

STATE OF NORTH CAROLINA

INVESTIGATIVE REPORT

NORTH CAROLINA STATE UNIVERSITY

COLLEGE OF NATURAL RESOURCES

DEPARTMENT OF FORESTRY AND ENVIRONMENTAL RESOURCES

RALEIGH, NORTH CAROLINA

DECEMBER 2012

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

INVESTIGATIVE REPORT

NORTH CAROLINA STATE UNIVERSITY

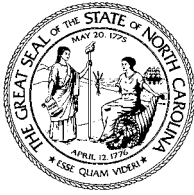
COLLEGE OF NATURAL RESOURCES

**DEPARTMENT OF FORESTRY AND ENVIRONMENTAL
RESOURCES**

RALEIGH, NORTH CAROLINA

DECEMBER 2012

Office of the State Auditor



Beth A. Wood, CPA
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet
<http://www.ncauditor.net>

AUDITOR'S TRANSMITTAL

The Honorable Beverly Perdue, Governor
Members of the North Carolina General Assembly
Mr. Peter D. Hans, Chair, Board of Governors, The University of North Carolina
Mr. Thomas W. Ross, President, The University of North Carolina
Ms. Barbara H. Mulkey, Chair, Board of Trustees, North Carolina State University
Dr. W. Randolph Woodson, Chancellor, North Carolina State University

Ladies and Gentlemen:

Pursuant to North Carolina General Statute §147-64.6(c)(16), we have completed an investigation of allegations concerning the misappropriation of grant funds by an Associate Professor at North Carolina State University. The results of our investigation, along with recommendations 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 State University during our investigation.

Respectfully submitted,

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

Beth A. Wood, CPA
State Auditor

December 6, 2012

TABLE OF CONTENTS

	PAGE
INTRODUCTION	1
ORGANIZATION OVERVIEW	3
FINDINGS AND RECOMMENDATIONS.....	5
RESPONSE FROM NORTH CAROLINA STATE UNIVERSITY	7
ORDERING INFORMATION	11

INTRODUCTION

The Office of the State Auditor received a complaint through the *State Auditor's Hotline* concerning the misappropriation of grant funds by an Associate Professor at North Carolina State University (University). Allegedly, the Associate Professor used grant funds for a personal vacation to the North Carolina coastal area.

To conduct our investigation of this complaint, we performed the following procedures:

- Review of applicable University policies, regulations, and rules for travel reimbursement, small purchases, and procurement cards; North Carolina Motor Fleet Management regulations; and Office of Budget and Management (OMB) Circular A-21
- Examination of relevant documents and records including travel authorizations and expenditure reimbursements, quarterly progress reports, and procurement card purchases
- Interviews with University employees and management, North Carolina Department of Transportation personnel, and faculty members from East Carolina University and the University of North Carolina Wilmington.

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

[This Page Left Blank Intentionally]

ORGANIZATION OVERVIEW

North Carolina State University (University) was established as a land-grant institution in 1887. The University is the largest four-year institution in North Carolina with enrollment exceeding 34,000 students. The University is one of 16 constituent institutions in the University of North Carolina system. A Board of Trustees oversees its operations at the institutional level. The University's Chancellor and other senior administrators manage day-to-day operations.

The University offers instruction and research opportunities through programs within its colleges and departments. The University's College of Natural Resources (College) focuses on the sustainable use of natural resources. The Department of Forestry and Environmental Resources (Department) is one of three departments within the College. The Department was founded in 1929 as the University's School of Forest Resources.

In the early 1990s, the Department added the restoration of ecosystems to its responsibilities. The Department also began to apply Geographic Information Science (GIS) to natural resource and wildlife management. GIS can enhance environmental impact assessment, urban planning, forestry management, wildlife and fisheries management, conservation and restoration. The Department and its faculty participate in research efforts associated with these areas of study.

In 2009, an Associate Professor in the Department (Professor) submitted a grant proposal to the North Carolina Department of Transportation (DOT) to examine whether remote sensing¹ could be used for the monitoring of submerged aquatic vegetation in the Currituck Sound of North Carolina. Included in the proposal was a proposed work schedule for identifying and completing the tasks. DOT awarded the grant to the University in August 2009. The tasks for the grant were expected to be completed by August 31, 2011. Due to delays from Hurricane Irene, DOT allowed several no cost extensions to complete additional field sampling and the report.

As the project progressed, the Professor and his assistants communicated the status through quarterly reports to DOT. These quarterly reports provided a general summary of accomplishments and future milestones. The reports were reviewed by a DOT Research Engineer managing the project. At the completion of the grant, it is anticipated that a final report and a data model will be submitted to DOT.

¹ Remote sensing is defined as the collection of data about an object without making physical contact with it. Aircraft or satellites are used in many instances to assist in obtaining data.

[This Page Left Blank Intentionally]

FINDINGS AND RECOMMENDATIONS

AN ASSOCIATE PROFESSOR COULD NOT PROVIDE DOCUMENTATION TO SUPPORT GRANT-FUNDED TRIPS TO THE NORTH CAROLINA OUTER BANKS.

An Associate Professor of Forestry and Natural Resources (Professor) spent \$3,359 from state grant funds² for two trips to the North Carolina Outer Banks.³ According to the Professor, he traveled in July and August 2011 to validate data obtained from plant and water samples taken from the Currituck Sound in 2010. However, the Professor could not provide documentation to support the sampling and validation he said he performed on both 2011 trips. Additionally, quarterly research progress reports submitted to the North Carolina Department of Transportation (DOT) did not mention sample validation activities during July and August 2011.

For the July 2011 trip, the Professor and his family obtained lodging at a resort near Duck, North Carolina at a rate of \$587.69 per night for three nights. The Professor said the travel arrangements were made at the last minute and he said there were no vacancies in surrounding lower-priced hotels. Also, he said that the resort was near the work site (Corolla, NC) and staying at this facility would require less commuting time in this high traffic area. For the August 2011 trip, the Professor and his family stayed at a hotel near Kitty Hawk, North Carolina at a rate of \$367.66 for one night and \$390.01 per night for two nights. For both the July and August 2011 trips, the check-in day was Thursday and the check-out day was Sunday. The Professor said the only time available for him to perform the validation sampling was on weekends because of other work obligations Monday through Wednesday. The Professor also received \$448.70 for his meals and transportation costs on these two trips.

The Professor said that he recorded the sample results for both the July and August 2011 trips and gave the “sheets of paper” to his research assistant. After the results were recorded, the Professor said he did not keep the documentation. According to the North Carolina State University (University) Director of Contracts and Grants, there was no protocol in the Department of Forestry and Environmental Resources regarding what information should be documented and how long it should be kept to support the validation of data. However, University policies regarding responsibilities of principal investigators⁴ for research projects require “all records generated from the work performed on any project...must be maintained for a minimum of 3 years OR as required by the sponsor, journal, or patent disclosure whichever is longer. Records include all laboratory notebooks, final data sets, the proposal, technical reports...”

Research professors at East Carolina University and the University of North Carolina Wilmington said they record the date, location, and time of their sample collections. Also, they record weather conditions and a description of the sample items collected. Additionally, these research professors said, if data is recorded manually, it is later transferred into an electronic format for storage. Both professors said they retain their field work data indefinitely for future reference.

² The grant funds were initially awarded by the Federal Highway Administration to the North Carolina Department of Transportation for a research project in Currituck Sound.

³ Outer Banks: A chain of sand barrier islands and peninsulas located along the Atlantic coast of eastern North Carolina.

⁴ Principal investigator: the lead scientist or engineer for a project. The Associate Professor acted as principal investigator for this project.

FINDINGS AND RECOMMENDATIONS (CONCLUDED)

The lack of documentation, timing of trips, and inclusion of family members, raised a number of questions regarding the necessity and work-related purpose of these trips. In our opinion, without documentation supporting a business purpose, DOT grant funds should not have been used to fund the Professor's travel to the Outer Banks region in the summer of 2011.

RECOMMENDATION

The College of Natural Resources, Department of Forestry and Environmental Resources should comply with the University's document retention requirements for principal investigators. As such, the College should develop specific data documentation and retention requirements, consistent with standards for academic research. For example, documentation requirements could include the date, time, and location for a sample collection, weather conditions at the time of collection, and a description of the sample items collected. Once developed, these requirements should be communicated to all professors and research assistants to ensure compliance. In addition, University management should consider requiring the Department Professor to repay grant funds used for travel to the Outer Banks in 2011.

RESPONSE FROM NORTH CAROLINA STATE UNIVERSITY



Office of the Chancellor
Box 7001 / A Holladay Hall
Raleigh, North Carolina 27695-7001
919.515.2191

November 13, 2012

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

Dear Ms. Wood:

Thank you for the October 29, 2012 confidential draft report on your office's investigation of allegations concerning the North Carolina State University, College of Natural Resources, Department of Forestry and Environmental Resources. Please find attached to this letter our response to the issue reported and your related recommendations.

We would like to express our appreciation of the professionalism with which your auditors conducted this investigation and their collaborative and productive approach.

Please contact Cecile Hinson, Director of Internal Audit, at (919) 515-8862 if you have any questions or require additional information.

Sincerely,

A handwritten signature in black ink that reads "W. Randolph Woodson".

W. Randolph Woodson
Chancellor

Enclosure

cc: Cecile Hinson, Director of Internal Audit

North Carolina State University

Response to North Carolina Office of the State Auditor Investigative Draft Report

Regarding College of Natural Resources, Department of Forestry and Environmental Resources

October 29, 2012

State Auditor Finding

Issue:

An Associate Professor could not provide documentation to support grant-funded trips to the North Carolina Outer Banks.

Recommendation:

The College of Natural Resources, Department of Forestry and Environmental Resources should comply with the University's document retention requirements for principal investigators. As such, the College should develop specific data documentation and retention requirements, consistent with standards for academic research. For example, documentation requirements could include the date, time, and location for a sample collection, weather conditions at the time of collection, and a description of the sample items collected. Once developed, these requirements should be communicated to all professors and research assistants to ensure compliance. In addition, University management should consider requiring the Department Professor to repay grant funds used for travel to the Outer Banks in 2011.

NC State Response to Finding

The College of Natural Resources is committed to integrity in the teaching, research, and service it provides to the State of North Carolina. Demonstrating this commitment, the following actions have been taken in response to the State Auditor's report.

First, to raise awareness among the faculty, the College is publicizing the University PI list of responsibilities in several ways. (A) The July 2012 CNR Research Update Newsletter emphasized the importance of PIs following the University's list of responsibilities, which include requirements for maintaining data and research related information. (B) The November 1, 2012 meeting of the College of Natural Resources Research Committee included a discussion about requirements to maintain research data for a minimum of three years, and if required by the sponsor, sometimes longer. (C) PI responsibilities under University policy, as well as the potential consequences of not meeting those responsibilities, were communicated to all faculty and staff at the CNR fall meeting. And (D), each department head within the College will further communicate and discuss PI responsibilities at departmental faculty meetings.

North Carolina State University

Response to North Carolina Office of the State Auditor Investigative Draft Report

Regarding College of Natural Resources, Department of Forestry and Environmental Resources

October 29, 2012

Second, the College Research Office discussed the University's PI responsibilities, the need to properly archive research data, and the documentation expected in support of business travel with the Associate Professor. The College of Natural Resources will ensure that the funds used for travel to the Outer Banks in 2011 are fully reimbursed to the grant.

In closing, the university is pleased to note that the grant in question is on track to be completed successfully and to provide important understanding of our coastal resources.

[This Page Left Blank Intentionally]

ORDERING INFORMATION

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

This investigation required 488 hours at an approximate cost of \$35,136. The cost represents 0.19% of the \$18,063,742 that the North Carolina State University College of Natural Resources received in grants for the three-year period ended June 30, 2012.