

SPECIAL REVIEW

**NORTH CAROLINA STATE UNIVERSITY
MUSIC DEPARTMENT**

JANUARY 1995

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January 24, 1995

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January 24, 1995

The Honorable James B. Hunt, Jr., Governor
Mr. C. D. Spangler, Jr., President
The University of North Carolina System
Dr. Larry K. Monteith, Chancellor
North Carolina State University
Members of the General Assembly of North Carolina

Ladies and Gentlemen:

Pursuant to General Statute §147-64.6(c)(16), we have completed our special review into allegations concerning North Carolina State University's Music Department. The results of our review, along with recommendations for corrective actions, are contained in this report.

General Statute §147-64.6(c)(12) requires the State Auditor to provide the Governor, the Attorney General, and other appropriate officials with written notice of apparent instances of violations of penal statutes or apparent instances of malfeasance, misfeasance, or nonfeasance by an officer or employee. In accordance with that mandate, and our standard operating practice, we are providing copies of this special review to the Governor, the Attorney General, the Director of the SBI, and other appropriate officials. The Chancellor of North Carolina State University has reviewed this report and his written comments are included on Page 14.

Ralph Campbell, Jr.
State Auditor

OVERVIEW

The North Carolina State University's (NCSU) Music Department provides various bands to perform at NCSU athletic events. The NCSU Athletic Department transfers funds annually to a Musical Organizational Trust Fund within the Music Department to cover expenses pertaining to the bands' performances at these athletic events. This transfer is based on a budget prepared and submitted by the Music Department after they determine the amount of funds needed. Similar transfers are made on an individual basis by the Athletic Department to the Music Department for special athletic events such as football bowl games.

The NCSU Marching Band which performs at most of these events has 170 members. The Music Department currently has 13 employees including a Director of the Department and a Band Director. For the fiscal year ending June 30, 1994, the Music Department had total revenues of \$660,801, including \$65,450 transferred from the Athletic Department, and total expenditures of \$635,303.

INTRODUCTION

The Office of the State Auditor received several allegations through the State Auditor's Hotline concerning the NCSU Music Department.

The following procedures were used to conduct our special review:

1. Interviews with employees of the Music Department.
2. Interviews with individuals external to the Music Department.
3. Examination of records related to the Marching Band's activities in conjunction with the Athletic Department.

This report represents the findings and recommendations from our review. We examined financial records but did not conduct a financial audit of the Music Department. The Office of the State Auditor performs a financial audit of the university annually.

FINDINGS AND RECOMMENDATIONS

1. **Records Pertaining to the Activities Questioned in the Hotline Allegations are Missing from the Music Department and the Band Director's Files.**

On September 20, 1994, we met with the Director of the Music Department (Department) to inform him that we were going to perform a special review within the Department. During this meeting we requested records pertaining to the Marching Band's travel to Tampa, Florida on December 3, 1993 for a professional football game, and records for a December 28, 1993 through January 2, 1994 trip to the Hall of Fame Bowl game.

The next day (September 21, 1994), the Director of the Music Department informed us in writing that a box containing monthly financial records from the Musical Organization Trust Fund was missing from the Department. According to the Director, this box contained account statements, invoices, and other relevant information dating from July 1993 to April 1994. In addition, the Director of the Music Department was informed by the Band Director that records and computer files were missing from the Band Director's office which pertained to the two Tampa, Florida trips.

In accordance with G.S. §114-15.1, the North Carolina State University (NCSU) General Counsel informed the State Bureau of Investigation of the missing records on September 22, 1994. These records still have not been located.

Recommendation

We recommend that NCSU management take appropriate action to ensure that the Music Department maintain adequate control over financial records for which they are responsible.

2. Inadequate Internal Controls Exist Over Cash Disbursements for Meal Allowances at Out-of-Town Football Games.

We determined that inadequate controls exist over the disbursement of meal allowance money provided to Music Department staff members and marching band members for out-of-town athletic events. In most instances, the Band Director obtains and cashes a travel advance check. He subsequently disburses the money to students and staff and requires them to sign a roster acknowledging receipt of the cash. Any money left over is deposited. Students and staff are not required to provide any identification prior to signing the roster and receiving their meal allowance.

This weakness has contributed to money being given out for students who did not attend the events. The following are examples:

- ◆ One marching band member did not sign the meal roster nor receive any meal allowance for the September 11, 1993 Wake Forest football game trip. However, this band member's name is signed on the meal roster as receiving \$6 for the Wake Forest trip.

- ◆ Two marching band members did not sign the meal roster nor receive any meal allowances for the October 1-2, 1993 Clemson football game trip. However, these band members' names are signed on the meal roster as receiving \$10 each for the Clemson trip.
- ◆ Three marching band members did not sign the meal roster nor receive any meal allowances for the December 3-5, 1993 Tampa Bay Buccaneers football game trip. However, the band members' names are signed on the meal roster as receiving \$15 each for the trip.

The Band Director was responsible for obtaining and distributing the meal allowance for these trips including maintaining the meal roster and disbursing the cash. He stated that he did not sign these band members' names nor receive their meal allowances. He further stated he did not know who signed these band members' names or who received the cash.

In another incident, a band member received a meal allowance totaling \$95 on December 27, 1993 for the December 28, 1993 through January 2, 1994 Hall of Fame Bowl (HOF) game trip. This band member was unable to attend the HOF trip. She returned the \$95 through a friend, to the Assistant Director of Music (Assistant Director). He had disbursed the meal allowances to students and staff for this trip. We determined that this \$95 had not been accounted for. The Assistant Director said that he remembered receiving the \$95 back from the band member but did not recall what he did with the money. The Assistant Director refunded the Music Department for this \$95 on October 24, 1994.

Recommendation

We recommend that NCSU Management take the appropriate action to ensure that proper internal controls exist in the disbursement of meal allowances for trips in the future to ensure that similar abuses do not occur. These controls should include segregation of duties and the requirement for students and staff to provide identification prior to receiving meal allowances.

3. **The Band Director Received \$300 in Cash for A Bowl Trip Without Clarification As To The Purpose of the Money.**

The meal allowance for the Hall of Fame Bowl (HOF) was disbursed on December 27, 1993. All staff members received a \$135 meal allowance in cash. The Band Director received an additional \$300 in cash for the trip. According to the Director of the Music Department, he instructed the faculty member disbursing meal allowances to give the Band Director the additional \$300. The Director of the Music Department stated that the money was provided to the Band Director for incidentals or emergencies that might occur on the HOF trip.

The Band Director said that he thought the \$300 was a bonus from the Director of the Music Department and that he had spent the money as such. He said that he assumed the money was a bonus because he knew two other employees had received similar bonuses. (Refer to Finding 4) He further stated that no one had asked him to account for the \$300. The Director of the Music Department said the \$300 was not intended to be a performance bonus and it should have been returned to the Department or, if spent, accounted for by receipts.

Neither the Director of the Music Department nor the Band Director recalled any specific conversation between them regarding how the \$300 was to be used.

Recommendation

We recommend that NCSU Management determine if the \$300 should be reimbursed by the Band Director to the Department. If it is determined that this payment was a bonus, then future bonuses should be handled through the payroll process.

4. **The Music Department Made Cash Bonus Payments to Part-Time Employees Without Going Through the Payroll Process.**

During our special review, we determined that two part-time employees within the Music Department (Department) received bonuses for their role in organizing the Hall of Fame Bowl (HOF) trip that occurred on December 28, 1993 through January 2, 1994. These bonuses, totaling \$300, were paid to the employees in cash with their meal allowance of \$135 on December 27, 1993 rather than processing the payments through the payroll account. These bonuses were approved by the Director of the Music Department after he received a written request from the employees for additional money to compensate them for loss of wages from other employment while organizing the HOF trip.

Recommendation

We recommend that NCSU Management take the appropriate action to ensure that similar cash payments are not made in the future. All payments made to employees for work performed should be handled through the normal payroll process.

5. **Expenditures Were Transferred at Year-End From A Trust Fund to State Appropriated Funds In Order to Prevent State Funds From Reverting.**

During our review, we determined that a journal entry was made on June 21, 1994, by an Accounting Technician in the Office of the Vice Chancellor of Student Affairs. The purpose of the entry was to transfer expenditures totaling \$9,545 from the Musical Organizational Trust Fund to the Music Department's State Appropriated Account. These expenditures (which originally occurred during October 1993), were payments for charter bus services to two football games for the marching band.

According to a Senior Budget Analyst within the State Budget Office, state appropriated funds at an university can only be used for educational expenses and not for expenses related to athletic events.

According to the Accounting Technician, the transfer of funds was made so excess state appropriations would not revert back to the State at the end of the year. She said that she transferred these particular expenses because they were in the Music Organizational Trust Funds' travel line item and she did not realize that the travel pertained to athletic events. The journal entry was approved by the Vice Chancellor for Student Affairs.

Recommendation

Expending State funds just to prevent them from reverting to the State at year end should be dealt with seriously by NCSU management. Furthermore, we recommend that the \$9,545 transferred by journal entry on June 21, 1994, be reimbursed to the State Appropriated Account and then sent to the State's general fund.

6. Unused Meal Allowance Monies Were Not Deposited in a Timely Manner.

The NCSU Marching Band attended the Hall of Fame Bowl (HOF) game from December 28, 1993 through January 2, 1994. On December 16, 1993, a travel advance check totaling \$19,605 (from the NCSU Accounts Payable Department) was paid to an Assistant Athletic Director to provide meal allowances to the band members and Music Department staff. The Assistant Athletic Director cashed the check and gave \$18,780 in cash to the Director of the Music Department on December 20, 1993. According to the Assistant Athletic Director, the remaining \$825 in cash was placed in a safe in the Athletic Department and was not deposited with the university until January 18, 1994.

On December 27, 1993, \$16,580 of the \$18,780 was disbursed by the Assistant Director of the Music Department to staff members and band members for their meal allowances on the HOF trip. The remaining \$2,200 was taken on the trip by the Assistant Director of the Music Department and was not returned to the Assistant Athletic Director until January 14, 1994.

Recommendation

We recommend that NCSU Management take the appropriate action to ensure that all monies are deposited in a timely manner.

7. **NCSU Staff Are Given More Money for Meal Allowances Than Students When Traveling to the Same Athletic Events.**

During our review, we determined that in most instances students in the NCSU Marching Band receive less money for meal allowances than staff members in the Music Department during travel to athletic events. In addition, students on athletic teams receive less than staff members in the Athletic Department on similar trips. While the meal allowance varies with each trip for students and staff, we noted one trip which band members received \$15 for meals while the staff members received \$30.

Recommendation

We recommend that NCSU Management establish a policy whereby students and staff receive the same meal allowance when they are traveling to the same events.

STATEMENT OF FINANCIAL IMPACT

The following schedule represents a quantification of the items examined during our special review. We cannot completely quantify the tangible benefits or detriment, if any, to the taxpayer resulting from the findings of our review. We are simply noting those areas where the system of internal controls should be enhanced.

1)	Questionable cash disbursements for meal allowances	\$ 166
2)	Money received by the Band Director that he kept as a bonus without clarification as to the purpose of the money.	300
3)	Cash bonuses paid to part-time employees.	300
4)	State funds spent in order to prevent them from reverting at year end.	9,545
5)	Monies not deposited in a timely manner.	<u>3,025</u>
	TOTAL FINANCIAL IMPACT	<u>\$13,336</u>

