

Fayetteville State University
Fayetteville, NC

Investigative Audit Report
May 2024

UNBIASED. IMPACTFUL. IRREFUTABLE.



A Department of the
State of North Carolina



Executive Summary

Purpose

The Office of the State Auditor initiated an investigative audit in response to allegations received regarding Fayetteville State University (University). This report includes allegations that were substantiated based on the investigative audit.

One of the allegations received was that staff in the Office of Strategic Communication (OSC) at the University were making unallowable purchases on their University-issued Purchasing Cards (P-cards) and Travel Cards (T-cards).

Background

The University was founded in 1867 and is a constituent institution of the University of North Carolina System (UNC System). The University is located in Fayetteville, North Carolina. Fall 2023 enrollment at the University was 6,847 students.

Key Findings

The University's OSC made purchases totaling \$692,239 using P-cards and T-cards that were unallowable and/or did not contain sufficient documentation. Specifically,

- The University's OSC spent \$575,123 on P-card purchases which were unallowable per University policies.
- The University's OSC spent \$84,469 on T-card purchases which were unallowable per University policies.
- The University's OSC spent \$322,743 on P-card and T-card purchases without sufficient documentation.

The total amount of the bullets above includes \$290,096 of purchases that were both unallowable per University policies and did not have sufficient documentation.

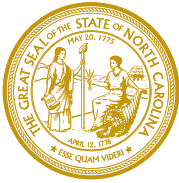
Key Recommendations

The University should take appropriate action to improve compliance with the University's policies and procedures related to P-card and T-card purchases.

The University should determine if it needs to seek reimbursement from the cardholder for any purchases made on the P-card and T-card which were unallowable per University policies.

Note: Findings from this investigative audit are being referred to the State Bureau of Investigation to determine if there is sufficient evidence to pursue criminal charges.

Key findings and recommendations are not inclusive of all findings and recommendations in the report.



North Carolina Office of the State Auditor

Jessica N. Holmes, J.D., State Auditor

www.auditor.nc.gov

Auditor's Transmittal

The Honorable Roy Cooper, Governor
Members of the North Carolina General Assembly
Randall C. Ramsey, Chair, Board of Governors, University of North Carolina System
Peter D. Hans, President, University of North Carolina System
Dr. Kimberly Jeffries Leonard, Chair, Board of Trustees, Fayetteville State University
Darrell T. Allison, Chancellor, Fayetteville State University

Ladies and Gentlemen:

Pursuant to North Carolina General Statutes §§ 147-64.6(c)(16) and 147-64.6B, we have completed an investigative audit of allegations concerning Fayetteville State University. The results of our investigative audit, 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 N.C.G.S. § 147-64.6(c)(12). We appreciate the cooperation received from the management and employees of Fayetteville State University during our investigative audit.

Respectfully submitted,

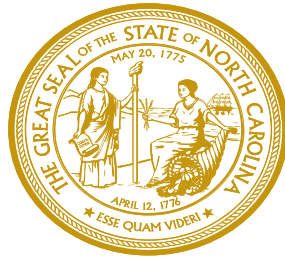
A handwritten signature in cursive script that reads "Jessica N. Holmes, J.D.".

Jessica N. Holmes, J.D.
State Auditor

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The total amount of the items above includes \$290,096 of purchases that were both unallowable per University policies and did not have sufficient documentation. Therefore, the total purchases that were unallowable and/or did not contain sufficient documentation totals \$692,239.



Background

The Office of the State Auditor initiated an investigative audit in response to allegations received regarding Fayetteville State University (University). This report includes allegations that were substantiated based on the investigative audit.

One of the allegations received was that staff in the Office of Strategic Communication (OSC) at the University were making unallowable purchases on their University-issued Purchasing Cards (P-cards) and Travel Cards (T-cards).

Our investigative audit procedures included:

- Review of applicable University policies and procedures.
- Examination and analysis of available documentation related to the allegations.
- Interviews with personnel from the University.

This report presents the results of the investigative audit, which was conducted pursuant to North Carolina General Statutes §§ 147-64.6(c)(16) and 147-64.6B. This report does not constitute an audit or attestation engagement conducted in accordance with generally accepted government auditing standards.

The University was founded in 1867 and is a constituent institution of the University of North Carolina System (UNC System). The University is located in Fayetteville, North Carolina. Fall 2023 enrollment at the University was 6,847 students.

The University is governed by a 13-member Board of Trustees. The members are appointed by the UNC System Board of Governors and the North Carolina General Assembly. The Chancellor is the chief executive officer of the University.

Office of Strategic Communication

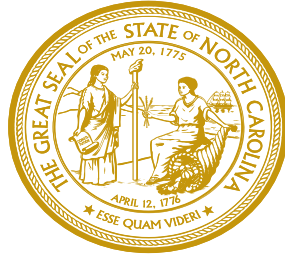
According to the University's website, the University's OSC is housed within the Office of the Chancellor. The OSC is charged with planning, creating, and implementing communication strategies to engage target audiences to include prospective students, faculty and staff, donors, and other decision-makers.

The OSC is led by the Associate Vice Chancellor for Strategic Communication. The Associate Vice Chancellor reports to the Chief of Staff, who reports to the Chancellor.

Division of Business and Finance

According to the University's website, the Division of Business and Finance is dedicated to providing timely and accurate financial information and accounting services to support students, faculty, and staff.

The Chief Financial Officer oversees the Division of Business and Finance, and reports to the Chancellor.



Findings and Recommendations

1. The University's Office of Strategic Communication Spent \$575,123 on P-card Purchases Which Were Unallowable Per University Policy

The former Associate Vice Chancellor for the Office of Strategic Communication (OSC), the former Director of Digital Strategy, and the Assistant Vice Chancellor for Marketing and Creative Services for Fayetteville State University (University) made Purchasing Card (P-card)¹ purchases totaling \$575,123 which were unallowable per University policy. As a result, these funds may not have been available for valid University purposes.

The University paid for P-card purchases that were unallowable per University policy because cardholders and approvers did not comply with University procedures.

The University's *Purchasing Card Policies and Procedures* govern the use of P-card purchases, including allowable purchases.

Unallowable P-card Purchases

From January 1, 2022, through August 31, 2023, the University paid for purchases made on P-cards assigned to employees in the University's OSC that were unallowable per University policy.

During the review period, P-cards assigned to three employees in OSC – the former Associate Vice Chancellor, the former Director of Digital Strategy, and the Assistant Vice Chancellor for Marketing and Creative Services – were used for 388 purchases totaling \$619,124.

Investigators reviewed all purchases during the review period and found that the University paid for 208 (54%) purchases totaling \$575,123 (93%) that were unallowable per University policy. Specifically:

- 148 purchases totaling \$464,627 were payments made to individuals, consultants, or employees.
- 26 purchases totaling \$91,340 were for payment of invoices.
- 17 purchases totaling \$13,650 were for various items which were unallowable per University policy such as IT hardware or software, travel, or gifts.
- 17 purchases totaling \$5,506 were payments made for purchases on Amazon.com.

The 208 purchases totaling \$575,123 that were unallowable per University policy included 94 purchases totaling \$249,837 that did not have sufficient documentation (see Finding 3).

Resulted in Funds Potentially Not Available for Valid University Purposes

The University spent \$575,123 on purchases that were not allowable per University policy. As a result, these funds may not have been available for a valid University purpose.

Caused By Cardholders and Approvers Not Complying with University Procedures

The University paid for P-card purchases that were unallowable per University policy because cardholders and approvers did not comply with University procedures.

The cardholders (the former Associate Vice Chancellor, the former Director of Digital Strategy, and the Assistant Vice Chancellor for Marketing and Creative Services) used their P-cards for items which were unallowable per University policy.

¹ Per the University's *Procurement Cards* policy, the P-card is essentially a standard Visa card in which *the liability rests with the University instead of the individual Cardholder*. The P-card is issued to an employee to allow the employee to purchase allowable goods and services on behalf of the University within set spending limits. The University uses the terms Procurement Card and Purchasing Card interchangeably.

Findings and Recommendations

Further, the assigned approvers did not ensure that each purchase complied with University policy.

University Purchasing Card Policies and Procedures

The University's *Purchasing Card Policies and Procedures* lists allowable and unallowable purchases that can be made with the P-card.²

Unallowable purchases include:

- Payments to individuals, consultants, or employees.
- Payment of invoices.
- IT hardware or software (computers, laptops, etc.).
- Travel.
- Gifts (flowers, cards, holiday items, etc.).
- Amazon.com purchases.

Further, the University's *Purchasing Card Policies and Procedures* requires the cardholder to be responsible for ensuring compliant use of the P-card according to University policies and purchasing guidelines. The approver is responsible for ensuring that the P-card is used in compliance with University purchasing guidelines.

Recommendations

The University should determine if it needs to seek reimbursement from the cardholder for any purchases made on the P-cards which were unallowable per University policy.

The University should take appropriate action to improve compliance with the University's policies and procedures related to P-card purchases.

Note: This finding is being referred to the State Bureau of Investigation to determine if there is sufficient evidence to pursue criminal charges.

2. The University's Office of Strategic Communication Spent \$84,469 on T-card Purchases Which Were Unallowable Per University Policies

The former Associate Vice Chancellor for the Office of Strategic Communication (OSC) and the former Director of Digital Strategy at Fayetteville State University (University) made purchases on their University-issued Travel Card (T-card)³ totaling \$84,469 which were unallowable per University policies. As a result, these funds may not have been available for valid University purposes.

The University paid for T-card purchases which were unallowable per University policies because cardholders and approvers did not comply with University procedures.

The University's *Purchasing Card Policies and Procedures* (Policy)⁴ and the *Accounts Payable and Travel* policy (AP Policy) govern the use of T-card purchases, including allowable purchases.

² Section I. Using your Purchasing Card.

³ Per the University's *Procurement Cards* policy, the T-card is essentially a standard Visa card in which *the liability rests with the University instead of the individual Cardholder*. The T-card is issued to an employee to allow the employee to make travel-related purchases on behalf of the University within set spending limits.

⁴ According to the *Purchasing Card Policies and Procedures*, the Purchasing Card also refers to Purchasing Card for Travelers (Travel Card).

Unallowable T-card Purchases

From January 1, 2022, through August 31, 2023, the University paid for purchases made on T-cards assigned to employees in the University's OSC that were unallowable per University policies.

During the review period, T-cards assigned to two employees in the OSC – the former Associate Vice Chancellor and the former Director of Digital Strategy – were used to pay \$118,619 for 189 purchases.

Investigators reviewed all purchases during the review period and found that the University paid \$84,469 (71%) for 88 purchases (47%) that were unallowable per University policies. Specifically:

- \$73,068 was paid for 31 purchases which were not specifically for travel, including:
 - \$71,792 for 26 purchases which were paid to consultants.
 - \$1,276 for five purchases which were paid via CashApp.⁵
- \$11,401 was paid for 57 purchases which were unnecessary for University business. For example:
 - \$5,395 for 20 purchases for lodging within 35 miles of the University. According to the University's AP Policy, lodging must involve a travel destination at least 35 miles from the employee's duty station. For all employees included in this total, the University was their duty station.
 - \$1,843 in unnecessary travel expenses while attending a business-related conference in New York City, including:
 - \$1,009 to arrive in New York City two days prior to the conference, including \$270 in airline change fees and \$739⁶ for hotel and food charges.
 - \$368 to fly first class to New York City and premium economy on the return trip.
 - \$287 for ride share (round trip) to a spa during the first day of the conference.
 - \$179 for ride share (round trip) to a single dinner.
 - \$299 for a roundtrip airline ticket for the former Director of Digital Strategy's young son to accompany her on a trip to Orlando, Florida.

The \$84,469 for 88 purchases that were unallowable per University policies included \$40,259 for 67 purchases that did not have sufficient documentation (see Finding 3).

Resulted in Funds Potentially Not Available for Valid University Purposes

The University spent \$84,469 on expenses that were unallowable per University policies. As a result, these funds may not have been available for a valid University purpose.

Caused by Cardholders and Approvers Not Complying with University Procedures

The University paid for T-card purchases that were unallowable per University policies because cardholders and approvers did not comply with University procedures.

⁵ CashApp is a mobile payment service available in the United States and the United Kingdom that allows users to transfer money to one another using a mobile phone app.

⁶ The total hotel charge was split amongst two cards held by the former Associate Vice Chancellor of OSC. Of the total charged (\$739), a total of \$500 was paid on the P-card and the remaining balance of \$239 was paid on the T-card.

Findings and Recommendations

The cardholders (the former Associate Vice Chancellor and the former Director of Digital Strategy) used their T-cards for items which were unallowable per University policies.

Further, the assigned approvers did not ensure that each purchase complied with University policies.

University Purchasing Card Policies and Procedures and Accounts Payable Policy

The University's Policy lists the types of purchases that can be made with the University T-card.

Specifically, the Policy states:⁷

Cardholders using the Purchasing Card specifically for travel (Travel Card) can use this card for authorized travel.

Allowable travel related purchases with the T-card include airfare, lodging, rental cars, and other travel related expenses.

The AP Policy further defines the requirements for traveling on University business and states an employee is expected to exercise the same care as a prudent person with personal expenses.⁸

Specifically, the AP Policy states:⁹

Excess costs, luxury accommodation and services unnecessary or unjustified in the performance of official university business are not acceptable under this policy. Travelers will be responsible for unauthorized costs and any additional expenses incurred for personal preference or convenience.

The AP Policy also specifies that:¹⁰

Lodging must involve a travel destination at least 35 miles from the employee's duty station or home whichever is less.

Further, according to the Policy, the cardholder is responsible for ensuring compliant use of the T-card according to University policies and purchasing guidelines. The approver is responsible for ensuring that the T-card is used in compliance with University purchasing guidelines.

Recommendations

The University should determine if they need to seek reimbursement from the cardholder for any purchases made on the T-cards which were unallowable per University policies.

The University should take appropriate action to improve compliance with the University's policies and procedures related to T-card purchases.

Note: This finding is being referred to the State Bureau of Investigation to determine if there is sufficient evidence to pursue criminal charges.

⁷ Section J. Using your Purchasing Card for Travelers (Travel Card).

⁸ Section III. Travel Policy.

⁹ Ibid.

¹⁰ Section III. Travel Policy, F. Travel Reimbursement, 2. Lodging, part e.

3. The University's Office of Strategic Communication Spent \$322,743 on P-card and T-card Purchases Without Sufficient Documentation

The former Associate Vice Chancellor, the former Director of Digital Strategy, and the Assistant Vice Chancellor for Marketing and Creative Services within Fayetteville State University's (University) Office of Strategic Communication (OSC) made Purchasing Card (P-card)¹¹ and Travel Card (T-card)¹² purchases totaling \$322,743 without sufficient documentation to support they were for a valid University purpose.¹³ As a result, these funds may not have been available for valid University purposes.

The purchases on the cards were not accompanied by supporting documentation due to cardholders and approvers not complying with University procedures.

The University's *Purchasing Card Policies and Procedures* requires documentation for purchases made via P-cards and T-cards that support that the purchase was for a valid University purpose.

Purchases Without Sufficient Documentation

From January 1, 2022, through August 31, 2023, the University paid for purchases made on P-cards and T-cards assigned to employees in the University's OSC without sufficient supporting documentation.

During the review period, P-cards and T-cards assigned to three employees in OSC – the former Associate Vice Chancellor, the former Director of Digital Strategy, and the Assistant Vice Chancellor for Marketing and Creative Services – were used to make 577 purchases totaling \$737,743.

Investigators reviewed all purchases during the review period and found that the University paid for 279 (48%) purchases totaling \$322,743 (44%) for which the University did not have documentation to support proof of purchase (receipt) or a documented University purpose. Specifically:

- 200 purchases totaling \$284,767 had neither a receipt nor a documented University purpose.
 - 156 purchases totaling \$248,442 were made using the P-cards.
 - 44 purchases totaling \$36,325 were made using the T-cards.
- 79 purchases totaling \$37,976 had a receipt but lacked a documented University purpose.
 - 27 purchases totaling \$23,854 were made using the P-cards.
 - 52 purchases totaling \$14,122 were made using the T-cards.

The total purchases without sufficient documentation included \$290,096 of purchases that were also unallowable. Specifically, \$249,837 of the unsupported P-Card purchases were unallowable (see Finding 1) and \$40,259 of the unsupported T-Card purchases were unallowable (see Finding 2).

¹¹ Per the University's *Procurement Cards Policy*, the P-card is essentially a standard Visa card in which *the liability rests with the University instead of the individual Cardholder*. The P-card is issued to an employee to allow the employee to purchase allowable goods and services on behalf of the University within set spending limits. The University uses the terms Procurement Card and Purchasing Card interchangeably.

¹² Per the University's *Purchasing Card Policies and Procedures*, Travel Cards (T-cards) are P-cards specifically used for University related travel.

¹³ Sufficient documentation would include an itemized receipt, invoice, or other documentation to support a valid University purpose.

Findings and Recommendations

Resulted in Funds Potentially Not Available for Valid University Purpose

The University spent \$322,743 on purchases that did not have sufficient supporting documentation. As a result, these funds may not have been available for a valid University purpose.

Caused by Cardholders and Approvers Not Complying with University Procedures

The P-card and T-card purchases were paid without supporting documentation because cardholders and approvers did not comply with University procedures.

The cardholders (the former Associate Vice Chancellor, the former Director of Digital Strategy, and the Assistant Vice Chancellor for Marketing and Creative Services) did not provide a valid receipt and/or business purpose for each purchase.

Further, the assigned approvers did not ensure that each purchase was accompanied by a receipt and a business purpose.

University Purchasing Card Policies and Procedures

The University's *Purchasing Card Policies and Procedures* requires documentation for purchases made using P-cards and T-cards that supports that the purchase was for a valid University purpose.

Specifically, the *Purchasing Card Policies and Procedures* requires each cardholder to upload receipts and a documented business purpose to the electronic system by the 15th of each month. Once the cardholder completes their review, the approver reviews, verifies, and signs off on purchases in the system, ensuring a receipt and business purpose are present.¹⁴

Recommendations

The University should take appropriate action to improve compliance with the University's policies and procedures related to P-card and T-card purchases.

The University should conduct periodic random audits to ensure that purchases on P-cards and T-cards contain sufficient documentation to support a valid University purpose.

Note: This finding is being referred to the State Bureau of Investigation to determine if there is sufficient evidence to pursue criminal charges.

4. Employees Did Not Disclose Financial Interest; University Paid over \$165,000 to Businesses Owned by Employees

Fayetteville State University (University) paid \$165,570 to businesses owned by former employees in the University's Office of Strategic Communication (OSC), creating a potential conflict of interest (the employees were employed by the University at the time of the payments).

As a result, the conflict of interest may have involved the potential for compromising the employees' objectivity, in fact or appearance.

The former employees did not disclose to the University the businesses in which they had a financial interest.

¹⁴ Section II, Cardholder Policies and Procedures; B. Roles and Responsibilities.

The University's *Conflicts of Interest and Commitment* policy (Policy) provides guidance to University employees regarding activities considered conflict of interest, and which activities are improper.

Potential Conflict of Interest

The University paid \$165,570 to businesses in which employees had a financial interest, creating a potential conflict of interest.

The University's Policy defines a conflict of interest as:

Situations in which financial or other personal considerations, circumstances, or relationships may compromise, may involve the potential for compromising, or may have the appearance of compromising an employee's objectivity in meeting the employee's University duties or responsibilities, including research, service and teaching activities and administrative duties.

From January 1, 2022, through August 31, 2023, the University paid businesses owned by former employees in OSC (while they were University employees). Specifically:

- \$56,950 was paid to a business owned by the former Copyrighting Assistant.
- \$54,287 was paid to a business owned by the former Digital Content Coordinator.
- \$48,733 was paid to a business owned by the former Director of Digital Strategy.
- \$5,600 was paid to a business owned by the former Associate Vice Chancellor of OSC.

Resulted in Potential for Compromising Employees' Objectivity

Per the University's Policy, a conflict of interest may involve the potential for compromising the employee's objectivity in meeting the University's duties and responsibilities.

Purchases made from the businesses owned by the former University employees may have created a bias that may have affected their duties as a University employee.

Caused by Employees Not Disclosing Financial Interests

The former employees did not disclose the businesses in which they had a financial interest.

The University's Policy states:

All employees, including part-time employees are required to complete and submit a *Conflict of Interest and Commitment Disclosure Form (COIC Form)* before October 1st of each year.

The form requires employees to disclose whether they engage in self-employment activities or if they participate in any business partnerships, employment, or consulting arrangements with entities other than the University.

All the former University employees either did not submit a COIC Form while employed or indicated on the forms that they had **no** self-employment activities, nor any business partnerships, employment, or consulting arrangements with entities other than the University.

Findings and Recommendations

University Conflicts of Interest and Commitment Policy

The University's Policy provides guidance to University employees regarding activities considered a conflict of interest, and which activities are improper.

Specifically, the Policy states:¹⁵

Category 3 activities include activities or relationships that generally are not allowable which involve situations that present obvious opportunities or inducements to favor personal interests over University interests.

Category 3 activities include:

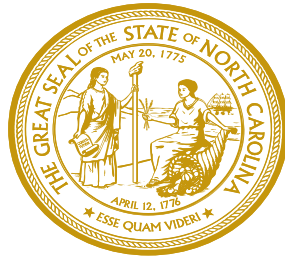
An employee making referrals of University business to an external enterprise in which the individual or member of his or her immediate family has a financial interest.

Recommendations

The University should determine if unallowable conflicts of interest existed and take appropriate action.

The University should improve compliance with its conflict of interest policy such as automating monthly or quarterly email reminders to financial disclosure filers to update their disclosure form if a conflict arises during the year.

¹⁵ Section IV-B – Conflict of Interest.



Response from Fayetteville State University

May 14, 2024

The Honorable Jessica N. Holmes, J.D.
State Auditor
Office of the State Auditor
325 N. Salisbury Street
2601 Mail Service Center
Raleigh, North Carolina 27699-0601

Dear Auditor Holmes:

Fayetteville State University (University) is pleased to submit its response to the findings in connection with the investigations into allegations received by the State Auditor's office. The University agrees with the findings and recommendations presented and remains fiercely committed to conducting business in an ethical manner to retain public confidence.

Upon learning of these egregious and disturbing allegations, the University, working in concert with the UNC System, acted quickly and decisively in improving processes within the Division of Business and Finance, the Office of Human Resources, and the Office of Strategic Communications. In addition, two employees in the Office of Strategic Communications named in the report are no longer employed at the University. Moreover, we have since then taken intentional steps to ensure that such violations do not occur again.

The University has conducted a campus-wide retraining on purchasing and travel card policies; conducted meetings with division units on Office of Human Resources processes which included a review of the University's Conflict of Interest policy and procedures; and improved our overall internal controls. In collaboration with the UNC System, the plan moving forward includes a continuous culture of training and educating its employees and making ongoing process improvements.

Moreover, the University is poised to be in a stronger position in regard to executing greater internal controls because of its recent hire of a veteran auditor who now serves as the Director of Internal Audit, and its pending hire of an additional internal auditor during the 2024-2025 fiscal year. Additionally, the Director of Internal Audit will provide continuous updates to the University's Board of Trustees and its Legal, Audit, Risk and Compliance Committee during their regularly scheduled quarterly meetings. The Director of Internal Audit will also request that

special meetings of the Board/Committee be held when engagements are finalized and/or potential or actual issues arise.

The University deeply appreciates our ongoing partnership with the North Carolina State Auditor's Office and have implemented and will implement the following actions to correct the findings as follows:

Finding #1: The University's Office of Strategic Communication Spent \$575,123 on P-card Purchases Which Were Unallowable Per University Policy

Finding #1 Recommendations: The University should determine if it needs to seek reimbursement from the cardholder for any purchases made on the P-cards which were unallowable per university policy.

The University should take appropriate action to improve compliance with the University's policies and procedures related to P-card purchases.

Note: This finding is being referred to the State Bureau of Investigation to determine if there is sufficient evidence to pursue criminal charges.

Finding #1 Response: Fayetteville State University acknowledges and agrees with the finding and recommendations presented.

The University will actively explore all options in seeking restorative payment for all unallowable transactions. Such will include, but not be limited to, utilizing the collection procedures issued by the Office of the State Controller and cooperating with the North Carolina State Bureau of Investigation and any external agencies willing to assist the University in this effort. The process of engaging with some of the external entities will occur immediately while the University will engage with other entities once contacted by those entities.

With regards to improving compliance with University Policies and Procedures, the University has implemented or is in the process of implementing the following:

1. Met with Bank of America officials (the University's P-card issuer) on September 19, 2023, and developed a course of action that implements the required controls and spending limits per the University purchasing policy. These processes are currently in place.
2. Updated training materials and enhanced the focus on receipt documentation related to P-cards. All current cardholders, reconcilers, and approvers were required to take a training course by January 31, 2024. We have attained a 100% completion rate for this training during the current fiscal year and going forward, this will be an annual requirement.
3. Hired a new Associate Vice Chancellor for Administration in the Division of Business & Finance to oversee purchasing and contracts. Further, an experienced purchasing

manager has recently been hired. There are two other vacant positions in active recruitment, and anticipate these positions being filled and the Purchasing Department being adequately staffed by 08/1/2024.

4. Commenced updating all relevant policies and procedures related to Purchasing. This will be completed by 9/1/2024.
5. Increased monitoring activities and is now randomly selecting monthly payments for inspection and documentation review. This documentation must include receipt and business purpose for each purchase. The University has also enhanced its enforcement efforts to include card suspensions or revocations for non-compliant repeaters. These processes and activities are currently in place.
6. The Office of Strategic Communications will be restructured so that only one individual will be issued a University P-card. This will be completed by May 31, 2024.
7. The AVC for Marketing and Creative Services received individual counseling on using their assigned University-issued P-card to pay invoices on behalf of individuals who possessed their own P-card on November 28, 2023, and January 22, 2024. Also, on December 11, 2023, the AVC for Marketing and Creative Services participated in the Office of Strategic Communications departmental compliance training provided by the Office of Risk and Compliance.
8. Funded a project to transition P-Card reconciliation to ChromeRiver from Bank of America Works. This will enable the reconciling system to interface directly with Banner to consistently route transactions to the appropriate fund manager. This project should be completed by 11/1/2024.
9. Hired a new Director of Internal Audit, effective 11/1/23, The Director will develop a systematic monitoring program with detailed policies and procedures for P-card transactions. This will be implemented by 6/1/2024.
10. Working in collaboration with its Director of Internal Audit and the UNC System will explore options for retaining the services of an independent 3rd party to assist the University in improving its compliance with the University's policies and procedures related to P-card purchases.

Finding #2: The University's Office of Strategic Communication Spent \$84,469 on T-card Purchases Which Were Unallowable Per University Policies

Finding #2 Recommendations: The University should determine if they need to seek reimbursement from the cardholder for any purchases made on the T-cards which were unallowable per University policies.

The University should take appropriate action to improve compliance with the University's policies and procedures related to T-card purchases.

Note: This finding is being referred to the State Bureau of Investigation to determine if there is sufficient evidence to pursue criminal charges.

Finding #2 Response: Fayetteville State University acknowledges and agrees with the finding and recommendations presented.

The University will actively explore all options in seeking restorative payment for all unallowable transactions. Such will include, but not be limited to, utilizing the collection procedures issued by the Office of the State Controller and cooperating with the North Carolina State Bureau of Investigation and any external agencies willing to assist the University in this effort. The process of engaging with some of the external entities will occur immediately while the University will engage with other entities once contacted by those entities.

With regards to improving compliance with University Policies and Procedures, the University has implemented or is in the process of implementing the following:

1. Updated training materials and enhanced the focus on receipt documentation for T-cards.
2. Updating all relevant policies and procedures related to travel and the use of the T-card. This will be completed by 9/1/2024.
3. Increased monitoring activities and randomly selected payments monthly for inspection and documentation review. The University has also enhanced its enforcement efforts to include card suspensions or revocations for non-compliant repeaters. These processes and activities are currently in place. Previous violations have resulted in personnel actions when determined necessary.
4. Working in collaboration with its Director of Internal Audit and the UNC System, the University will explore options for retaining the services of an independent 3rd party to assist the University in improving its compliance with the University's policies and procedures related to T-card purchases.

Finding #3: The University's Office of Strategic Communication Spent \$322,743 on P-card and T-card Purchases Without Sufficient Documentation

Finding #3 Recommendations: The University should take appropriate action to improve compliance with the University's policies and procedures related to P-card and T-card purchases.

The University should conduct periodic random audits to ensure that purchases on P-cards and T-cards contain sufficient documentation to support a valid University purpose.

Finding #3 Response: Fayetteville State University acknowledges and agrees with the finding and recommendations presented.

With regards to improving compliance with University Policies and Procedures, the University has implemented or is in the process of implementing the following:

1. Updated training materials and enhanced the focus on receipt documentation for T-cards and P-Cards. All current cardholders, reconcilers, and approvers were required to take the P-card course by January 31, 2024. We have attained a 100% completion rate for this training during the current fiscal year and going forward, this will be an annual requirement.
2. Updating all relevant policies and procedures related to purchasing and travel. This will be completed by 9/1/2024.
3. Increased monitoring activities and randomly selecting payments on monthly basis for inspection and documentation review (i.e. auditing a selection of transactions on a periodic basis). The University has also enhanced its enforcement efforts to include card suspensions or revocations for non-compliant repeaters. These processes and activities are currently in place. Previous violations have resulted in personnel actions when determined necessary. If staff with previous violations were retained, they were provided with specialized and personalized compliance training as well as successful completion of Business & Finance's course.
4. Hired a new Director of Internal Audit, effective 11/1/23. The Director will develop a systematic monitoring program with detailed policies and procedures for P-card transactions. This will be implemented by 6/1/2024.

Finding #4: Employees Did Not Disclose Financial Interest; University Paid over \$165,000 to Businesses Owned by Employees

Finding #4 Recommendations: The University should determine if unallowable conflicts of interest existed and take appropriate action.

The University should improve compliance with its conflict-of-interest policy such as automating monthly or quarterly email reminders to financial disclosure filers to update their disclosure form if a conflict arises during the year.

Finding #4 Response: Fayetteville State University acknowledges and agrees with the finding and recommendations presented.

With regard to both recommendations, the University has implemented or is in the process of implementing the following:

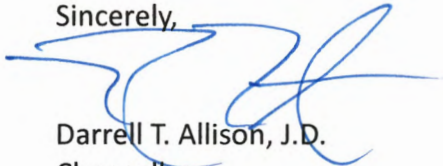
1. Updating all relevant policies and procedures related to Conflicts of Interest. This will be completed by 8/1/2024 and will include a review of other constituent institutions policies and policies from other relevant organizations to verify consistency and to emulate best practices. The University will implement these corrective actions by 9/1/24.

2. Developing new training to re-educate University personnel on its conflict-of-interest policies and the obligation of employees to disclose potential conflicts. The University will implement these corrective actions by 9/1/24.
3. Distributing information, on a quarterly basis, pertaining to the policies and an employee's obligation to comply with the policies to ensure that employees are aware that they have a continuous obligation to update their disclosures should new conflicts arise outside of the annual attestation deadline. The University will implement these corrective actions by 9/1/24.
4. Enhancing the Office of Human Resources monitoring procedures related to conflicts of interest. The University will implement these corrective actions by 9/1/24.

We have a high degree of confidence that implementing these corrective actions coupled with stringent and on-going monitoring will sufficiently address the recommendations provided.

Please feel free to contact Jesse Chroman if you have further concerns or questions regarding the University's response. We truly value your contributions along with the high level of professionalism exhibited by your staff in the completion of this investigative audit engagement.

Sincerely,



Darrell T. Allison, J.D.
Chancellor

cc: Dr. Kimberly Jeffries Leonard, Chair, FSU Board of Trustees
Mr. Glenn Adams, Vice Chair, FSU Board of Trustees and
Chair, Board of Trustees Legal, Audit, Risk and Compliance Committee
Mr. Jesse Chroman, Director of Internal Audit

Ordering Information

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This investigation required 4,085 hours at an approximate cost of \$547,704.