



# STATE OF NORTH CAROLINA

**NORTH CAROLINA STATE UNIVERSITY**  
**INVESTIGATION OF SALARY PAID TO MARY P. EASLEY**  
**INTERIM REPORT**

**OFFICE OF THE STATE AUDITOR**

**BETH A. WOOD, CPA**

**STATE AUDITOR**

**NORTH CAROLINA STATE UNIVERSITY**

**INVESTIGATION OF SALARY PAID TO MARY P. EASLEY  
INTERIM REPORT**

# TABLE OF CONTENTS

---

	PAGE
AUDITOR'S TRANSMITTAL.....	1
QUALIFYING COMMENTS ON PRELIMINARY FINDINGS AND RESPONSES.....	3
PRELIMINARY FINDINGS AND RESPONSES .....	6
ORDERING INFORMATION .....	14



**Beth A. Wood, CPA**  
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>

---

**AUDITOR'S TRANSMITTAL**

---

August 27, 2009

The Honorable Beverly Eaves Perdue, Governor  
The General Assembly of North Carolina  
Board of Governors, University of North Carolina  
Board of Trustees, North Carolina State University  
Dr. James H. Woodward, Interim Chancellor, North Carolina State University

The former State Auditor received a complaint through the State Auditor's Hotline concerning compensation paid by North Carolina State University (NCSU) to Mary P. Easley (Ms. Easley). This Office investigated the complaint (under the former State Auditor) and developed preliminary findings and recommendations that were delivered to NCSU, and the University subsequently responded to the preliminary findings.

The University's response and our internal quality control process identified questions about whether the conclusions stated in the preliminary findings were adequately supported. Based on these questions, we determined that further investigation and analysis would be required before the report could be finalized.

Based on a recommendation from the Director of Investigations (employed at the time), we decided to suspend the investigation with the option to pursue it in the future. Since this decision was made, allegations have been made in the media and elsewhere that the Office of the State Auditor had not issued a report on the investigation as the result of political or other pressures. Additionally, there has been a perception that the Office of the State Auditor investigated the hiring of Ms. Easley and the circumstances as to how she obtained the salary of \$170,000. The fact is that the sole objective of the investigation, based on the complaint received, was to determine if the salary of \$170,000 was excessive based on the responsibilities assigned, and **no investigation of how Ms. Easley obtained her position and her salary was ever performed.**

Although the investigation was suspended, the Office of the State Auditor is publishing an Interim report. We are taking this extraordinary action to protect the integrity of the Office of the State Auditor and to provide information to interested parties. **However, the preliminary findings should not be considered to be the final conclusions of the Office of the State**

**Auditor and should not be relied upon for any purpose.** A final report will be forthcoming.

*North Carolina General Statutes* require the State Auditor to make reports available to the public. Copies of reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

A handwritten signature in black ink that reads "Beth A. Wood". The signature is written in a cursive, flowing style.

Beth A. Wood, CPA  
State Auditor

## **QUALIFYING COMMENTS ON PRELIMINARY FINDINGS AND RESPONSES**

---

Following the qualifying comments below is the report on the investigation of the salary of Ms. Easley with the preliminary findings from the initial investigation, exactly as they were written and delivered to the University on December 17, 2008. Former NCSU Chancellor James L. Oblinger's response to the preliminary findings, which was dated January 16, 2009, is also presented.

In this section we have added qualifying comments to explain issues that require further investigation before final conclusions can be drawn.

### 1. EXCESSIVE SALARY

*Qualifying Comments:* The preliminary finding expresses the conclusion that Ms. Easley's salary was excessive. However, the University's response and further consideration have raised valid concerns about this conclusion, at least to the amount considered excessive. Specifically:

- The preliminary finding gave no credit in the compensation calculation for Ms. Easley's duties as Millennium Seminars Director. The investigator's calculation was based on the assumption that the duties for the Harrelson Lecture Series were similar and had been handled by a committee of faculty and staff at no extra cost.

NCSU's response questioned the comparison, arguing that the Millennium Seminar had a much broader scope; 1) the Millennium Seminars included four lectures per year instead of one, 2) NCSU found it increasingly difficult to find faculty members to serve on the Harrelson Lecture Series because of the additional workload involved, and thus, the Harrelson Lecture Series was incorporated into the Millennium Seminars to save the Harrelson Lecture Series from being eliminated; 3) the Millennium Seminars included additional public events including television recording, webcasting and student/guest events.

Further investigation is necessary to substantiate how much additional work is included with the Millennium Seminars and if that additional workload is too much for a committee of volunteers of faculty and staff. If that is the case, additional work is necessary to assess NCSU's calculation of the value assigned to those responsibilities of the Millennium Seminars Director.

## QUALIFYING COMMENTS (CONTINUED)

---

NCSU also argues that as the governor's spouse, it seems likely that Ms. Easley would have been able to attract speakers that others (faculty/staff volunteers) could not have attracted, which would have added value and prestige to the seminars. For these reasons, there is an undetermined value that should have been included in the compensation calculation for Ms. Easley's duties as Millennium Seminar Director.

Further investigation is necessary to determine if the above is true and if so, an assessment of that value included in Ms. Easley's salary should be performed.

- The preliminary finding concluded that Ms. Easley was paid too much for her instructional duties. The conclusion was based on a comparison of compensation paid to Ms. Easley with compensation paid to a part-time instructor.

NCSU's response states that it is common practice (across the University System) for full-time employees that have other University responsibilities to be paid more for instructing a class than part-time instructors with no other university duties.

Further investigation is necessary to substantiate NCSU's argument that the above is true across all University instructors (full-time instructors' salaries vs. part-time instructor salaries) and if so, determine how much more full-time instructors are paid than part-time. Based on that information, an assessment of NCSU's calculation of Ms. Easley's salary would need to be made.

- The preliminary finding approaches the multiple roles of Ms. Easley as additive for determining compensation.

NCSU argues that compensation practices, as well as the competitive labor market itself, do not value positions with multiple responsibilities as an "average" of those duties performed independently. Rather, the value of multi-responsibility positions tend to have a cumulative effect instead of an average effect.

Further investigation into the appropriate methodology of determining the value of a multi-responsibility position is warranted.

- The preliminary finding did not include any amount for Ms. Easley's fund raising responsibilities. Before approving Ms. Easley's contract, the UNC Board of Governors (BOG) required Ms. Easley to agree to raise \$80,000 annually to support a portion of her own salary. The preliminary report made no mention of this fact.

## QUALIFYING COMMENTS (CONCLUDED)

---

Further work is necessary to determine if/how the fund-raising of a portion of the salary from private funds may affect the calculation of Ms. Easley's salary.

- NCSU states in their response that the North Carolina Legislature has delegated the authority to the University of NC Board of Governors (BOG) to establish salary ranges and the BOG has delegated to NCSU the authority to enter into employment contracts and to set EPA salaries within parameters established by BOG. According to NCSU, the salary set for Ms. Easley was set within the established parameters and the salary was thoroughly vetted in accordance with NCSU's procedures and approved in accordance with both NCSU's and UNC BOG policy.

Further investigation is necessary to determine if, in fact, the UNC BOG has established salary ranges for EPA positions and if NCSU considered the ranges in setting the salary of Ms. Easley. Additionally, further investigation is necessary to determine if the salary of \$170,000 was approved by the UNC BOG in accordance with policy set by the Board.

There are other items within the preliminary finding with which NCSU disagrees; however, the monetary differences between the investigators' determination of compensation and that of NCSU is not significant enough to the objective of the investigation to warrant additional effort to address. Therefore, these items have not been listed in the above items as needs further investigation.



STATE OF NORTH CAROLINA  
Office of the State Auditor

Leslie W. Merritt, Jr., CPA, CFP  
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>

December 17, 2008

Dr. James L. Oblinger, Chancellor  
North Carolina State University  
Holladay Hall  
Raleigh, North Carolina 27695

Dear Chancellor Oblinger:

We received a complaint through the *State Auditor's Hotline* concerning the compensation paid to Mary P. Easley (Ms. Easley) by North Carolina State University (NCSU). Pursuant to North Carolina General Statute §147-64.6, our investigation of this matter resulted in the following findings and recommendations.

**1. Excessive Salary**

The salary paid to Ms. Easley is excessive when compared to the responsibilities assigned and others in similar positions. Table 1 shows her major responsibilities and associated compensation as described in the document<sup>1</sup> provided to the Board of Governors by NCSU to justify her salary. The table also includes the adjusted salary resulting from our investigation.

Table 1 Compensation For Mary P. Easley			
Responsibility	**Compensation Determined by NCSU	*Compensation Determined by OSA	Difference
Public Safety Leadership Center Director	\$59,500	\$50,400	\$9,100
Millennium Seminar Director	\$51,000	-0-	\$51,000
Law Academic Programming Coordinator	\$34,000	\$23,000	\$11,000
Classroom Teacher	\$25,500	\$5,600	\$19,900
<b>Total</b>	<b>\$170,000</b>	<b>\$79,000</b>	<b>\$91,000</b>
Source: ** : NCSU Documentation * : Methodology described on the following pages			

<sup>1</sup> Document is entitled *Justification for Proposed Position and Compensation for Mary P. Easley*. It was provided by North Carolina State University to the University of North Carolina System's Board of Governors to assist them with their decision to approve or reject her salary, September 2008.

In the subsequent paragraphs, we describe the methodology used in determining the salary change for each responsibility.

***Public Safety Leadership Center Director***

NCSU states in the document provided to the Board that “*Nationally recognized programs at Northwestern and Johns Hopkins are most similar [to the anticipated center at NCSU] and will be the models upon which NC State bases its center.*” According to this same document, both Johns Hopkins University and Northwestern University compensate their Directors of Public Safety Leadership the same amount, \$144,000. Responsibilities of these Directors include: directing the overall operations of teaching (undergraduate and graduate), outreach programs and grant-funded research. These are also the anticipated responsibilities of Ms. Easley, although the Center has not been approved (*see finding 2*) by NCSU at this time. If the Center is approved, NCSU anticipates that the duties for the Center for Public Safety Leadership Director at NCSU will require 35% of Ms. Easley’s time according to the document provided to the Board. Given that \$144,000 is the compensation of two directors whose program level NCSU hopes to achieve under Ms. Easley’s direction, a reasonable amount to compensate Ms. Easley for this portion of her responsibilities is 35% of \$144,000, or \$50,400.

***Millennium Series Director***

The Harrelson Lecture Series has been providing speakers for NCSU since the 1961-62 academic year. The annual speaker for the Harrelson Lecture Series was selected, contacted and compensated by a committee composed of NCSU faculty, students, and staff. All of these activities were performed in conjunction with their normal duties. There is no paid director and members of the committee are not paid specifically to perform these tasks. The Harrelson Lecture Series and the Millennium Seminar Series perform similar functions in that they both attempt to bring in speakers from diverse backgrounds and professions to inform and discuss with students and members of the community issues that relate to the speaker’s area of expertise. Because the two programs are similar and financial resources are limited, it was agreed upon in 2007 that both would unite their resources for one of the annual speakers.

The Millennium Series attempts to bring in four speakers annually compared to one for the Harrelson Series. However, when a member of the Harrelson Committee was asked if the committee was directed to obtain four speakers compared to one, the committee member stated that requirements to obtain four speakers would not be an additional hardship. Based on the costs provided to the Board of Governors, anticipated expenditures for the Millennium Series are less if a committee composed of faculty, students and staff are used rather than employing Ms. Easley as a Director. These expenditures are described in Table 2.

Table 2 Millennium Series Director Cost Comparison		
	<b>With Ms. Easley as Director</b>	<b>Without Ms. Easley as Director</b>
Annual Fees For Speakers	\$33,500	**\$80,000
Compensation	\$51,000	-0-
<b>Total Annual Cost</b>	<b>\$84,500</b>	<b>\$80,000</b>
Source: NCSU Documentation to the Board of Governors ** (Based on presumption that four speakers could/would have charged a fee averaging \$20,000 each)		

***Law Academic Programming Coordinator***

Currently, NCSU has a full-time employee (not Ms. Easley) in the position of University Coordinator of Pre-Law Services. This person expects to continue her current assigned responsibilities that include assisting pre-law students with their preparation and application for law schools and developing seminars, workshops, and outreach to the community. As Law Academic Programming Coordinator, Ms. Easley is expected to conduct outreach to the legal profession, develop opportunities with local and regional law schools, and serve as the university’s point-of –contact on law-related teaching and research.

In our review of the comparable positions and responsibilities for the Law Academic Programming Coordinator listed in the document NCSU provided the Board of Governors, the one most comparable position that carried responsibilities similar to Ms. Easley’s was the Law Development Director at North Carolina Central University’s School of Law. The document states that the person in this position is responsible for conducting outreach, arranging speakers, and partnering with the legal community. This person is paid a salary of \$115,000 to perform these tasks fulltime. NCSU anticipates the responsibilities of the Law Academic Programming Coordinator to require a 20% time commitment from Ms. Easley. As a result, it is reasonable that Ms. Easley be compensated \$23,000 or 20% of \$115,000 for her tasks as Law Programming Coordinator.

### **Classroom Teacher**

As described by NCSU in the document provided to the University of North Carolina System's Board of Governors, the responsibilities of Ms. Easley as a classroom teacher would be to co-teach a course twice per year along with one instructor in the Administrative Officers Management Program. Both instructors are expected to share equally in the responsibilities of teaching this course. The other instructor teaches the course alone in a third session at a salary of \$5,600. If one instructor receives compensation of \$5,600 to teach the course alone, it is reasonable that both instructors receive \$2,800 each to co-teach this same course. It is unreasonable to compensate one instructor \$25,500 and another \$5,600 to perform the same duties while they are equally co-teaching the same two courses in the Administrative Officers Management Program.

### **Recommendation:**

We recommend that NCSU reduce Ms. Easley's total salary for all responsibilities to \$79,000 annually. This salary would be composed of \$50,400 for Public Safety Leader Center Director, \$23,000 for Law Academic Programming Coordinator, and \$5,600 to co-teach two courses. Of the \$50,400 being paid to perform the duties of the Public Safety Leadership Center Director, \$25,200<sup>1</sup> should originate from non-State funds. We also recommend the Millennium Seminar Series duties assigned to Ms. Easley be reassigned to a faculty/students/staff committee and the funds that had been allocated to compensate her for these duties be reallocated.

### **2. Five-year Contract**

The need for the University to commit to a five-year contract with Ms. Easley is questionable. The job description for her five-year contract identifies the creation and direction of the Public Safety Leadership Center as her primary job responsibility, but the Center has not been substantiated or approved by NCSU. Until the Center is approved, the job to direct the Center does not fit a guaranteed University need, so the five-year duration of the contract does not seem warranted. Five years is the maximum contractual duration for employment permitted by NCSU policy. As a result, the University is committed to the individual for five years.

---

<sup>1</sup> As described in the document provided to the Board of Governors, 50% of her salary to perform the duties of the Public Safety Leadership Center Director should be obtained from non-state funds. \$25,200 equals 50% of \$50,400.

Dr. James L. Oblinger, Chancellor  
December 17, 2008  
Page 5

According to NCSU procedure, the first step in the creation of a center is to submit an Authorization to Plan for a Center. This initial step, which will last for no more than two years, must be approved by the Chancellor. The second step, the Authorization to Establish a Center, must be approved by the Board of Trustees. A center may not be approved if it does not meet the University criteria, such as describing identifiable funding for at least five years. Currently, there is a Public Safety Leadership Initiative<sup>1</sup> in place at NCSU. A proposal to change the Initiative to a Center was developed in 2005 by the current Director of the Public Safety Leadership Initiative. However, due to changes being made at that time to NCSU guidelines for center development, this proposal was never submitted.

### **Recommendation**

NCSU should replace the current five-year contract with a two-year contract to account for the possibility the Public Safety Leadership Center may not be approved.

Please provide your written response to these findings and recommendations, including corrective actions taken or planned to be taken, by January 2, 2009. In accordance with General Statute §147-64.6, the Governor, the Attorney General, and other appropriate officials, will receive a copy of this management letter. If you have any questions or wish to discuss this matter further, please contact us. We appreciate the cooperation received from the employees of North Carolina State University during the course of our review.

Sincerely,

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

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

---

<sup>1</sup> An initiative is different than a center in that an initiative does not require a formal proposal.

# North Carolina State University Detailed Response to Findings

## Office of the State Auditor Investigation of Compensation Paid to Mary P. Easley by NC State University

January 16, 2009

---

### 1. Excessive Salary

#### **State Auditor Recommendation:**

“We recommend that NCSU reduce Ms. Easley’s total salary for all responsibilities to \$79,000 annually. This salary would be composed of \$50,400 for Public Safety Leader Center Director, \$23,000 for Law Academic Programming Coordinator, and \$5,600 to co-teach two courses. Of the \$50,400 being paid to perform the duties of the Public Safety Leadership Center Director, \$25,200 should originate from non-State funds. We also recommend the Millennium Seminar Series duties assigned to Ms. Easley be reassigned to a faculty/students/staff committee and the funds that had been allocated to compensate her for these duties be reallocated.”

#### **NC State Response:**

The valuations placed on the various responsibilities of Ms. Easley’s appointment in your management letter are inappropriate and fail to recognize both the nature of the work and the appropriate levels of compensation. Each responsibility and its valuation is addressed below.

- Public Safety Center Director – The audit report states that we used two existing public safety centers as models for our salary and expectations, which is true. However, the NC State document that lists these models also states that our expectation for this center goes well beyond the programs of the centers at other universities. In fact, we could not find any programming model that was comparable to the expectation for our Public Safety Center. Consequently, we valued the effort that will be required in terms of program development, content development, coordination and collaboration as substantially greater than those shown for directors at other universities. We believe our valuation to be appropriate.
- Millennium Seminar Director – The audit report states that the Millennium Seminar series could be adequately managed by a committee of faculty and students, at no salary expense. We consider this finding unrealistic. The report compares the Millennium Seminars to the Harrelson lecture which is supported by an endowment. The Harrelson lecture occurs once per year; Millennium Seminars occur four times (a statement by one member of the Harrelson Committee that it could be done is not objective or conclusive). Millennium Seminars include additional public events, including television recording, webcasting, student/guest events; the Harrelson lecture does not. Millennium Seminars attract over 1000 attendees (and the upcoming

seminar on January 26, 2009 with President Clinton will seat 6000 attendees including students, faculty, and the general public); the Harrelson lecture attracts 50-100.

In recent years, we have been increasingly unable to find faculty members who would serve on the Harrelson lecture committee - especially to be the chair - because of the workload involved and the insufficiency of the funding to attract a speaker or conduct the activity. In fact, the incorporation of the Harrelson lecture into the Millennium Seminars was done to save the Harrelson lecture from being eliminated.

The idea that the work of conducting the Millennium Seminars could be shifted to other individuals in the university at no cost suggests that the time of faculty has no value. At a time when we are adding core teaching responsibilities onto faculty workloads, our ability to move such a major task to faculty does not exist. We also know that Ms. Easley creates additional value for the Millennium Seminars in her ability to attract outstanding speakers and external funding for support. The Millennium Seminars have created great value for NC State and the local community, and that value would not continue if managed by a volunteer group of faculty and students. We believe our valuation to be appropriate.

- Coordinator of Law Academic Programming - The audit report uses the lowest comparable salary in the NC State report to the Board of Governors as the basis for valuing Ms. Easley's salary. Based on the range of responsibilities that we list for Ms. Easley in this role, we believe that the choice of the NCCU position as the sole comparable position is inappropriate and undervalues her importance and impact. We believe our valuation to be appropriate.
- Classroom Teacher - The audit report neglects several factors that are crucial in valuing the salary of an instructor. These include whether the individual is full-time or part-time (full-time employees make more); the nature of the individual's other responsibilities (instructors with other responsibilities make more); the previous experience of the individual (more experienced teachers make more); and the nature of the classes (teachers in co-taught classes do not receive half the credit or pay of individually taught classes; co-teaching enhances the education, but does not reduce the expense). We believe our valuation to be appropriate.

The analysis provided in the audit report approaches the above multiple roles of Ms. Easley's position as additive for the purpose of determining compensation. However, compensation practices, as well as the competitive labor market itself, do not value positions with multiple responsibilities as an "average" of those duties performed independently. Rather, the value of multi-responsibility positions tends to have a cumulative effect instead of an average effect, with premium paid for additional scope. Because Ms. Easley is performing four functions for NC State, we are receiving much higher value than if we had four different individuals performing these functions. Consequently, the total compensation for her position is higher than the sum of the individual functions. We believe our valuation to be appropriate.

We note further that the recommended salary of \$79,000 is less than the salary that Ms. Easley earned in the previous year (\$90,300). The new position responsibilities that Ms.

Easley is undertaking in addition to continuing the previous responsibilities would be valued, therefore, at a negative \$11,300. This outcome of the audit report analysis casts additional doubt on the methodologies used to value the position responsibilities and the validity of the findings of the report. We believe our valuation to be appropriate.

## **2. Five-year Contract**

### **State Auditor Recommendation:**

“NCSU should replace the current five-year contract with a two-year contract to account for the possibility the Public Safety Leadership Center may not be approved.”

### **NC State Response:**

We believe there is no rationale for and much risk related to this recommendation to terminate the current contract.

Five-year terms are common in the university system, especially when continuity of function is desirable. In Ms. Easley’s case, we consider that continuity is essential for the initiation and development of the Public Safety Center and the solid establishment of the Millennium Seminar Series as a leading seminar series in the nation. The audit report implies that a two-year term would be appropriate because the maximum time between the Authorization to Plan and Authorization to Establish a Center is two years. However, our expectation is that both authorizations would be received and approved well before two years passed. The five-year contract term is required to bring the center into full operation, which is much different than the timing of the formal approval process.

Additionally, the North Carolina Legislature has delegated the authority to the University of North Carolina Board of Governors (BOG) to establish salary ranges and the BOG has delegated to NC State University the authority to enter into employment contracts and to set EPA salaries within parameters established by the BOG. The five-year contract with Ms. Easley was entered into under this delegated authority. In the absence of a state statute cited by the State Auditor that would permit alteration of the five-year contract, NC State University is not able to terminate the employment contract or "replace" it with a two-year contract. The salary arrangements were thoroughly vetted in accordance with University procedures and approved in compliance with both University and UNC BOG policy.

Therefore, we believe the contract is appropriate as it currently stands.

## ORDERING INFORMATION

---

Audit reports issued by the Office of the State Auditor can be obtained from the web site at [www.ncauditor.net](http://www.ncauditor.net). Also, parties may register on the web site to receive automatic email notification whenever reports of interest are issued. Otherwise, copies of audit reports may be obtained by contacting the:

Office of the State Auditor  
State of North Carolina  
2 South Salisbury Street  
20601 Mail Service Center  
Raleigh, North Carolina 27699-0601

Telephone: 919/807-7500

Facsimile: 919/807-7647