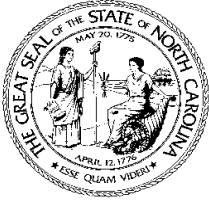


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State Auditor Ralph Campbell Releases Special Review of Aviation Grants

RALEIGH _ The Department of Transportation's Aviation Division inappropriately awarded a \$190,000 grant to pay for unauthorized construction projects at Ocean Isle Airport, including a paving project by a company with ties to a member of the state Aeronautics Council that recommended the grant, a special investigation by the Office of the State Auditor indicates.

The report released Friday also questions a \$430,000 grant to the Sanford Lee County Airport to correct construction deficiencies. The Aviation Division approved the grant without deciding who was responsible for the defects.

"In this period of tight budgets and economic uncertainty, it is more critical than ever that state agencies keep a close watch on the funds they have available," State Auditor Ralph Campbell said. "Every dollar available to the state must be carefully used and properly accounted for. That applies to aviation grants just as it does to all other state programs."

In the Ocean Isle case, the town was awarded a \$350,000 grant in 1996 to buy land that would clear flight approaches to the airport. The town was able to buy part of the land it sought, but was left with a balance of \$85,789 unspent from the grant.

The former town administrator told auditors he had verbal authorization from state officials to use the leftover grant funds for construction projects, but state officials connected with the project said they had warned the town to seek a grant modification. No documentation could be found authorizing the shift of the money from land acquisition to construction projects.

In May 2000, a local paving company resurfaced the airport runway and submitted a bill for \$137,500. Internal auditors for the Department of Transportation recommended the company be paid only its actual costs of \$104,039.73 for the work because no bids were obtained, in violation of state law.

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In May 2001, the state Aeronautics Council recommended that the Secretary of Transportation approve a \$190,656 grant to Ocean Isle Airport to cover the paving work and other construction projects. A member of the Aeronautics Council is a stockholder in the Ocean Isle paving company.

The Aeronautics Council supposedly was an “advisory” board not required to comply with state Board of Ethics rules. But 100 percent of the council’s recommendations are approved for funding by the Department of Transportation.

The report recommends that the Aeronautics Council comply with Board of Ethics rules of conduct, and that members of the council refrain from doing business with any government body that gets grant funds from the Division of Aviation.

Although the grant was awarded, the paving company had not yet been paid when questioned by Office of the State Auditor investigators. The report recommends that the Aviation Division consult with the Attorney General’s Office about potential legal liabilities before disbursing the funds.

In the Sanford Lee County Airport case, an engineering firm discovered in late 1999 that water was standing on the runway at the new, \$4.4 million airport. Tests indicated the problem was with the asphalt used to pave the runway. In March 2000, tests conducted by the state indicated the best solution was to seal the runway at a cost of \$430,000.

The Department of Transportation approved a grant to seal the runway in June 2000 and the work was finished in July. State records indicate there was no effort to determine who was liable for the pavement problems.

The report recommends that the Aviation Division obtain legal counsel before disbursing grant funds to correct construction defects that legally may be a contractor’s responsibility.

Transportation Secretary Lyndo Tippettt concurred with the findings and recommendations, and said appropriate steps would be taken.

Copies of the report may be obtained at the office’s web site at www.osa.state.nc.us. Printed copies of the report can be obtained by filing a request under the Audits section of the web site or by calling the Office of the State Auditor at 919-807-7500.

The full report can be reviewed on the Office of the State Auditor web site under Audits/Fraud, Waste and Abuse. The report is number INV-0240.

