also teaching courses at another college. The complainant stated tenured professors are not allowed to teach at other universities and NC A&T faculty are required to complete a "Conflict of Interest" form that covers teaching at another university.

We reviewed the policies of NC A&T and the policies outlined in the Administrative Manual of the University of North Carolina. Based on our review, the complainant was mistaken in the belief that teaching at another university violated any tenure regulations. However, university employees are supposed to complete "Conflict of Interest" and "Notice of Intent to Engage in External Professional Activity for Pay" forms annually. The professor did not include his secondary employment on either of these forms.

In addition to this particular instance, we noted several outdated "Conflict of Interest" and "Notice of Intent" forms during reviews of employee files.

RECOMMENDATION

We recommend university administration review relevant employment policies and reiterate to employees the necessity of proper reporting and authorization of all employment outside the university.

VENDOR CONTRACTS AND BIDDING PROCEDURES

We received an allegation that the Physical Plant failed to follow appropriate competitive pricing policies for a particular contractor.

During our review, we discovered an instance where the contractor was paid twice for the same services. The instance occurred when a manual check (number 302859) totaling \$6,334 was prepared by the accounts payable supervisor and issued to the contractor on August 18, 2000. On October 5, 2000, an accounts payable clerk issued a second check (number 305005) totaling \$11,584 to the contractor. The total of the second check was the sum of four separate invoices, two being the invoices that had been previously paid with check number 302859.

The university accounts payable system requires an invoice number to be entered in the system in order for a check to be generated. As an internal control to prevent duplicate payments, the same invoice number cannot be entered into the system twice for a particular vendor. However, in this situation it appears the employees negated the internal control by using different formats for invoice numbers. The first check was generated by the supervisor entering "08/00 Barbee" and "08/00 Carpet" as invoice numbers since the actual invoices were not numbered. The second check was generated by the clerk entering "08-14-2000" and "08-15-2000" as invoice numbers. The university policy is for the accounts payable clerks to enter the actual invoice number that is given by the vendor on the invoice. If no invoice number is given, it is acceptable for the clerk to use the date services were rendered as the invoice number. However, without specific guidelines establishing a particular date format (i.e. mm/dd/yy or mm-dd-yy) no real control exists.

RECOMMENDATION

It is our recommendation that financial management review the current policy and create a standard date format to be used consistently for every vendor in order to prevent more duplicate payments. The finance office should also review a sample of vendor payments to identify the possibility of other duplicate payment errors. In addition, we recommend the university seek reimbursement of the \$6,334 overpayment from the vendor.

We did not perform a complete evaluation of internal controls so these recommendations are not all-inclusive, but we are noting the weaknesses that came to our attention as a result of our special review.

In accordance with our policies and procedures, we request that your office provide us with a written response to the findings and recommendations presented in the management letter. The response needs to be delivered to this office no later than July 16, 2002 in order to be included with the final version of this management letter.

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 this mandate, and our standard operating procedure, we will be providing copies of the management letter to the Governor, Attorney General, the State Treasurer, and the Director of the State Bureau of Investigations.

Dr. James C. Renick, Chancellor
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We are available to discuss the findings and recommendations of this management letter in greater detail. We appreciate the cooperative approach taken by you and your staff during the course of this special review.

Sincerely,

A handwritten signature in cursive script that reads "Ralph Campbell, Jr." The signature is written in black ink and is positioned below the word "Sincerely,".

Ralph Campbell, Jr., CFE
State Auditor

RCjr/mfd

cc: Gwynn T. Swinson, Secretary of NC Department of Administration
John T. Massey, Director of Motor Fleet Management



NORTH CAROLINA AGRICULTURAL AND TECHNICAL
STATE UNIVERSITY

OFFICE OF THE CHANCELLOR

July 16, 2002

Mr. Ralph Campbell, Jr., CFE
State Auditor
2 S. Salisbury Street
Raleigh, NC 27699-0601

RE: Response to State Auditor's Hotline Special Review

Dear Mr. Campbell:

We are providing your office our responses to the findings and recommendations presented in your preliminary draft management letter of July 2, 2002.

Vehicle Use

We concur with the findings and have taken the following steps to correct the exceptions:

The Public Safety Director has reimbursed the University for commuting expenses as recommended in the review. The Public Safety Director no longer uses his assigned state vehicle to commute from Charlotte to Greensboro.

The Physical Plant Staff overseeing motor pool vehicles have been instructed to properly train users in Motor Fleet Regulations and in preparing the daily logs and to verify on a regular basis that the appropriate logs are being kept.

Daily travel logs will be kept for the permanently assigned vehicles in compliance with Motor Fleet Regulations.

Conflict of Interest

We concur with the review findings. The Vice Chancellor for Academic Affairs/Provost has requested each faculty member and all other University employees to complete or update their "Conflict-of-Interest" and "Notice of Intent to Engage in External Activity for Pay" forms. This applies to both existing employees and for new hires.

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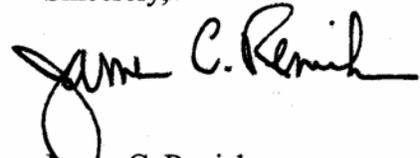
Vendor Contracts and Bidding Procedures

The review indicates that a duplicate payment to a vendor occurred due to an error in entering the generated invoice numbers for the invoices in question. The Accounts Payable Office has specific procedures for creating invoice numbers for the accounting system. These procedures are being reinforced to the entire staff. Additionally, a review of accounts payable vendor payments is being undertaken to determine other possible duplicate payments.

The University's Comptroller's Office is following up to seek reimbursement of the \$6,334 overpayment from the vendor.

We appreciate the courtesies extended during the review and remain available to discuss this response.

Sincerely,

A handwritten signature in black ink, appearing to read "James C. Renick". The signature is fluid and cursive, with a large initial "J" and "R".

James C. Renick
Chancellor

JCR/pam