

# STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR  
BETH A. WOOD, CPA



## NORTH CAROLINA DEPARTMENT OF TRANSPORTATION DIVISION OF MOTOR VEHICLES LICENSE AND THEFT BUREAU

RALEIGH, NORTH CAROLINA

INVESTIGATIVE REPORT  
NOVEMBER 2017



**NC**  **OSA**  
The Taxpayers' Watchdog

# EXECUTIVE SUMMARY

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## **PURPOSE**

The Office of the State Auditor received a complaint through its Hotline alleging that an inspector with the North Carolina Department of Transportation (DOT), Division of Motor Vehicles (DMV), License and Theft Bureau (Bureau) was using a state-owned vehicle to commute from his home in Washington, NC to Raleigh on a daily basis. During the investigation of the initial allegation, other policy violations were identified.

## **BACKGROUND**

The Bureau regulates vehicle dealers and manufacturers, inspection stations, towing and storage facilities, and repair businesses. It employs approximately 150 law enforcement agents who investigate vehicle theft, title fraud, driver license and identification card fraud, and vehicle odometer fraud. The Bureau also enforces rules and regulations governing vehicle dealers, vehicle safety and emissions inspection stations, vehicle towing and storage facilities, and vehicle repair businesses.

## **FINDINGS**

- A DMV Inspector's unauthorized commuting totaled nearly \$85,000 over three years
- A DMV employee derived a \$5,616 personal benefit from unauthorized commuting in a state vehicle

## **RECOMMENDATIONS**

- The DOT Inspector General should perform a review of all vehicle assignments to identify other potential commuting violations
- The DOT Secretary or their designee should ensure that vehicle authorization forms are complete and accurate prior to submission to The Department of Administration, Division of Motor Fleet Management (Motor Fleet)
- Motor Fleet should review applications more closely prior to vehicle assignment
- The DOT should require either the repayment of benefits or the amendment of Internal Revenue Service Wage and Tax Statements (W-2) to reflect the taxable fringe benefit derived from the private use of a state vehicle

STATE OF NORTH CAROLINA  
**Office of the State Auditor**



**Beth A. Wood, CPA**  
State Auditor

2 S. Salisbury Street  
20601 Mail Service Center  
Raleigh, NC 27699-0600  
Telephone: (919) 807-7500  
Fax: (919) 807-7647  
<http://www.ncauditor.net>

## **AUDITOR'S TRANSMITTAL**

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The Honorable Roy Cooper, Governor  
Members of the North Carolina General Assembly  
James Trogon, Secretary, North Carolina Department of Transportation  
Torre Jessup, Commissioner, North Carolina Division of Motor Vehicles  
Machelle Sanders, Secretary, North Carolina Department of Administration  
Linda Combs, State Controller, North Carolina Office of the State Controller

Ladies and Gentlemen:

Pursuant to *North Carolina General Statute §147-64.6(c)(16)*, we have completed an investigation of allegations concerning the North Carolina Department of Transportation, Division of Motor Vehicles, License and Theft Bureau. 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 the North Carolina Department of Transportation during our investigation.

Respectfully submitted,

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

Beth A. Wood, CPA  
State Auditor

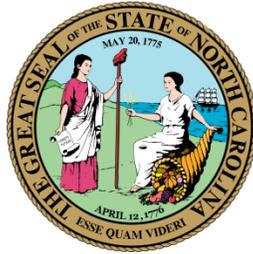


**Beth A. Wood, CPA  
State Auditor**

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# BACKGROUND

The Office of the State Auditor received a complaint through its Hotline alleging that an Inspector with the North Carolina Department of Transportation (DOT), Division of Motor Vehicles (DMV), License and Theft Bureau (Bureau) was using a state-owned vehicle to commute from his home in Washington, NC to Raleigh on a daily basis. During the investigation of the initial allegation, other policy violations were identified.

Our investigation of this allegation included the following procedures:

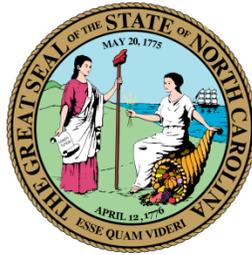
- Review of applicable state and agency policies and procedures
- Interviews with Bureau personnel
- Interviews with the DMV Commissioner and other DMV personnel
- Interviews with Department of Administration, Motor Fleet Management Director
- Examination and analysis of available documents and records related to the allegation

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

The Bureau regulates vehicle dealers and manufacturers, inspection stations, towing and storage facilities, and repair businesses. It employs approximately 150 law enforcement agents who investigate vehicle theft, title fraud, driver license and identification card fraud, and vehicle odometer fraud. The Bureau also enforces rules and regulations governing vehicle dealers, vehicle safety and emissions inspection stations, vehicle towing and storage facilities, and vehicle repair businesses.

The Bureau is a section within the DMV, a division within the DOT. The reporting structure is as follows:

- DOT Secretary
- DMV Commissioner
- DMV Deputy Commissioner
- Bureau Law Enforcement Director
- Bureau Law Enforcement Manager
- Bureau Law Enforcement Supervisor
- Bureau Law Enforcement Inspector



# **FINDINGS AND RECOMMENDATIONS**

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**1. A DMV INSPECTOR'S UNAUTHORIZED COMMUTING TOTALED NEARLY \$85,000 OVER THREE YEARS**

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A Division of Motor Vehicles (DMV), License and Theft Bureau (Bureau) Inspector violated agency policy by commuting to Raleigh for three years without proper authorization. This violation resulted in unnecessary travel time and vehicle wear and tear totaling nearly \$85,000. The violation was caused by management override of the Bureau's *Duty Station Assignments* policy.

**Unauthorized Commuting**

From January 2014 through December 2016, the Inspector's duty station was located in Greenville and his job description included enforcement of state laws,<sup>1</sup> monitoring inspection stations and salvage yards, and assisting victims of identity theft.

During the same period, the Inspector worked in Raleigh on special projects for the former Deputy Commissioner and former Commissioner of DMV.

An analysis of the Inspector's mileage logs revealed that the Inspector traveled over 91,000 miles from January 2014 through December 2016. The Inspector commuted approximately three-and-a-half hours (218 miles roundtrip) on a daily basis from Washington, NC to Raleigh in the assigned state vehicle.

After the Inspector completed each special project, the former Deputy Commissioner continued to assign additional projects to the Inspector. The Inspector characterized the situation as, "If they had a problem and they didn't want to deal with it, they would throw me at it."

Supervisors have an implicit duty to know an employee's tasks and duties. When the Inspector's supervisor was asked how many hours the Inspector spent at the Greenville office, he said, "This is speculation, but maybe five to 10 hours a month, maybe."

**Resulted in Unauthorized Commuting Cost**

The cost of the additional wear and tear placed on the state-owned vehicle plus the work time spent commuting amounted to approximately \$85,000.<sup>2</sup> The extra commuting mileage also reduced the vehicle's useful life.

**Caused by DMV Commissioner/Bureau Director Override of Policy**

The former DMV Commissioner initially requested an individual from the Bureau to assist the former DMV Deputy Commissioner in Raleigh with reforming the Division of Motor Vehicles. However, after the Inspector completed the project, the former Deputy Commissioner continued to assign additional projects to him. The Bureau Director did not issue a waiver to the Inspector from the 50-mile duty station assignment policy nor was the Inspector's duty station ever changed to Raleigh.

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<sup>1</sup> Chapter 20 of the North Carolina General Statutes outlines the specific duties of the Division of Motor Vehicles

<sup>2</sup> Over a three-year period, DMV paid the Inspector \$33,215 (\$22.58/hr x 1,471 hrs.) to travel to Raleigh. DMV incurred an additional \$51,407 (91,643 miles x yearly Internal Revenue Service mileage standard) in wear and tear on the vehicle

In response to questions regarding why the Inspector's duty station was never changed, the Inspector stated, "When somebody tells you to do something, you just go do it. It's a paramilitary organization, you don't question people."

In response to why the Inspector's Supervisor continued to approve the Inspector's time without input from the Commissioner, the Supervisor said, "When people work directly for [the Commissioner's Office], you don't really ask too many questions."

**Bureau Duty Station Assignment Policy**

According to the Bureau policy manual *Directive Number 2.06 – Duty Station Assignments*, "All members to whom vehicles are assigned shall reside within (50) miles of the county line to which they are assigned." [emphasis added] The policy also states, "Circumstances may necessitate that a member reside outside the fifty (50) mile limit, and this is permissible only with the written approval of the Director."

**RECOMMENDATION**

The DOT Inspector General should perform a review of all vehicle assignments to identify other potential commuting violations.

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**2. A DMV EMPLOYEE DERIVED A \$5,616 PERSONAL BENEFIT FROM UNAUTHORIZED COMMUTING IN A STATE VEHICLE**

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A Central Regional Zone Chief (employee) with the Department of Motor Vehicles (DMV) used a state vehicle to commute for three years without reimbursement to the State. The employee improperly derived a personal benefit of \$5,616. The Department of Transportation (DOT) and the Department of Administration, Motor Fleet Management Division (Motor Fleet) failed to properly review the employee's *Application for Permanent Assignment of Passenger Vehicle* allowing the employee to commute in a state vehicle without required reimbursement to the State.

**Unauthorized Commuting**

From January 2014 through January 2017, the employee used a state vehicle to commute between her residence and assigned duty station without incurring a Motor Fleet charge for mileage.

Based on the distance from the employee's primary residence to her duty station in Winston-Salem, the employee commuted approximately 14,400<sup>3</sup> miles from January 2014 through January 2017.

Motor Fleet's *Application for Permanent Assignment of Passenger Vehicle* included a section which asked "How person qualifies to drive vehicle home." A review of the employee's application revealed this question was answered as "None of the following," indicating the employee was not authorized to drive the vehicle home.

In addition, the Motor Fleet application included a field that required the applicant provide where the vehicle would be parked. The employee completed this section with the phrase,

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<sup>3</sup> 36 months x estimated 20 mile daily commute x 20 trips per month = 14,400 miles

“Residence in Winston-Salem,” which indicated the employee intended to keep and park the vehicle at her residence from the time of application in September 2013.

### **Resulted in Improper Personal Benefit**

The DMV employee derived a personal benefit of \$5,616<sup>4</sup> from commuting in a state vehicle over a three-year period. In addition, the unauthorized commuting mileage unnecessarily increased fuel and maintenance costs and reduced the vehicle’s useful life.

### **Caused by Insufficient Application Review**

The former DOT Secretary reviewed and signed the *Application for Permanent Assignment of Passenger Vehicle* form (application), but failed to properly review the application to identify the conflicting information provided by the DMV employee.

In addition, Motor Fleet failed to perform an adequate review to identify issues within the application. A review of the vehicle justification packet revealed multiple instances which indicated the vehicle would be kept at the employee’s residence. In response to questions regarding why the employee was not charged for commuting, the Director of Motor Fleet said, “the address where it will be parked, the residence, should have been caught...It should have been something [the reviewer at Motor Fleet] noticed, it should have raised a red flag.”

### **Motor Fleet Commuting Policy**

According to Motor Fleet Regulations:

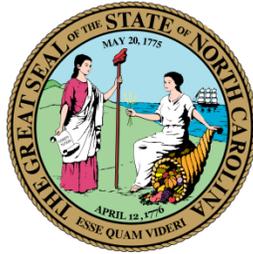
“Employees who routinely drive any state-owned vehicle between their home and work station shall reimburse the state for mileage. Reimbursement shall be made by payroll deduction. The amount of reimbursement shall approximate the benefit derived from the use of the vehicle as prescribed by federal law at a rate established by Motor Fleet Management and shall be for 20 days per month. Commuting privilege requires prior approval of Agency Head and MFM.”<sup>5</sup>

## **RECOMMENDATIONS**

- The DOT Secretary or their designee should ensure that vehicle authorization forms are complete and accurate prior to submission to Motor Fleet
- Motor Fleet should review applications more closely prior to vehicle assignment
- The DOT should require either the repayment of benefits or the amendment of Internal Revenue Service Wage and Tax Statements (W-2) to reflect the taxable fringe benefit derived from the private use of a state vehicle

<sup>4</sup> 20 estimated miles commuted daily x 20 (Motor Fleet policy days per month) x \$.39 (Internal Revenue Service business standard mileage rate) x 36 months = \$5,616

<sup>5</sup> Motor Fleet Management Regulations, Section VII Vehicle Use



# **MATTERS FOR FURTHER CONSIDERATION**

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**POLICY NEEDED TO ENSURE TIME APPROVALS ARE PERFORMED BY AN EMPLOYEE'S DIRECT SUPERVISOR**

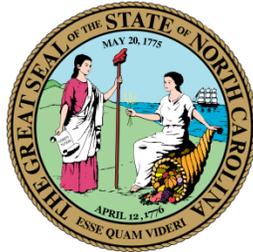
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The North Carolina Office of State Controller (OSC) should consider adopting a policy which clarifies the expectations of managers and supervisors. The policy should clearly state a manager and supervisor should have knowledge or communication from those with direct knowledge of the employee's daily activities prior to approval of the employee's time.

In this instance, the Inspector's supervisor approved the Inspector's time, but did not have direct knowledge of his subordinate's daily activities. Additionally, the former Deputy Commissioner and former Commissioner, who had knowledge of the Inspector's daily activities, did not communicate approval of the Inspector's time to the Inspector's supervisor.

In response to the question why the Inspector's supervisor approved the Inspector's time, he said "...it was kind of an understanding that he was working for headquarters. And the time sheets basically, I was a conduit to get it done." He also said, "I wasn't calling the Commissioner to say, did he work these hours?"

Without a policy detailing the appropriate time approval process, ambiguity exists in the role of supervisors or managers in the time approval process. The lack of such a policy allows a supervisor to perform time approvals outside of the appropriate process without being held accountable to a policy.



# **RESPONSE FROM THE NORTH CAROLINA DEPARTMENT OF TRANSPORTATION**



STATE OF NORTH CAROLINA  
DEPARTMENT OF TRANSPORTATION  
DIVISION OF MOTOR VEHICLES

ROY COOPER  
GOVERNOR

JAMES H. TROGDON III  
SECRETARY

November 3, 2017

CONFIDENTIAL RESPONSE

The Honorable Beth A. Wood, CPA  
North Carolina State Auditor  
2 S. Salisbury Street  
Raleigh, NC 27699-0601

**Re: NC Department of Transportation- Division of Motor Vehicles Investigative Report**

Dear Auditor Wood:

Thank you for your report of October 12, 2017 regarding the NC Division of Motor Vehicles ("DMV"). The Division appreciates the opportunity afforded by your office to respond in advance of its release. The purpose of this letter is to alert you to the actions taken by the DMV as a result of your audit.

**Finding #1**

**A DMV Inspector's unauthorized commuting totaled nearly \$85,000 over three years.**

The Investigative Report of October 2017 ("report") found that the License and Theft Bureau of the DMV ("L&T") had an Inspector who performed investigative tasks at the direction of a Deputy Commissioner and Commissioner of the DMV under a previous administration. These "special projects" required that this particular inspector commute to Raleigh from his residence in Washington, NC on a frequent if not daily basis. This occurred at the direction of said Commissioners and the Inspector verily believed that his travel was proper. It had the imprimatur of authority at the direction of his superiors. It appears that insufficient controls and processes were enforced and lax adherence resulted in irregularities. As you have characterized this violation as the result of management override of the Bureau's Duty Station Assignments policy, it appears to the Division as inattention to said policy.

Mailing Address:  
NC DIVISION OF MOTOR VEHICLES  
OFFICE OF THE COMMISSIONER  
3101 MAIL SERVICE CENTER  
RALEIGH NC 27697-3101

Telephone: (919) 861-3015  
Fax: (919) 733-0126  
Customer Service: 1-919-715-7000

Website: [www.myncdmv.gov](http://www.myncdmv.gov)

Location:  
DMV HEADQUARTERS BUILDING  
1100 NEW BERN AVE.  
RALEIGH, NC

The extra commuting did not inure to the personal benefit of the Inspector so much as to the benefit of the purposes of the Division of Motor Vehicles.

**Remedial Action**

The current Deputy Commissioner with responsibility of the License and Theft Bureau has moved to order complete inventory of all vehicles as well as other property of the DMV through one chain of supervision with clear policies and directives. This will include a review of all vehicle assignments per your recommendation. The 50-mile radius policy is to be emphasized to all Inspectors and Supervisors with a concomitant duty for the Inspector to seek waivers to guard against future violations. Additionally, the Inspector General of (DOT) has conducted her own risk review and is preparing to offer guidelines and plans to prevent such overrides in the future. Further, the Deputy Commissioner mentioned in your report is no longer with the Division of Motor Vehicles.

***Finding #2***

**A DMV employee derived a personal benefit of \$5,616.00 from unauthorized commuting.**

The report indicates that over a three (3) year period commencing in January 2014 through January of 2017, a Central Regional Zone Chief (employee) commuted in a state vehicle which was not properly reviewed by the Department of Administration, Motor Fleet Management Division ("Motor Fleet") nor the Department of Transportation ("DOT"). Specifically, the employee's *Application for Permanent Assignment of Passenger Vehicle* completed in September 2013 disclosed that the vehicle would be parked at the residence of the employee. Although the report mentions "conflicting" information provided by the DMV employee", it is unclear to the DMV to what specific "conflict" is referenced.

The employee properly completed the application and her answers were truthful and accurate. There were failures in the previous administration to properly review this application. While this may be construed as an improper benefit to the employee to the value of \$5,616.00, it appears inequitable to require reimbursement after such a long period of time. However, it appears that by law this amount should have been deducted from the compensation of the employee to reimburse the state or a supplemental W-2 issued. The Department will address it directly with the employee and either collect this amount or issue a revised or supplemental W-2.

**Remedial Action**

The Commissioner of NC DMV or his designee will follow the recommendations of the report that ensure that vehicle authorization forms are complete and accurate prior to submission to Motor Fleet. Again, one individual will be in charge of all vehicles under

the control of DMV personnel including review of applications for accuracy and consistency. This will guard against fragmented application of policy among the various state-wide divisions of DMV.

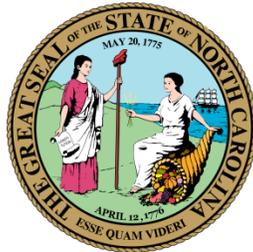
DMV will confer with the employee and communicate the responsibility of either reimbursing the state for the amount (\$5,616.00) or issue amended W-2s to reflect the additional "income" for the relevant three (3) period.

Respectfully submitted,

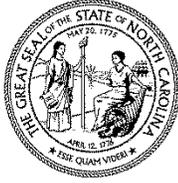


Torre J. Jessup  
Commissioner of Motor Vehicles

CC: James H. Trogdon III, Secretary NCDOT  
David L. Howard, Chief Deputy Secretary NCDOT  
William A. Marsh, Senior Deputy General Counsel NCDOT



# **RESPONSE FROM THE NORTH CAROLINA DEPARTMENT OF ADMINISTRATION**



North Carolina  
Department of Administration  
Office of the Secretary

Machelle Sanders  
Secretary

October 25, 2017

The Honorable Beth A. Wood, State Auditor  
Office of the State Auditor  
2 South Salisbury Street  
20601 Mail Service Center  
Raleigh, North Carolina 27699-0600

Dear Auditor:

Thank you for allowing our review of the Office of the State Auditor's (OSA) draft Findings and Recommendations concerning the Division of Motor Vehicles License and Theft Bureau Audit of October 2017. DOA has reviewed the draft audit and agrees with its findings and recommendations. The following represents our response.

AUDIT FINDING, RECOMMENDATIONS, AND DOA RESPONSE

**Finding:**

1. **A DMV Inspector's unauthorized commuting totaled nearly \$85,000 over three years.** A Division of Motor Vehicles (DMV), License and Theft Bureau (Bureau) Inspector violated agency policy by commuting to Raleigh for three years without proper authorization. This violation resulted in unnecessary travel time and vehicle wear and tear totaling nearly \$85,000. The violation was caused by management override of the Bureau's *Duty Station Assignments* policy.

**Recommendation:**

- The DOT Inspector General should perform a review of all vehicle assignments to identify other potential commuting violations.

**DOA Response:**

DOA agrees with the finding and recommendation that the DOT Inspector General should perform a review of all vehicle assignments to identify potential commuting violations.

**Finding:**

State of North Carolina  
Department of Administration  
116 W. Jones St. | 1301 Mail Service Center | Raleigh, NC 27699-1301  
919.807.2425

October 25, 2017

Page 2

2. **A DMV employee derived a \$5,616 personal benefit from unauthorized commuting in a State vehicle.** A Central Regional Zone Chief (employee) with the DMV used a state vehicle to commute for three years without reimbursement to the State. The employee improperly derived a personal benefit of \$5,616. The Department of Transportation (DOT) and the DOA Motor Fleet Management (MFM) failed to properly review the employee's *Application for Permanent Assignment of Passenger Vehicle* allowing the employee to commute in a State vehicle without required reimbursement to the State.

**Recommendations:**

- The DOT Secretary or their designee should ensure that vehicle authorization forms are complete and accurate prior to submission to MFM.
- MFM should review applications more closely prior to vehicle assignment.
- The DOT should require either the repayment of benefits or the amendment of Internal Revenue Service Wage and Tax Statements (W-2) to reflect the table fringe benefit derived from the private use of a State vehicle.

**DOA Response:**

DOA agrees that the DOT Secretary or their designee should ensure that vehicle authorization forms are complete and accurate prior to submission to MFM.

DOA agrees that MFM should review applications more closely prior to vehicle assignment. MFM has trained staff to be more diligent in its review of applications for permanent assignment of passenger vehicles to ensure that vehicles are only assigned to employees consistent with policy guidelines.

Additionally, MFM has begun installing telematics GPS tracking systems in state-owned vehicles to enable greater oversight in monitoring vehicle usage. MFM hopes to have all vehicles under its oversight equipped with telematics by the end of the current fiscal year. Telematics allows vehicle trips to be electronically tracked. The installation of telematics on vehicles is expected to correct fleet utilization, such as the elimination of unauthorized vehicle use. Telematics will also be used to track fuel, miles driven through route optimization, improve driver safety and liability concerns, decrease maintenance costs, help prevent vehicle theft and add accountability and efficiencies.

October 25, 2017

Page 2

DOA agrees that the DOT should require either the repayment of benefits or the amendment of Internal Revenue Service Wage and Tax Statements (W-2) to reflect the table fringe benefit derived from the private use of a State vehicle.

DOA appreciates the professionalism provided by OSA staff in performing this audit, and we are committed to continuing improvements in DOA's management of state-owned vehicle assignments.

Sincerely,

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

Machelle Sanders  
Secretary  
Department of Administration



**RESPONSE FROM THE  
NORTH CAROLINA OFFICE  
OF THE STATE  
CONTROLLER**



## Office of the State Controller

### OFFICIAL MEMORANDUM

**To:** Beth Wood, North Carolina Auditor

**From:** Linda Combs *Linda Combs*

**Date:** October 12, 2017

**Subject:** Response to Investigative Report October 2017 – NC DOT Division of Motor Vehicles License and Theft Bureau – Matters for Further Consideration

**CC:** David King, Director of Special Investigations  
Bryan Matthews, Auditor Investigative Division  
Jim Dolan, Chief Deputy State Controller  
Ray Scerri, Director of OSC Shared Services Center  
Lou Ann Phillips, Deputy Director, Office of State Human Resources

Dear Auditor Wood:

In response to your audit team's recommendation to adopt a policy which clarifies the expectations of managers and supervisors in regards to time approvals performed by an employee's direct supervisor, we will be incorporating the language suggested in your audit recommendation into our policy.

If you have any questions, please call myself (919.707.0477) or Jim Dolan (919.707.0540). Thank you.

DR. LINDA COMBS, STATE CONTROLLER  
MAILING ADDRESS: 1410 Mail Service Center, Raleigh, North Carolina 27699-1410  
STREET ADDRESS: 3512 Bush Street, Raleigh, North Carolina 27609  
Phone (919) 707-0500 ~ Fax (919) 981-5444  
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State of North Carolina  
2 South Salisbury Street  
20601 Mail Service Center  
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or download our free app.



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

For additional information contact:  
Brad Young  
Director of External Affairs  
**919-807-7513**



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This investigation required 646 hours at an approximate cost of \$67,184