

Leslie W. Merritt, Jr., CPA, CFP
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet
<http://www.ncauditor.net>

July 1, 2005

Mr. Lyndo Tippett, Secretary
North Carolina Department of Transportation
1 South Wilmington Street
Raleigh, North Carolina 27611-1501

Dear Secretary Tippett:

We received allegations through the *State Auditor's Hotline* that employees of the Department of Transportation's Materials and Test Unit violated a variety of state policies. We have completed a special review of these allegations. The following findings and recommendations related to state-issued wireless telephones are based on interviews with department personnel as well as examination of various documents and records and review of applicable policies. Other allegations related to a variety of operational issues were not substantiated.

Personal Use of a State-Issued Wireless Telephone

A Soils Engineer employed in the Materials and Test Unit acknowledged using his state-issued wireless phone for personal calls. He said he contacted his wife and home contractor on his state-issued wireless phone occasionally. He also said he contacted another individual who installed trim during his home's construction. The Soils Engineer said his contractor contacted him from time to time on the wireless phone but only when there was an urgent need. He said he has always tried to limit his personal use of the wireless phone.

The Department's wireless phone policy prohibits making personal calls on state-issued wireless phones. In addition, both the Office of State Budget and Management and the Office of State Personnel policies state: "Because mobile telephone charges are based on measured use, no personal calls should be made on mobile telephones except in case of emergency as determined by the department."

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During our review we determined the Soils Engineer's state-issued wireless phone only has Direct Connect service (i.e. long-range walkie-talkie service) not telephone service. The monthly service contract for this phone has a set number of plan minutes. The Soils Engineer exceeded the monthly plan minutes 11 times during a 15-month period from January 2004 through March 2005. During this time period, the Soils Engineer's overages cost the Materials and Test Unit a total of \$129.59 (an average of \$8.64 or 57.6 minutes per month).

The wireless service provider does not maintain records of dialed and received calls for Direct Connect service subscribers. The service provider also verified that no record is maintained of the duration of each communication using Direct Connect service. The representative explained the only information maintained for the phones is the communications tower used to place or receive the call and the total minutes used for the service period. Thus, we were unable to quantify the extent of the Soils Engineer's personal calls. However, the monthly overages for Direct Connect service are at least partially attributable to the Soil Engineer's acknowledged personal use of his state-issued wireless phone.

Recommendations

The potential for misuse of wireless phones increases significantly when no method to identify and quantify personal use exists. When employees consistently exceed monthly time allowances on state-issued wireless phones, management should identify the reason for the excess use and take appropriate action including modifying or terminating wireless phone contracts.

We also recommend management reemphasize the state policy that prohibits personal use of state-issued wireless phones. Employees should use their own phones for all personal communication to avoid even the appearance of impropriety.

Finally, we recommend the Materials and Test Unit require the Soils Engineer to reimburse the Department for the \$129.59 incurred in overage charges from January 2004 to March 2005.

Absence of Required Documentation for a State-Issued Wireless Phone

The Department's wireless phone policy delegates the responsibility for initiating all requests for issuance of state wireless phones to managers/supervisors. This section requires managers use a worksheet to determine an employee's eligibility for a wireless phone and lists several factors to consider that include amount of time out of the office on a weekly basis, type of calls, number of calls on a weekly basis, need to be available on emergency or

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“call back” status, need to be available for decision making, coordination between work sites and lack of availability of land lines. The policy requires this worksheet, along with a signed approval form, be submitted to the Division/Unit head for his/her signature and approval. Managers/supervisors are also responsible for promptly sending a copy of the signed approval form to the Department’s Fiscal Section and quarterly reports to the Department’s Chief Financial Officer.

The policy requires that “any employee who is issued a state wireless phone or requests reimbursement for personal wireless phone usage must have a signed Approval Form on file with the Department’s Fiscal Section and with his/her Division/Unit.” The policy also requires that the Chief Financial Officer maintain a central database of all wireless phone users and numbers. The Fiscal Section utilizes this department-wide file to issue a billing/cost/usage report to the Secretary and Chief Deputy Secretary of Transportation on a periodic basis.

During our review of the allegations concerning the Soil Engineer’s use of his state-issued wireless phone, we requested a copy of the justification worksheet for his phone. The State Materials Quality Engineer said that there were no forms on file for the wireless phones with Direct Connect service only. He explained the Direct Connect phones are not part of the unit’s mobile phone complement because they are only used for two-way radio communications. We requested a copy of the policy that addresses the use or assignment of Direct Connect phones or one that specifically excludes them from the Department’s Wireless Policy and Procedures. The State Materials Quality Engineer said no written policy exists addressing this particular communication device and that management verbally stated these phones fell outside the mobile phone policy.

Wireless and cellular telephone services are administered for state agencies through the Office of Information Technology Services (ITS). The ITS Cellular Service and Equipment Program Manager said that phones with only Direct Connect service are still considered wireless phones and should be subject to the Department’s Wireless Phone Policy and Procedures.

Recommendations

The potential for misuse of state-issued equipment increases in the absence of appropriate authorization and documentation. We recommend that management review all wireless phone assignments for compliance with the Department’s Wireless Phone Policy and Procedures. In addition, the Wireless Phone Policy should specifically include Direct Connect only phones, as well as new telecommunications technology, to avoid confusion regarding required documentation.

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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 management letter to the Governor, the Attorney General, and other appropriate officials.

If you have any questions or wish to discuss this matter further, please contact us. We appreciate the cooperation received from the employees of the Department of Transportation during our review.

Sincerely,

A handwritten signature in black ink that reads "Leslie W. Merritt, Jr." in a cursive script.

Leslie W. Merritt, Jr., CPA, CFP
State Auditor

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



STATE OF NORTH CAROLINA
DEPARTMENT OF TRANSPORTATION

MICHAEL F. EASLEY
GOVERNOR

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

LYNDO TIPPETT
SECRETARY

June 27, 2005

Mr. Leslie W. Merritt, Jr., CPA, CFP
State Auditor of North Carolina
2 South Salisbury Street
Raleigh, North Carolina 27699-0601

Dear Mr. Merritt:

I am in receipt of your letter dated June 20, 2005 regarding the draft copy of an audit that you have performed on the Department's Materials and Tests Unit. I appreciate the opportunity to respond to the audit while it is still in draft form. As requested, I offer the following comments as they relate to your findings and our actions to address each of these findings.

Audit Finding Number 1: Potential misuse of state-issued wireless phone.

Audit Recommendation: A Materials and Tests Unit employee was using a state issued phone for personal reasons. The employee should be required to reimburse the Department for these charges. It is also recommended that employee's use of state-issued wireless phones should be monitored on a regular basis by management. As a part of this monitoring process, appropriate phone packages should be selected based on usage levels.

Department of Transportation Response: The employee responsible for the wireless phone having overage charges that were questioned was instructed that no personal calls are allowed on state-issued phones. The employee is reimbursing the Department for the entire overage amount accrued during the period audited. A system has previously been put in place to monitor overages and personal use of state-provided wireless phones. The scope of the system will be re-emphasized with managers and/or supervisors responsible for reviewing wireless phone usage to insure that no personal calls are allowed on state-issued phones and that the most appropriate plans are utilized to minimize monthly overages.

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Audit Finding Number 2: There was an absence of required documentation for the state-issued phone referenced in Audit Finding Number 1.

Audit Recommendation: Management should review all phones and documentation for compliance with the Department's wireless phone policy and the policy should address the usage of "direct-connect" technology.

Department of Transportation Response: Unit Management had received verbal approval from a previous supervisor to use devices with "direct-connect" technology outside the wireless phone policy. The interpretation received at that time was that these devices do not function as phones, but as two-way radios. The Department's wireless phone policy will be revised to include "direct-connect" devices in the accountability process for wireless phones. The Materials and Tests Unit Management will review all wireless phones and "direct-connect" devices for compliance with this policy.

Thank you again for the opportunity to respond to this audit. Please let me know if you need additional information or if I may be of further assistance.

Sincerely,



Lyndo Tippett

LT/sd