

STATE OF NORTH CAROLINA

SPECIAL REVIEW

NC STATE PORTS AUTHORITY

WILMINGTON, NORTH CAROLINA

FEBRUARY 2004

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

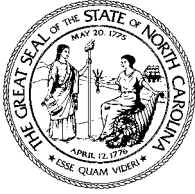
STATE AUDITOR

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Ralph Campbell, Jr.
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

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LETTER OF TRANSMITTAL

March 24, 2004

The Honorable Michael F. Easley, Governor
Members of the North Carolina General Assembly
J. Richard Futrell, Chairman, North Carolina State Ports Authority

Ladies and Gentlemen:

Pursuant to General Statute §147-64.6(c)(16), we have completed our special review into allegations concerning the abuse of NC State Ports Authority resources. 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 report to the Governor, the Attorney General and other appropriate officials.

Respectfully submitted,

A handwritten signature in cursive script that reads "Ralph Campbell, Jr.".

Ralph Campbell, Jr., CFE
State Auditor

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INTRODUCTION

We received allegations through the State Auditor's hotline that the North Carolina State Ports Authority's Chief Executive Officer used his Ports Authority credit card to take his family to the Gator Bowl in Jacksonville, Florida. Further, the complaints alleged that the Chief Executive Officer (CEO) drove a state vehicle to the Gator Bowl. In addition, the callers claimed that Ports Authority employees were misusing their assigned credit cards to purchase personal items. We used the following procedures to conduct a special review of the allegations:

- Interviews with State Ports Authority employees.
- Examination of CEO's credit card statements, expense reports, and vehicle logs.
- Review of existing policies and procedures regarding travel, expense reports, and credit cards.
- Examination of credit card statements and associated supporting documentation for all credit cards for the period October 2002 through September 2003.

This report presents the results of our special review. This review was 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.

The North Carolina State Ports Authority was created in 1945 by an act of the General Assembly and became operational in 1949. The Ports Authority is governed by a board of 11 members appointed by the Governor, Speaker of the House, and the President of the Senate.

INTRODUCTION (CONCLUDED)

The North Carolina State Ports Authority has ocean terminals in Wilmington and Morehead City as well as inland terminals in Charlotte and Greensboro. In addition, the Ports Authority operates a small boat marina in Southport. The terminals “link the State’s consumers, businesses, and industry to world markets and serve as magnets attracting business and industry desiring access to these markets.”¹ The mission of the North Carolina State Ports Authority is “to enhance the economy of North Carolina by the dynamic and sound growth of international waterborne trade through the ports terminals owned and operated by the State of North Carolina.” Further, the Ports Authority strives to “be managed like a business focused on the requirements of our customers.”

As of June 30, 2003, the Ports Authority had nearly \$168 million invested in facilities and received almost \$27 million in annual revenues. Currently, the Ports Authority has approximately 270 employees.

¹ North Carolina State Ports Authority web site: <http://www.ncports.com>

FINDINGS AND RECOMMENDATIONS

1. THE NORTH CAROLINA STATE PORTS AUTHORITY PAID EXPENSES FOR THE CHIEF EXECUTIVE OFFICER TO ATTEND THE GATOR BOWL IN JACKSONVILLE, FLORIDA.

We received an anonymous complaint that the North Carolina State Ports Authority's Chief Executive Officer (CEO) used his Ports Authority credit card to pay for his family to attend the Gator Bowl in Jacksonville, Florida, in 2003 and drove a state vehicle for this trip.

We interviewed the CEO regarding the trip in question. The CEO stated that a railroad corporation official invited him to attend the Gator Bowl with his family as a guest of the corporation. The corporation paid for the tickets to the football game and held a pre-game reception in a tent outside the stadium. The CEO said he discussed the trip with the Ports Authority Board Chairman and the Ports Authority Chief Financial Officer. Upon the verbal approval by these individuals, the CEO accepted the invitation.

The CEO said he believed the trip would help develop the corporate relationship between the Ports Authority and the railroad corporation. He noted that the Ports Authority and the railroad companies act as partners to attract business to the North Carolina ports. However, the CEO admitted the trip was "primarily pleasure" and "a freebie." Further, the CEO mentioned that one of his sons, who accompanied him on the trip, was a student at North Carolina State University, one of the Gator Bowl participating teams.

FINDINGS AND RECOMMENDATIONS (CONTINUED)

The CEO and his sons left Wilmington, NC, on Tuesday, December 31, 2002, and arrived in Jacksonville, Florida, that evening. On January 1, 2003, the CEO and his sons took the hotel shuttle to the stadium. First, they attended the pre-game reception in the railroad corporation's tent. The CEO did not recall any business discussed at the reception. The CEO and his sons then attended the game and business was not discussed during the game. After the game, the CEO and his sons boarded the shuttle back to the hotel. According to the CEO, on January 2, 2003, a friend gave the CEO a harbor tour. Then, the CEO and his sons returned to Wilmington, NC.

The CEO drove his state-assigned vehicle to Jacksonville for this trip. He said that, since the Board Chairman approved the trip, he could use a state vehicle. When asked why he did not drive his personal vehicle—especially in lieu of his \$500 per month car allowance (see finding 2, page 6), the CEO claimed his personal car needed repairs. We reviewed the car log for the CEO's assigned state vehicle. The travel log for the state vehicle utilized did not indicate the mileage incurred on the trip. However, a review of map miles shows that a minimum of 866 miles would be driven round-trip between Wilmington, NC, and Jacksonville, FL. At the Motor Fleet Management mileage rate of \$0.23, the vehicle cost would be at least \$199.18.

FINDINGS AND RECOMMENDATIONS (CONTINUED)

In addition to the cost of driving the state vehicle, the Ports Authority also paid for lodging and meals associated with the trip. We reviewed the CEO's expense reports and credit card statements. The CEO used his assigned Ports Authority credit card for two nights lodging in Jacksonville, FL, at a cost of \$508.98 including taxes and at least one meal. The credit card was also used for an additional meal of \$10.32 in South Carolina on the return trip. As a result, the total cost to the Ports Authority for the Gator Bowl trip was \$718.48.

Currently, the Ports Authority does not have a policy regarding gifts by customers or business partners. Rather than a formal policy outlining what gifts may or may not be acceptable, the CEO said he asks the Board Chairman and/or the Chief Financial Officer whether they believe a gift is appropriate or would create a conflict. Further, there exists no written policy requiring justification for business trips nor written approval for trips.

RECOMMENDATION

The State Ports Authority should require the Chief Executive Officer to reimburse the Ports Authority for the cost of the trip to the Gator Bowl. In addition, the Ports Authority should immediately develop a policy regarding gifts and requiring business justification for all trips. Finally, the Ports Authority should require written approval in advance of all travel.

FINDINGS AND RECOMMENDATIONS (CONTINUED)

2. THE CHIEF EXECUTIVE OFFICER RECEIVES A MONTHLY CAR ALLOWANCE AND IS ASSIGNED A STATE VEHICLE FOR USE.

We received an anonymous telephone call to the State Auditor's Hotline alleging that the Chief Executive Officer receives a \$500 per month car allowance while also being assigned a state vehicle.

We inquired of the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) regarding the car allowance. They confirmed that the CEO receives a monthly \$500 car allowance. The car allowance was an agreed upon condition of employment when the CEO was hired in September 1995. The CEO and CFO stated that the car allowance was actually additional compensation and, as a result, the car allowance is reported as compensation on tax forms. In addition, the CEO stated that he does not receive mileage reimbursement when driving his personal car due to the existence of the car allowance.

The CEO and CFO also confirmed that a state vehicle is assigned to the CEO and the vehicle is the primary transportation mode when the CEO is traveling on Ports Authority business. However, they noted the car is also used by other Ports Authority employees in the pursuit of Ports Authority business.

FINDINGS AND RECOMMENDATIONS (CONTINUED)

RECOMMENDATION

The State Ports Authority should either rescind the car allowance or remove the state vehicle assignment. If the Chief Executive Officer continues to receive the car allowance, he should use his personal vehicle for all Ports Authority business. If the car allowance is rescinded, the assignment of a state vehicle would be appropriate.

3. STATE PORTS AUTHORITY EMPLOYEES USED THEIR ASSIGNED CREDIT CARDS FOR PERSONAL EXPENSES AND CREDIT CARD CHARGES WERE PAID WITHOUT VALID RECEIPTS.

We received allegations that Ports Authority employees were using their State credit cards for personal expenses.

The State Ports Authority assigns credit cards to employees to utilize when traveling on Ports Authority business or when entertaining clients for business development or business promotion. The credit cards are in the name of the Ports Authority and the individual to whom the card is assigned. The credit card invoices are sent directly to the Ports Authority business office and paid through a draft from the Ports Authority checking account.

We reviewed credit card statements for all credit cards for the period October 2002 through September 2003. Our review confirmed that some employees were purchasing

FINDINGS AND RECOMMENDATIONS (CONTINUED)

personal items with the Ports Authority credit cards. We noted 30 instances (totaling \$1,279.54) in which employees used the Ports Authority credit card to purchase personal items. (See Schedule 1) Items purchased included meals, amusement park tickets, gasoline, clothing, hotel lodging, and groceries. The employees stated that some of these items were charged in error as the employees used the Ports Authority credit cards by accident. In other cases, the employees intentionally used the credit card intending to simply repay the charge or reduce their next travel reimbursement. All charges for personal items were repaid by the employees after discovery by either the employees or business office personnel. Ports Authority management noted that two employees had received warnings for improper use of their credit card and another employee had his credit card revoked.

The travel and business promotion expense policy does not explicitly state that the Ports Authority credit cards should not be used for personal items under any circumstance. Rather, management indicated verbal prohibitions regarding personal use of credit cards had been given. Also, employees are not required to sign a statement acknowledging the credit card policies were read and understood.

In addition, our review of credit card statements for the period October 2002 through September 2003 revealed 52 instances (totaling \$9,711.06) in which credit card charges

FINDINGS AND RECOMMENDATIONS (CONTINUED)

were paid without receipts. (See Schedule 2) Items paid without proper documentation included meals, lodging, airfare, gasoline, and office equipment. The policies and procedures state that the failure to submit receipts for food and lodging will result in payment according to state allowances; however, meals and lodging without receipts were paid at the actual amount. In some cases, the employees attached statements to their expense reports noting that a receipt had been lost and the business office accepted those statements as proper supporting documentation. In other cases, there was a lack of a receipt and no stated reason for the missing receipt.

Following our review, the Ports Authority researched the missing receipts and was able to provide duplicate receipts for many of these items. As a result, it appears those charges were incurred for legitimate business purposes. However, the 52 questioned items were still paid without adequate supporting documentation.

RECOMMENDATION

The State Ports Authority should establish written policies that prohibit employees from using their assigned credit cards to purchase personal items. Employees should sign statements acknowledging their understanding of the credit card use policy. Further, any employee misusing their credit card should be reprimanded accordingly including written warnings, revocation of the card, or possible dismissal.

FINDINGS AND RECOMMENDATIONS (CONCLUDED)

The business office should not pay any expenses without proper documentation. Any expenses submitted without proper supporting documentation should be the financial responsibility of the employee submitting the charge.

STATEMENT OF QUESTIONED COSTS

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 taxpayers resulting from the findings of our review. We simply are noting areas where managerial oversight should be enhanced, or where, in our judgment, questionable activities or practices occurred.

| | |
|--|--------------------|
| 1. Cost incurred by the Ports Authority for the Gator Bowl trip. (Finding 1) | \$ 718.48 |
| 2. Annual cost of car allowance. (Finding 2) | 6,000.00 |
| 3. Personal items purchased with Ports Authority credit card and credit card items paid without receipts supporting expense. (Finding 3) | <u>10,990.60</u> |
| Total | <u>\$17,709.08</u> |

¹Twelve items (totaling \$370.73) appear on both Schedule 1 and Schedule 2.

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SCHEDULE 1

| NC STATE PORTS AUTHORITY PERSONAL ITEMS PURCHASED WITH NC STATE PORTS AUTHORITY CREDIT CARD OCTOBER 2002 THROUGH SEPTEMBER 2003 | | | | | |
|--|----------------------|---------------|---------------|-----------------------|---|
| EMPLOYEE | DATE | AMOUNT | PAYEE | ITEM PURCHASED | NORTH CAROLINA STATE PORTS AUTHORITY RESPONSE |
| A | 1/15/03 | \$ 192.43 | Busch Gardens | Amusement park ticket | Port was repaid by deducting amount owed employee on expense report No. 810. Employee was verbally informed in March 03 that personal use of card was not allowed. Practice ended following communication. |
| A | 1/27/03 ¹ | 14.95 | Amoco | Gas | Employee repaid in cash on 2/26/03. Practice has been not to retain receipt unless considered suspect transaction (legal or moral issues). Employee was verbally informed in March 03 that personal use of card was not allowed. Practice ended following communication. |
| A | 1/28/03 ¹ | 14.55 | Shell Oil | Gas | Employee repaid in cash on 2/26/03. Practice has been not to retain receipt unless considered suspect transaction (legal or moral issues). Employee was verbally informed in March 03 that personal use of card was not allowed. Practice ended following communication. |
| A | 2/7/03 ¹ | 20.08 | Amoco | Gas? | Employee noted on Visa statement and repaid on 4-7-03. Practice has been not to retain receipt unless considered suspect transaction (legal or moral issues). Employee was verbally informed in March 03 that personal use of card was not allowed. Practice ended following communication. |
| A | 2/8/03 ¹ | 14.75 | 76/Circle K | Gas? | Employee noted on Visa statement and repaid on 4-7-03. Practice has been not to retain receipt unless considered suspect transaction (legal or moral issues). Employee was verbally informed in March 03 that personal use of card was not allowed. Practice ended following communication. |
| A | 2/28/03 ¹ | 1.95 | PayPal | ??? | Employee noted on Visa statement and repaid on 4-7-03. Practice has been not to retain receipt unless considered suspect transaction (legal or moral issues). Employee was verbally informed in March 03 that personal use of card was not allowed. Practice ended following communication. |
| B | 4/7/03 | 55.44 | Rockford Inc | Meals | Employee repaid in cash & check no. 781. Practice has been not to retain receipt unless considered suspect transaction (legal or moral issues). Employee was advised in writing October 2003 unacceptable to use card for personal use. Practice ended following communication. |
| B | 4/8/03 | 18.08 | Sullivans | Meals | Employee repaid in cash & check no. 781. Practice has been not to retain receipt unless considered suspect transaction (legal or moral issues). Employee was advised in writing October 2003 unacceptable to use card for personal use. Practice ended following communication. |

SCHEDULE 1

| NC STATE PORTS AUTHORITY PERSONAL ITEMS PURCHASED WITH NC STATE PORTS AUTHORITY CREDIT CARD OCTOBER 2002 THROUGH SEPTEMBER 2003 | | | | | |
|--|-------------|---------------|--------------------|-----------------------|---|
| EMPLOYEE | DATE | AMOUNT | PAYEE | ITEM PURCHASED | NORTH CAROLINA STATE PORTS AUTHORITY RESPONSE |
| B | 4/17/03 | \$ 152.73 | Glenwood Grill | Meals | Employee repaid in cash & check no. 781. Practice has been not to retain receipt unless considered suspect transaction (legal or moral issues). Employee was advised in writing October 2003 unacceptable to use card for personal use. Practice ended following communication. |
| B | 6/23/03 | 47.66 | Harris Teeter | Unknown | Employee was advised in writing October 2003 unacceptable to use card for personal use. Practice ended following communication. |
| B | 6/26/03 | 19.00 | Texaco | Unknown | Employee was advised in writing October 2003 unacceptable to use card for personal use. Practice ended following communication. |
| B | 7/29/03 | 17.30 | Exxon Mobile | Unknown | Employee was advised in writing October 2003 unacceptable to use card for personal use. Practice ended following communication. |
| B | 8/23/03 | 44.20 | Ridgewood | Unknown | Employee was advised in writing October 2003 unacceptable to use card for personal use. Practice ended following communication. |
| B | 8/2/03 | 47.27 | Wellspring Grocery | Unknown | Employee was advised in writing October 2003 unacceptable to use card for personal use. Practice ended following communication. |
| B | 8/2/03 | 55.84 | Ridgewood | Unknown | Employee was advised in writing October 2003 unacceptable to use card for personal use. Practice ended following communication. |
| B | 8/5/03 | 20.55 | Shell Oil | Unknown | Employee was advised in writing October 2003 unacceptable to use card for personal use. Practice ended following communication. |
| B | 8/6/03 | 16.60 | Amoco | Unknown | Employee was advised in writing October 2003 unacceptable to use card for personal use. Practice ended following communication. |
| B | 8/7/03 | 18.63 | Roanoke Park Citgo | Unknown | Employee was advised in writing October 2003 unacceptable to use card for personal use. Practice ended following communication. |
| B | 8/13/03 | 49.76 | Target | Unknown | Employee was advised in writing October 2003 unacceptable to use card for personal use. Practice ended following communication. |
| B | 8/26/03 | 22.46 | Amoco | Unknown | Employee was advised in writing October 2003 unacceptable to use card for personal use. Practice ended following communication. |
| B | 8/27/03 | 14.63 | Amoco | Unknown | Employee was advised in writing October 2003 unacceptable to use card for personal use. Practice ended following communication. |

SCHEDULE 1

| NC STATE PORTS AUTHORITY PERSONAL ITEMS PURCHASED WITH NC STATE PORTS AUTHORITY CREDIT CARD OCTOBER 2002 THROUGH SEPTEMBER 2003 | | | | | |
|--|-----------------------|---------------|-----------------------------|-----------------------|--|
| EMPLOYEE | DATE | AMOUNT | PAYEE | ITEM PURCHASED | NORTH CAROLINA STATE PORTS AUTHORITY RESPONSE |
| B | 3/8/03 ¹ | \$ 57.93 | Target | Unknown | Employee noted on Visa statement and repaid on check# 751. Practice has been not to retain receipt unless considered suspect transaction (legal or moral issues). Employee was advised in writing in October 03 that personal use of card was not allowed. Practice ended following communication. |
| B | 3/11/03 ¹ | 34.13 | Eckerd Drug | Unknown | Employee noted on Visa statement and repaid on check# 751. Practice has been not to retain receipt unless considered suspect transaction (legal or moral issues). Employee was advised in writing in October 03 that personal use of card was not allowed. Practice ended following communication. |
| C | 4/11/03 | 24.93 | Fosse Knitware | Clothing | Employee repaid in money orders & check no. 1217-\$442.00 owed the port for remainder of Travel Advance and Sundries. |
| C | 11/22/02 ¹ | 14.97 | HMSHost LAX-Air | ??? | Port was repaid by deducting amount owed employee on 12/14/02 expense report. Practice has been not to retain receipt unless considered suspect transaction (legal or moral issues). |
| C | 11/25/02 ¹ | 9.42 | Denny's | Meal | Port was repaid by deducting amount owed employee on 12/14/02 expense report. Practice has been not to retain receipt unless considered suspect transaction (legal or moral issues). |
| D | 6/24/03 | 91.30 | Hampton Inns S.C. | Hotel room | Employee error. |
| E | 10/3/02 ¹ | 79.00 | Circa 1922 | Meal | Initially considered business expense later determined to be a personal charge. Deducted from money due on Nov. Expense Report. Late time of repayment due to clerical error by Finance department while assisting in expense report preparation during Exec Dept staffing turnover. |
| E | 11/18/02 ¹ | 58.00 | Hollywood East Cinema Grill | Meal | Employee used wrong credit card by mistake \$58.00 was deducted from reimbursement check no 98159. Practice has been not to retain receipt unless considered suspect transaction (legal or moral issues). |
| E | 2/14/03 ¹ | 51.00 | Harvest Moon | Meal | This is a personal charge to be deducted from money due on Nov. Expense Report. Late time of repayment due to clerical error by Finance department while assisting in expense report preparation during Exec Dept staffing turn over. Receipt located, see attachment |
| TOTAL | | \$1,279.54 | | | |

¹Included on Schedule 1 and Schedule 2.

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SCHEDULE 2

| NC STATE PORTS AUTHORITY ITEMS PURCHASED WITH NC STATE PORTS AUTHORITY CREDIT CARD WITHOUT RECEIPT OCTOBER 2002 THROUGH SEPTEMBER 2003 | | | | | |
|---|-------------|---------------|-------------------------|--------------------------------|---|
| EMPLOYEE | DATE | AMOUNT | PAYEE | ITEM PURCHASED | NORTH CAROLINA STATE PORTS AUTHORITY RESPONSE |
| A | 10/15/02 | \$ 33.00 | Outback Steakhouse | Meal | Receipt Lost-Documented with employee memo. Historical practice has been to accept statement for lost receipts. |
| A | 11/7/02 | 5.33 | Gateway Store | Computer accessory | Purchase was for computer accessory, Items verified, expense considered reasonable. Employee signed off. |
| A | 5/9/03 | 20.42 | Paddys Hollow | Meal UNC-W student; job shadow | Receipt Lost-Documented with employee memo. Historical practice has been to accept statement for lost receipts. |
| A | 5/16/03 | 27.47 | Papa Johns | Meal HR team | Receipt Lost-Documented with employee memo. Historical practice has been to accept statement for lost receipts. |
| A | 1/27/03 | 14.95 | Amoco | Gas | Employee repaid in cash on 2/26/03. Practice has been not to retain receipt unless considered suspect transaction (legal or moral issues). Employee was verbally informed in March 03 that personal use of card was not allowed. Practice ended following communication. |
| A | 1/28/03 | 14.55 | Shell Oil | Gas | Employee repaid in cash on 2/26/03. Practice has been not to retain receipt unless considered suspect transaction (legal or moral issues). Employee was verbally informed in March 03 that personal use of card was not allowed. Practice ended following communication. |
| A | 2/7/03 | 20.08 | Amoco | Gas | Employee noted on Visa statement and repaid on 4-7-03. Practice has been not to retain receipt unless considered suspect transaction (legal or moral issues). Employee was verbally informed in March 03 that personal use of card was not allowed. Practice ended following communication. |
| A | 2/8/03 | 14.75 | 76/Circle K | Gas | Employee noted on Visa statement and repaid on 4-7-03. Practice has been not to retain receipt unless considered suspect transaction (legal or moral issues). Employee was verbally informed in March 03 that personal use of card was not allowed. Practice ended following communication. |
| A | 2/28/03 | 1.95 | PayPal | Unknown | Employee noted on Visa statement and repaid on 4-7-03. Practice has been not to retain receipt unless considered suspect transaction (legal or moral issues). Employee was verbally informed in March 03 that personal use of card was not allowed. Practice ended following communication. |
| B | 2/3/03 | 30.50 | Rockford | Meal | Receipt Lost-Documented with employee memo. Historical practice has been to accept statement for lost receipts. |
| B | 4/1/03 | 88.88 | Hampton Inns Wilmington | Hotel room | Receipt located |

SCHEDULE 2

| NC STATE PORTS AUTHORITY ITEMS PURCHASED WITH NC STATE PORTS AUTHORITY CREDIT CARD WITHOUT RECEIPT OCTOBER 2002 THROUGH SEPTEMBER 2003 | | | | | |
|---|-------------|---------------|-----------------------|------------------------------------|---|
| EMPLOYEE | DATE | AMOUNT | PAYEE | ITEM PURCHASED | NORTH CAROLINA STATE PORTS AUTHORITY RESPONSE |
| B | 3/8/03 | \$ 57.93 | Target | Unknown | Employee noted on Visa statement and repaid on check# 751. Practice has been not to retain receipt unless considered suspect transaction (legal or moral issues). Employee was advised in writing in October 03 that personal use of card was not allowed. Practice ended following communication. |
| B | 3/11/03 | 34.13 | Eckerd Drug | Unknown | Employee noted on Visa statement and repaid on check # 751. Practice has been not to retain receipt unless considered suspect transaction (legal or moral issues). Employee was advised in writing in October 03 that personal use of card was not allowed. Practice ended following communication. |
| C | 9/10/02 | 54.50 | Eastover Country Club | Golf outing | Receipt Lost-Documented with employee memo. Historical practice has been to accept statement for lost receipts. |
| C | 5/5/03 | 188.34 | CompUSA | Computer Battery | Receipt Lost-Documented with employee memo. Historical practice has been to accept statement for lost receipts. |
| C | 11/22/02 | 14.97 | HMSHost LAX-Air | Unknown | Port was repaid by deducting amount owed employee on 12/14/02 expense report. Practice has been not to retain receipt unless considered suspect transaction (legal or moral issues). |
| C | 11/25/02 | 9.42 | Denny's | Meal | Port was repaid by deducting amount owed employee on 12/14/02 expense report. Practice has been not to retain receipt unless considered suspect transaction (legal or moral issues). |
| E | 12/9/02 | 3,310.02 | Portland Grill | Meal--Board of Directors Reception | Receipt lost and documented with signed note from employee, Portland Grill did not have copy of receipt but provided a fax supporting charge. Historical practice has been to accept signed statement for lost receipts. |
| E | 12/19/02 | 63.00 | Café Luna | Meal | Receipt lost and documented with signed note from employee. Caffe Luna provided a substitute copy. Historical practice has been to accept signed statement for lost receipts. |
| E | 1/2/03 | 10.32 | Stuckey's | Meal | Receipt located |
| E | 2/13/02 | 81.00 | Deluxe | Meals | Receipt Lost-Documented with employee memo. Historical practice has been to accept statement for lost receipts. |
| E | 3/4/03 | 407.00 | US Airways | Airline ticket | Washington trip: receipt lost - see memo attached. Note this was during a period of high turnover in Exec Dept support staffing. Travel agent is out of business and used e-mail for method of delivering invoice. |
| E | 3/25/03 | 16.50 | Hyatt Hotel | Unknown | Receipt located. |
| E | 6/4/03 | 684.03 | US Airways | Airline ticket | Receipt located |
| E | 6/4/03 | 25.00 | Travel manage nc | Agent fee | Receipt located |
| E | 6/18/03 | 554.48 | US Airways | Airline ticket | Receipt located |

SCHEDULE 2

**NC STATE PORTS AUTHORITY
ITEMS PURCHASED WITH NC STATE PORTS AUTHORITY CREDIT CARD WITHOUT RECEIPT
OCTOBER 2002 THROUGH SEPTEMBER 2003**

| EMPLOYEE | DATE | AMOUNT | PAYEE | ITEM PURCHASED | NORTH CAROLINA STATE PORTS AUTHORITY RESPONSE |
|-----------------|-------------|---------------|-----------------------------|-----------------------------|--|
| E | 6/18/03 | \$ 768.30 | Delta Airline | Airline ticket | Receipt located |
| E | 6/18/03 | 25.00 | Travel manage nc | Agent fee | Receipt located |
| E | 6/18/03 | 25.00 | Travel manage nc | Agent fee | Receipt located |
| E | 6/19/03 | 35.00 | Green Valley Grill | Meal | Employee lost receipt for this travel dinner-Green Valley Grill was contacted but unable to provide a copy of the receipt. |
| E | 10/3/02 | 79.00 | Circa 1922 | Meal | Initially considered business expense, later determined to be a personal charge. Deducted from money due on Nov. Expense Report. Late time of repayment due to clerical error by Finance department while assisting in expense report preparation during Exec Dept staffing turn over. |
| E | 11/18/02 | 58.00 | Hollywood East Cinema Grill | Meal | Employee used wrong credit card by mistake \$58.00 was deducted from reimbursement. Practice has been not to retain receipt unless considered suspect transaction (legal or moral issues). |
| E | 2/14/03 | 51.00 | Harvest Moon | Meal | This is a personal charge to be deducted from money due on Nov. Expense Report. Late time of repayment due to clerical error by Finance department while assisting in expense report preparation during Exec Dept staffing turnover. Receipt located, see attachment |
| F | 1/5/03 | 134.50 | Delta Air | plane ticket to New Orleans | Receipt located |
| G | 1/16/03 | 46.99 | Café Luna | Meal | Receipt Lost-Documented with employee memo. Historical practice has been to accept statement for lost receipts. |
| H | 10/3/02 | 9.66 | Hilton Hotels | Parking | Employee failed to secure receipt. Trip was verified and expense considered reasonable. |
| I | 10/16/02 | 226.84 | Wyndham Hotels | Lodging | Receipt located. Guest was employee of NCDOT-Hong Kong. Purpose trade visit/client call at US corporate offices |
| I | 1/30/03 | 21.09 | Taxi Limo | Taxi/Limo | Receipt Lost-Documented with employee memo. Historical practice has been to accept statement for lost receipts. |
| I | 3/19/03 | 548.52 | Delta Airline | Flight to Atlanta | Receipt Lost-Documented with employee memo. Historical practice has been to accept statement for lost receipts. |
| J | 2/24/03 | 921.50 | US Airways | Airline ticket | Employee cancelled a ticket and rebooked on way to airport due to a mistake in return date. He has sent an email supporting the charge. |

SCHEDULE 2

| NC STATE PORTS AUTHORITY ITEMS PURCHASED WITH NC STATE PORTS AUTHORITY CREDIT CARD WITHOUT RECEIPT OCTOBER 2002 THROUGH SEPTEMBER 2003 | | | | | |
|---|-------------|-------------------|--------------------------------|-----------------------|--|
| EMPLOYEE | DATE | AMOUNT | PAYEE | ITEM PURCHASED | NORTH CAROLINA STATE PORTS AUTHORITY RESPONSE |
| K | 3/28/03 | \$ 68.13 | Loannis Grill | Meal | Receipt located |
| K | 5/30/03 | 37.26 | Amoco | Gas | Receipt Lost-Documented with employee memo. Historical practice has been to accept statement for lost receipts. |
| L | 3/14/03 | 21.30 | Rose's | TV antenna | Purchased TV antenna for employee break room that did not work, item returned along with the original receipt and refund credit applied to Visa statement in May. The bankcard "credit receipt" is attached to May Visa statement. |
| M | 4/8/03 | 37.05 | Pizza Hut | Lunch meeting | Receipt Lost-Documented with employee memo. Historical practice has been to accept statement for lost receipts. |
| M | 4/14/04 | 12.74 | CLT Airport | Unknown | Receipt lost. Trip verified and expense appears reasonable. Reimbursement less than per deim. |
| N | 4/28/03 | 23.03 | Barnes and Noble | Unknown | Personal expense. Employee repaid in cash on May 3. Practice has been not to retain receipt unless considered suspect transaction (legal or moral issues). |
| O | 10/29/02 | 72.37 | Mama Mia Too | Meal | Receipt located |
| O | 10/31/02 | 44.00 | Peabody Hotel | Lodging | Receipt located |
| O | 11/1/02 | 8.25 | Charlotte Douglas Intl Airport | Parking | Receipt located |
| O | 11/1/02 | 227.82 | Avis Rent-A-Car | Rental Car | Receipt located |
| O | 11/1/02 | 366.26 | Peabody Hotel | Lodging | Receipt located |
| O | 10/31/02 | 59.93 | PF Chang's Meal | Meal | Receipt located |
| TOTAL | | \$9,711.06 | | | |



J. RICHARD FUTRELL, JR.
Chairman

March 12, 2004

The Honorable Ralph Campbell, Jr., State Auditor
North Carolina Office of the State Auditor
2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601

Dear Mr. Campbell:

On behalf of the North Carolina State Ports Authority, I wish to express our gratitude for the opportunity to respond to the draft report of the "Special Review" conducted by your office in connection with alleged improper use of State assets. In general, the Ports Authority concurs with the findings of your Office.

The Authority is and always has been committed to the prevention and elimination of any potential misuse or abuse of State funds and property. The Ports Authority recognizes the need to formalize and publish a number of its policies that had historically been verbally communicated through the Authority's Finance and Administration Department. As you know, these policies tended to be reviewed and discussed on an individual transaction basis as part of your Office's annual audit of the Ports Authority. I would like to note that the Authority has always received a "clean audit" opinion. There has never been, in other words, a noted "reportable condition" or "material weakness" with regard to the Authority's internal control structure.

Nonetheless, after we were alerted to potential abuses and based on conversations with your auditors, the Authority's management preemptively acted to formalize, publish and in some cases strengthen a number of its policies and procedures.

I would like finally to call your attention the fact the Ports Authority conducts its business to the benefit of the State of North Carolina differently from the "typical" state agency. We receive no tax dollars to support our operations, but must generate, as a business would, revenues from our operations to cover our expenses. While we will remain vigilant in assuring the proper use of our resources, we must also be mindful that the solicitation of port business requires marketing initiatives more comparable to the private sector than the public sector.

NORTH CAROLINA STATE PORTS AUTHORITY

P.O. Box 9002 ■ Wilmington, NC 28402 ■ Tel: (910) 343-6232 ■ Fax: (910) 343-6237 ■ [http: //www.ncports.cc](http://www.ncports.cc)
Office: (252) 222-4561 ■ Home: (252) 726-4199 (Pine Knoll Shores)

The balance of this letter responds specifically to the findings of the Special Review.

1. THE NORTH CAROLINA STATE PORTS AUTHORITY PAID EXPENSE FOR THE CHIEF EXECUTIVE OFFICER TO ATTEND THE GATOR BOWL IN JACKSONVILLE, FLORIDA

The Authority continues to believe that this transaction was properly approved in advance, as indicated in the report findings, by the Chief Executive Officer's (CEO) inquiry of both the Authority's Chairman and Chief Financial Officer (CFO). It was the CEO's reasonable belief, based on inquiry of the railroad company, that matters relating to mutual business development efforts as well as other business issues would be discussed in addition to attendance of the 2003 Gator Bowl. As the railroads play a critical role to the Authority's current base of business as well as to future opportunities, the event was considered an important opportunity to improve or establish personal relationships with key senior railroad management and discuss current and potential partnerships between the railroad corporation and the Ports Authority on specific business initiatives.

However, the business opportunities associated with this trip did not present themselves. Consequently, upon his return, the CEO discussed personal payment for a portion of the trip and the Authority has recovered from the CEO certain of the costs associated with the trip which it considered an appropriate reimbursement. Nonetheless, in deference to your Office and the draft report's recommendations, the CEO will pay the balance of the travel expenditure for this trip.

With respect to formal written gift guidelines, the Authority has already begun the drafting of a formal policy. It should be noted, however, as indicated in the report findings, the Authority has and continues to give consideration to the appropriateness of any gift, whether given or received by Ports Authority personnel based on its probable effect on current or potential business opportunities.

The Authority does take exception to the statement made in the draft report that the Authority has no written policy requiring justification for business trips or written approval for trips. Approvals and justifications are considered at a number of levels within the Authority's current business practice as well as those enforced during the time period under review in the draft report. These range from the annual budgetary approval, process whereby all travel related expenditures are requested in detail and approved to the actual submission of expense documentation on the employee's expense report. All of this is outlined in the Authority's Travel & Business Promotion Expense Policy. The Authority has now further clarified a number of issues contained in previous policy statements. The revised NCSA Travel & Business Promotion Expense Policy effective February 1, 2004 and the Authority's standard expense report form are attached.

2. THE CHIEF EXECUTIVE OFFICER RECEIVES A MONTHLY CAR ALLOWANCE AND IS ASSIGNED A STATE VEHICLE FOR USE.

As a component to the CEO's initial employment offer, two compensation elements were outlined. The first was a base salary element and the second was a fixed \$500 per monthly payment entitled "Automobile Allowance". Both of these elements have been treated consistently over the life of the CEO's employment as standard compensation, running through the Authority's payroll system with all appropriate state and local taxes being withheld. Further, no requirement exists in the offer that would indicate that this allowance is anything other than additional compensation. The CEO's indication in the review report findings that he does not receive reimbursement for business use of his personal vehicle is a self-imposed restriction. There are no provisions in either the current or previous travel policies that would indicate that the CEO would not in fact be entitled to reimbursement of approved business use of a personal vehicle. Further, the personal assignment of the state vehicle to the CEO was a matter of convenience only. The vehicle remained at all times in the NCSA's lot unless being used on business and was available to and used by various other members of NCSA management.

In order to avoid any further confusion concerning the treatment of the monthly allowance in question, it has now been consolidated with the CEO's base compensation.

3. STATE PORTS AUTHORITY EMPLOYEES USED THEIR ASSIGNED CREDIT CARDS FOR PERSONAL EXPENSE AND CREDIT CARD CHARGES WERE PAID WITHOUT VALID RECEIPTS.

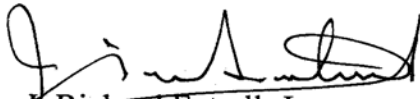
The Authority agrees that personal use of the Authority's credit cards is an issue that must be addressed. In the past the Authority has applied verbally its policy that the Authority credit cards were not to be used for personal purchases. In the event a personal transaction occurred due to a mistake, emergency or other exceptional cause repayment was expected prior to payment by the Authority to the card issuer. Further personal use was monitored for reoccurrence and addressed through a number of actions. In the case of two of the five individuals identified in Schedule 1 of the special review report, warnings were issued and the practice was noted as discontinuing. In other cases the Authority has taken steps including the revocation of card privileges. Combined, these practices have ensured that all personal transactions were detected and reimbursement made to the Authority within a reasonable time. However, consistent with the recommendations in the draft report, effective February 1, 2004, the Authority has issued a written credit card use policy as well as a cardholder agreement form. The new policy outlines acceptable uses of the cards as well as disciplinary actions associated with unacceptable uses. These documents are attached for consideration.

Mr. Ralph Campbell
March 12, 2004
Page 4

With respect to the assertion that credit card charges were paid without proper supporting documentation, the Authority wishes to again call attention to its business practices which have ensured that such charges in question were incurred for legitimate business purposes. These practices include documentation on the employee expense report of such items as the transactions purpose, location, parties involved, date and amount. This report is then reviewed and approved by the employee's supervisor and supported by the monthly credit card statement. While the Authority agrees that the original credit card receipt should be the primary supporting evidence to a transaction, it is not the only method of verification employed by the Authority. These alternative measures for lost or missing receipts have been considered an acceptable practice in prior financial audits of the Authority's books and records by your Office. However, again consistent with the draft report's recommendation, the new policy statement referred to in the preceding paragraph also addresses proper supporting documentation and repercussions to the employee for failure to adhere to the policy.

In conclusion, we would again like to express our gratitude for the opportunity to respond, as well as for the assistance your staff has provided to us through the identification of areas of concern. As a result of this process, we believe that the Authority's policies and procedures have been clarified and strengthened, to the benefit of the Authority and the satisfaction of your Office.

Sincerely,



J. Richard Futrell, Jr.

Attachments

North Carolina State Ports Authority

Travel and Business Promotion Expense Policy



Effective: February 1, 2004

SUBJECT: Travel and Business Promotion related expense incurred as a part of conducting official North Carolina State Ports Authority (NCSPA) Business

PURPOSE: To develop guidelines, accounting procedures, and policies for expenses incurred in the business affairs and business development efforts of the NCSPA.

BACKGROUND: This policy statement provides guidance with respect to acceptable expense items as well as identifying a number of expenses that are prohibited.

1. **Routine Travel Expense:** Costs incurred by an employee for food, lodging, and transportation while attending to the business of the Authority.
2. **Business Development Travel Expense:** Costs incurred for food, lodging, and transportation when an employee travels in state, out-of-state, or to a foreign country to meet with customers or prospective customers of the Authority or other persons that may be helpful in attaining the objectives of the Authority.
3. **Business Promotion:** Costs incurred in entertaining or hosting customers or prospective customers of the Authority, or other persons that may be helpful in attaining the objectives of the Authority by an employee locally or while traveling. These costs include, but are not limited to, meals, gifts, airfare, lodging, beverages, automobile rentals, etc., for which a designated Authority employee requests reimbursement.

Prohibited Expenditures: The following categories of expenses are prohibited under this policy unless otherwise approved on an individual case-by-case basis by the Chief Executive Officer (CEO) or in his absence the Chief Financial & Information Officer (CFIO).

- Meals and other entertainment expense where a third party business interest (contact) is not present. In general, it is not considered an appropriate use of State funds for one employee to entertain another. Approved exceptions are employee activities sponsored by the Authority's Human Resources Department, expenses incurred while traveling on official NCSPA business, and group meetings where meals must be provided and the meeting could not be scheduled due to operational constraints at an alternative time. Group meetings in this context are defined as including ten or more employees and lasting a minimum of 4 hours. All group meetings need prior manager approval.

- Any expenditure outlined in the three categories above incurred in such a manner to have circumvented the standard approval or procurement process. An example would be the failure to consult with the Purchasing Department prior to the acquisition of a business promotion giveaway item to determine availability on state term contract.

PROCEDURES:

1. Routine Travel Expense

Reimbursement will be made for expenses incurred in routine travel for food and lodging at actual cost when receipts are presented. When receipts are not submitted, reimbursement will be made in accordance with the following allowances (per diem):

| | <u>In State</u> | <u>Out-of-State</u> |
|-----------|-----------------|---------------------|
| Breakfast | \$ 8.00 | \$ 8.00 |
| Lunch | \$ 8.00 | \$ 8.00 |
| Dinner | \$ 20.00 | \$ 20.00 |
| Hotel | \$ 70.00 | \$ 83.00 |

Unreasonable and excessive expenses will be reimbursed at the maximum allowable per diem amount unless adequate justification can be presented to the CFIO.

Out-of-state travel status begins when the employee leaves the state and remains in effect until the employee returns to the state. However, in-state allowances and reimbursement rates apply when employees use hotel and meal facilities located in North Carolina immediately prior to and returning from out-of-state travel during the same travel period.

When travel does not require an overnight stay, the cost for breakfast will be reimbursed when the travel requires the employee to leave home before 7:00 a.m. and the cost for dinner will be reimbursed when the travel requires the employee to return home after 7:00 p.m. The cost for lunch will not be reimbursed unless the travel requires the employee to leave home before 7:00 a.m. and return home after 7:00 p.m. If the employee is required to leave home before 7:00 a.m. and return after 7:00 p.m., he/she may be reimbursed for breakfast, lunch and dinner.

In general, transportation should be made by Motor Fleet Management or NCSPA vehicle, if available. Travel by private automobile or commercial aircraft must have the prior approval of the Department Head or their designee. The mileage rate for use of a personal automobile is 37.5 cents.

Air transportation should be by commercial aircraft utilizing "coach class," unless otherwise approved by the CEO. Travel by Chartered/State-Owned Aircraft may be used only when, in the judgment of the CEO, the reason for the travel/time involved for the traveler(s) justifies the additional cost over commercial coach class travel.

Prior approval of the CEO must be secured for all foreign travel. Reimbursement for cost incurred in obtaining or renewing a passport or visa

may be made to an employee who, in the regular course of his duties, is required to travel overseas in the execution of official business.

Reimbursement for routine travel expenses will be made by the CFIO only when the Department Head or his designee has approved and submitted the reimbursement request as outlined later in this procedure. Requests must document the nature, purpose, amount and date of each reported expense.

2. Business Development Travel Expense

Reimbursement for these expenses are governed by the same rules as those for routine travel, except when the business development effort circumstances are such that it is in the best interest of the Authority for the employee to lodge and eat at a more expensive establishment. State Ports Authority employees must use particular care and demonstrate responsible judgment in this privilege. Abuse of this privilege will result in its suspension by the CEO.

3. Business Promotion Expense

In the course of business development activities it may from time to time be appropriate to incur certain entertainment expenses. In general, these expenses can be grouped into three categories and handled in the following matter:

- a. Entertaining: When an Authority representative, regardless of travel status, is in the company of a customer or other person (contact) whose goodwill will be helpful to the purposes of the Authority the entertainment expense rules will apply. The type and nature of these expenses should be restricted to commonly accepted forms of business entertainment. Activities which are of questionable ethical behavior or not consistent with Authority's business objectives are prohibited and subject to disciplinary action as deemed appropriate by the CEO. Acceptable entertainment expense, both the employee's as well as the contact's share, should be recorded as business promotion. Representatives incurring entertainment expense must document in addition to the items outlined under the routine travel rules, the contact's name, company or organization name and a description of the business/affiliate relationship. Expenses of this nature must have the prior approval of the department head. When the employee is not entertaining, the "Routine Travel" rules should be followed.
- b. Organized Events: The Authority may sponsor meetings, conferences, and seminars. In this event, the prior approval of the CEO must be secured. The request for approval must show the following:
 - The purpose and duration of the assembly;
 - The number of persons expected to attend;
 - The specific meals served;

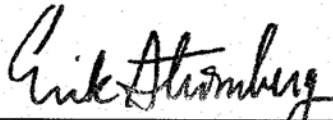
- The name of the conference center, hotel, caterer, etc., providing the service;
- The estimated cost of the assembly; and
- The number of Port Authority employees attending.

Payment will be made only when an itemized invoice including a list of names and affiliations of those attending the event is submitted to the CFIO. It will be considered the responsibility of the CFIO to insure that reimbursement for meals included in lump sum payments is not also included in reimbursement requests made by participants.

4. Submission of Expense Record

Employees are required to submit monthly expense activity using the standard Expense Report documenting all appropriate approvals (see attached form). Failure to do so will result in the return of the form to the employee and possible delay of reimbursement. The employee will submit receipts and/or documentation describing each transaction. It is imperative that the employee obtains valid, legible receipts. Charges without such supporting documents will be disallowed. Two exceptions are provided to this rule, (1) for reimbursement requests using the per diem rates and (2) for charges of less than \$25 for parking, taxi, metro subway, etc. where receipts are often not provided or not available. Expense reimbursement will be made by the CFIO twice per month, on or about the 15th and the end of the month based on the following submission schedule. Completed expense reports submitted with all necessary approvals between 6th and 19th of the month will be reimbursed on or about the end of the month. Completed expense reports submitted between the 20th of the month and the 5th of the following month will be reimbursed on or about the 15th of the month.

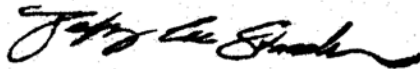
Approved:



Erik Stromberg, Chief Executive Officer

2/11/04

Date



Jeff Strader, Chief Financial & Information Officer

2/11/04

Date

North Carolina State Ports Authority

Charge Card Policy – Corporate, Gas and Purchasing



Effective: February 1, 2004

SUBJECT: Charge Card Usage in the Performance of NCSPA Business

PURPOSE: Establishes the criteria for use of charge cards issued on behalf of the NCSPA for the performance of official NCSPA business

BACKGROUND: In order that personal funds will not be required for official NCSPA business and to eliminate frequent travel advance requests, the NCSPA offers corporate VISA bank cards, gasoline cards and purchasing cards to qualified NCSPA employees. All charge cards issued on behalf of the NCSPA are to be used only for authorized business purchases.

Participation in the charge card program is voluntary and limited to employees authorized by the CFIO.

Each cardholder is responsible for all charges incurred on his/her card (unless reported as stolen or lost). Monthly statements are received and reviewed for payment by the Finance Department. The cut-off date for the billing cycle to be used is the 20th of each month.

If employment is terminated, the card must be returned in person to the Human Resource Department, and the account will be closed.

Travel advances are usually reserved to those employees not eligible for an NCSPA charge card.

PROCEDURES:

1. Acquiring an NCSPA Charge Card

- a. Complete the charge card application, which is available through the Finance Department. The application must provide an adequate justification for the issuance as well as the requested credit limit. Applications must be signed by the requesting employee and approved by their immediate Supervisor. Incomplete applications will be returned to requestor.
- b. Completed application should be forwarded to the CFIO for final approval and processing.

2. Use of an NCSPA Charge Card

Corporate Charge Cards – The corporate charge card is issued to employees for routine travel expenses and business promotion. The NCSPA recognizes that occasionally it is good business for an employee to buy meals when working with existing or potential customers or other individuals. Such use of the credit card is

recognized to be a legitimate expense of the NCSPA, whether used locally or while traveling. Please reference the NCSPA Travel and Business Promotion Expense policy for details of acceptable business travel and business promotion expenses.

Other acceptable charges on the corporate charge card include minor supplies and materials. For these types of expenses, employees must have, in addition to other required approvals, written approval (e-mails, etc.) from the Purchasing Department documenting that the items are not available for purchase on state contract. This written approval must be attached to the monthly charge card statement. Failure to obtain all necessary approvals will result in denial of transaction and subsequent recovery from employee. Please see heading labeled "State Contract Materials" below for additional information.

Please note: The purchase of gasoline on the corporate charge card is prohibited. NC Motor Fleet Management and NCSPA gasoline cards are provided for such purchases and are able to take full advantage of the Authority's fuel tax exemption status.

The charge card is to be used for approved, official business only. **Personal use of the corporate card is prohibited.** A cardholder who makes unauthorized purchases will be liable for the total dollar amount of those transactions plus any administrative fees charged in connection with the misuse. The cardholder will also be subject to disciplinary action as deemed necessary, by the CFIO, up to and including the termination of charging privileges and revocation of the charge card. Unauthorized charges will be reimbursed to the NCSPA through payroll deduction, as authorized by the signed cardholder agreement form.

Gasoline Credit Cards – In some circumstances, the issuance of a gasoline credit card to an employee is appropriate to provide for the more prompt and efficient completion of the employee's duties. The CFIO is authorized to allow gasoline credit cards to be obtained and issued to employees as are necessary in his opinion. Gasoline credit cards shall be treated in all respects as corporate charge cards for purposes of accounting and reconciliation. The CFIO will monitor the use of the cards and take appropriate disciplinary action for any noted misuse.

Purchasing Cards – In some circumstances, an employee who would not otherwise qualify for a corporate credit card may need a card, which is limited to the purchase of specific materials necessary in the performance of the employee's duties. The CFIO is authorized to allow purchasing cards (P-cards) to be obtained and issued to employees as are necessary. P-cards are issued through the Purchasing Department and shall be treated in all respects as corporate charge cards for purposes of accounting and reconciliation. The CFIO will monitor the use of the cards and take appropriate disciplinary action for any noted misuse.

State Contract Materials – Users are cautioned against using credit cards for the purchase of materials covered under established State Contracts from non-contract vendors. General Statute 143-55 requires the use of State Contracts for the products covered under such Contracts. Items covered under State Contract can be accessed at <http://www.doa.state.nc.us/PandC/keyword.htm> or for further clarification you may contact the Purchasing Department.

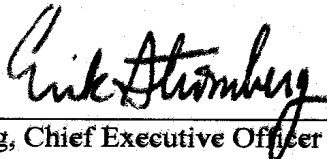
3. Submission of Expense Record

Employees are required to submit monthly charge activity using the standard Expense Report documenting all appropriate approvals (see attached form). Use of a form other than that provided by Finance must be submitted to the Controller for approval prior to use. Failure to do so will result in the return of the form to the employee and possible reclassification of incurred charges. The employee will submit receipts and/or documentation describing each transaction. It is imperative that employee obtain valid, legible receipts. Charges without such supporting documents will be deemed personal with the exception of charges less than \$25 for parking, taxi, metro subway, etc. where receipts are often not provided or otherwise not available. Charge card statements will be distributed to individual cardholders on or about the 10th of each month. Reconciled statements are due back to the Finance Department on or about the 20th of the month. Employees will be given 30 days or until the next billing cycle to locate missing receipts before any action is taken. In the event that reimbursement is required to be made, the employee will be informed of the amount and date of payroll deduction.

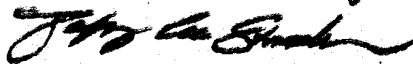
4. Cancellation of Card

The CFIO may immediately cancel or order the surrender of any card, which appears to be misused or abused.

Approved:



Erik Stromberg, Chief Executive Officer



Jeff Strader, Chief Financial & Information Officer

1-30-04
Date

1-30-04
Date



CARDHOLDER AGREEMENT FORM

I, _____, hereby acknowledge being issued the NCSA charge card.

Type of card ☐ Corporate credit card
 ☐ Gas credit card
 ☐ Purchasing card
 ☐ Long distance calling card

Issuer: _____

Last 4 digits of the account number: _____

Expiration date: _____

As the holder of the card I agree to comply with the following terms and conditions regarding my use of the card.

1. I understand that I will be making financial commitments on behalf of the NCSA.
2. I understand that the NCSA is liable to the charge card issuer for all charges made on the card.
3. I agree to use this card for approved purchases only and agree **NOT TO CHARGE PERSONAL PURCHASES**. I understand there will be audits on the use of this card and that violations of this policy shall result in either revocation of my use of privileges or other disciplinary actions.
4. I will turn in required receipts/paperwork on completion of each transaction so that the accounts may be paid on time.
5. I have been given a copy of the Charge Cards Policy and Procedures and understand the requirements for the card's use. The card does not supercede any State Purchasing and Contract rules, which are already in place. Items on State Term Contracts must still be purchased from the contract.
6. I agree to return the card immediately upon request or upon termination of employment (including retirement).
7. If the card is lost or stolen, I agree to notify the CFIO immediately.
8. I understand that by signing this form, I acknowledge my liability for any unauthorized use of the charge card and authorize the NCSA to deduct the total dollar amount plus any related administrative fees for transactions deemed as personal charges from my payroll check.

Employee Signature

Card Administrator's Signature

Date

Date

Expense Report

| | | | |
|----------------|-----------------------------------|--------------------------|----------------|
| Company Name: | N.C. STATE PORTS AUTHORITY | Period Ending (Saturday) | |
| Employee Name: | | Mileage Rate: | \$0.375 |
| Purpose: | | | |

Detailed Expenses

| Transportation | Sun | Mon | Tue | Wed | Thu | Fri | Sat | Totals |
|---------------------|-----|-----|-----|-----|-----|-----|-----|--------|
| Miles Driven | | | | | | | | |
| Reimbursement | | | | | | | | |
| Parking and Tolls | | | | | | | | |
| Auto Rental | | | | | | | | |
| Taxi / Limo | | | | | | | | |
| Other (Rail or Bus) | | | | | | | | |
| Airfare | | | | | | | | |
| Totals | | | | | | | | |

| Lodging | Sun | Mon | Tue | Wed | Thu | Fri | Sat | Totals |
|---------|-----|-----|-----|-----|-----|-----|-----|--------|
| Lodging | | | | | | | | |
| Other | | | | | | | | |
| Totals | | | | | | | | |

| Food | Sun | Mon | Tue | Wed | Thu | Fri | Sat | Totals |
|-----------|-----|-----|-----|-----|-----|-----|-----|--------|
| Breakfast | | | | | | | | |
| Lunch | | | | | | | | |
| Dinner | | | | | | | | |
| Other | | | | | | | | |
| Totals | | | | | | | | |

| Miscellaneous | Sun | Mon | Tue | Wed | Thu | Fri | Sat | Totals |
|----------------------|-----|-----|-----|-----|-----|-----|-----|--------|
| Supplies / Equipment | | | | | | | | |
| Phone, Fax | | | | | | | | |
| Entertainment | | | | | | | | |
| Other | | | | | | | | |
| Other | | | | | | | | |
| Other | | | | | | | | |
| Totals | | | | | | | | |

| Detailed Entertainment Record | | | |
|-------------------------------|-----------------------|------------------|--------|
| Date | Place Name & Location | Business Purpose | Amount |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

Summary of Expenses

| | | | |
|------------------------|--|--------------|-------|
| Total Expenses | | Prepared By: | Date: |
| Less Cash Advance | | | |
| Less Company Charges | | Approved By: | Date: |
| Amount Due to Employee | | | |
| Amount Due to Company | | | |

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

Revision 1/29/04

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DISTRIBUTION OF AUDIT REPORT

In accordance with General Statutes 147-64.5 and 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 Michael F. Easley
The Honorable Beverly M. Perdue
The Honorable Richard H. Moore
The Honorable Roy A. Cooper, III
Mr. David T. McCoy
Mr. Robert L. Powell

Governor of North Carolina
Lieutenant Governor of North Carolina
State Treasurer
Attorney General
State Budget Officer
State Controller

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Senator Marc Basnight, Co-Chair
Senator Charles W. Albertson
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Representative Joe L. Kiser
Representative Edd Nye
Representative William C. Owens, Jr.
Representative Wilma M. Sherrill
Representative Thomas E. Wright

Other Legislative Officials

Mr. James D. Johnson

Director, Fiscal Research Division

March 24, 2004

ORDERING INFORMATION

Copies of this report may be obtained by contacting the:

Office of the State Auditor
State of North Carolina
2 South Salisbury Street
20601 Mail Service Center
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