

AFFIDAVIT OF SPECIAL AGENT
D. G. WHITFORD

I, Dallas G. Whitford, being duly sworn, depose and say:

I am a Special Agent with the State Bureau of Investigation, Financial Crimes Unit and in that capacity have investigated numerous crimes involving conspiracies to defraud. I have attended several schools and seminars relating to the investigation and prosecution of "white collar crime". Additionally, I am a certified public accountant and certified fraud examiner.

In February, 1992, I initiated an investigation into allegations of fraud, kickbacks and bidrigging in the Purchasing Department at the N. C. Department of Correction. The information outlined in this affidavit will establish probable cause that D. R. (Rick) Hursey, formerly the Departmental Services director at the Department of Correction from June, 1985 through January 27, 1992, AT&T Sales representative M. A. (Mike) Weaver, and possibly others entered into a conspiracy to defraud the Department of Correction. This was accomplished through D. R. Hursey's granting dubious contracts to entities controlled or represented by M. A. Weaver.

Throughout 1989, in his capacity as a sales representative with AT&T, M. A. Weaver sold the N. C. Department of Correction approximately 300 pay telephones which were installed in various prison units throughout the state. AT&T was paid in excess of \$300,000 for these phones and Weaver received the commissions. On 10/01/89, Rick Hursey, in his capacity as DOC Purchasing Director, awarded a contract to "M. A. Weaver & Associates" whereby "M. A. Weaver & Associates" would collect the coins from the DOC pay phones and receive a commission of 80% of coins collected. (See Attachment #1)

M. A. Weaver & Associates is a sole proprietorship owned by M. A. Weaver. Its sole business purpose was to collect coins for DOC. D. R. Hursey awarded this contract to Weaver even though there was no legitimate reason to have an outside vendor collect coins. DOC employees at the prison units could have collected the coins in the normal scope of their duties. In awarding this contract to Weaver, Hursey violated DOC procedures in that he did not obtain bids and did not notify State Purchasing and Contracts of its existence. Apparently none of Hursey's superiors were aware of this contract. The contract contains the signature of then DOC Deputy Secretary W. A. Crews. Crews has identified his signature on the contract but stated that he had no knowledge of it. Crews is allegedly a friend of Hurseys.

On 01/01/90 the coin collection contract was amended so that the parties to the contract were DOC and "Coin Tel & Associates".

(See Attachment #2) However, Coin Tel was owned by M. A. Weaver and was the same entity as M. A. Weaver & Associates. From 10/18/89 through 03/09/92, Weaver was paid \$119,311.00 for collecting coins. Weaver had no employees but he paid commissions to three individuals who collected the coins: T. C. Thompson, C. G. Anderson & W. O. Howard. Thompson was a DOC employee working under Rick Hursey as the warehouse manager. Weaver paid Thompson approximately \$26,000.00 during the period 1989-91 for collecting coins. Thompson was given permission to work for Weaver by D. R. Hursey. Weaver also paid commissions to fellow AT&T employees (Anderson and Howard) to collect coins. C. G. Anderson works with Weaver out of the Raleigh office.

T. C. (Terry) Thompson is a cooperating witness in this investigation. When interviewed on July 2, 1992 and July 6, 1992, he stated that he paid D. R. Hursey approximately \$5,000.00 of the monies he received from M. A. Weaver. These payments occurred in 1989 and 1990 and were made at the request of Hursey and Weaver. When Thompson received a monthly check from Weaver, he cashed it and split the net proceeds with Hursey. Thompson was instructed by Hursey to keep quiet about the checks he was receiving from Weaver and the payments he was remitting to Hursey. When Thompson expressed concern about his involvement in the scheme he was told by both Hursey and Weaver that the payments were "not traceable" as they were made in cash.

On 03/08/91, Coin Tel dba M. A. Weaver & Associates was given a contract by D. R. Hursey to maintain the above referenced pay telephones. Weaver was initially paid \$355.00 per phone per year for maintenance. In 07/91, the fee was increased to \$643.00 per phone per year supposedly for increased coverage. (See Attachments #3 and #4) Weaver was given this contract even though he employed no telephone technicians to maintain the phones. D. R. Hursey did not solicit bids and did not inform State Purchasing and Contract of the existence of this contract as required. In fact, no formal contract is in existence and supporting documentation consists of only two letters from Weaver to Hursey. In an attempt to make it appear that he had solicited bids, Hursey produced two additional letters from vendors in which they purportedly addressed their abilities and prices to maintain the pay phones. One of these letters is signed "Carter G. Anderson" of AT&T. This is the same C. G. Anderson that worked for Weaver collecting coins under the coin collecting contract. Anderson has denied writing this letter. (See Attachment #5)

During an eight month period, Weaver was paid approximately \$146,000.00 by DOC for "maintenance" on the DOC pay phones. No documentation has been discovered showing any maintenance work done by Coin Tel. The average cost of each phone was approximately \$1,000.00 yet Weaver was paid \$643.00 per phone per year for maintenance. During the prior fiscal year, AT&T was paid only \$24,924.00 for maintaining the phones.

On 10/01/91, Articles of Incorporation were filed for Coin Tel, Inc. with the Secretary of State's Office. Stockholders of the corporation are M. A. Weaver, M. W. Wiggins, and J. A. Perry. On 10/16/91, Coin Tel, Inc. was given a contract by D. R. Hursey to manage all DOC pay telephones (See Attachment #6). As a management fee, Coin Tel was to receive 38% of long distance and local commission revenues received relative to the pay telephones. No bids were solicited on this contract even though Hursey assured his superior Bill Creech and Director of State Purchase and Contract Bill Stuckey that he would do so. Hursey presented an analysis to his superiors showing that DOC would be better off financially if Coin Tel managed the pay phones. This analysis was based on incorrect information provided by Hursey and M. A. Weaver. In attempting to justify awarding the contract to Coin Tel, Hursey stated that no other telephone management companies existed. In fact, there are numerous such companies operating in this state.

Between 11/04/91 and 04/10/92, Coin Tel, Inc was paid \$159,858.00 by DOC as a management fee for managing the pay phones. This fee was based on 38% of \$420,680.00 in commissions received by DOC from various telephone companies. Rick Hursey instructed these companies to mail these commission checks directly to Coin Tel which then cut a check to DOC for 68% of the commissions. Included in the fee paid to Coin Tel was approximately \$60,000.00 relating to commissions received from Southern Bell pertaining to telephones leased from Southern Bell. These commissions in no way related to the phones owned by DOC and managed by Coin Tel. Coin Tel should not have received a management fee based on leased telephones.

A review of Coin Tel, Inc. bank statements and financial statements for the three month period ended 03/31/92 indicates that although no money was invested by the stockholders, they made profits of approximately \$84,000.00. The only expenditures incurred by the company were phone bills and administrative costs of operating a small office. The company has only two clerical employees. It appears that Coin Tel provide no services for DOC other than routine clerical tasks which could be performed by DOC employees.

In November of 1991, shortly after Coin Tel, Inc. was awarded the telephone management contract, D. R. Hursey's wife, Ellen Hursey, was given a sales job by M. W. Wiggins at one of his companies. M. W. Wiggins is a one-third (1/3) owner of Coin Tel. I have been told by a confidential source that when Coin Tel, Inc. was initially formed D. R. Hursey was to be a stockholder of the corporation. This source is a businessman of good standing in the community with no criminal record. This individual is in a position to know about events surrounding the formation of Coin Tel.

Once the particulars of the Coin Tel contract became known, DOC began an internal investigation which resulted in the

contract's cancellation in 05/92. I have been told by Richard H. Wall, an employee of Coin Tel's former CPA firm, that Coin Tel is no longer operating and is in the process of dissolution. The telephone at the company office has been disconnected. This indicates that Coin Tel, Inc. was a hastily formed corporation existing solely to profit from the lucrative contracts they were given by D. R. Hursey.

On 09/04/90, Teamwork, Inc. of Haw River, N. C. and owned by Robert Weavil, was given a contract to provide approximately \$1.3 million worth of socks to DOC. Teamwork received the contract from D. R. Hursey through the influence of M. A. Weaver who is a friend of Weavil. Teamwork was given the contract even though they were not normally in the business of selling socks and had only the fifth lowest bid. Hursey determined that Teamwork's sock was superior to the other vendors and recommended they be awarded the contract. Robert Weavil has stated that he dealt almost exclusively with M. A. Weaver when procuring the contract the lone exception occurred when Weavil met with Weaver and Hursey. In fact, Weavil submitted Teamwork's bid to M. A. Weaver instead of DOC. Weaver received a payment of approximately \$28,000.00 from Teamwork for his assistance in procuring the contract.

I believe that the above referenced information establishes probable cause to believe that Rick Hursey, Mike Weaver and possibly others have entered into a conspiracy to defraud the N. C. Department of Correction by awarding lucrative, unnecessary contracts to entities controlled by M. A. Weaver. Rick Hursey has made false and misleading statements to his superiors causing them to give the contracts to Weaver or Weaver's designee. Additionally based upon my training and experience in other "white collar crime" investigations I know that:

1. Crimes of this nature are accomplished by illegal payments from the beneficiary of the bogus contract, i.e. Mike Weaver to the individual granting the contract, i.e. D. R. Hursey.

2. In order to trace such payments it is necessary to analyze the bank records of the individuals involved, i.e. Hursey and Weaver.

3. Bank records needed for such an analysis are maintained by banking institutions for a period of at least five years.

Therefore, I pray that the court issue a search warrant directing that Centura Bank produce the items requested.

D. R. Hursey 8/13/92
Applicant/Date

Robert H. Hursey 8/13/92
Judge/Date