



RALPH CAMPBELL, JR.  
STATE AUDITOR

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

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May 1, 1998

Secretary Norris Tolson  
North Carolina Department of Transportation  
Transportation Building  
1 South Wilmington Street  
Raleigh, North Carolina 27611-5201

Dear Secretary Tolson:

We have completed a special review of the Department of Transportation (Department), Division of Highways, Jackson County Maintenance Unit (JCMU) in Division 14. Our primary objectives were to review allegations made by certain JCMU employees.

We conducted a total of 33 interviews, including 20 maintenance employees (45% of the total maintenance staff). Additionally we reviewed the analyses performed by the Department's Internal Audit staff and the Department's Personnel Employee Relations Representative regarding some of the allegations. Finally, we examined documentation relative to allegations, including personnel actions and operational procedures and achievements. Our conclusions and recommendations are based on these reviews and our independent observations and assessments. This review was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

### **Personnel Issues and Allegations**

In numerous letters to State Legislators, certain JCMU employees made allegations and expressed complaints regarding policies, operations, and personnel practices. While some of the allegations were substantiated, most were not. Table 1 below contains a summary of the of the allegations by category and our conclusions.

From our observations and interviews, we believe there has been a lack of management leadership and control of the JCMU for quite some time. This was due, in part, to the inability of the former County Maintenance Engineer to effectively manage the Unit's activities because of illness. When the Engineer began disability on July 30, 1997, the Division and District management failed to formally address his absence and did not

provide the unit with needed direction on lines of authority during that period of time. Therefore, the Maintenance Supervisor and other subordinate supervisors assumed authority over the Unit's operations. In our opinion, the absence of clear lines of authority, definitive assignment of duties, clear understanding of proper employee conduct, and, most importantly, effective management controls and leadership, are the major causes affecting JCMU's operations.

<b>Table 1</b>		
<b>Summary of Allegations and Conclusions</b>		
<b>Allegation Category</b>	<b>Conclusion</b>	<b>Comments</b>
Manipulation of Overtime	Substantiated	The DOT Internal Auditor's found that the JCMU manipulated overtime hours. During our visit, we noted that Division management had addressed the issue and initiated corrective action.
Preferential Treatment	Unsubstantiated	We agree with the conclusions drawn by DOT's Employee Relations Representative that allegations of favoritism were unsubstantiated. Based on a review of personnel actions, proper procedures were followed and documented regarding hiring of employees. Clerical personnel were given the opportunity to work overtime on an as needed basis, and the assigning of a temporary employee to perform office duties was based on need. None of these actions were discriminatory based on State personnel policies and procedures.
Drug Abuse	Unsubstantiated	The allegation that JCMU management deliberately targeted certain employees for drug testing was false. We found that all drug testing was performed randomly in accordance with State policy. Further, we found nothing to support the allegation that certain JCMU employees were drug abusers.
Nepotism	Partially Substantiated	The DOT Employee Relations Representative found that a seasonal temporary employee was occasionally assigned to work for a relative within the JCMU. At that time, the Employee Relations Representative reiterated to Division management the NCDOT policy prohibiting the supervision of relatives. We subsequently learned that this temporary employee has returned to work at the JCMU. Although an isolated instance, we believe it may be contributing to the tensions within the Unit.
Firearms	Unsubstantiated as to specific allegations of selling firearms	We found no evidence to support the allegation that certain employees sold or traded weapons on state property. However, we observed an Air Rifle in a JCMU field office. We advised staff of the State's weapon policy. During interviews, we learned that a few JCMU employees were not aware of the State's weapon policy.
Over expenditures	Substantiated	As discussed below under "Other Issues", the JCMU has over expended maintenance allocations for Primary, Secondary Paved, and Secondary Unpaved maintenance projects.

A further issue identified during the audit was poor morale with the JCMU. The employees interviewed unanimously stated that morale was very poor. We believe that the major cause for the poor morale stems from local political bickering among certain employees, unsubstantiated allegations, and inappropriate employee behavior with the intent to disrupt or create dissension. This disruptive behavior has resulted in a significant waste of resources. We further believe that management did not initiate appropriate and

timely disciplinary actions in response to the inappropriate activity, allowing the situation to continue to decay.

We recommend that the newly appointed County Maintenance Engineer immediately initiate strong management practices to address and eliminate the current personnel problems, including appropriate employee disciplinary actions for those who engage or participate in activity disruptive to normal operations. Further, we recommend that steps be taken to ensure that employees are not supervised by relatives, and to consider placing related employees elsewhere in the Division to eliminate conflicts. Finally, we recommend that all employees be made aware of the State weapons policy.

**Other Issues**

The JCMU over expended budgeted allocations in at least one program category during fiscal year's 1995-1997, as shown in Table 2. We learned that to partially offset an expected deficit this fiscal year, two construction projects were held open during the off season. This allowed staff time to be charged to those projects rather than maintenance activities.

Fiscal Year		Primary	Secondary Paved	Secondary Unpaved
1995	Allocation	\$788,060	\$574,186	\$539,233
	Expenditure	883,305	627,668	578,657
		\$ (95,245)	\$ (53,482)	\$ (39,424)
1996	Allocation	\$738,797	\$635,964	\$366,723
	Expenditure	663,180	717,180	361,798
		\$ 75,617	\$ (81,216)	\$ 4,925
1997	Allocation	\$687,552	\$584,929	\$389,853
	Expenditure	853,524	749,642	393,083
		\$(165,972)	\$(164,713)	\$ (3,230)

The DOT Maintenance Management System requires the development of maintenance plans. Shortly after the beginning of each fiscal year, each Maintenance Unit develops an annual maintenance plan based on current labor, equipment, and material cost data. Field output reports are generated so management can measure progress against the plan. We reviewed JCMU's Annual Maintenance Plan and output reports for FY 96 and FY 97. We found significant variances between planned and actual accomplishments. Below are three examples noted:

- Planned 3,350 man-hours in FY 96 and FY 97 for manual clearing of right-of-way. Output reports showed 0 hours accomplishments for both years.

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- Planned 2,450 man-hours in FY 96 and FY 97 for removal of obstructions from right-of-way. Output reports indicate 0 hours accomplishments for both years.
- Planned 102 ditch miles for maintenance of unpaved side ditches in FY 96 and FY 97. Output reports show 0 hours accomplishments for both years.

Budget over expenditures and the failure to meet accomplishments are common consequences of inadequate planning and/or poor monitoring of planned activities. We recommend that controls be established to prevent future over expenditures. Further, we recommend that realistic maintenance plans based on identified projected requirements be developed, and that accomplishments be properly monitored to include documented justifications for adjustments.

In accordance with our policies and procedures, we request that your office provide us with a written response to the issues identified in this management letter. The response should be delivered to this office no later than June 11, 1998, in order to be included with the distribution of this management letter.

If you wish to discuss any of the issues above, please let us know. We appreciate the courtesy, cooperation, and assistance provided to us during this review by your staff.

Sincerely,



Ralph Campbell, Jr.  
State Auditor

RCjr:dr

**Management letters and responses receive the same distribution as audit reports.**



STATE OF NORTH CAROLINA  
DEPARTMENT OF TRANSPORTATION

JAMES B. HUNT JR.  
GOVERNOR

P.O. BOX 25201, RALEIGH, N.C. 27611-5201

E. NORRIS TOLSON  
SECRETARY

June 2, 1998

Mr. Ralph Campbell, Jr.  
State Auditor  
Office of the State Auditor  
300 North Salisbury Street  
Raleigh, North Carolina 27603-5903

Dear Mr. Campbell:

I have reviewed your May 1, 1998 report regarding the Jackson County Maintenance Unit in Division 14. Thank you for sharing your findings with me.

I have shared this report with Highway Administrator Len Sanderson, and also the managers and supervisors through the level of the Maintenance Unit, and they have put corrective actions in place.

In response to your findings of the lack of management leadership and control of the Jackson County Maintenance Unit, it is apparent that the extended illness of the county maintenance engineer apparently did create inefficiency within the unit. A new county maintenance engineer has been assigned to the unit. Additionally, new controls have been put in place to manage necessary overtime.

Your special review of this unit has caused us to review our operations in other maintenance units to determine whether there are other such problems. Thank you for agreeing to review a sample of maintenance units across the state. I can assure you that any additional corrective actions that are needed will be put in place.

We will continue to look for ways to improve our operations so that the Department of Transportation is the most efficient in state government. We will use the comments and recommendations from your review to help us improve our efficiency.

Sincerely,

A handwritten signature in cursive script, appearing to read "E. Norris Tolson".

E. Norris Tolson

cc: Len Sanderson, Highway Administrator  
David King, Deputy Secretary for Transportation

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