

STATE OF NORTH CAROLINA

INVESTIGATIVE REPORT

CAPE FEAR COMMUNITY COLLEGE

WILMINGTON, NORTH CAROLINA

JUNE 2013

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

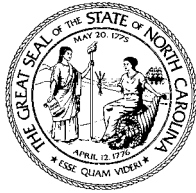
STATE AUDITOR

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Beth A. Wood, CPA
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Pat McCrory, Governor
Members of the North Carolina General Assembly
Dr. R. Scott Ralls, President, North Carolina Community College System
Dr. Ted D. Spring, President, Cape Fear Community College

Ladies and Gentlemen:

Pursuant to North Carolina General Statute §147-64.6(c)(16), we have completed our investigation of allegations pertaining to Cape Fear Community College. The results of our investigation, along with recommendations for corrective action, are contained in this report.

Copies of this report have been provided to the Governor, the Attorney General and other appropriate officials in accordance with G.S. §147-64.6 (c) (12). We appreciate the cooperation received from the management and employees of Cape Fear Community College during our investigation.

Respectfully submitted,

A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA
State Auditor

June 28, 2013

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INTRODUCTION

The Office of the State Auditor received an allegation through the *State Auditor's Hotline* concerning the location and use of a Yamaha outboard boat motor donated to Cape Fear Community College (College). Allegedly, the Marine Technology Department Chair (Chair) approved giving the motor to a graduating student (for use on the student's private boat) in exchange for using the student's boat free of charge.

The investigation of these allegations included the following procedures:

- Review of College policies and procedures related to equipment
- Forensic examination of College computers assigned to the Chair and a Marine Technology Instructor
- Examination and analysis of annual inventory records
- Interviews with College management and staff

This report presents the results of our investigation. The investigation was conducted pursuant to North Carolina General Statute § 147-64.6 (c) (16).

ORGANIZATION OVERVIEW

Cape Fear Community College (College) is one of 58 institutional members that operate under the authority of the North Carolina State Board of Community Colleges. The College is an accredited, public educational institution providing vocational, technical, pre-baccalaureate, literacy education, and continuing education programs to the citizens of New Hanover and Pender counties.

The College has campuses in Wilmington, Castle Hayne, and Burgaw. The College offers more than 60 academic programs including Math, Science, English, Humanities, Fine Arts, Social Sciences, Business Technologies, Engineering Technology, Public Service, Physical Education, and Marine Technology.

Marine Technology

The Marine Technology program provides knowledge and skills in the area of marine scientific support. Courses include boat handling, seamanship, marine engines and maintenance, fishing gear, navigation, and marine instrumentation. The program prepares students for employment through practical training in the classroom, aboard ship, and through hands-on training using applicable equipment (navigational systems, marine engines, etc.).

The College owns and operates a variety of training vessels that are used in the Marine Technology program including an Atlantic Marine research vessel, a fisheries research vessel, an aluminum catamaran, two Atlantic Skiffs, four Jon boats, and a Navy Surplus Motor Whale Boat. In addition to training vessels, the College has its own dock, chemical and biological laboratories, net loft, fishing gear shop, electrical lab, welding shop, woodworking shop, and oceanographic equipment repair and calibration facility.¹

¹ Cfcc.edu/martech/vessels.html

FINDINGS AND RECOMMENDATIONS

1. PERSONAL USE OF COLLEGE PROPERTY

A Marine Technology Instructor (Instructor) inappropriately gave a student a boat motor owned by Cape Fear Community College (College). The motor was mounted on the student's private boat and used for personal purposes. The motor was originally donated to the College with the stipulation that the motor be used for "technical training purposes only" and not for recreation or transportation use. For the two years that the motor was in the student's possession, the College was not able to use the motor for its intended purpose.

Yamaha Motor Corporation, USA donated the motor (valued at \$6,000) to the College in July 2009. According to the "Donor Agreement," the motor should be "...utilized for technical training purposes only. The Product shall not be used or operated for either transportation or recreation." In late 2010, a student in the Marine Technology program, who was scheduled to graduate in May 2011, asked the Instructor if he could mount the motor to his personal boat to "see how it ran."

According to the Instructor, the motor was a lot larger than what his class typically worked on so he "did not have much use for it." In addition, the Instructor said he wanted feedback on the motor's performance. After allegedly receiving approval from the Marine Technology Department Chair (Chair), the Instructor gave the student the motor in April 2011, a month before graduation.

However, the Chair did not recall speaking with the Instructor about allowing a student to use the College's boat motor. He further explained that he never would have approved the arrangement because the request violated College policy. The Chair said the Marine Technology Department routinely allows students to check out College equipment for practice and/or special projects but only for a maximum of 48 hours.

In an e-mail dated August 17, 2010, the Chair seemingly granted approval to the Instructor to provide the motor to the student. According to the Chair, he did not recall that e-mail or any prior conversations. He said that he may have skimmed over the e-mail without noticing the part about furnishing a student with a motor and only addressed another topic included in the e-mail related to the College receiving an additional donated motor.

According to College policy, anyone taking equipment off campus must submit a written request to their immediate supervisor stating the reason, location, and dates of release and return. All requests must be approved by the immediate supervisor, senior administrator, Vice President of Business and Institutional Services, and the Director of Purchasing and Inventory. However, the Instructor did not complete the request or obtain the proper approval for the motor which was in the former student's possession from April 2011 until April 2013 when investigators met with College officials.

FINDINGS AND RECOMMENDATIONS (CONTINUED)

Both the Instructor and the student said that the student was expected to bring the motor to each of the Instructor's maintenance classes for demonstrations. However, after the motor was mounted on the student's boat, the student never brought the motor back on campus nor provided any feedback on the motor's performance. The former student said that he provided all needed maintenance on the motor himself. According to the Instructor, he never followed up with the student to obtain feedback or schedule class demonstrations.

The former student owned a commercial fishing company that provided various in-shore and island charter services for fishing, diving, and cruising. According to the former student, he purchased a boat specifically to use with the College motor. He further explained that he did not use the boat or motor for his company but used it for recreational purposes on weekends. He also said that neither the Instructor nor the Chair ever used the boat.

The student still possessed the motor when investigators arrived at the College two years after he received it. The student said that he would have kept the motor "til [the College] wanted it back." He believed that the College would contact him when they needed it. The student recognized that the College owned the motor and that that Instructor loaned it to him.

When the former student returned the motor, the motor no longer had the asset tag originally placed on it. It appeared that the tag had been manually removed due to the scratch marks at the tag's original location. The Instructor said that he did not remove the tag and recalled it being on the motor when mounted on the student's boat.

According to the student, he did not remove the tag and recalled seeing it on the motor. He explained that the asset tag probably wore off. However, the Inventory Technician said that asset tags placed on College vessels and motors are more durable and resistant to weather conditions than standard asset tags. In addition, the original tag placement on the top portion of the motor would not have been submerged in water, making it unlikely that it would have fallen off.

Although the donated motor was larger than the Instructor typically used in his maintenance classes, the motor remained in good working condition and could have been mounted on one of the College's marine vessels or put in the maintenance shop and used for special projects and training purposes.

RECOMMENDATION

College management should consider disciplinary action against the Instructor and the Chair for inappropriately allowing a student to use College property for personal use. Management should also educate all College employees on the proper procedures for allowing College assets and equipment to be taken off campus. In addition, the Chair should be reminded of the importance of fully reading and acknowledging all requests related to College business.

2. FALSIFICATION OF COLLEGE INVENTORY RECORDS

The Instructor intentionally indicated on annual inventory records that a boat motor remained on the College's campus when it was in the possession of a former student. The College requires all departments to report the current location and status of assigned equipment during an annual inventory process. Because the Instructor falsified the location of the motor, the inventory records improperly reflected that the College possessed the motor and used it for the benefit of its students.

The College completes an annual inventory of all equipment valued at more than \$1,000. Each department is provided a listing of current equipment and must verify the existence and location of their assigned equipment, noting any changes. During the 2012 annual inventory of equipment, the Instructor placed a check mark beside the motor indicating the motor was located in its assigned location on campus. During the annual inventory in 2013, the Instructor again checked off the motor but made changes to the inventory noting that the motor was at a new location on campus. However, the motor was never located on campus during these inventories but instead was located off campus in the possession of a former student.

During every annual inventory, the College provides each department the policy and procedures related to completing an inventory of assets. According to the Chair, all of his staff members are well-educated and knowledgeable about how to perform the annual inventory according to policy. The Instructor confirmed to investigators that he performed the annual inventory for several years and knew all related procedures.

When the Chair questioned the Instructor about why he did not note that the former student had the motor, the Instructor said that he did not know how to report the situation. However, when investigators questioned the Instructor, he said he did not include the location for "simplicity" and that he "didn't want to make waves."

The Instructor said that he knew the motor was not supposed to be off campus and it was wrong to allow the former student to keep College property for that extended amount of time. The Instructor explained that he never followed up because, "In the meantime, it was out of my shop. I wasn't really thinking about it, frankly, too much." He also said that he should start telling Yamaha, "Don't give me anything else unless it's under \$1,000 because then it goes on inventory and I have to check it off every year."

RECOMMENDATION

College management should consider appropriate disciplinary action related to falsifying inventory records and concealing the location of the boat motor. In addition, management should stress to all College employees the importance of following College inventory procedures.



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OFFICE OF THE PRESIDENT

June 21, 2013

Ms. Beth Wood, CPA
Office of the State Auditor
2 South Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601

Dear Ms. Wood:

On April 24, 2013, the Office of the State Auditor arrived on Cape Fear Community College's campus to conduct an investigation in the alleged misuse of state-owned equipment, a Yamaha outboard motor. I have reviewed the findings and recommendations in the Investigative Report dated June 2013. The following corrective action has been taken in regards to the two findings:

The instructor who inappropriately allowed a student to use College property for personal use, falsified inventory records, and concealed the location of the boat motor is no longer employed by the College as of May 17, 2013.

The Chair has been reminded of the importance of fully reading and acknowledging all requests related to College business. Further, the Chair was counseled and received a disciplinary letter regarding his involvement in this situation.

Finally, College employees are receiving training from their supervisor as to the proper procedures for allowing College assets and equipment to be taken off campus, as well as, the importance of following College inventory procedures.

We are confident that this was an isolated incident.

Thank you for your professionalism and thorough investigation.

Sincerely,

A handwritten signature in dark ink, reading "Ted D. Spring".

Ted D. Spring, Ph.D.
President

TDS/tw

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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
Raleigh, North Carolina 27699-0601

Telephone: 919-807-7500

Facsimile: 919-807-7647

Internet: <http://www.ncauditor.net>

To report alleged incidents of fraud, waste or abuse in state government contact the:

Office of the State Auditor Fraud Hotline: 1-800-730-8477

or download our free app



<https://play.google.com/store/apps/details?id=net.ncauditor.ncauditor>



<https://itunes.apple.com/us/app/nc-state-auditor-hotline/id567315745>

For additional information contact:

Bill Holmes
Director of External Affairs
919-807-7513

This investigation required 291.5 hours at an approximate cost of \$20,988.