

# **STATE OF NORTH CAROLINA**

## **INVESTIGATIVE REPORT**

**NORTH CAROLINA CENTRAL UNIVERSITY**

**DURHAM, NORTH CAROLINA**

**JANUARY 2013**

**OFFICE OF THE STATE AUDITOR**

**BETH A. WOOD, CPA**

**STATE AUDITOR**

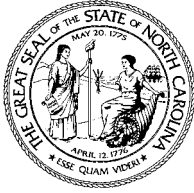
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# Office of the State Auditor



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

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## AUDITOR'S TRANSMITTAL

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The Honorable Pat McCrory, Governor  
Members of the North Carolina General Assembly  
Mr. Peter D. Hans, Chairman, Board of Governors, The University of North Carolina  
Mr. Thomas W. Ross, President, The University of North Carolina  
Dr. Dwight D. Perry, Chair, Board of Trustees, North Carolina Central University  
Mr. Charles Becton, Interim Chancellor, North Carolina Central University

Ladies and Gentlemen:

Pursuant to North Carolina General Statute §147-64.6(c)(16), we have completed an investigation of allegations concerning the operations of North Carolina Central University. The results of our investigation, along with a recommendation 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 North Carolina Central University during our investigation.

Respectfully submitted,

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

Beth A. Wood, CPA  
State Auditor

January 22, 2013

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## INTRODUCTION

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While conducting an earlier investigation at the North Carolina Central University School of Law, the Office of the State Auditor discovered supplemental payments to a Law School employee for services provided to other departments on campus. We initiated a new investigation to determine whether these payments were made in accordance with applicable state policies.

To conduct our investigation, we performed the following procedures:

- Review of university and state personnel policies as well as North Carolina General Statutes
- Interviews of university employees and management
- Examination and analysis of available supporting documentation related to the work performed and payment sources

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

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## **ORGANIZATION OVERVIEW**

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### North Carolina Central University

North Carolina Central University (University) was established in 1910 as the nation's first public liberal arts university founded for African-Americans. The University's current enrollment is approximately 9,000 students. The University is one of 17 constituent institutions in the University of North Carolina system. The University offers bachelor's degrees in over 100 fields and awards graduate degrees in approximately 40 disciplines. The University is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools. A 13-member Board of Trustees oversees its operations at the institutional level. The University's Chancellor and other senior administrators manage day-to-day operations.

### School of Law

The North Carolina Central University School of Law (School) was created when the General Assembly enacted House Bill 18 on March 1, 1939. The School is fully accredited by the American Bar Association and the North Carolina State Bar Council and is a member of the Association of American Law Schools.

The School is located in Durham, North Carolina on the University's campus in the Albert L. Turner Building, an 87,672 sq. ft. four-story building that contains moot courtrooms, a model law office, classrooms, and an administrative wing. The building also has six high-tech smart classrooms, two distance learning classrooms, and two high-tech smart seminar rooms.<sup>1</sup> In 2010, the School received approximately \$2 million from the U.S. Commerce Department's National Telecommunications and Information Administration to expand broadband infrastructure and deliver legal services throughout the state.<sup>2</sup>

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<sup>1</sup> <http://law.nccu.edu/facilities>

<sup>2</sup> [http://www.heraldsun.com/view/full\\_story/9583214/article-NCCU-law-school-wins-grant](http://www.heraldsun.com/view/full_story/9583214/article-NCCU-law-school-wins-grant)

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## FINDINGS AND RECOMMENDATIONS

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### 1. THE DIRECTOR OF INFORMATION TECHNOLOGY AND FACILITIES RECEIVED SUPPLEMENTAL COMPENSATION IN VIOLATION OF STATE POLICY.

The Law School's Information Technology and Facilities Director (Director) received salary supplements for extra work he performed for the Law School as well as other departments in violation of state policy. During the 2004-05 fiscal year, the Director received \$22,500 for coordinating the re-location of the Law School to and from an off-site location during the renovation of the Turner Law Building. In addition, the Director received \$36,771 over a two-year period for serving as an Activity Coordinator facilitating the installation of "smart classrooms" for other departments. Because the Director's position is subject to the State Personnel Act (SPA), these supplemental payments violated state policy.

According to the State Personnel Manual, Section 4, Page 48: *No employee whose position is designated as exempt from overtime compensation provisions shall be paid in any way [emphasis added] for hours worked in excess of forty in a workweek unless a specific exception has been approved...The annual and monthly salary rates of an employee are established under current personnel policy for each position. This salary is to represent the employee's straight-time pay for a standard 40-hour workweek.*

#### Work associated with School of Law

In 2005, the Law School completed an extensive renovation of the Turner Law Building. The Director said that he was asked by the former Dean to "organize and manage" the Law School move to and from the North Carolina Mutual Life Insurance Building in downtown Durham and the Turner Law Building on campus. The Director said that there was never any discussion about additional payment for these duties. However, the former Dean presented him a check for \$7,500 as a "bonus" for coordinating the move to the temporary location.

The Director said that, during the move back to the renovated building and after the former Dean had resigned, he approached the new Dean<sup>3</sup> about getting a similar payment for his continuing work. In July and December 2005, the Director received two additional checks for \$7,500 each. The new Dean said that the Director told him there was an agreement between the Director and the former Dean regarding the payments. The new Dean (who became Dean in July 2005) said that he sought and received approval for the payments from the Chancellor at the time.

In total, the Director received \$22,500 in addition to his full-time state salary for his efforts in facilitating the Law School's move. The source of funds for these "bonus" payments was the Dean's discretionary fund maintained by the Law School's private foundation. However, because the work involved services related to the Director's normal duties and because state personnel policy prohibits such payments to SPA employees, the payments were inappropriate.

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<sup>3</sup> The former Dean resigned on June 30, 2005 and the new Dean resigned on June 30, 2012

## **FINDINGS AND RECOMMENDATIONS (CONCLUDED)**

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### Work for other university departments

In July 2010, the Director assisted with the installation of electronic classrooms related to an “Enhancing Instructional Technology and Academic Computing” Title III grant. The Title III Director chose the Director for the position because of his expertise and previous success with the installation of similar technology for the Law School. The Title III Director said that, because these duties were in addition to his duties with the Law School, she believed he should be compensated.

During the 2010-11 fiscal year, the Director performed work related to the grant but was paid (in addition to his annual salary) \$19,165 from state appropriations included in the Academic Affairs Department budget. Because funds were not available in the budget for the next fiscal year, the Title III Director included the Director as an Activity Coordinator on the grant and his 2011-12 fiscal year supplement of \$17, 606 was paid using Title III grant funds.

Everyone we interviewed believed the Director to be an Exempt from Personnel Act (EPA) employee who would have been eligible under state policy to receive supplemental payments (with some restrictions). However, documentation showed that the University’s Human Resource Department informed the Title III Director that the Director’s position was classified as an SPA position and erroneously approved the supplemental payments to the Director even though state personnel policy prohibits such payments. In total, the Director was paid \$36,771 in supplemental payments for these services between 2010 and 2012.

Combined with the payments related to the Law School move, the Director received a total of \$59,271 in supplemental payments in violation of state policy. In addition, North Carolina General Statute § 143-64.80(a) requires the University to seek recoupment of the payments:

*An overpayment of State funds to any person in a State-funded position, whether in the form of salary or otherwise, shall be recouped by the entity that made the overpayment and, to the extent allowed by law, the amount of the overpayment may be offset against the net wages of the person receiving the overpayment.*

### **RECOMMENDATION**

Management should take any action necessary to recover funds that were inappropriately paid to the Director in accordance with state law. In addition, the University should provide training for human resources personnel to ensure accurate knowledge of state personnel policies.



James E. Shepard, Founder

Office of the Chancellor

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January 15, 2013

Ms. Beth A. Wood, CPA  
State Auditor  
2 South Salisbury Street  
20601 Mail Service Center  
Raleigh, NC 27699-0601

Dear Ms. Wood:

Thank you for the December 20, 2012 confidential draft report on your review of allegations concerning an employee receiving supplemental compensation in the North Carolina Central University School of Law. Our response follows:

**North Carolina Central University acknowledges the error in paying an SPA, exempt employee supplemental compensation for having performed additional duties. We will take action to recover overpayment of state funds in accordance with General Statute § 143-64.80(a). Moreover, controls will be enhanced through additional training and redesign of internal human resource documents.**

We extend our sincere appreciation for the professionalism shown by your auditors during the investigation. Please contact Ms. Loretta Hayes, Interim Director of Internal Audit, at (919) 530-7742, should you have questions or require additional information.

Sincerely,

Charles L. Becton  
Interim Chancellor

CLB/

Copy to: Loretta Hayes, Interim Director, Internal Audit  
Melissa Jackson Holloway, General Counsel  
Bernice D. Johnson, Associate Provost and  
Associate Vice Chancellor, Academic Affairs  
Wendell Davis, Vice Chancellor, Administration and Finance  
Susan L. Hester, Vice Chancellor and Chief of Staff

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## ORDERING INFORMATION

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Copies of this report may be obtained by contacting the:

Office of the State Auditor  
State of North Carolina  
2 South Salisbury Street  
20601 Mail Service Center  
Raleigh, North Carolina 27699-0601

Internet: <http://www.ncauditor.net>

Telephone: 919/807-7500

Facsimile: 919/807-7647

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This investigation required 164 hours at an approximate cost of \$11,808. The cost represents 0.006% of the total operating expenses (\$185,671,001) for North Carolina Central University for the fiscal year ended June 30, 2012.