

STATE OF NORTH CAROLINA

INVESTIGATIVE REPORT

THE UNIVERSITY OF NORTH CAROLINA AT GREENSBORO

GREENSBORO, NORTH CAROLINA

JUNE 2014

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

EXECUTIVE SUMMARY

PURPOSE

The Office of the State Auditor investigated an allegation involving the travel of a senior administrator at The University of North Carolina at Greensboro.

BACKGROUND

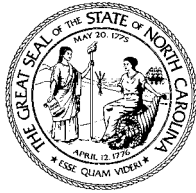
The University of North Carolina at Greensboro (University) was established by legislation in 1891. The University has more than 18,600 students and 2,500 faculty and staff. It is one of 17 constituent institutions in The University of North Carolina system.

KEY FINDING

A University practice exempted senior administrators from travel authorization and supervisory approval of travel expenses in violation of state and university policies.

KEY RECOMMENDATION

The University should require all senior administrators to obtain written authorization and subsequent approval of travel expenses from their immediate supervisor to ensure compliance with state and university policies.



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
Mr. Peter D. Hans, Chairman, Board of Governors, The University of North Carolina
Mr. Thomas W. Ross, President, The University of North Carolina
Mr. David Sprinkle, Chair, Board of Trustees, The University of North Carolina at Greensboro
Dr. Linda P. Brady, Chancellor, The University of North Carolina at Greensboro

Ladies and Gentlemen:

Pursuant to *North Carolina General Statute §147-64.6(c) (16)*, we have completed an investigation of an allegation pertaining to The University of North Carolina at Greensboro. 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 *G.S. §147-64.6 (c) (12)*. We appreciate the cooperation received from the management and employees of The University of North Carolina at Greensboro during the investigation.

Respectfully submitted,

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

Beth A. Wood, CPA
State Auditor

June 5, 2014

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INTRODUCTION

The Office of the State Auditor received an allegation through the *State Auditor's Hotline* concerning the travel activity of a senior administrator at The University of North Carolina at Greensboro (University). A review of the senior administrator's travel activity revealed that senior administrators at the University were exempted from state and university policies that required advanced authorization and approval of travel expenses.

The investigation included the following procedures:

- Review of the Office of State Budget and Management's *Budget Manual*
- Review of the University's policies and procedures
- Review of other universities' policies and procedures
- Analysis of applicable university records
- Interviews with university 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)*.

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ORGANIZATION OVERVIEW

The University of North Carolina at Greensboro (University) was established by legislation in 1891.¹ The University is one of 17 constituent institutions in The University of North Carolina System. The University is organized into six divisions: the Office of the Chancellor, Academic Affairs, Business Affairs, Information Technology Services, Student Affairs, and University Advancement.

A Board of Trustees oversees its operations at the institutional level. The University's Chancellor and other senior administrators manage day-to-day operations. These senior administrators include the chancellor, provost, vice chancellors, deans, associate provosts, and directors who report directly to the provost.

¹ www.uncg.edu/inside-uncg/inside-history.htm

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FINDINGS AND RECOMMENDATIONS

UNIVERSITY PRACTICE VIOLATED STATE AND UNIVERSITY TRAVEL POLICIES

A University of North Carolina at Greensboro (University) practice dating to 1996 exempted senior University administrators from travel authorization and approval requirements in violation of Office of State Budget and Management (OSBM) and University travel policies. Travel expenses for senior administrators totaled \$456,644 for fiscal years 2011 through 2013. Senior administrators included the chancellor, provost, vice chancellors, deans, associate provosts, and directors reporting to the provost.

The lack of advance authorization and approval of travel expenses for senior administrators decreased the University's ability to monitor and control travel expenditures and increased the risk of fraud, waste, or abuse of university resources.

The University's practice of exempting senior administrators from supervisory approval of travel expenses conflicted with its official travel policy as well as OSBM policy. The University's official policy states that "*approval authorization is to be delegated to the traveler's supervisor.*" OSBM's *Budget Manual*² specifies that "*prior written approval by the department head or his or her designee must be obtained in order to qualify for reimbursement for overnight stays.*" A survey of eight other universities in The University of North Carolina system found that travel expenses associated with senior administrators require approval from the employee's supervisor or from another senior administrator in compliance with state policy.

The University's Vice Chancellor for Business Affairs (Vice Chancellor) acknowledged that the University was not in compliance with state travel policy relative to senior administrators. The Vice Chancellor said the University issued directives in 1996 and 2008 intended to streamline its operations. In 1996, the University's former Chancellor³ approved a memorandum stating that travel requests from senior administrators would not require advance authorization or approval by their supervisors. In addition, the Associate Vice Chancellor for Finance sent a memorandum, dated June 25, 2008, to University officials stating that senior level administrators are "*masters of their domains*" and have total responsibility and authority for the decisions in their areas. This memorandum also stated "*Please do not request items authorized and signed by members of this group to be additionally approved or signed by the Provost or Chancellor.*"

The University established two procedures to provide oversight of senior administrators' travel expenses, but neither determined whether the travel was necessary and met a university business need.⁴ The first procedure required the University's travel auditor to review travel expenses prior to reimbursement for compliance with university travel policy and procedures. The second procedure required the University's internal auditor to audit a sample of travel reimbursements for senior administrators in the fiscal year immediately following the fiscal year in which the travel occurred. The internal auditor's

² OSBM *Budget Manual*, January 1, 2014, Section 5.1.5 Authorization for Lodging

³ Former Chancellor served from January 1, 1995, through July 31, 2008

⁴ The travel auditor and internal auditor reviewed travel expenses and reimbursements for supporting receipts, accuracy, proper account classification, and timeliness of the transactions.

FINDINGS AND RECOMMENDATIONS

annual procedures included the examination of one or two travel expense reimbursement requests for each senior administrator.

RECOMMENDATION

The University should require all senior administrators to obtain written authorization and subsequent approval of travel expenses from their immediate supervisors to ensure compliance with state and university policies.



THE UNIVERSITY *of* NORTH CAROLINA
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May 27, 2014

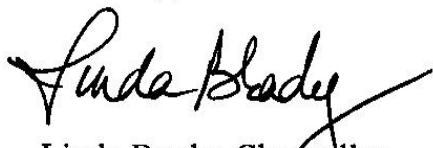
Ms. Beth A. Wood, CPA
State Auditor
2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601

Dear Ms. Wood:

This letter is in response to the investigative audit report regarding travel.

The University of North Carolina at Greensboro accepts and has already implemented, in April 2014, the recommendation of the State Auditor.

Sincerely,



Linda Brady, Chancellor

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ORDERING INFORMATION

Copies of this report may be obtained by contacting the:

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

Telephone: 919-807-7500

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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

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 262 hours at an approximate cost of \$19,760