



STATE OF NORTH CAROLINA

INVESTIGATIVE REPORT

TOWN OF PRINCEVILLE

PRINCEVILLE, NORTH CAROLINA

APRIL 2013

RE-RELEASED DECEMBER 2014

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

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Office of the State Auditor



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AUDITOR'S TRANSMITTAL

The Honorable Pat McCrory, Governor
Members of the North Carolina General Assembly
Board of Commissioners, Town of Princeville
Janet Cowell, State Treasurer; Chair, Local Government Commission

Ladies and Gentlemen:

Pursuant to North Carolina General Statute §147-64.6(c)(16), we have completed an investigation of allegations pertaining to the Town of Princeville. 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).

Respectfully submitted,

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

Beth A. Wood, CPA
State Auditor

April 8, 2013

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INTRODUCTION

In the course of attending Department of State Treasurer, Local Government Commission (LGC) meetings and updates, certain information about Princeville's finances came to light and became a cause for concern for the State Auditor. Allegations of financial malfeasance or the misuse of town funds by former and current town officials and employees emerged that confirmed the need for an independent assessment.

During the July 30, 2012, special meeting of the LGC, Princeville's Mayor furnished the State Auditor with documentation alleging that the former town mayor and two current commissioners had committed illegal acts that were portrayed as being far more egregious than any existing concerns about the town.

The first allegation was that Princeville paid \$50,000 to a building supply company owned by the relative of a town commissioner. The check for the supplies was dated June 29, 2000, and was signed by the former mayor and a town commissioner. The second allegation was that a town commissioner fraudulently received approximately \$64,000 in 2001 and 2002 from the North Carolina Redevelopment Center Crisis Housing Assistance Fund after Hurricane Floyd.

The Edgecombe County District Attorney asked the State Bureau of Investigation (SBI) to investigate several allegations regarding the Town of Princeville, including the two furnished by the Mayor to the State Auditor. It was confirmed that the SBI conducted an investigation and turned over the results to the Edgecombe County District Attorney, who reviewed the case and declined to prosecute. The Edgecombe County District Attorney then referred the case to the Attorney General's Special Prosecutions Division, who also declined to prosecute.

During the course of a review of Princeville's financial records at the North Carolina Department of State Treasurer, State and Local Government Finance Division, Fiscal Management Section, investigators from the Office of the State Auditor discovered questionable credit card charges, travel reimbursements, and consulting agreements involving some current town officials and employees. This became the subject of our investigation.

To conduct our investigation of the questionable credit card charges, travel reimbursements, and consulting agreements, Office of the State Auditor investigators performed the following procedures:

- Interviews with employees of the North Carolina Department of State Treasurer, State and Local Government Finance Division, Fiscal Management Section
- Examination of relevant financial documents and records of the Town of Princeville
- Interviews with former employees of the Town of Princeville
- Interviews with individuals and firms providing professional services for the Town of Princeville

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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BACKGROUND AND HISTORY

Town of Princeville

According to its website, “Princeville was incorporated in 1885 as the first black community in North Carolina, founded 20 years after emancipated slaves crossed the Tar River from the city of Tarboro in Edgecombe County.” Princeville is governed by a Mayor and a four-member Board of Commissioners. Princeville employees include a town manager, town finance officer, police chief, three police officers, two public works employees, and a custodian.

Local Government Commission

In 1931, the North Carolina General Assembly established the Local Government Commission (LGC) to help address the problems in local government finance caused by the Depression. The LGC, established by North Carolina General Statute § 159-3, provides assistance to local governments and public authorities in North Carolina. The Department of State Treasurer provides staff for the LGC. The LGC approves the issuance of debt for all units of local government and assists those units with fiscal management. Also, LGC staff regulate annual financial reporting by overseeing the annual independent auditing of local governments, by monitoring the fiscal health of local governments, and by offering broad assistance in financial administration to local governments.

The LGC is composed of nine members: the State Treasurer, the Secretary of State, the State Auditor, the Secretary of Revenue, and five others by appointment (three by the Governor, one by the General Assembly upon the recommendation of the President Pro Tempore, and one by the General Assembly upon the recommendation of the Speaker of the House). The State Treasurer serves as Chair and selects the Secretary of the LGC, who heads the administrative staff serving the LGC.

Chronicle of Events

The takeover of a local government’s finances has occurred only five times in the history of North Carolina. Two of these occurrences involved the Town of Princeville (1997 and 2012). The takeover of Princeville’s finances in 2012 was precipitated by a series of events.

The North Carolina Department of State Treasurer, State and Local Government Finance Division, Fiscal Management Section (Fiscal Management Section) is charged with monitoring the financial condition of local governments in North Carolina. Investigators from the Office of the State Auditor asked the Director of the Fiscal Management Section (Fiscal Management Director) to provide a brief chronicle of events leading up to the most recent takeover.

The Fiscal Management Director informed us that Princeville’s Mayor was elected in December 2009. The Interim Town Manager resigned in January 2010. Around July 2010, the Fiscal Management Section began receiving phone calls from Princeville employees and commissioners stating that the town was having financial and operational problems. Also around that time, the Fiscal Management Section, in the course of monitoring monthly interim financial statements, noticed a decline in the financial condition of the town. The Fiscal Management Section also became concerned with the management of Princeville’s Water and Sewer Fund, especially billings, collections, and the enforcement of utility shut-offs for delinquent customers. The Fiscal Management Section sent letters to Princeville’s Mayor and

BACKGROUND AND HISTORY (CONTINUED)

the Board of Commissioners (Commissioners) expressing its concern that the town would be unable to pay its bills. Those letters and subsequent letters included offers to assist the town, but neither the Mayor nor the Commissioners responded to those offers.

According to the Fiscal Management Director, Princeville's June 30, 2011 audited financial statements were due October 31, 2011, but were not received by the Fiscal Management Section until April 2012. The auditor's report on the financial statements expressed an adverse opinion, which means that, "...the financial statements do not present fairly the financial position or the results of operations or cash flows in conformity with generally accepted accounting principles. Such an opinion is expressed when, in the auditor's judgment, the financial statements taken as a whole are not presented fairly in conformity with generally accepted accounting principles."¹ The adverse opinion means that the information contained in Princeville's financial statements is materially incorrect, unreliable, and inaccurate for purposes of assessing the town's financial position and results of operations.

The adverse opinion, coupled with the continued decline in Princeville's cash flow, ultimately resulted in another letter from the Fiscal Management Director to the Mayor and the Commissioners in May 2012. The letter informed her that Princeville was in poor financial condition and that 19 material weaknesses were reported in Princeville's audited financial statements for the year ended June 30, 2011. The letter also informed her that the following items were required by June 4, 2012: A corrective action plan addressing each finding in the audit, working draft of the 2012-2013 budget, monthly interim financial information from September 2011 through April 2012, and the signature of each member of the Board of Commissioners indicating their understanding of the gravity of the issues they faced in restoring fiscal health to Princeville. The letter concluded with another offer of assistance in the development and implementation of Princeville's corrective action plan.

On June 4, 2012, the Fiscal Management Director received a response from Princeville's attorney with a corrective action plan for the 19 material weaknesses. The Fiscal Management Director also received a working draft of Princeville's budget for the fiscal year ending June 30, 2013, which included a 23.2 percent increase in Princeville's property tax rate.²

At its July 10, 2012, meeting, the LGC expressed its concern that Princeville's Water and Sewer Fund was in danger of running out of funds needed for its operation. The LGC also expressed concern about the town's continued noncompliance with North Carolina General Statute § 159, Article 3, titled *The Local Government Budget and Fiscal Control Act*. The LGC resolved at the meeting to direct the Deputy Treasurer to deliver a notice and warning to the town pursuant to North Carolina General Statute §159-181(c).

On July 25, 2012, it was announced that a special meeting of the LGC would be held to consider impounding the books and records of Princeville and assuming full control of all of its financial affairs following the notice and warning issued to the town on July 10, 2012.

¹ American Institute of Certified Public Accountants, AU § 508, *Reports on Audited Financial Statements*, paragraph 58, *Adverse Opinions*.

² This is the percentage increase resulting from a proposed change in the tax rate from 62 cents to 76.4 cents per \$100 of assessed value.

BACKGROUND AND HISTORY (CONCLUDED)

On July 30, 2012, the LGC voted to take control of Princeville's accounts and assume responsibility for its finances. According to the Fiscal Management Director, Princeville was in danger of defaulting on a \$310,000 loan to replace its water meters and failed to comply with the requirements of North Carolina General Statute §159, Article 3.

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FINDINGS AND RECOMMENDATIONS

1. PRINCEVILLE'S MAYOR AND A TOWN EMPLOYEE USED TOWN CREDIT CARDS FOR QUESTIONABLE EXPENDITURES.

Until July 2012, the Town of Princeville possessed two VISA credit cards. One of these credit cards was assigned to the Mayor and the other to the former Town Finance Officer. The Mayor and the former Town Finance Officer used the credit cards to purchase various items without providing receipts or documenting the business purpose at the time of the expenditure.

The Mayor's credit card activity for the period August 2010 to July 2012 revealed charges of \$13,018, of which \$5,408 was not supported by receipts. The charges on the Mayor's credit card were primarily for hotels (11 charges totaling \$1,146), gas (95 charges totaling \$4,726), and restaurants (81 charges totaling \$4,006). The majority of the charges did not have a clearly documented business purpose. Moreover, the volume of credit card activity did not seem commensurate with the population of Princeville or the Mayor's responsibilities. Among the charges on the Mayor's credit card were:

- 22 visits to Madison Seafood totaling \$1,255
- 11 visits to Crystal Palace totaling \$848
- 15 visits to Office Depot totaling \$1,137
- 2 visits to Bed Bath & Beyond totaling \$222

The former Town Manager and former Town Finance Officer said there was seldom any supporting documentation for the Mayor's credit card purchases, and they believed most of the charges had no legitimate business purpose. Appendix A includes a detailed list of the Mayor's credit card activity that was not supported by receipts. The Mayor's credit card account was also assessed \$572 in late fees and finance charges, an unnecessary and imprudent use of town funds.

On September 19, 2012, the North Carolina Department of State Treasurer, State and Local Government Finance Division, Fiscal Management Section (Fiscal Management Section) sent a letter to the Mayor and Princeville's Board of Commissioners requesting supporting documentation for credit card charges for the period August 2010 to July 2012.

In a letter to the Fiscal Management Section dated October 18, 2012, the Mayor's personal attorney responded on her behalf. He stated that the supporting documentation for the Mayor's credit card charges had been provided to the former Town Finance Officer "on a regular basis" and were approved for payment by the former Town Manager. However, he also reported that the files containing the supporting documentation were missing. In a subsequent letter dated November 20, 2012, the Mayor's personal attorney included an attachment with the Mayor's handwritten explanations for the credit card charges that were missing receipts. Most of the explanations were too vague to establish a business purpose. For example, the Mayor listed "vehicle fuel" as the business purpose for most gas station charges. There is no mention of where the vehicle was driven or for what town purpose.

FINDINGS AND RECOMMENDATIONS (CONTINUED)

Another explanation provided by the Mayor for the purchase of a \$164 roundtrip Amtrak ticket was that it was for transportation to attend a meeting in Washington, D.C. The Mayor also received a check reimbursement which included vehicle fuel for the same trip, which was for her attendance at the National Environmental Justice Conference, April 27-29, 2011. Investigators from the Office of the State Auditor (Investigators) obtained information from Amtrak which showed that the train ticket was actually used by a consultant who the Mayor hired. The consultant took the train to Washington, D.C. on April 27 and returned on April 28, missing the third day of the conference.

Investigators contacted the consultant to ask why he did not submit a reimbursement request for lodging, meals, or mileage to and from the Amtrak station in Greensboro, NC. Under the terms of his contract with Princeville, the consultant was entitled to reimbursement for lodging, meals, and mileage. The consultant responded that there was no lodging reimbursement for the night he was in Washington, D.C. because he stayed with a friend. He also said he did not seek reimbursement for meals or mileage because he did not think it was appropriate due to Princeville's financial situation. This is despite the fact that the consultant had a history of submitting reimbursement requests related to his contract with Princeville. The consultant said that his reason for attending the conference was to get information on obtaining a water quality grant for Princeville. However, no grant application was ever prepared.

The Fiscal Management Section never received a response regarding receipts or business purposes for the former Town Finance Officer's credit card charges. Investigators arranged an interview with the former Town Finance Officer in the town where she now resides, but she was able to provide only six additional receipts, copies of which were provided to the Fiscal Management Section. However, there was no documentation supporting a clear business purpose for the expenditures. The former Town Finance Officer's credit card activity for the period October 2010 to July 2012 revealed that she charged \$3,595, of which \$1,380 was not supported by receipts. There was no business purpose indicated for an additional \$1,966 in charges that were supported by receipts. Additionally, the former Finance Officer's credit card account was assessed \$184 in late fees and finance charges which were paid by the town. (See Appendix B for the former Town Finance Officer's credit card activity including transactions not supported by receipts, those for which no business purpose is indicated, and late fees and finance charges.)

Investigators made several attempts to schedule an interview with the Mayor, but the Mayor's personal attorney responded to the requests with a letter stating the Mayor would not submit to an oral interview (see Appendix C). If the Mayor or the Town Finance Officer used public funds for their private benefit, it may represent a violation of one or more of the following state laws:

- § 14-90. Embezzlement of property received by virtue of office or employment.
- § 14-92. Embezzlement of funds by public officers and trustees.
- § 143-58.1. Unauthorized use of public purchase or contract procedures for private benefit.

(See Appendix D for the complete text of the North Carolina General Statutes cited above.)

FINDINGS AND RECOMMENDATIONS (CONTINUED)

RECOMMENDATION

Princeville should implement controls to ensure that credit card purchases are necessary and for a legitimate business purpose. The Town Manager or other designated employee should not approve any credit card expenditures that are not fully supported. Supporting documentation for credit card transactions should include hotel receipts, meal receipts, fuel receipts, invoices, etc. Supporting documentation for travel reimbursements should also include a travel authorization form with proper approval documenting the reason and nature of the expenditure with the appropriate receipts and invoices attached. Princeville should pursue any and all legal action necessary to obtain reimbursement from the Mayor and the former Town Finance Officer for credit card charges that were not fully supported with receipts and a clearly documented business purpose.

The Local Government Commission should retain control of Princeville's financial affairs until the matters addressed in this finding are resolved.

Note: Finding referred to the North Carolina State Bureau of Investigation, the Edgecombe County District Attorney, the Internal Revenue Service, and the North Carolina Department of Revenue.

2. PRINCEVILLE'S MAYOR, A COMMISSIONER, AND THE INTERIM TOWN MANAGER RECEIVED CHECK REIMBURSEMENTS OF \$4,112 FOR TRAVEL EXPENSES WITHOUT ADEQUATE SUPPORTING DOCUMENTATION.

The Mayor received check reimbursements totaling \$3,289 for travel expenses from January 2010 to August 2011. A Princeville commissioner received check reimbursements totaling \$619 for travel expenses from March 2012 to July 2012. The Interim Town Manager received a check reimbursement of \$204 for travel expenses in July 2012. These travel reimbursements were not adequately supported. For example, many reimbursement requests were missing approval signatures, receipts, mileage, or a clearly defined business purpose.

An analysis of the travel reimbursements was prepared by the Fiscal Management Section. Their analysis revealed numerous deficiencies including missing receipts and the absence of documentation supporting a clear business purpose. A few examples are noted below.

The Mayor received a travel advance of \$1,693 in May 2010 for a trip to a workshop in Washington, D.C. There were numerous deficiencies in the documentation submitted for the trip, including: name of workshop not provided, no evidence of registration at workshop, no dates of workshop, no mileage rate used to compute transportation costs, missing room receipt for two nights of lodging at the Hilton Garden Inn, insufficient receipts to account for \$70 of the \$175 advanced for valet parking, and insufficient receipts to account for \$53 of the \$300 advanced for meals.

FINDINGS AND RECOMMENDATIONS (CONTINUED)

A Princeville Commissioner received a \$319 payment in July 2012 for round trip mileage between her vacation destination and the Princeville Town Hall for a special board of commissioners meeting. The reimbursement request did not include the location of the board member's vacation destination for purposes of mileage verification. Additionally, the reimbursement request does not contain an approval signature. A call was placed to the Commissioner to ask her about this payment, but she hung up the phone when the investigator identified himself. A second call to the Commissioner went to voice mail. A message was left, but the Commissioner never returned the call.

The Interim Town Manager received a travel reimbursement of \$204 to attend a Local Government Commission meeting in Raleigh. The travel reimbursement did not indicate mileage to support the gas expenditure of \$79 and did not identify the other three persons accompanying her at dinner at a cost of \$116.

The boards of commissioners, including the mayor, receive monthly stipends. The Mayor receives \$250 per month and the commissioners each receive \$150 per month. In addition, the commissioners are eligible to receive reimbursement for travel expenses related to town business. The town does not have a policy that explicitly defines what the stipends should cover. As a result, it is unclear as to what portion, if any, of the stipends are intended to cover travel and other expenses.

RECOMMENDATION

Princeville should develop and implement a comprehensive travel reimbursement policy.

Princeville should develop a policy for board of commissioner stipends that specifies the types of expenses the stipends are intended to cover.

Princeville should consider taking legal action to obtain reimbursement from the Mayor, Commissioner, and the Interim Town Manager for the unsupported travel reimbursements.

Note: Finding referred to the North Carolina State Bureau of Investigation, the Edgecombe County District Attorney, the Internal Revenue Service, and the North Carolina Department of Revenue.

3. PRINCEVILLE'S MAYOR ENTERED INTO CONTRACTS WITHOUT OBTAINING THE REQUIRED PRE-AUDIT OR BOARD APPROVAL RESULTING IN EXCESSIVE OR IMPRUDENT EXPENDITURES FOR PROFESSIONAL SERVICES.

The Mayor entered into contracts with an attorney and a consultant without obtaining a pre-audit from the Town Finance Officer as required by General Statute § 159-28(a). The General Statute states, "If an obligation is evidenced by a contract or agreement requiring the payment of money or by a purchase order for supplies and materials, the contract, agreement, or purchase order shall include on its face a certificate stating that the

FINDINGS AND RECOMMENDATIONS (CONTINUED)

instrument has been pre-audited to assure compliance with this subsection. The certificate, which shall be signed by the finance officer or any deputy finance officer approved for this purpose by the governing board, shall take substantially the following form: This instrument has been pre-audited in the manner required by the Local Government Budget and Fiscal Control Act.” The pre-audit requirement is important because it acts as a control to prevent the town from spending more money than it budgets.

Attorney

Princeville entered into a contract for legal services with an attorney that was approved by the board of commissioners and signed by the Mayor, but was not pre-audited. The former Town Manager explained that the town budgeted \$36,000 for legal fees for fiscal year 2011, but paid an attorney \$79,215 that year. Invoices in fiscal year 2011 routinely exceeded \$6,000 per month. According to information received from the attorney, approximately \$24,125 (30.4 percent) of that year’s legal fees were incurred to defend against a commissioner’s suit to recover a fine of \$450 (three months of stipends) imposed by the board for an alleged violation of the “anti-disruption” policy. The \$450 fine was imposed after a motion was made in closed session at a board of commissioners meeting. In fiscal year 2012, the attorney received \$45,750 in legal fees. Documentation obtained from the Fiscal Management Section indicates that North Carolina towns of approximately the same population as Princeville have median legal fees of \$12,125.³

Examination of the attorney’s invoices revealed that the Mayor frequently contacted the attorney for matters not of a legal nature. Princeville was billed at \$150 per hour for items such as: multiple calls from the Mayor and town employees, writing letters to the editor of the *Daily Southerner* newspaper, setting up wireless internet in the Town Hall, and traveling to and from the board of commissioners meetings at town hall. The Mayor expected the attorney to attend all of the monthly board of commissioners meetings. As a result, the town paid \$200 for the attorney’s round-trip travel time between Durham, NC and Princeville, plus \$112.50 for mileage reimbursement. In fiscal year 2011, Princeville paid a total of \$5,775 for attorney travel time and mileage reimbursements for board meetings. While attorneys are typically expected to attend board meetings, the cost of travel for an attorney based in Durham is a significant expense for a town the size of Princeville.

Consultant

The Mayor entered into an agreement with a consultant that was not approved by the board of commissioners or pre-audited. The consultant was previously employed as Regional Project Director for D-POM, LLC, a company in which the Mayor has an ownership interest. The Mayor hired the consultant to provide economic development planning; grant research, preparation and submission; events planning; and research and report on the Princeville brand.⁴ The original contract was signed July 1, 2010, and had no end date. The contract obligated the town to bi-weekly payments of \$600 for the consultant’s services. When the cumulative payments reached \$9,762, a new contract was signed by the Mayor and the consultant with the only change being a new effective date.

³ \$12,125 represents the median legal fees for fiscal year 2011 for 22 towns similar in population to Princeville.

⁴ Services as described on the consultant’s invoicing.

FINDINGS AND RECOMMENDATIONS (CONCLUDED)

In total, Princeville paid the consultant \$24,078 between July 1, 2010, and March 31, 2012, without board approval or pre-audit.

Investigators obtained a copy of a document titled "RESOLUTION" dated May 31, 2005, and signed only by the Mayor. The document, in part, provides the Mayor with the authority to approve contracts for the town up to \$10,000 without board of commissioner approval. The former Town Manager informed us that he was unable to authenticate the document through his review of board meeting minutes.

RECOMMENDATION

All contracts should be pre-audited in accordance with North Carolina General Statute § 159-28(a).

Princeville should establish controls to ensure that contracts are properly approved by the board of commissioners.

APPENDIX A

Town of Princeville Mayor's Credit Card Charges

No Supporting Receipt

Date	Vendor/Charge Type	Amount
8/28/2010	Signal Cellular	\$ 50.00
11/29/2010	Bed Bath & Beyond	\$ 183.14
12/1/2010	Signal Cellular	\$ 115.00
12/6/2010	Kirkland's	\$ 160.46
1/25/2011	Hilton Greenville	\$ 225.00
3/3/2011	New Hope Amoco	\$ 59.33
4/22/2011	Amtrak	\$ 164.00
4/30/2011	Marriott Washington DC	\$ 13.73
5/1/2011	Marriott Washington DC	\$ 6.00
5/16/2011	Mayflower Seafood	\$ 49.49
6/23/2011	Office Depot	\$ 43.08
6/24/2011	Abrams BBQ	\$ 10.78
6/29/2011	Shell Oil	\$ 67.01
7/6/2011	Shell Oil	\$ 53.33
7/6/2011	K & W Cafeteria	\$ 11.42
7/8/2011	Madison Steak/Seafood	\$ 65.41
7/9/2011	Shell Oil	\$ 35.02
7/15/2011	Trade Mart	\$ 45.07
7/15/2011	Madison Steak/Seafood	\$ 134.81
7/18/2011	New Grand Asia Buffet	\$ 34.34
7/18/2011	Taylor's BP & Wine	\$ 65.00
7/18/2011	USA-People-Search.com	\$ 49.95
7/22/2011	Shell Oil	\$ 45.05
7/22/2011	Madison Steak/Seafood	\$ 34.21
7/28/2011	Raceway	\$ 70.00
7/30/2011	Capital Seafood	\$ 12.62
7/30/2011	Outback	\$ 18.14
7/30/2011	Marriott Hotel Durham	\$ 17.47
7/30/2011	Sheetz	\$ 30.09
7/31/2011	Marriott Hotel Durham	\$ 100.35
8/4/2011	Phillips Flagship	\$ 43.27
8/5/2011	Garden Inn Wash. DC	\$ 16.45
8/5/2011	Georgia Brown's	\$ 69.35
8/6/2011	Garden Inn Wash. DC	\$ 16.45
8/6/2011	Ryan's	\$ 13.22
8/7/2011	Garden Inn Wash. DC	\$ 534.12
8/10/2011	Office Depot	\$ 149.42

APPENDIX A (CONTINUED)

**Town of Princeville
Mayor's Credit Card Charges**

No Supporting Receipt

<u>Date</u>	<u>Vendor/Charge Type</u>	<u>Amount</u>
8/10/2011	ExxonMobil	\$ 45.00
8/15/2011	ExxonMobil	\$ 65.00
8/15/2011	New Grand Asia	\$ 33.92
8/23/2011	Raceway	\$ 65.02
8/23/2011	TGI Friday's	\$ 52.75
8/24/2011	Office Depot	\$ 55.49
8/24/2011	Shell Oil	\$ 40.05
8/25/2011	Abrams BBQ	\$ 25.76
8/31/2011	Abrams BBQ	\$ 13.86
9/1/2011	ExxonMobil	\$ 65.02
9/1/2011	New Grand Asia	\$ 137.37
9/8/2011	New Grand Asia	\$ 37.34
9/8/2011	Shell Oil	\$ 65.00
9/11/2011	Office Depot	\$ 28.33
9/11/2011	Wilco	\$ 40.02
9/15/2011	ExxonMobil	\$ 45.02
9/17/2011	Shell Oil	\$ 35.00
9/17/2011	Office Depot	\$ 47.74
9/23/2011	Office Depot	\$ 45.35
9/23/2011	Shell Oil	\$ 46.67
9/30/2011	Office Depot	\$ 19.20
9/30/2011	Trade Mart	\$ 40.07
10/28/2011	New Grand Asia	\$ 60.34
10/28/2011	Eagles	\$ 65.02
10/31/2011	Sheetz	\$ 36.34
11/2/2011	ExxonMobil	\$ 54.63
11/3/2011	Madison Steak/Seafood	\$ 38.12
11/3/2011	Shell Oil	\$ 40.07
11/14/2011	Madison Steak/Seafood	\$ 65.93
11/16/2011	Fedex Office	\$ 166.53
11/17/2011	Shell Oil	\$ 40.06
11/17/2011	Madison Steak/Seafood	\$ 49.85
11/18/2011	Best Western Tarboro	\$ 73.66
11/22/2011	Shuckers Oyster Bar	\$ 104.25
11/22/2011	Rosemart	\$ 23.58
11/22/2011	Rosemart	\$ 40.00
11/29/2011	Waffle House	\$ 13.71

APPENDIX A (CONTINUED)

**Town of Princeville
Mayor's Credit Card Charges**

No Supporting Receipt

Date	Vendor/Charge Type	Amount
11/29/2011	ExxonMobil	\$ 60.01
1/7/2012	ExxonMobil	\$ 65.04
2/4/2012	Shell Oil	\$ 55.14
2/4/2012	TGI Friday's	\$ 71.01
2/9/2012	Shell Oil	\$ 67.53
2/11/2012	B Smith's Restaurant	\$ 44.55
2/12/2012	Garden Inn Wash. DC	\$ 312.27
	No Supporting Receipt Total	<u>\$ 5,408.20</u>

APPENDIX A (CONCLUDED)

**Town of Princeville
Mayor's Credit Card Charges**

Finance Charges

Date	Vendor/Charge Type	Amount
8/13/2010	RBC Bank/Cash Adv Fee	\$ 5.00
8/25/2010	RBC Bank/Finance Chg	\$ 1.00
9/24/2010	RBC Bank/Finance Chg	\$ 1.00
11/19/2010	RBC Bank/Late Fee	\$ 35.00
11/24/2010	RBC Bank/Finance Chg	\$ 0.02
11/24/2010	RBC Bank/Finance Chg	\$ 2.12
1/25/2011	RBC Bank/Finance Chg	\$ 2.03
2/25/2011	RBC Bank/Finance Chg	\$ 4.58
3/25/2011	RBC Bank/Finance Chg	\$ 18.46
4/19/2011	RBC Bank/Late Fee	\$ 35.00
4/25/2011	RBC Bank/Finance Chg	\$ 9.04
4/25/2011	RBC Bank/Finance Chg	\$ 0.09
5/25/2011	RBC Bank/Finance Chg	\$ 0.03
5/25/2011	RBC Bank/Finance Chg	\$ 17.56
6/24/2011	RBC Bank/Finance Chg	\$ 20.81
9/19/2011	RBC Bank/Late Fee	\$ 35.00
9/23/2011	RBC Bank/Finance Chg	\$ 14.50
9/23/2011	RBC Bank/Finance Chg	\$ 0.09
12/23/2011	PNC Bank/Finance Chg	\$ 8.53
1/25/2012	RBC Bank/Finance Chg	\$ 9.17
2/20/2012	RBC Bank/Late Fee	\$ 35.00
2/24/2012	RBC Bank/Finance Chg	\$ 0.08
2/24/2012	RBC Bank/Finance Chg	\$ 11.93
3/27/2012	PNC Bank/Finance Chg	\$ 35.77
4/26/2012	PNC Bank/Finance Chg	\$ 41.21
5/27/2012	PNC Bank/Finance Chg	\$ 41.65
5/27/2012	PNC Bank/Late Fee	\$ 35.00
6/25/2012	PNC Bank/Late fee	\$ 35.00
6/26/2012	PNC Bank/Finance Chg	\$ 41.21
7/27/2012	PNC Bank/Finance Chg	\$ 41.11
7/27/2012	PNC Bank/Late Fee	\$ 35.00
	Finance Charges Total	<u>\$ 571.99</u>

APPENDIX B

Town of Princeville Former Town Finance Officer Credit Card Charges

No Supporting Receipt

<u>Date</u>	<u>Vendor/Charge Type</u>	<u>Amount</u>
11/03/2010	Signal Cellular	\$ 50.00
04/28/2011	WM Supercenter	\$ 83.98
06/04/2011	Holiday Inn Rocky Mount	\$ 237.86
07/09/2011	Gifftree	\$ 60.90
07/11/2011	WM Supercenter	\$ 46.94
07/30/2011	Marriott Hotels-Durham	\$ 100.35
08/17/2011	WM Supercenter	\$ 222.12
09/20/2011	Holiday Inn Rocky Mount	\$ 191.42
09/24/2011	Office Depot	\$ 123.80
09/27/2011	WM Supercenter	\$ 31.99
09/29/2011	Office Depot	\$ 50.14
10/05/2011	WM Supercenter	\$ 52.07
10/21/2011	WM Supercenter	\$ 127.97
	No Supporting Receipt Total	<u>\$ 1,379.54</u>

No Business Purpose

<u>Trans Date</u>	<u>Vendor/Charge Type</u>	<u>Amount</u>
09/29/2010	Lowes	\$ 406.90
10/28/2010	WM Supercenter	\$ 103.34
11/24/2010	Hilton Greenville	\$ 106.56
12/22/2010	Food Lion	\$ 78.43
01/04/2011	Office Depot	\$ 659.81
01/06/2011	WM Supercenter	\$ 137.79
02/15/2011	WM Supercenter	\$ 103.34
04/27/2011	Wal Mart	\$ 64.59
05/20/2011	WM Supercenter	\$ 19.30
06/13/2011	WM Supercenter	\$ 88.06
02/26/2012	Holiday Inn Rocky Mount	\$ 197.63
	No Business Purpose Total	<u>\$ 1,965.75</u>

APPENDIX B (CONCLUDED)

**Town of Princeville
Former Town Finance Officer Credit Card Charges**

Late Fees & Finance Charges

<u>Date</u>	<u>Vendor/Charge Type</u>	<u>Amount</u>
2/21/2011	Late Fee	\$ 35.00
2/25/2011	Finance Charge	\$ 1.86
3/25/2011	Finance Charge	\$ 2.41
4/25/2011	Finance Charge	\$ 1.48
5/20/2011	Late Fee	\$ 35.00
5/25/2011	Finance Charge	\$ 3.36
6/24/2011	Finance Charge	\$ 5.30
7/25/2011	Finance Charge	\$ 6.42
8/25/2011	Finance Charge	\$ 5.85
9/23/2011	Finance Charge	\$ 5.33
4/26/2012	Finance Charge	\$ 2.16
5/27/2012	Finance Charge	\$ 2.24
6/26/2012	Late Fee	\$ 35.00
6/26/2012	Finance Charge	\$ 1.99
7/27/2012	Late Fee	\$ 35.00
7/27/2012	Finance Charge	\$ 5.46
	Finance Charges Total	<u>\$ 183.86</u>

APPENDIX C

*



Pulley, Watson, King & Lischer, P.A. Attorneys at Law
Charles F. Carpenter Guy W. Crabtree Malvern F. King, Jr. Tracy Kenyon Lischer Michael J. O'Foghliudha Richard N. Watson
Of Counsel Mark E. Fogel Retired W. Paul Pulley, Jr. William L. Stanford, Jr. Adam Lischer 1972 - 2005

From the Desk of Malvern F. King, Jr.
mfk@pulleywatson.com

December 21, 2012

State of North Carolina Auditors Office
20601 Mail Service Center
Raleigh, North Carolina 27699-0601
ATTN: Mr. Barry Long

**Re: Request for Interview of Mayor Priscilla Everette-Oates
Princeville Board of Commissioners**

Dear Mr. Long:

Forgive my not getting back in touch with you sooner but a busy end of year schedule has otherwise occupied my efforts during December. I have conferred with Mayor Oates about your desire to interview her and have advised her that she should not submit to an oral interview. We understand that she is the only member of the Princeville Board from whom an interview has been requested by the Auditors office.

However, if you will submit a list of questions that you wish to pose to Mayor Oates to me, I shall have her respond in writing within five (5) business days of receiving the questions.

With best regards, I am

Sincerely,

PULLEY, WATSON, KING & LISCHER, P.A.

A handwritten signature in blue ink, appearing to read "Malvern F. King, Jr.", written over a printed name.

Malvern F. King, Jr.

North Carolina General Statutes

§ 14-90. Embezzlement of property received by virtue of office or employment.

(a) This section shall apply to any person:

- (1) Exercising a public trust.
- (2) Holding a public office.
- (3) Who is a guardian, administrator, executor, trustee, or any receiver, or any other fiduciary, including, but not limited to, a settlement agent, as defined in G.S. 45A-3.
- (4) Who is an officer or agent of a corporation, or any agent, consignee, clerk, bailee or servant, except persons under the age of 16 years, of any person.

(b) Any person who shall:

- (1) Embezzle or fraudulently or knowingly and willfully misapply or convert to his own use, or
- (2) Take, make away with or secrete, with intent to embezzle or fraudulently or knowingly and willfully misapply or convert to his own use,

any money, goods or other chattels, bank note, check or order for the payment of money issued by or drawn on any bank or other corporation, or any treasury warrant, treasury note, bond or obligation for the payment of money issued by the United States or by any state, or any other valuable security whatsoever that (i) belongs to any other person or corporation, unincorporated association or organization or (ii) are closing funds as defined in G.S. 45A-3, which shall have come into his possession or under his care, shall be guilty of a felony.

(c) If the value of the property described in subsection (b) of this section is one hundred thousand dollars (\$100,000) or more, the person is guilty of a Class C felony. If the value of the property is less than one hundred thousand dollars (\$100,000), the person is guilty of a Class H felony. (21 Hen. VII, c. 7; 1871-2, c. 145, s. 2; Code, s. 1014; 1889, c. 226; 1891, c. 188; 1897, c. 31; Rev., s. 3406; 1919, c. 97, s. 25; C.S., s. 4268; 1931, c. 158; 1939, c. 1; 1941, c. 31; 1967, c. 819; 1979, c. 760, s. 5; 1979, 2nd Sess., c. 1316, s. 47; 1981, c. 63, s. 1; c. 179, s. 14; 1997-443, s. 19.25(d); 2009-348, s. 1; 2009-570, s. 31.)

§ 14-92. Embezzlement of funds by public officers and trustees.

If an officer, agent, or employee of an entity listed below, or a person having or holding money or property in trust for one of the listed entities, shall embezzle or otherwise willfully and corruptly use or misapply the same for any purpose other than that for which such moneys or property is held, such person shall be guilty of a felony. If the value of the money or property is one hundred thousand dollars (\$100,000) or more, the person is guilty of a Class C felony. If the value of the money or property is less than one hundred thousand dollars (\$100,000), the person is guilty of a Class F felony. If any clerk of the superior court or any sheriff, treasurer, register of deeds or other public officer of any county, unit or agency of local government, or local board of education shall embezzle or wrongfully convert to his own use, or corruptly use, or shall misapply for any purpose other than that for which the same are held, or shall fail to pay over and deliver to the proper persons entitled to receive the same when lawfully required so to do, any moneys, funds, securities or other property which such officer shall have received by virtue or color of his office in trust for any person or corporation, such officer shall be guilty of a felony. If the value of the money, funds, securities, or other property is one hundred thousand dollars (\$100,000) or more, the person is guilty of a Class C felony. If the value of the money, funds, securities, or other property is less than one hundred thousand dollars (\$100,000), the person is guilty of a Class F felony. The provisions of this section shall apply to all persons who shall go out of office and fail or neglect to account to or deliver over to their successors in office or other persons lawfully entitled to receive the same all such moneys, funds and securities or property aforesaid. The following entities are protected by this section: a county, a city or other unit or agency of local government, a local board of education, and a penal, charitable, religious, or educational institution. (1876-7, c. 47; Code, s. 1016; 1891, c. 241; Rev., s. 3408; C.S., s. 4270; 1979, c. 760, s. 5; 1979, 2nd Sess., c. 1316, s. 47; 1981, c. 63, s. 1; c. 179, s. 14; 1985, c. 509, s. 3; 1993, c. 539, s. 1177; 1994, Ex. Sess., c. 24, s. 14(c); 1997-443, s. 19.25(f).)

§ 143-58.1. Unauthorized use of public purchase or contract procedures for private benefit.

(a) It shall be unlawful for any person, by the use of the powers, policies or procedures described in this Article or established hereunder, to purchase, attempt to purchase, procure or attempt to procure any property or services for private use or benefit.

(b) This prohibition shall not apply if:

(1) The department, institution or agency through which the property or services are procured had theretofore established policies and procedures permitting such purchases or procurement by a class or classes of persons in order to provide for the mutual benefit of such persons and the department, institution or agency involved, or the public benefit or convenience; and

(2) Such policies and procedures, including any reimbursement policies, are complied with by the person permitted thereunder to use the purchasing or procurement procedures described in this Article or established thereunder.

(c) A violation of this section is a Class 1 misdemeanor. (1983, c. 409; 1993, c. 539, s. 1004; 1994, Ex. Sess., c. 24, s. 14(c).)

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STATE AUDITOR'S NOTE

On Wednesday, March 13, 2013, we provided a draft copy of this investigative report to each member of Princeville's Board of Commissioners. The report was accompanied by a cover letter requesting a single response from Princeville by Wednesday, March 27, 2013. The Board of Commissioners directed the town attorney to prepare its response. The town attorney requested \$6,000 of town funds through the North Carolina Department of State Treasurer, State and Local Government Finance Division, Fiscal Management Section (Fiscal Management Section) to prepare the response. The Fiscal Management Section set a cap at \$3,000 and added a condition that Princeville's Board of Commissioners must have the opportunity to review and approve, or reject, the response prepared by the town attorney.

On Wednesday, March 27, 2013, Princeville's town attorney requested and was granted an extension of time. The State Auditor granted an extension until Friday, March 29, 2013, so that the Board of Commissioners would have time to review the attorney's response and vote to accept or reject it. The Board of Commissioners met on Thursday, March 28, 2013, and voted to reject the town attorney's response. Princeville's Board of Commissioners wrote its own response to the investigative report and submitted it that evening. The response bears the signatures of three of Princeville's five commissioners, which constitutes a quorum.

The State Auditor respects the decision and the authority of Princeville's Board of Commissioners to prepare their own response and to reject the response prepared by the town attorney. The Board's response is recognized as the official response and is therefore the only response included in this report.

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TOWN OF PRINCEVILLE



March 28, 2013

To: Office of the State Auditor

Ladies and Gentlemen:

This letter is a response to the March 13, 2013, CONFIDENTIAL DRAFT letter from the State Auditor's Office addressed to the Town Of Princeville.

On March 28, 2013, the Princeville Board of Commissioners had an emergency meeting to look over the proposal response that was presented to us from the town attorney Charles D. Watts. Three Commissioners were present Gwendolyn Knight, Ann Howell, and Calvin Sherrod. At this time, we did not agree with the work that was presented to us. So, therefore we will not be using any response presented by attorney Watts.

We, also as the Board of Commissioners accept all recommendation that was provided to us from the State Auditor office and will implement them into our town practice as soon as our office is properly staff and our financial are returned to us by the LGC Office.

We would like for the findings submitted to us by the State Auditors office be referred to the mention agencies for father action. Hopefully we can receive some of the monies back for the Town Of Princeville.

Should you have any questions please contact Gwendolyn Knight, @ 252-236-1115, Ann Howell @ 252-885-6884.

"Oldest Town Chartered by Blacks in America"
Incorporated February 20, 1885
Post Office Box 1527, Tarboro, NC 27886
Telephone (252) 823-1057 Fax (252) 823-5388

TOWN OF PRINCEVILLE



Sincerely,

Gwendolyn Knight

Gwendolyn Knight
Commissioner Ward 1

Ann Howell

Ann Howell
Commissioner Ward 2

Calvin Sherrod

Calvin Sherrod
Commissioner Ward 4

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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