

**NORTH CAROLINA CENTRAL UNIVERSITY
FINDINGS AND RECOMMENDATIONS
SPECIAL REVIEW
FEBRUARY 2008**

1. THE ASSISTANT PROVOST IMPROPERLY AUTHORIZED PAYMENTS OF FEDERAL GRANT FUNDS.

The Assistant Provost inappropriately authorized graduate assistant contracts and honoraria² for unauthorized individuals. The table below shows payments to these individuals who never performed the associated duties.

An undergraduate student indicated the Assistant Provost directed her to cash a University check, keep \$500, and pay the balance to him so the Assistant Provost could make payments on his credit card. She also indicated the Assistant Provost asked her to obtain Social Security numbers from other individuals. She said she provided those numbers to the Assistant Provost and he subsequently provided her with University checks made out to these individuals. She indicated the Assistant Provost directed her to ask the individuals to cash the checks and return most of the funds to him. One of these individuals stated he cashed two \$2,000 checks, kept \$500 from the first check and \$250 from the second check, and returned the balance to the student.

University payments authorized by the by Assistant Provost			
Type	Amount Authorized	Amount Cashed	Date
<i>Graduate Assistantship</i>			
	\$2,964	\$2,964	August 2003
	18,700	0	September 2003
Subtotal	\$21,664	\$2,964	
<i>Honorarium</i>			
	\$2,377	\$2,377	April 2003
	\$2,000	\$2,000	October 2003
	\$2,000	\$0	October 2003
	\$2,000	\$2,000	October 2003
	\$2,000	\$2,000	March 2004
	\$2,000	\$2,000	March 2004
	\$2,000	\$2,000	March 2004
Subtotal	\$14,377	\$12,377	
Total	\$36,041	\$15,341	

² An honorarium is a payment given to a professional person for services for which fees are not legally or traditionally required.

FINDINGS AND RECOMMENDATIONS (cont'd)

Other individuals receiving unauthorized payments were the Assistant Provost's nephew and the nephew's girlfriend. The girlfriend said the Assistant Provost's nephew told her the University owed him money for lawn services and a University check was written in her name because he had misplaced his identification card. She said the two of them collected the check written to her and cashed it at a check cashing company.

In summary, we found nine payments, totaling \$26,041, improperly authorized by the Assistant Provost. Seven of these payments were cashed with a total value of \$15,341. Two remaining payments valued at \$20,700 were authorized or issued but never cashed. All of these improper expenditure authorizations were from United State Department of Health and Human Services funds associated with the Minority Biomedical Research Support and the Overcoming Racial Health Disparities grants.

We also reviewed the 2003 and 2004 statements of the credit card issued to the Assistant Provost by the University. We found delinquency charges, a notice of account cancellation, and a notice to assign the account to a collection agent. These findings lend credibility to the complainant's assertion that the Assistant Provost's actions were taken to help make his credit card payments.

Recommendation: The University should implement administrative controls to ensure funds are used according to federal, state, and local funding statutes and procedures. A review of the payment authorization and grant administration process should also be performed. The University should immediately begin procedures requiring the repayment of these funds by the Assistant Provost.

Note: Finding will be referred to the US Attorney's Office Middle District, District Attorney for North Carolina Judicial District 14 and the North Carolina State Bureau of Investigation.

Response: The University will review its procedures to ensure that we are in compliance with federal and state regulations and where appropriate, make the necessary adjustments to further reduce the possibility of fraud. Consistent with state statutes, the University will require the Assistant Provost to repay the funds.

2. DOCUMENTS RELATED TO IMPROPER PAYMENTS WERE FALSIFIED AND DID NOT CONTAIN THE APPROPRIATE APPROVALS.

We found two employment forms initiated by the Assistant Provost for an unqualified student that contained false authorization signatures. One of the signatures required on these forms is from the Scholarships and Financial Aid Office which verifies student enrollment in the graduate school. The Assistant Director of the Scholarships and

Financial Aid Office said her signature was falsified on these forms. The potential payments on the graduate assistant contracts were \$21,664. The Director of the Scholarships and

FINDINGS AND RECOMMENDATIONS (cont'd)

Financial Aid Office believed the contracts were not reviewed by the Scholarships and Financial Aid Office. Based on the statements from the Assistant Director, it appears an attempt was made to bypass the Scholarships and Financial Aid Office by false pretense.

We also found documentation used to authorize honoraria payments that included false information. The University's honorarium authorization form requires the recipient's "name, occupation and title, if any." Our review revealed that none of the businesses named on the forms had employed the individuals named. Three of the forms stated the individuals had "Dr." as their title. When asked about this title, none of these individuals said they held a doctoral degree. A letter found in the University's records was addressed to the Assistant Provost from one of the individuals who received payment. The individual indicated she had never seen the letter and was misrepresented as having a doctoral degree and having the title "Director of the Centre for Biodiversity and Conservation Biology." She also said the signature on the letter was not her signature. The honoraria forms containing false information were approved solely by the Assistant Provost.

Additionally, we reviewed the approvals on other graduate assistant contracts originating with the Assistant Provost. We determined five of 20 of the graduate assistant contract authorization forms did not have sufficient written approvals. These contracts required approvals from the Principal Investigator, the Dean of the student's college, the Contracts and Grants (or Budget) administrator, the Comptroller, an officer from the Scholarships and Financial Aid Office, and the Vice-Chancellor for Academic Affairs. No written procedure was available to identify which signatures were required, or who was responsible to verify that all required signatures are included. In addition, the Assistant Provost signed three of the 20 forms both as the originator and, on behalf of the Provost, as the final approver. This bypasses the internal control that requires the Provost's additional approval.

Recommendation: The University should continue to coordinate with appropriate law enforcement authorities to determine whether the Assistant Provost's conduct constitutes a violation of North Carolina General Statutes or other regulation or law. In addition, the University should take appropriate disciplinary action against the Assistant Provost, which should include restitution.

The University should also implement administrative controls to ensure proper authorization of graduate assistant contracts, so that such egregious misconduct of position, if not criminal wrongdoing, is not repeated. All University policies and procedures that address accountability should be relevant, adequate and, if appropriate, available in electronic format for ease of access. The latest revision dates should be clearly stated on the policies and procedures.

FINDINGS AND RECOMMENDATIONS (cont'd)

Note: Finding will be referred to the US Attorney's Office Middle District, District Attorney for North Carolina Judicial District 14 and the North Carolina State Bureau of Investigation.

Response: The University's Campus Police is conducting a thorough review and continues to work with appropriate law enforcement officials. Additionally, the University will undertake a review of current procedures and strengthen, where appropriate, to further reduce the possibility of fraud.

3. THE ASSISTANT PROVOST VIOLATED UNIVERSITY POLICY BY NOT REPORTING AN IMPROPER RELATIONSHIP IN A TIMELY MANNER.

According to the Assistant Provost and a student, a personal, indeed amorous, relationship between these two individuals began in 2003. Although this relationship began in 2003, the Assistant Provost did not report it to University officials until December 2006. This violates the University's Policy Concerning Improper Relationships Between Students and Employees stating, "Whenever a situation creates or appears to create a conflict of interest under the policy, the faculty member or other employee involved shall report it promptly to his/her Director, Special or Executive Assistant to the Chancellor, Department Head, Department Chairperson, Dean, Vice Chancellor, or, in the case of employees who report directly to the Chancellor, to the Chancellor."

The student with whom the Assistant Provost had an amorous relationship was offered two graduate assistant contracts, one beginning August 2003 and the other beginning September 2003. These contracts were authorized and approved by the Assistant Provost. The first contract was a one-month agreement for \$2,964 to perform research and was charged to the Overcoming Racial Health Disparities grant. The student stated she never worked at the University, although the Assistant Provost allowed payment to the student and approved her Time and Effort Report. The second contract, a one-year agreement for \$18,700, was rejected by a University official.

Authorization of payment for work not performed is an example of the Assistant Provost's abuse of power that was precipitated by an amorous relationship between the Assistant Provost and the student. The University's Policy Concerning Improper Relationships Between Students and Employees was violated because the relationship was not self-reported in a timely manner and because of the abuse of power and the misconduct that ensued. The effect of noncompliance as stated in the policy is "Trust and respect are diminished when those in positions of authority abuse or appear to abuse their power."

Recommendation: In combination with other audit findings in this report and in light of the importance of the position of Assistant Provost, it is our opinion this violation represents a very serious offense and the punishment should reflect this. The University's sanctions

FINDINGS AND RECOMMENDATIONS (cont'd)

against improper relationships include a warning, a letter of reprimand, suspension (with or without pay), diminishment in rank, or discharge from employment. University management should consider the strongest disciplinary action available given the magnitude of the misconduct and send a clear message throughout the University that such conduct is not tolerated.

Response: In accordance with University policies and the results of the investigative audit, the Assistant Provost has been removed from all administrative responsibilities.

4. THE ASSISTANT PROVOST CHARGED PERSONAL EXPENSES TO A CREDIT CARD ISSUED BY THE UNIVERSITY.

We found personal items charged to the Assistant Provost's credit card issued by the University in violation of the University's policy on University-issued credit card use. The Assistant Provost said, "I charged everything on the credit card and that is why it was taken away." He stated many other University employees had used their University-issued credit cards for personal use. He said the former University Chancellor "laid down the law" regarding improper credit card use. The Assistant Provost said he was issued another credit card by the University and currently uses the card only for business purposes. A former University credit card administrator indicated a review of credit card usage was conducted at that time and a number of credit cards were revoked. It is our understanding that a credit card audit was initiated by a former internal auditor, but this audit was suspended by the previous University management. The current internal auditor was not aware of the reason for the suspension.

Recommendation: Controls should be reviewed to ensure employees use credit cards issued by the University for business use only. In addition, periodic audits of credit card usage and appropriate management actions for violations should be undertaken. We believe it would be prudent of the University to review the prior credit card audit.

Response: The University will review controls over university-issued credit cards and conduct periodic internal audits of credit card usage. It should be noted that the University is not liable for individual credit card charges.

5. GRADUATE ASSISTANT PAYMENTS WERE IMPROPERLY CHARGED TO FEDERAL GRANTS.

Our investigation determined that three of 20 graduate assistants whose payments were authorized by the Assistant Provost were paid \$16,100 in total and performed work unrelated to research grants, although their expense was charged to the grants. Two graduate assistants with contracts totaling \$11,000 worked in the Office of International Affairs performing

FINDINGS AND RECOMMENDATIONS (cont'd)

administrative duties. A third graduate assistant with a contract for \$5,100 spent a portion of his time handling administrative work for Board of Trustees meetings. The description of the work stated on the forms for graduate assistant employment was "Research" or "Research/administrative."

As the Principal Investigator for the federal research grants, the Assistant Provost has the responsibility to ensure the proper use of funds. The Assistant Provost claimed that the reason he provided graduate assistants to the Office of International Affairs "could have been because they were trying to get their program up and running." He said he "probably loaned out" graduate assistants to the Office of International Affairs to assist with clerical work. One of these graduate students verified she and another student performed some administrative work for the Office of International Affairs, but none of the work was related to research. The Director for the Office of Sponsored Research did not remember any research activities with the Office of International Studies. The supervisor for another student indicated the student performed work for the Board of Trustees, including duties such as sending out meeting minutes. Based on these findings, the graduate students' expenses should not have been charged to the federal research grants.

Recommendation: University should make the proper accounting adjustments to correct the improper charges to federal grants. The University should also implement administrative controls to ensure proper use of these funds. Potential controls could include updating the employment recommendation forms to require more specificity of the work to be done, requiring a written job description signed by the student, requiring a written evaluation of job performance signed by the supervisor and student, requiring timesheets to be filled out by the student and approved by the supervisor, and ensuring these documents are reviewed by the Contracts and Grants or Budget Office to help ensure fund objectives are met. We believe it would be prudent of the University to review all grants for proper accounting of graduate assistant payments.

Response: The University will review its current procedures and make the necessary adjustments to further reduce the possibility of fraud. Additionally, the University will review the improper charges and make the needed corrections.

6. HONORARIA PAYMENTS DID NOT HAVE PROPER APPROVALS AND LACKED WRITTEN JUSTIFICATION.

In addition to the \$14,377 in honoraria payments noted in the table on page 5, we found another \$14,415 in honoraria payments paid to individuals who advised the University on research matters. The Purchasing Director indicated these payments, typically in amounts of \$1,000, were considered as gifts that only covered expenses and did not reflect the usual rates the individuals could obtain. The Contracts and Grants Director indicated honoraria are

FINDINGS AND RECOMMENDATIONS (cont'd)

allowed under federal grants and are written into proposals for those grants. The Federal Grants Officer for the Overcoming Racial Health Disparities grant indicated it was permissible to charge honoraria to the grant as long as it was in the budget and associated with a task specified in the grant.

However, we found honoraria do not have adequate internal controls when compared to other service or consulting agreements. For example, the Assistant Provost's signature was the only one found on the honoraria authorization forms. In addition, there was no independent review of the credentials of the honoraria recipients. Finally, no documentation was required to indicate the service had occurred.

Recommendation: A University Vice Chancellor or above should review written credentials of prospective honoraria recipients and should approve all honoraria forms. A minimum of two signatures should be required on the honorarium authorization form. The Contract and Grants Office should require evidence of honoraria recipient attendance and should include such documentation in the file.

Proper accounting corrections should be made for improper honoraria payments charged to grants. We believe it would be prudent of the University to review all grants for proper accounting of honoraria payments.

Response: The University will undertake a thorough review of the honoraria process and make the necessary revisions in requirements for documentation, review, and approval to further reduce the possibility of fraud. Additionally, the University has placed a moratorium on honoraria payments until controls are strengthened. Corrections will be made for falsified honoraria payments.