

# **STATE OF NORTH CAROLINA**

## **INVESTIGATIVE REPORT**

**ELIZABETH CITY STATE UNIVERSITY**

**ELIZABETH CITY, NORTH CAROLINA**

**MARCH 2014**

**OFFICE OF THE STATE AUDITOR**

**BETH A. WOOD, CPA**

**STATE AUDITOR**

## **EXECUTIVE SUMMARY**

### **PURPOSE**

The Office of the State Auditor received an allegation questioning a large volume of international telephone calls to Senegal from Elizabeth City State University (University). The original complaint referenced calls made between September 2012 and February 2013. Eventually, investigators identified calls to Senegal valued at \$142,661.

### **BACKGROUND**

The telephone calls originated from the University's African Studies Program and related to a federal grant awarded to the University to administer and assist in the development of textbooks and learning materials for Senegal. The program produced approximately three million copies of 20 different textbooks and other learning materials. The University made 5,497 calls to 483 different numbers in Senegal. However, because the purpose of the grant program required a large volume of international communication, the large number of international calls appeared reasonable.

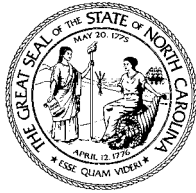
### **KEY FINDING**

- The University improperly allocated long-distance calls as only \$2,239 was charged to and paid for by the federal program. As a result, \$140,422 of state funds and other unrelated program funds were used to pay for calls that should have been paid by a federal grant.

### **KEY RECOMMENDATIONS**

- University management should consult with University Information Technology staff as well as State Information Technology Services officials to determine how best to obtain more detailed billing information.
- University management should develop and implement procedures to review long-distance call activity.

The key finding and recommendations in this summary is not inclusive of all findings and recommendations in this report.



**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

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The Honorable Pat McCrory, Governor  
Members of the North Carolina General Assembly  
Charles L. Becton, Interim Chancellor, Elizabeth City State University  
Abdul S. Rasheed, Chair, Board of Trustees, Elizabeth City State University  
Thomas W. Ross, President, The University of North Carolina  
Peter D. Hans, Chair, Board of Governors, The University of North Carolina

Ladies and Gentlemen:

Pursuant to *North Carolina General Statute* §147-64.6(c)(16), we have completed an investigation of allegations pertaining to Elizabeth City State University. The results of the 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 *North Carolina General Statute* §147-64.6 (c) (12). We appreciate the cooperation received from the management and employees of Elizabeth City State University during our investigation.

Respectfully submitted,

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

Beth A. Wood, CPA  
State Auditor

March 13, 2014

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## INTRODUCTION

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The Office of the State Auditor received an allegation through the *State Auditor's Hotline* related to the number of international telephone calls to Senegal. The original complaint indicated that, between September 2012 and February 2013, Elizabeth City State University (University) incurred \$22,432.94 for calls made to Senegal originating from one University line identified as "Campus Police."

The investigation of this allegation included the following procedures:

- Review of telephone billing records maintained by the North Carolina Office of Information Technology Services (State ITS)
- Interviews with State ITS staff
- Review of University records related to telephone usage
- Interviews with University management and staff
- Research related to long-distance communication

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

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## **ORGANIZATION AND PROGRAM OVERVIEW**

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### Elizabeth City State University

Elizabeth City State University is a constituent institution of the University of North Carolina. As of the Fall 2012 semester, student enrollment totaled 2,877, including 2,519 full-time and 358 part-time students.

Elizabeth City State University was founded on March 3, 1891, and currently offers 37 baccalaureate degree programs and four master's degree programs. In addition, the school offers a doctor of pharmacy degree in collaboration with the Eshelman School of Pharmacy at the University of North Carolina at Chapel Hill.

### African Studies Program

Though no longer in existence, Elizabeth City State University's African Studies Program was a Research and Educational Resource Unit and a sub-unit of the University's International Program. The African Studies Program did not offer courses or academic certifications or degrees. The program sponsored and coordinated activities and entities that highlighted countries, cultures, and traditions in Africa as well as African-American connections to Africa.

### Textbooks and Learning Materials Program

The United States Agency for International Development (USAID) was established to increase access to quality basic educational opportunities in Africa, especially at the primary school level. To achieve this, USAID works closely with host countries' ministries of education and higher educational institutions.

USAID entered into a cooperative agreement with Elizabeth City State University as a first step in creating a consortium of Historically Black Colleges and Universities to work with African educational institutions to develop, publish, and distribute high quality textbooks and learning materials. The cooperative agreement between USAID and Elizabeth City State University was funded over a three-year period (2009 through 2012) for \$8,066,400. The project provided approximately three million copies of 20 different textbooks and additional learning materials to Senegal.

### Calls Related to Textbook Program

The University's African Studies Program coordinated the development, printing, and distribution of textbooks and other learning materials to Senegal between September 2009 and December 2012. The program required frequent communication between University and Senegal officials. According to the former Program Coordinator, one of his duties was to consult with and review completed textbooks that required translation to French. He said that he was in frequent contact with Senegal book publishers and printers to make revisions and corrections.

During the grant period, there were 5,497 calls made to 483 different phone numbers in Senegal. However, 2,254 (over 40%) of the calls were of a short duration (one minute or less) and those calls were made to 353 different numbers. According to the former Program Coordinator, there were three individuals coordinating the program: the former Project Director, former Program Director, and himself. He indicated that the former Program

## **ORGANIZATION AND PROGRAM OVERVIEW**

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Director made the majority of the calls because he was the person in charge of the program but that he, and perhaps the former Project Director, also made calls.

Investigators were unable to meet with the former Program and Project Directors because they are no longer employed by the University and relocated out of the country. However, the former Program Director responded to an email requesting confirmation of how the calls related to the program. He asserted that all calls made to Senegal related to the program but, because he no longer had his contact list available, he could not identify each number specifically.

The former Program Coordinator also said that all of the calls he made related to the textbook program. He provided a contact list of phone numbers that he indicated were related to the program and that frequently appeared on the telephone records. However, the numbers that he identified comprised only 8 % of the total calls.

When asked about the unidentified numbers as well as the large number and frequency of short duration calls, the former Program Coordinator said that, when calling internationally, he would often get bad connections, be connected to a wrong number, or would be cut-off in the middle of a call. He believed that this could explain the large quantity of different numbers as well as the short duration of many of the calls.

### Verification of Explanation

Investigators called a few of the numbers directly in an attempt to determine the identity of the numbers. However, due to language barriers, and limited information available for international numbers, this effort did not provide useful evidence.

By consulting with the phone carrier and researching issues related to international calling, investigators confirmed that, once a telephone call is made overseas, the reliability and consistency of service is often an issue. The phone carrier also indicated that, while identifying the called numbers was possible, because international calls are handled overseas by various carriers, it would be a time-consuming and costly exercise that may still not have provided useful information.

Even though the business relationship of *each* called number was not definitively determined, a verifiable program existed during the time period. In addition, because of the nature of the work involved with the program, it appears reasonable that a large amount of communications were needed with various entities in Senegal.

Excluding the calls that lasted one minute or less, the quantity of calls made during the grant's period of activity averaged approximately 75 calls per month. When taken in context, this level of activity appears reasonable.



## **FINDING AND RECOMMENDATIONS**

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### **IMPROPER ACCOUNTING FOR LONG-DISTANCE TELEPHONE CALLS**

Over a four-year period, three Elizabeth City State University (University) employees spent \$142,661 on more than 5,000 telephone calls to Senegal. According to University officials, these calls related to a federal textbook development program that the University administered. Rather than directly charging these costs to the federal program, the University allocated the \$142,661 resulting from these long-distance calls across various departments and programs. According to University records, only \$2,239 was charged to and paid for by the federal program. As a result, the University used \$140,422 in state funds and other unrelated program funds to pay for these calls.

#### Calls Not Accurately Allocated

The University inappropriately allocated the costs associated with the international calls to Senegal among various University departments and programs. According to University officials, the long-distance telephone reports provided to the University's Business and Finance Department did not identify in detail the originating departments for long-distance calls. Instead, the University allocated long-distance calls by distributing the cost based on the number of phone lines in each department.

In addition, because a detailed report was not available to the Business and Finance Department, personnel reviewing the activity were not aware of an increase in long-distance activity. That increase may have prompted Business and Finance officials to determine the origin and question the purpose of the calls at the time the bills were reviewed. Earlier identification of these calls may have enabled the University to charge the calls to the federal program. However, the recoupment of state funds and other unrelated program funds from the federal program may not be possible because the federal program closed in December 2012.

Business and Finance Department officials said they previously requested detailed information related to the long-distance calls but were told that information was not available. The University's Information Technology Department (University IT) officials stated that they have not been providing that information to the Business and Finance Department even though they have the capability to identify the origination of all calls.

#### Identifying the Origin of Calls

An initial review of detailed logs associated with the phone calls revealed that, between September 2009 and April 2013, the University paid \$142,661 for 5,497 calls to 483 different phone numbers in Senegal. Over 40% (2,254) of the calls were of a short duration (one minute or less) and those calls were made to 353 different numbers at a cost of \$7,876. All 5,497 calls appeared to originate from a single line designated as "Police Department." However, this line was not the "Police Department" but the main line to the University which the North Carolina Office of Information Technology Services<sup>1</sup> (State ITS) used to consolidate all University telephone calls for billing purposes.

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<sup>1</sup> State agency that provides information technology services to state agencies, local governments, and educational institutions in North Carolina.

## FINDING AND RECOMMENDATIONS

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According to State ITS officials, the University uses a CenturyLink Key system with extensions. All of the University's lines are included in 12 "pods" of lines and are billed by State ITS under one main line. They indicated that University officials requested that State ITS bundle phone line charges into one main number. Therefore, the billing information shows all long-distance calls originating from one line.

State ITS officials said they have to "mask"<sup>2</sup> the lines to use this billing method. Masking does not provide for a log or tracking system to show what line made a specific call. State ITS officials said that a polling<sup>3</sup> device is needed in the network to provide station level, detailed tracking of calls. They said such a device is commonly present in a local network. Without a polling device, detailed information related to the calls could only be provided at the University level. The University IT personnel provided additional reports to determine which lines were actually used to make the calls.

University IT officials explained that only a limited number of phone lines on campus are authorized to make international calls. The calls in question originated from authorized lines within the University's African Studies Program. A further review of the detailed phone records confirmed that all of the international calls were made between September 2009 and April 2013 and originated primarily from two lines within the program office. The phone lines were assigned to the former Program Director and the former Program Coordinator. As a result, these calls should have been charged to the African Studies Program and the applicable federal grant for the Textbooks and Learning Materials Program.

### RECOMMENDATIONS

**University management should consult with both University IT staff as well as State ITS officials to determine how best to obtain billing information detailed enough to allow proper, direct allocation of the costs associated with any University calls.**

**University management should develop and implement procedures in the Business and Finance Department that includes a review of long-distance phone activity to alert management to unusual activity related to phone use.**

**University management should explore more cost-efficient alternatives related to international long-distance telephone service.**

**University management should seek reimbursement from the funding agency to replace the state funds used for the Federal Textbooks and Learning Materials Program.**

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<sup>2</sup> Masking is used to consolidate many phone lines used in an organization to one main line for billing purposes.

<sup>3</sup> Polling is the continuous checking of devices by one device in a multi-point communication system where multiple devices (phones) share the same line.



Office of the Chancellor

1704 Weeksville Road | Elizabeth City, NC 27909 | Phone: 252.335.3228 | Fax: 252.335.3731 | www.ecsu.edu

## Response to Audit Recommendations *Investigative Report – February 2014*

As indicated in the Investigative Report, the accounting department was not receiving detailed billing because of configuration settings that had been put in place by former IT leadership. All findings and recommendations presented by the State Auditor stem from this issue. Responses 1-3 below are in response to recommendations made by the State Auditor. Response 4 describes proactive measures taken by ECSU prior to any communication with the State Auditors.

**Recommendation #1:** University management should consult with both University IT staff as well as State ITS officials to determine how best to obtain billing information detailed enough to allow proper, direct allocation of the costs associated with any University calls.

**Response:** Prior to the close of the investigation, Finance & IT began planning to correct the issue. On November 7, 2013, ECSU met with Everard Smith from the State ITS office. Through conversations with Mr. Smith and a series of coordinated follow-up efforts, ECSU is still working to modify the phone system settings to allow for itemized billing.

We recently received our January 2014 phone bill. Despite making the changes recommended by State ITS, the long-distance charges still appear to be accumulating on the single main line, just as before. We will continue to work with State ITS officials until the matter is resolved.

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**Recommendation #2:** University management should develop and implement procedures in the Business and Finance Department that includes a review of long-distance phone activity to alert management to unusual activity related to phone use.

**Response:** The University concurs and is currently reviewing the long distance and international charges that are available for unusual activity. The telephone bill unmasking project is still ongoing; however, once the project is 100% complete, all long distance and international phone service activity will be reviewed monthly and any unusual use activity will be reported to management.

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**Recommendation #3:** University management should explore more cost-efficient alternatives related to international long-distance telephone service.

**Response:** The University deems State ITS as the most cost efficient international long-distance telephone service provider for the University given the activity needs of the campus. As University IT officials stated in the report, only a limited number of phone lines on campus are authorized to make international calls. ECSU will continue to evaluate the international long-distance telephone service needs and in accordance with the

February 13, 2014 notice from State ITS, all campus lines will be blocked for international calling (except Canadian) effective the first quarter of this calendar year 2014. Future phone lines on campus requiring international call access will be reviewed and granted access on a case by case basis.

**Recommendation #4:** University management should seek reimbursement from the funding agency to replace the state funds used for the Federal Textbooks and Learning Materials Program.

**Response:** Once the problem was identified internally, ECSU independently pursued funding from USAID. Prior to the close of the investigation, ECSU had already reached out to the funding agency (USAID) regarding the incorrect allocation of Senegal calls. ECSU requested the use of approximately \$100,000 of unused funds from the grant, which expired in March 2013. ECSU officials explained to the agency that these were legitimate expenses that occurred during the grant period. However, the federal agency denied our request to utilize the funds.

Our communication efforts were provided to the State Auditor's office on October 31, 2013. All opportunities for collection were exhausted prior to the completion of the audit.

A handwritten signature in black ink, appearing to read 'M. G. ...' with a stylized flourish at the end.

## ORDERING INFORMATION

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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

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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

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

For additional information contact:

Bill Holmes  
Director of External Affairs  
919-807-7513

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This investigation required 412 hours at an approximate cost of \$30,915