

STATE OF NORTH CAROLINA
OFFICE OF THE STATE AUDITOR
BETH A. WOOD, CPA



**DWI / FELONY SPEEDING TO ELUDE
VEHICLE SEIZURE PROGRAM**

PRESENTATION TO THE JOINT LEGISLATIVE OVERSIGHT
COMMITTEE ON GENERAL GOVERNMENT

NOVEMBER 7, 2017

Initiation of the Audit

- The Department of Public Instruction was responsible for the Program from December 1, 1997 to February 29, 2016.
- The Program was moved to the Department of Administration's State Surplus Property Agency as of March 1, 2016.
- Then DOA Secretary Kathryn Johnston requested OSA review the program.

General Statute

North Carolina General Statute 20-28 sets forth the guidelines for the Program and authorizes State Agencies to enter into and administer contracts for towing, storing, processing, maintaining, and selling vehicles seized by law enforcement.

Contract with the State

Contract terms required Program contractors to tow, store, process, maintain, and sell vehicles seized under North Carolina's DWI law. According to the contract:

- “Contractor shall be responsible for the safety of the motor vehicles in their custody and control”
- “Contractor shall provide DPI, on the 1st of each month, a computerized up-to-date inventory of all motor vehicles in their custody and control”
- “Contractor shall notify DPI not less than 20 days prior to the sale of the forfeited vehicle”
- “Contractor shall provide DPI with a copy of each bill of sale at the end of each sale”

Vehicle Seizure Process

- Local law enforcement physically seizes a vehicle and the magistrate issues an order of seizure
- Local law enforcement reports the information to DMV and a hold is placed on vehicle's registration
- The vehicle would then appear on DMV's daily seized vehicle report
- Contractor has the responsibility to take possession within 2-5 business days

Vehicle Seizure Process

Per the contract, these vehicles should be either:

- Auctioned by contractor
- Held in contractor storage
- Returned to owner

Audit Objective/Scope

- The objective of this audit was to determine whether private contractors operated the DWI/Felony Speeding to Elude Vehicle Seizure Program (Program) in accordance with contract terms and state regulations.
- The audit scope included a review of Program activities between July 1, 2011, and June 30, 2016 **AND** vehicles seized between July 1, 2013, and June 30, 2016.

Findings

Contractors Cannot Account for 234 Vehicles

As a result, the state has no way of knowing what happened to approximately \$634,000 of seized vehicles, including whether or not contractors inappropriately kept or auctioned these vehicles for their own profit.

Findings

Contractor	Total Seized Vehicles	Total Unaccounted for Vehicles	Vehicle Value
Martin Edwards & Associates, Inc.	4,772	221	\$594,800
Eastway	4,018	13	\$39,150
Total		<u>234</u>	<u>\$633,950</u>

Findings

Caused by Lack of Departmental Priority and Oversight

DPI did not effectively monitor the Program in two key areas:

- DPI did not attempt to validate the contractor's inventory reports for completeness by comparing them to DMV records.
- DPI did not reconcile the contractor's inventory reports from one month to the next.

Recommendations

- The Department of Administration should monitor contractor performance on a regular basis and follow-up on any matters of noncompliance.
- The Department of Administration should determine to what extent the contractors are able to provide these services under current and future state contracts.

Matters for Further Consideration

Martin Edwards and Associates, Inc.

Actively Hindered the Audit

DOA should consider if the State should continue to contract with Martin Edwards and Associates, Inc. (MEA). MEA was uncooperative and actively presented scope limitations to auditors. For example, MEA:

- Tried to Refuse a State Auditor Subpoena.
- Was Unwilling to Produce Documentation Requested by Auditors.
- Had Poor Recordkeeping and Could Not Produce Over 440 Documents.

Matters for Further Consideration

Title Holds Not Placed on Seized Vehicles on a Timely Basis

The Basic Law Enforcement Training Curriculum should include a course that trains law enforcement officers on the DMV notification requirement for the DWI/Felony Speeding to Elude Vehicle Seizure Program.

Questions