

# **STATE OF NORTH CAROLINA**

**SPECIAL REVIEW**

**HALIFAX COUNTY  
COMMUNITY DEVELOPMENT CORPORATION**

**ROANOKE RAPIDS, NORTH CAROLINA**

**JULY 2000**

**OFFICE OF THE STATE AUDITOR**

**RALPH CAMPBELL, JR.**

**STATE AUDITOR**

**SPECIAL REVIEW**

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**JULY 2000**





Ralph Campbell, Jr.  
State Auditor

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**Office of the State  
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**LETTER OF TRANSMITTAL**

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July 18, 2000

The Honorable James B. Hunt, Jr., Governor  
Mr. Billy Ray Hall, President  
N.C. Rural Economic Development Center, Inc.  
Mr. Robert Shields, Chairperson of the Board  
Halifax County Community Development Corporation  
Members of the North Carolina General Assembly

Ladies and Gentlemen:

Pursuant to General Statute §147-64.6(c)(16), we have completed our special review into allegations concerning Halifax County Community Development Corporation. 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 and other appropriate officials.

Respectfully submitted,

A handwritten signature in cursive script that reads "Ralph Campbell, Jr.".

Ralph Campbell, Jr., CFE  
State Auditor





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## OVERVIEW

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The Halifax County Community Development Corporation (HCCDC) is a non-profit corporation that was established in November of 1992. The HCCDC identifies its mission as follows, “to combat community deterioration, poverty, racial discrimination and prejudice, to reduce neighborhood tensions; to relieve the poor, distressed, and underprivileged; to participate in residential rehabilitation and commercial revitalization; to develop health, social, recreational, and cultural facilities; and to provide other social services and counseling.” In order to achieve its mission, the HCCDC planned on creating the following; a Micro-Enterprise Loan Program, a EC Development Fund Program, a Grant Writing Assistance Program, a Small Business Technology Assistance Program, and an Intermediary Relending Program. Each program is described below.

1. The Micro-Enterprise Loan Program was to provide capital for small business development to low and moderate income and minority populations.
2. The EC Development Fund was created by the Halifax/Edgecombe/ Wilson Enterprise Alliance and was developed to create and expand business development within the townships of Brinkleyville and Enfield.
3. The Grant Writing Assistance Program offered consulting from a grant writing specialist.
4. The Small Business Technical Assistance Program offered business planning and management decision making.
5. The Intermediary Relending Program was originally planned to be offered by the HCCDC to provide business loans up to \$150,000. However, the program was not activated because HCCDC did not receive the anticipated funding from the U.S. Department of Agriculture.



## **OVERVIEW (CONTINUED)**

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We are not aware of any loans awarded by the HCCDC from any of these programs, nor do we know the extent of implementation of any of these programs due to the lack of reliable documentation.

HCCDC is governed by an eight member board of directors. According to the by-laws, the Board shall have a Chairperson, Vice-Chairperson, Secretary, and Treasurer. The HCCDC employed two full-time employees, an Executive Director and an Administrative Assistant. The HCCDC office was located in Roanoke Rapids, NC.

The HCCDC maintained checking accounts at three separate banks. From April 1997 through August 1999, the Treasurer, Chairperson, Secretary, and former Executive Director were authorized to sign the HCCDC checks on all three accounts. According to the former Executive Director, all bank account records were maintained and reconciled by the former Administrative Assistant. The former Administrative Assistant was responsible for writing all checks, depositing all funds, and preparing monthly financial reports. According to the former Executive Director, she never reviewed the checking accounts nor did she have access to the check register. In September 1999, the HCCDC ceased all activities and closed the three checking accounts.

The majority HCCDC's support was derived from state and county grants, along with a small amount from private donations. The HCCDC received \$62,250 in the fiscal year ended December 31, 1998, and \$35,445 in the fiscal year ended December 31, 1999 from

## **OVERVIEW (CONCLUDED)**

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the North Carolina Rural Economic Development Center, Inc. (REDC). These amounts represent the majority of receipts deposited in the HCCDC bank accounts during the two fiscal years.

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## INTRODUCTION

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The Office of the State Auditor was contacted by the Director of Finance for the North Carolina Rural Economic Development Center, Inc. (REDC), who requested a review of the HCCDC financial records. According to the REDC Director of Finance, she was notified by HCCDC board members that many of the HCCDC checks had bounced due to insufficient funds. According to the Treasurer, the former Executive Director stated the HCCDC was not receiving funds from the REDC in a timely manner. However, the REDC Finance Director stated funds were disbursed on a quarterly basis per calendar year and that by May 1999, the HCCDC had already requested its third payment. Due to the inconsistencies, the REDC Program Director told the board members that funding would cease until changes were made.

In March 1999, the HCCDC Chairperson was informed that HCCDC had not paid its health insurance premium. The Chairperson was contacted by a representative with the health insurance company who stated a check for \$3,000 had bounced. The Chairperson questioned the former Executive Director, who stated the HCCDC had not received funding from the REDC. The former Executive Director deposited \$4,000 of her own money in the HCCDC checking account to cover the health insurance check. She was later reimbursed \$4,000 from one of HCCDC's checking accounts.

In August 1999, the Chairperson requested the former Administrative Assistant bring all bank statements to the next board meeting. At the next board meeting the former

## **INTRODUCTION (CONTINUED)**

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Administrative Assistant failed to produce the bank statements, and submitted a letter of resignation. The Board then requested the former Executive Director resign due to the lack of funds to support operations. The Vice-Chairperson was made Interim Director and all financial records were moved to Hobgood, NC and the Roanoke Rapids office was closed.

In September 1999, the Treasurer visited one of the HCCDC banks to remove the former Executive Director's name from the signature card. At that time a bank representative explained the checking account had a \$6,900 shortage. The bank representative also explained that in May 1999, an attempt was made to transfer \$6,900 to the account from a HCCDC checking account at another bank. Since no funds were maintained in the other checking account, the check bounced. As a result, several checks written from the primary HCCDC checking account also bounced. The bank covered the amount of the deposit because the former Administrative Assistant had promised to deposit sufficient funds to cover the check. The Treasurer said she was not aware of the shortage until that day.

According to the Treasurer, when questioned, the former Administrative Assistant admitted to writing and depositing the \$6,900 HCCDC check that was returned for non-sufficient funds. However, the Vice-Chairperson requested the former Executive Director cover the account shortage. The former Executive Director stated she agreed to pay the HCCDC \$6,900, because it was her responsibility to monitor the bank accounts. The former Executive Director said she was not aware of the shortage until she was contacted

## **INTRODUCTION (CONCLUDED)**

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by the Vice-Chairperson. On September 10, 1999, \$6,890.47 was deposited in the HCCDC checking account to bring the balance to \$6,900.

In September 1999, the REDC Finance Director, Program Officer and the HCCDC Treasurer reviewed the HCCDC financial records. Many of the bank statements were missing or altered. In some instances, the check register did not agree to the original checks. The Treasurer also observed that her signature was “forged” on many of the checks. The REDC Finance Director said she saw enough evidence of altered documents to suspect fraud, so she contacted our office for assistance.

We began our review in October 1999 and used the following procedures to conduct our Special Review:

- ◆ Examination of HCCDC records.
- ◆ Examination of REDC records.
- ◆ Interviews with HCCDC former employees and board members.
- ◆ Interviews with individuals external to any of the above organizations.

This report presents the results of our Special Review. The review was conducted pursuant to G. S. § 147-64.6(c)(16) rather than a financial audit. The Halifax County Community Development Corporation contracts with a private accounting firm to perform their annual financial audits.

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## **FINDINGS AND RECOMMENDATIONS**

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### **1. THE FORMER EXECUTIVE DIRECTOR RECEIVED \$12,681.66 IN UNAUTHORIZED PAYMENTS.**

The former Executive Director received 24 checks totaling \$12,681.66 in unauthorized payments (see Schedules 1 and 1a). According to the Treasurer, numerous checks were payable to the former Executive Director, however, these checks were not authorized by the Treasurer. In fact, the Treasurer stated what appeared to be her signature on each check was not her signature. The Treasurer identified a total of 116 checks on which her signature had been “forged” and signed a statement to that effect; 24 checks were payable to the former Executive Director.

According to the HCCDC Accounting and Administrative Control Procedures, checks written must be signed by both the President/CEO and the Treasurer, or such other officer or Administrator as the Board may designate. The Chairperson of the Board stated all checks required signatures from both the Executive Director, as well as the Treasurer. Furthermore, the purchasing/cash disbursement procedures require supporting documentation be present with each check request. The Treasurer stated she never received any documentation or check requests for the 24 checks identified above that were payable to the former Executive Director.

The former Executive Director stated in some instances, she signed the Treasurer’s name to the HCCDC checks. However, the former Executive Director insisted she had prior approval from the Treasurer to sign her name. The former Executive Director said occasionally an invoice was delinquent and the Treasurer was not able



## **FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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to come to the HCCDC office to sign a check. Therefore, she would call the Treasurer and request permission to sign the Treasurer's name. She also stated the former Administrative Assistant would bring her checks that had already been signed by the Treasurer. The former Executive Director said that all checks received by her were either payroll or travel reimbursements.

The Treasurer stated she never authorized the former Executive Director or the former Administrative Assistant to sign her name. She did, however, state that she signed blank checks without the required documentation.

We consider all checks payable to the former Executive Director, that were not signed by the Treasurer, to be unauthorized since the Accounting and Administrative Procedures were not followed. Since they are lacking the required documentation and authorization we have no basis to determine the legitimacy of the 24 checks payable to the former Executive Director. As stated earlier, the former Executive Director deposited \$6,900 to the HCCDC checking account to cover the account shortage.

### **RECOMMENDATION**

We recommend the employees as well as the HCCDC board members comply with the accounting and administrative procedures set forth in the HCCDC Personnel Policy and Procedures Manual. We also recommend the HCCDC board members take whatever actions deemed necessary to recover the remaining \$5,781.66 (\$12,681.66 - \$6,900.00) of unauthorized payments to the former Executive Director.

## **FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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### **2. THE FORMER ADMINISTRATIVE ASSISTANT RECEIVED \$14,240.18 IN UNAUTHORIZED PAYMENTS.**

As stated in the previous finding, the HCCDC Accounting and Administrative Control Procedures require that both the Executive Director and the Treasurer sign all checks. The Treasurer identified 49 checks totaling \$14, 240.18 that were not signed by her that were payable to the former Administrative Assistant (see Schedules 2 and 2a). Again, the Treasurer stated her signature had been “forged” and signed a statement to that effect. In fact, the former Executive Director stated her signature on many of the checks made payable to the former Administrative Assistant also appeared to be “forged.” The former Executive Director stated she did not sign or authorize 35 of the 49 checks payable to the former Administrative Assistant. The memo section of many of the checks indicated the payment was for travel reimbursements; however, the former Executive Director stated the former Administrative Assistant traveled very little and should not have received that many payments.

We made numerous attempts to contact the former Administrative Assistant, however, our calls were not returned. We consider all checks payable to the former Administrative Assistant that were not signed by the Treasurer and/or the Executive Director to be unauthorized since the Accounting and Administrative Procedures were not followed. As stated earlier, without the required documentation and authorization we are not able to determine the legitimacy of the 49 checks made payable to the former Administrative Assistant that were not signed by the Treasurer and/or Executive Director.

## **FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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### **RECOMMENDATION**

We recommend the employees as well as the HCCDC board members comply with the accounting and administrative procedures set forth in the HCCDC Personnel Policy and Procedures Manual. We also recommend the HCCDC board members take whatever actions deemed necessary to recover the \$14,240.18 in unauthorized payments paid to the former Administrative Assistant.

### **3. NUMEROUS UNAUTHORIZED PAYMENTS TOTALING \$25,363.32 WERE MADE FROM THE HCCDC CHECKING ACCOUNT.**

As stated in the previous two findings, the Treasurer stated she did not sign many of the checks written from the HCCDC checking accounts. The Treasurer identified a total of 116 checks on which her signature had been “forged.” Of the 116 checks, 24 were made payable to the former Executive Director, 49 were payable to the former Administrative Assistant and the remaining 43 checks totaling \$26,418.51 were payable to various vendors and consultants (see Schedules 3 and 3a).

According to the Treasurer, she did not review any supporting documentation or receive check requests for the 43 checks made out to various vendors or consultants. In fact, after reviewing the checks, neither the former Executive Director nor the Treasurer could identify the purpose for many of the payments. For instance, the former Administrative Assistant’s husband was paid \$1,738.50. Both the Treasurer and the former Executive Director stated they did not sign or authorize this payment.

## **FINDINGS AND RECOMMENDATIONS (CONCLUDED)**

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Neither had any idea why the former Administrative Assistant's husband received this payment.

Additionally, nine of the checks were payable to a local bank. According to a representative of the bank, these checks were used to purchase cashier checks. We determined that one of the cashiers check in the amount of \$723.85 was payable to a local furniture store. According to the furniture store representative, neither the HCCDC nor the former Executive Director had store charge accounts or made any recent purchases. However, the former Administrative Assistant had an account. It appears the former Administrative Assistant applied a portion of the cashier's check to her charge account and received cash for the remainder. We were unable to determine to whom the eight remaining cashier checks were made payable.

We determined all 43 checks totaling \$26,418.51, that were not signed by the Treasurer, and therefore, were unauthorized because the accounting and administrative procedures were not followed.

### **RECOMMENDATION**

We recommend the employees as well as the HCCDC board members comply with the accounting and administrative procedures set forth in the HCCDC Personnel Policy and Procedures Manual. We also recommend the HCCDC board members take whatever actions deemed necessary to recover the \$26,418.51 in unauthorized payments.

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## *Statement of Financial Impact*

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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 these areas where the system of internal controls were either circumvented or should be enhanced, or where, in our judgment, questionable activities or practices occurred.

1. Unauthorized payments to former Executive Director.	\$ 5,781.66
2. Unauthorized payments to former Administrative Assistant.	14,240.18
3. Unauthorized payments to various consultants and vendors.	<u>26,418.51</u>
	<u>\$ 46,440.35</u>

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**SCHEDULE 1**

Schedule of Checks that Margaret Putney stated were not signed by her.  
Centura Checking Account  
January 1, 1998 - September 30, 1999

<u>Check Number</u>	<u>Date</u>	<u>Payee</u>	<u>Amount</u>	<u>Endorsement</u>	<u>Signatures</u>
1051	09/21/98	Zelma Hillsman	\$ 167.87	Zelma Hillsman DL# 4461340	Putney/Hillsman
1064	09/28/98	Zelma Hillsman	1,243.17	Zelma Hillsman	Putney/Hillsman
1066	10/05/98	Zelma Hillsman	187.87	Zelma Hillsman 4461340	Putney/Hillsman
1069	10/14/98	Zelma Hillsman	1,243.17	Zelma Hillsman 693972	Putney/Hillsman
1074	10/19/98	Zelma Hillsman	248.58	Zelma Hillsman	Putney/Hillsman
1088	11/06/98	Zelma Hillsman	1,243.17	Zelma Hillsman 8035041	Putney/Hillsman
1092	11/10/98	Zelma Hillsman	325.87	Zelma Hillsman	Putney/Hillsman
1122	12/22/98	Zelma Hillsman	199.23	Zelma Hillsman 4461340	Putney/Hillsman
149	01/26/99	Zelma Hillsman	1,243.17	Zelma Hillsman/Edison Smith	Putney/Hillsman
135	08/19/98	Zelma J. Hillsman	1,243.17	Zelma J. Hillsman	Putney/Hillsman
1026	08/14/98	Zelma J. Hillsman	165.78	Zelma J. Hillsman	Putney/Hillsman
1040	08/24/98	Zelma J. Hillsman	187.78	Zelma J. Hillsman	Putney/Hillsman
	08/04/98	Zelma J. Hillsman	265.74	Zelma J. Hillsman	Putney/Hillsman
	08/28/98	Zelma J. Hillsman	98.60	Zelma J. Hillsman	Putney/Hillsman
137	09/01/98	Zelma J. Hillsman	1,243.17	Zelma J. Hillsman	Putney/Hillsman
139	09/15/98	Zelma J. Hillsman	1,243.17	Zelma J. Hillsman	Putney/Hillsman
1060	09/24/98	Zelma J. Hillsman	167.87	Zelma Hillsman (Appears to be)	Putney/Hillsman
	09/10/98	Zelma J. Hillsman	<u>223.88</u>	Zelma Hillsman	Putney/Hillsman
		<b>Total</b>	<u>\$ 10,941.26</u>		



## SCHEDULE 1A

Schedule of Checks that Margaret Putney stated were not signed by her.

BB&T Checking Account

January 1, 1998 - September 30, 1998

<u>Check Number</u>	<u>Date</u>	<u>Payee</u>	<u>Amount</u>	<u>Endorsement</u>	<u>Signatures</u>
1926	02/24/98	Zelma J. Hillsman	\$ 560.00	Zelma Hillsman	Putney/Hillsman
1932	03/06/98	Zelma J. Hillsman	102.48	Zelma Hillsman	Putney/Hillsman
1937	03/17/98	Zelma J. Hillsman	232.32	Zelma Hillsman/26764914/246-90-5833	Putney/Hillsman
1955	04/16/98	Zelma J. Hillsman	502.40	Zelma Hillsman	Putney/Hillsman
1958	04/30/98	Zelma J. Hillsman	167.33	Zelma J. Hillsman	Putney/Hillsman
1971	05/27/98	Zelma J. Hillsman	175.87	Zelma Hillsman	Putney/Hillsman
		<b>Total</b>	<u>\$ 1,740.40</u>		

## SCHEDULE 2

**Schedule of Checks that Margaret Putney stated were not signed by her.  
Centura Bank Checking Account  
January 1, 1998 - September 30, 1999**

<u>Check Number</u>	<u>Date</u>	<u>Payee</u>	<u>Amount</u>	<u>Endorsement</u>	<u>Signatures</u>
1020	07/24/98	Angela L. Arnold	\$ 168.79	Angela L. Arnold	Putney/Hillsman
134	08/18/98	Angela L. Arnold	698.56	Angela L. Arnold	Putney/Hillsman
1027	??/??/98	Angela L. Arnold	425.00	Angela L. Arnold	Putney/Hillsman
	08/04/98	Angela L. Arnold	219.74	Angela L. Arnold	Putney/Hillsman
	08/24/98	Angela L. Arnold	152.87	Angela L. Arnold	Putney/Hillsman
	08/28/98	Angela L. Arnold	500.00	Angela L. Arnold	Putney/Hillsman
136	09/01/98	Angela L. Arnold	698.56	Angela L. Arnold	Putney/Hillsman
138	09/15/98	Angela L. Arnold	698.56	Angela L. Arnold	Putney/Hillsman
1052	09/21/98	Angela L. Arnold	109.58	Angela L. Arnold	Putney/Hillsman
1059	09/24/98	Angela L. Arnold	80.87	Angela L. Arnold	Putney/Hillsman
1065	09/29/98	Angela L. Arnold	698.56	Angela L. Arnold	Putney/Hillsman
1067	10/05/98	Angela L. Arnold	91.58	Angela L. Arnold NCDL 26631801 04/01/79	Putney/Hillsman
1070	10/12/98	Angela L. Arnold	698.56	Angela L. Arnold 987350	Putney/Hillsman
1071	10/05/98	Angela L. Arnold	180.00	Angela L. Arnold 26631801	Putney/Hillsman
1080	10/16/98	Angela L. Arnold	290.87	Angela L. Arnold 987350 26106380	Putney/Hillsman
1083	10/19/98	Angela L. Arnold	75.00	Angela L. Arnold 241-43-5337 987350	Putney/Hillsman
1089	10/30/98	Angela L. Arnold	698.56	Angela L. Arnold 987350	Putney/Hillsman
1093	11/06/98	Angela L. Arnold	87.58	Angela L. Arnold 987350	Putney/Hillsman
	09/04/98	Angela L. Arnold	75.00	Angela L. Arnold	Putney/Hillsman
	09/08/98	Angela L. Arnold	450.78	Angela L. Arnold	Putney/Hillsman
	09/14/98	Angela L. Arnold	600.00	Angela L. Arnold	Putney/Hillsman
1111	11/04/98	Angela L. Arnold	58.78	Angela L. Arnold	Putney/Hillsman
1123	12/18/98	Angela L. Arnold	73.58	Angela L. Arnold	Putney/Hillsman
1128	12/29/98	Angela L. Arnold	58.78	Angela L. Arnold	Putney/Hillsman
1130	12/31/98	Angela L. Arnold	43.58	Angela L. Arnold	Putney/Hillsman
148	01/19/99	Angela L. Arnold	698.85	Angela L. Arnold	Putney/Hillsman
1154	02/03/99	Angela L. Arnold	698.85	Angela L. Arnold	Putney/Hillsman
1235	04/21/99	Angela L. Arnold	190.00	Angela L. Arnold	Putney/Hillsman
160	04/11/99	Angela L. Arnold	698.85	Angela L. Arnold	Putney/Hillsman
1153	05/07/99	Angela L. Arnold	685.85	Angela L. Arnold	Putney/Hillsman
1246	05/21/99	Angela L. Arnold	450.00	Angela L. Arnold	Putney/Hillsman
1258	06/04/99	Angela L. Arnold	67.50	Angela L. Arnold	Putney/Hillsman
1262	06/21/99	Angela L. Arnold	175.87	Angela L. Arnold	Putney/Hillsman
		<b>Total</b>	<b>\$ 11,599.51</b>		

**SCHEDULE 2A****Schedule of Checks that Margaret Putney stated were not signed by her.****BB&T Checking Account****January 1, 1998 - September 30, 1998**

<u>Check Number</u>	<u>Date</u>	<u>Payee</u>	<u>Amount</u>	<u>Endorsement</u>	<u>Signatures</u>
1879	01/05/98	Angela L. Arnold	\$ 95.00	Angela L. Arnold	Putney/Hillsman
1909	02/04/98	Angela L. Arnold	150.00	Angela Arnold/26106350	Putney/Hillsman
1931	03/06/98	Angela L. Arnold	135.87	Angela L. Arnold	Putney/Hillsman
1936	03/17/98	Angela L. Arnold	70.00	Angela L. Arnold	Putney/Hillsman
1938	03/17/98	Angela L. Arnold	43.50	Angela L. Arnold NCLP 26631801	Putney/Hillsman
1940	03/25/98	Angela L. Arnold	45.00	Angela L. Arnold/987350	Putney/Hillsman
1948	04/15/98	Angela L. Arnold	175.87	Angela L. Arnold	Putney/Hillsman
1959	04/30/98	Angela L. Arnold	58.87	Angela L. Arnold	Putney/Hillsman
1965	05/08/98	Angela L. Arnold	50.00	Angela Arnold/DOB 6/8/66	Putney/Hillsman
1968	04/18/98	Angela L. Arnold	200.78	Angela L. Arnold	Putney/Hillsman
1969	05/26/98	Angela L. Arnold	295.78	Angela L. Arnold	Putney/Hillsman
1972	05/27/98	Angela L. Arnold	15.00	Angela L. Arnold	Putney/Hillsman
1983	06/03/98	Angela L. Arnold	300.00	Angela L. Arnold	Putney/Hillsman
1987	06/04/98	Angela L. Arnold	335.00	Angela L. Arnold	Putney/Hillsman
1990	06/19/98	Angela L. Arnold	320.00	Angela L. Arnold	Putney/Hillsman
1992	06/30/98	Angela L. Arnold	350.00	Angela L. Arnold	Putney/Hillsman
		<b>Total</b>	<u>\$ 2,640.67</u>		

### SCHEDULE 3

Schedule of Checks that Margaret Putney stated were not signed by her.  
Centura Bank Checking Account  
January 1, 1998 - September 30, 1999

<u>Check Number</u>	<u>Date</u>	<u>Payee</u>	<u>Amount</u>	<u>Endorsement</u>	<u>Signatures</u>
1098	11/16/98	Centura Bank	\$ 750.00	(None)	Putney/Hillsman
1120	12/17/98	Centura Bank	350.00	(None)	Putney/Hillsman
1163	02/11/99	Centura Bank	563.00	(None)	Putney/Hillsman
1213	01/31/99	Centura Bank	723.85	(None)	Putney/Hillsman
1250	05/21/99	Centura Bank	215.00	(None)	Putney/Hillsman
1259	06/14/99	Centura Bank	200.00	(None)	Putney/Hillsman
1263	06/20/99	Centura Bank	215.00	Centura Bank	Putney/Hillsman
1266	07/01/99	Centura Bank	686.66	(None)	Putney/Hillsman
1267	07/02/99	Centura Bank	600.00	(None)	Putney/Hillsman
1044	09/16/98	Computer Connections	765.50	BB&T P.O. Box 849 Weldon, NC 27890	Putney/Hillsman
1114	12/10/98	Employment Security Commission	75.00	Employment Security Commission	Putney/Hillsman
1257	04/28/99	Harris Printing	500.26	Harris Printing	Putney/Hillsman
1063	09/25/98	HCCDC Petty Cash	100.00	Zelma Hillsman	Putney/Hillsman
1023	08/11/98	Heavenly Ham	43.61	Heavenly Ham	Putney/Hillsman
1085	10/20/98	Heavenly Ham	59.90	Heavenly Ham	Putney/Hillsman
1183	03/03/99	Heavenly Ham	152.00	(None)	Putney/Hillsman
1242	05/18/99	Heavenly Ham	136.29	Heavenly Ham	Putney/Hillsman
1028	08/18/98	Judith Lake	488.00	Judith L. Lake	Putney/Hillsman
	08/31/98	Judith Lake	377.00	Judith Lake 15001132	Putney/Hillsman
1041	09/16/98	Judith Lake	587.86	Judith Lake 15001132	Putney/Hillsman
1068	10/06/98	Judith Lake	265.68	Judith Lake 8802996	Putney/Hillsman
1054	09/22/98	Judy Lake	265.00	Judy Lake 15001132	Putney/Hillsman
1037	08/18/98	Lynches Office Supply Co.	350.00	Lynch's Office Supply Company, Inc.	Putney/Hillsman
1049	09/17/98	Lynches Office Supply Co.	472.30	Lynch's Office Supply Company, Inc.	Putney/Hillsman
1147	01/28/99	N.C. Association of CDCs	4,300.00	(None)	Putney/Hillsman
	08/31/98	Petty Cash	100.00	office expenses/cleaning	Putney/Hillsman
1038	08/18/98	Shelby Insurance Co.	369.00	Credit to account of payee	Putney/Hillsman
1076	10/16/98	U.S. Postal Service	32.00	USPO	Putney/Hillsman
		<b>Total</b>	<u>\$ 13,742.91</u>		

## SCHEDULE 3A

Schedule of Checks that Margaret Putney stated were not signed by her.  
BB&T Checking Account  
January 1, 1998 - September 30, 1998

<u>Check Number</u>	<u>Date</u>	<u>Payee</u>	<u>Amount</u>	<u>Endorsement</u>	<u>Signatures</u>
1869	12/23/97	360 Communications	\$ 155.10	unable to read	Putney/Hillsman
1943	03/31/98	Anthem Casualty Insurance Group	110.00	(None)	Putney/Hillsman
1956	04/21/98	Belinda Edgerton-Sherrod	2,100.00	Belinda Edgerton-Sherrod	Putney/Hillsman
1989	06/10/98	Donna Held	35.00	Donna Held	Putney/Hillsman
1888	01/20/98	Employment Security Commission	149.78	Harlen Boyles, State Treasurer	Putney/Hillsman
1957	04/24/98	Heavenly Ham	74.09	Heavenly Ham	Putney/Hillsman
1903	02/18/98	Judith Lake	575.00	Judith Lake 01501123	Putney/Hillsman
1939	03/17/98	Judith Lake	225.00	Judith Lake/15001132	Putney/Hillsman
1964	05/08/98	Judith Lake	585.00	Judith Lake	Putney/Hillsman
1988	06/04/98	Linda Richardson Blackwell	3,900.00	Linda Richardson Blackwell	Putney/Hillsman
1984	06/02/98	Linda Richardson-Blackwell	2,850.00	Linda Richardson Blackwell	Putney/Hillsman
1928	02/24/98	Robin Nest	91.67	Robin's Nest	Putney/Hillsman
1963	05/07/98	Roma's Restaurant	8.46	Roanoke Rapids Savings Bank	Putney/Hillsman
1981	05/29/98	Shelby Insurance	78.00	(None)	Putney/Hillsman
1982	06/01/98	Sherman Arnold	1,738.50	(None)	Putney/Hillsman
		<b>Total</b>	<u>\$ 12,675.60</u>		

***Response from the Chairperson of the Board of  
Halifax County Community Development Corporation***

July 10, 2000

Mr. Ralph Campbell, Jr., State Auditor  
2 S. Salisbury Street  
20601 Mail Service Center  
Raleigh, NC 27699-0601

Dear Mr. Campbell:

The Executive Committee reviewed the report that was submitted to the HCCDC concerning our financial status.

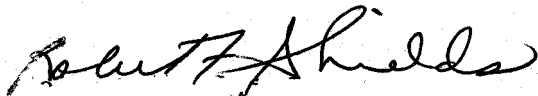
We agreed that legal action would be taken against the Executive Director and the Administrative Assistant.

We are seeking legal advice on just what steps must be taken to bring this matter to a final conclusion and retrieve as much of the outstanding debt that is owed as possible.

We also have reviewed our procedures and recognized our mistakes. Some procedures that were in place were not followed. The Board of Directors must make sure that the employees follow the necessary guidelines and procedures so as to run an efficient organization.

Concerning the legal action, once we are advised and make our decision on what to do, we will notify your office.

We wish to thank you and your staff, especially Ms. Johnson in helping us to resolve this matter.



Sincerely,  
Robert F. Shields, Chairman  
Halifax County Community Development Corporation

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In accordance with G.S. §147-64.5 and G.S. §147-64.6(c)(14), copies of this report have been distributed to the public officials listed below. Additional copies are provided to other legislators, state officials, the press, and the general public upon request.

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The Honorable James B. Hunt, Jr.	Governor of North Carolina
The Honorable Dennis A. Wicker	Lieutenant Governor of North Carolina
The Honorable Harlan E. Boyles	State Treasurer
The Honorable Michael F. Easley	Attorney General
Mr. Bryan Beatty	Director, State Bureau of Investigation
Mr. Marvin K. Dorman, Jr.	State Budget Officer
Mr. Edward Renfrow	State Controller

### **LEGISLATIVE BRANCH**

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Senator Marc Basnight, Co-Chairman	Representative James B. Black, Co-Chairman
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Senator Anthony E. Rand	Representative Liston B. Ramsey
Senator Robert G. Shaw	Representative E. David Redwine
Senator Ed N. Warren	Representative Stephen W. Wood
Senator Allen H. Wellons	Representative Thomas E. Wright

### **Other Legislative Officials**

Representative Phillip A. Baddour, Jr.	Majority Leader of the N.C. House of Representatives
Representative N. Leo Daughtry	Minority Leader of the N.C. House of Representatives
Mr. James D. Johnson	Director, Fiscal Research Division

July 18, 2000



## ORDERING INFORMATION

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