



Leslie W. Merritt, Jr., CPA, CFP
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

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March 23, 2005

Mr. Ken Rominger, Councilman, Town of Winfall
Mr. Billy Ray Hall, President, North Carolina Rural Economic Development Center, Inc.
Mr. David E. Jones, Executive Director, Governor's Crime Commission

Gentlemen:

We received an allegation through the *State Auditor's Hotline* that the Mayor of the Town of Winfall, Fred Yates, received payments from the Town of Winfall and from the Rural Economic Development Center and the Governor's Crime Commission for the same travel expenses from July 2001 – June 2002.

We have completed a special review of this allegation. The following findings and recommendations are based on an examination of various financial documents and records; review of applicable policies and statutes; and interviews of employees of the Town of Winfall, the Rural Economic Development Center, and the Governor's Crime Commission.

Duplicate and Unsupported Travel Expense Reimbursements

Between July 2001 and March 2002, Mayor Yates received \$572 in travel expense reimbursements from the Rural Economic Development Center and the Governor's Crime Commission that duplicated travel expense payments to Mayor Yates from the Town of Winfall. In addition, Mayor Yates received \$166.18 for lodging expenses in December 2001 and March 2002 for which no supporting receipts were on file with the Town of Winfall.

On July 13, 2001, Mayor Yates received \$254.58 from the Town of Winfall to attend a board meeting of the Rural Economic Development Center in Raleigh on July 15-16, 2001 (see Exhibit 1). This advance travel payment included \$108.68 as a mileage reimbursement. On July 30, 2001, the Rural Economic Development Center also reimbursed Mayor Yates \$103.50 for mileage associated with attending the Rural Economic Development Center meeting on July 15-16, 2001. Mayor Yates signed a Rural Economic Development Center expense report certifying that "*no claim will be made from any other source for the same expense*" (see Exhibit 2).

Mr. Ken Rominger, Councilman, Town of Winfall

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On December 12, 2001, Mayor Yates received \$268.86 from the Town of Winfall to attend a meeting of the Governor's Crime Commission on December 12-14, 2001 (see Exhibit 3). The advance travel payment included \$108.68 for mileage and \$59 for meals. On January 24, 2002, the NC Department of Crime Control and Public Safety also reimbursed Mayor Yates \$150 for mileage and \$59 for meals for attending the meeting of the Governor's Crime Commission in December 2001. Mayor Yates signed a Department of Crime Control and Public Safety expense report certifying that "*no claim will be made from any other source for the same expense*" (see Exhibit 4).

On March 11, 2002, Mayor Yates received \$509.04 from the Town of Winfall to attend meetings of the Rural Economic Development Center and the Governor's Crime Commission from March 12-15, 2002. The advance travel payment included \$326.04 for mileage (see Exhibit 5). On March 21, 2002, the Rural Economic Development Center also reimbursed Mayor Yates \$109.50 for mileage associated with attending the Rural Economic Development Center meeting on March 12-13, 2002. On March 27, 2002, the NC Department of Crime Control and Public Safety also reimbursed Mayor Yates \$150 for mileage and \$29.50 for meals for attending the meeting of the Governor's Crime Commission on March 14-15, 2002. Mayor Yates signed expense reports for the Rural Economic Development Center and the NC Department of Crime Control and Public Safety report certifying that "*no claim will be made from any other source for the same expense*" (see Exhibits 6 and 7).

The advance travel payments to Mayor Yates on December 12, 2001, and March 12, 2002, also included expenses for lodging in the amounts of \$101.18 and \$65 respectively. The Town of Winfall did not have hotel receipts on file to support these expenses.

A table summarizing the duplicate and unsupported travel expense reimbursements for Mayor Yates is included as Exhibit 8.

The Town Clerk and Finance Officer for the Town of Winfall explained that travel expense payments were made to Mayor Yates in advance of each of the trips described above. The Town Clerk said she would estimate the mileage based on a round-trip from Winfall to Raleigh, include the per diem for meals and call the hotel to get the rate with tax and issue a check to Mayor Yates. She maintained that she was unaware that Mayor Yates submitted travel reimbursement requests to the Rural Economic Development Center and the Governor's Crime Commission for the same expenses.

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The Vice President for Finance and Administration at the Rural Economic Development Center also said she was unaware that Mayor Yates had received advance travel expense payments from the Town of Winfall. When she reviewed the documentation from the Town of Winfall, she agreed that Mayor Yates received travel reimbursements from both organizations for the same trip.

Upon reviewing the expense reimbursement documentation, the Executive Director of the Governor's Crime Commission also agreed that Mayor Yates was paid twice for the same travel expenses.

Mayor Yates initially said he was entitled to receive reimbursements from both the Town of Winfall and the Rural Economic Development Center and the Governor's Crime Commission for the same expenses because when he traveled to Raleigh he would often meet with members of the General Assembly in addition to attending board meetings. Later, Mayor Yates acknowledged that the multiple travel reimbursements represented a duplication of payment and agreed to repay any overpayments he received.

Violations of Policy/Law

Mayor Yates should have only received travel expense reimbursements for travel expenses he incurred in accordance with applicable policies. No town official approved the expense forms on file with the Town of Winfall for the items in question. Moreover, Mayor Yates certified on expense report forms of the Rural Economic Development Center and the NC Department of Crime Control and Public Safety that "no claim will be made from any other source for the same expense".

The actions described above may represent a violation of any the following North Carolina General Statutes:

§14-100. Obtaining property by false pretenses.

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

§14-91. Embezzlement of State property by public officers and employees.

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

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Recommendations

Mayor Yates should make the following repayments:

North Carolina Rural Economic Development Center, Inc.	\$213.00
North Carolina Department of Crime Control and Public Safety / Governor's Crime Commission	<u>\$359.00</u>
	<u>\$572.00</u>

Mayor Yates should be required to provide hotel receipts for lodging expenses incurred by the Town of Winfall on December 12, 2001, and March 12, 2002. If these expenses cannot be substantiated, Mayor Yates should repay the Town of Winfall \$166.18.

The Town of Winfall expense reimbursement forms should be changed to include language that states that expenses were actually incurred by the claimant and no additional request for reimbursement will be sought from any other organization. In addition, all expense reimbursement forms should be approved for payment after the employee incurs the expenses.

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 management letter to the Governor, the Attorney General, and other appropriate officials.

We appreciate the cooperation received from the employees of the Town of Winfall, the North Carolina Rural Economic Development Center, and the Governor's Crime Commission.

Sincerely,



Leslie W. Merritt, Jr., CPA, CFP
State Auditor

Management letters and responses receive the same distribution as audit reports.



(Authorized Approving Official)

Ch 179575

- (2) Type of Subsistence
B - Breakfast
L - Lunch
D - Dinner
H - Hotel

$$\begin{array}{r} 300 \text{ miles} \\ .345 \\ \hline \$103.50 \end{array}$$

34.5 cents per mile for use of private owned vehicles

Please complete amount, company, account, and center fields. Must be filed at least monthly and not later than 30 days after month ends. Must be prepared in ink or type.

Payee's Name (First, Middle Initial, Last) Frederick L. Yates	Division/Section GCC	Soc. Sec. # [REDACTED]
Payee's Address (Street) PO BOX 42	Title Commission member	Headquarters (City) [REDACTED]
(City, State, Zip) Wynfall N.C. 27985	Period Covered by this Request (from/to) Dec 13, 14 2001	

Under penalties of perjury I certify this is a true and accurate statement of the city of lodging, expenses and allowances incurred in the service of the State. I further certify that I will not be reimbursed from any other source for these same expenses.

[Signature] (Claimant) **[Signature]** (Supervisor) **12-14-01** (Date)

NOTE: ORIGINAL SIGNATURE AND DATES ARE REQUIRED FOR PROCESSING

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[illegible]

REMIT MESSAGE: (Write check disposition instructions on line.)

Line No.	AMOUNT	COMPANY	ACCOUNT	CENTER	ACCRUAL CODE
0001	150.00	4 7 0 1	532731 000 00	1710715	
0002	121.44	4 7 0 1	532732 000 00	1710715	
0003	30.00	4 7 0 1	531681 000 00	1710715	
0004		4 7 0			
0005		4 7 0			
Total Expense	301.44	Approved as to proper travel chargeable to above accounting code verified as conforming to authorized			
Less Advance		Reimbursable expenses:			
Total Due (Owe)	301.44	A/P Accountant			

Approved as to proper travel chargeable to above accounting code verified as conforming to authorized Reimbursable expenses:

A/P Accountant

Travel (show each city visited)			Transportation			Subsistence			Misc. Expenses		
Day	From	to	In-State	Out-of-State	Out-of-Country	2	In-State	Out-of-State	Out-of-Country	Explanation	Amount
12-13	Winn Falls	to Raleigh				B:					
Depart						L:	29.50			per diem	15.00
Arrive						D:					
Daily Private Car Mileage: @ 1m						H:	62.44				
Daily Private Car Mileage: 100 @ 25/m			75.00			tot.					
12-14	Raleigh	to Winn Falls				B:					
Depart						L:	29.50			per diem	15.00
Arrive						D:					
Daily Private Car Mileage: 300 @ 25/m			75.00			H:					
Daily Private Car Mileage: @ 1m						tot.					
GRAND TOTALS			150.00				121.44				30.00

(1) **Mode of Travel:**

P - Private car G - Ground, rail, bus, taxi; parking fees
A - Air O - Other

(2) Type of Substance:

B - Breakfast D - Dinner
L - Lunch H - Housing (Room)

NOTE: Daily total for subsistence not to exceed authorized amount for in-state or out-of-state travel.

LIST OF TRAVEL EXPENSE REPORT

Month of _____

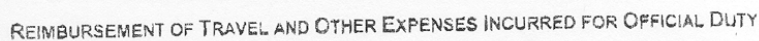
March

[illegible]

Less Travel Advance

Amount Due Official/Employee	\$ 509	04
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Employee: _____ Approved By: _____



Instructions to Claimant: Prepare two (2) copies. Attach all necessary receipts and other supporting documents to this form. Submit the original and retain the duplicate copy for your records.

(Authorized Approving Official)

Note: Original Signatures Required

(1) Mode of Travel	(2) Type of Subsistence
P - Private-owned car	B - Breakfast
A - Air	L - Lunch
O - Other, rail or bus	D - Dinner
R - Rental Car	H - Hotel

36.5 cents per mile for use of private owned vehicles

DEPARTMENT OF CRIMINAL CONTROL AND PUBLIC SAFETY
REIMBURSEMENT OF TRAVEL AND OTHER EXPENSES INCURRED
IN THE DISCHARGE OF OFFICIAL DUTY

INSTRUCTIONS TO CLAIMANT: Submit one original to Accounting. Attach all necessary receipts and other supporting documents to this form. Retain one (1) copy for your records.
Please complete amount, company, account, and center fields. Must be filed at least monthly and not later than 30 days after month ends. Must be prepared in ink or typed.

Payee's Name (First, Middle Initial, Last) <u>Frederick Lee Yates</u>	Division/Section <u>BCC</u>	Soc. Sec. # <u>[REDACTED]</u>
Payee's Address (Street) <u>PO Box 42</u>	Title <u>Commission Member</u>	Headquarters (City) <u>[REDACTED]</u>
(City, State, Zip) <u>WINTHROP N.C. 27985</u>	Period Covered by this Request (from/to) <u>March</u>	

Under penalties of perjury I certify this is a true and accurate statement of the city of
Lodging, expenses and allowances incurred in the service of the State. I further certify
That I will not be reimbursed from any other source for these same expenses.

[Signature] (Claimant) [Signature] (Supervisor) 3-18-02 (Date)

NOTE: ORIGINAL SIGNATURE AND DATES ARE REQUIRED FOR PROCESSING

Pay Entity: <input type="checkbox"/>	Control #: <input type="checkbox"/>	Expenses voucher No.: <input type="checkbox"/>
Payment Due Date: <input type="checkbox"/>	Terms Code: <input type="checkbox"/>	

REMIT MESSAGE: (Write check disposition instructions on line.)

Line No.	AMOUNT	COMPANY	ACCOUNT	CENTER	ACCRUAL CODE
0001	150.00	4 7 0 1	5 3 2 7 3 1 0 0 0 0 0	1 7 1 0 7 4 8	
0002	29.50	4 7 0 1	5 3 2 7 3 2 0 0 0 0 0	1 7 1 0 7 4 8	
0003	15.00	4 7 0 1	5 3 1 0 5 1 0 0 0 0 0	1 7 1 0 7 4 8	
0004		4 7 0			
0005		4 7 0			
Total Expense	194.50				
Less Advance					
Total Due (Owe)	194.50				

Approved as to proper travel chargeable to above accounting code verified as conforming to authorized Reimbursable expenses.

A/P Accountant

Travel (show each city visited)		Transportation			Subsistence			Misc. Expenses			
Day	From to	1	In-State	Out-of-State	Out-of-Country	2	In-State	Out-of-State	Out-of-Country	Explanation	Amount
3/14/02	Wintfall Raleigh	G				B					
Depart	Return	A				L	29.50			per diem	15.00
Arrive		O				D					
Daily Private Car Mileage:	800 @ .25/m	P	150.00			H					
Daily Private Car Mileage:	@ /m	P				tot.					
Depart		G				B					
Arrive		A				L					
Daily Private Car Mileage:	@ /m	P				D					
Daily Private Car Mileage:	@ /m	P				H					
		P				tot.					
GRAND TOTALS			150.00				29.50				15.00

(1) Mode of Travel:
P - Private car
A - Air
G - Ground, rail, bus, taxi, parking fees
O - Other

(2) Type of Substance:
B - Breakfast
L - Lunch
D - Dinner
H - Housing (Room, etc.)

NOTE: Daily total for subsistence not to exceed authorized amount for in-state or out-of-state travel.

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Summary of Duplicate and Unsupported Travel Expense Reimbursements for Mayor Yates

Town of Winfall				Rural Center	Governor's Crime Commission			
Date	Mileage	Meals	Hotel	Mileage	Mileage	Meals	Hotel	Per Diem
7/15/2001	52.10	29.50	86.90	51.75				
7/16/2001	56.58	29.50		51.75				
		Trip Total	254.58	103.50				
12/12/2001	52.10	29.50	101.18					
12/13/2001					75.00	29.50	62.44	15.00
12/14/2001	56.58	29.50			75.00	29.50		15.00
		Trip Total	268.86				Trip Total	301.44
3/12/2002	52.10	29.50	65.00	54.75				
3/13/2002	56.58	29.50		54.75				
		Trip Total	232.68	109.50				
3/14/2002	108.68	29.50			150.00	29.50		15.00
3/15/2002	108.68	29.50						
		Trip Total	276.36				Trip Total	194.50
Totals:			1,032.48	213.00				495.94

Note: The shaded areas of this table represent duplicate or unsupported travel expense reimbursements.

Source: Travel Expense Reimbursement forms and cancelled checks from the Town of Winfall, the Rural Economic Development Center and the NC Department of Crime Control and Public Safety.



Town of Winfall

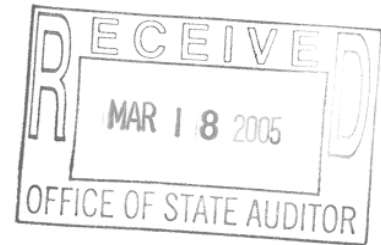
Frederick L. Yates, Mayor
Gloria E. Mason, Town Clerk / Finance

Post Office Box 275
Winfall, North Carolina 27985
Telephone: (252) 426-5015
Fax: (252) 426-1763
Email: winfall@inteliport.com / Website: townofwinfall.com

Town Council:
Kenneth Rominger, Mayor Pro-Temp
Donna Mummert
Bertha Dixon
Clifford Towe

March 15, 2005

Leslie W. Merritt, Jr., CPA, CFP
State Auditor
2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601



Dear Mr. Merritt:

On behalf of the Town Council of the Town of Winfall, we have reviewed the Confidential Draft of a special review of travel expense payments to Mayor Fred Yates and your recommendations as a result of this review. The Council, including Mayor Yates, met in closed session to discuss this matter and the recommendations. Therefore, speaking on behalf of the Council, we concur with those recommendations you have put forth.

FINDING: Mayor Yates should be required to provide hotel receipts for lodging expenses incurred by the Town of Winfall on December 12, 2001, and March 12, 2002. If these expenses cannot be substantiated, Mayor Yates should repay the Town of Winfall \$166.18.

TOWN ACTION: This finding was discussed with Mayor Yates. He has agreed to repay the Town the sum of \$166.18.

FINDING: The Town of Winfall expense reimbursement forms should be changed to include language that states that expenses were actually incurred by the claimant and no additional request for reimbursement will be sought from any other organization. In addition, all expense reimbursement forms should be approved for payment after the employee incurs the expenses.

TOWN ACTION: The Town Clerk and myself (Councilman Rominger) are in the process of writing a *Town Policy on Travel and Reimbursement*. This will include procedures, which will provide us with a request for travel, approval of such travel, travel and per diem rates and approval signature(s) for any reimbursements. New form/forms will also result. We also felt that we needed signature/approval elements for request of

travel/reimbursement for travel expenses. The policy will address procedures for advance reimbursements. While our desire would be to pay after travel, Council felt that when employees travel for training purposes that it might produce hardships and therefore should have a policy for advance reimbursement. This should be available for approval at our April Council meeting. Would you like for us to forward a copy of this to your office?

We *immediately* put the statement: "I HEREBY CERTIFY THAT THESE EXPENSES WERE ACTUALLY INCURRED AND THAT I WILL NOT NOR HAVE NOT RECEIVED REIMBURSEMENT FOR ANY OF THESE EXPENSES BY ANOTHER PARTY OR ORGANIZATION." on our present Travel Expense Form. (See Attached)

Advance payments have been stopped until we have completed the new *Town Policy*. The Town does use the State of North Carolina rates for travel and per diem.

This report was shared *only* with Council members, Mayor Yates and the Town's Legal Advisor. At this time, they were all advised that this was a *Confidential Draft* and that until your office has release the official report, it should be held in such confidence. The *Confidential Draft* copy you provided will be held until you advise us on what disposition to make.

We appreciate your support and cooperation in this matter.

Sincerely,

TOWN OF WINFALL


Kenneth L. Rominger, Mayor Pro-Temp

KLR/gem

Enclosure

THIS DOCUMENT HAS AN ARTIFICIAL WATERMARK PRINTED ON THE BACK. THE FRONT OF THE DOCUMENT

OFFICIAL CHECK

HAS A MICRO-PRINT SIGNATURE LINE AND BORDER. ABSENCE OF THESE FEATURES WILL INDICATE A COPY.

City/Branch 014-001

NC Preparer's DTL
Initials

101403672

RUB HERE
COLOR FACES WITH HEAT
25-1554/440

Description **Reimbursement**

Amount **\$166.18**



RBC Centura
RBC Centura Bank

FROM FREDERICK L. YATES

Date **15 March 2005**

Pay

RBC CENTURA
BANK

166 DOLS 18 CTS

Dollars ***166.18***

To the Order of **Town of Winfall**

DRAWER: RBC Centura Bank

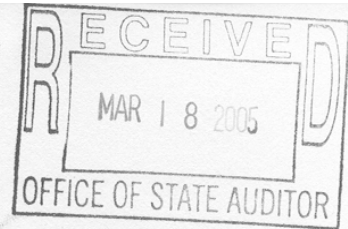
Authorized Signature

Two signatures required for amounts of \$10,000.00 or more

Issued By: Travelers Express Company, Inc., P.O. Box 9476, Minneapolis, MN 55480 Drawee: Huntington National Bank, Columbus, OH

⑈ 101403672 ⑈ + ⑆ 044015543 ⑆ 0160010599954 ⑈

THE VARIABLE TONE BACKGROUND AREA OF THIS DOCUMENT CHANGES COLOR GRADUALLY AND SMOOTHLY FROM DARKER TONES AT THE TOP TO THE LIGHTEST TONE AT THE BOTTOM



North Carolina Department of Crime Control and Public Safety
Governor's Crime Commission

Michael F. Easley, Governor
Bryan E. Beatty, Secretary

March 16, 2005

Linda W. Hayes, Chair
David E. Jones, Director

Honorable Leslie W. Merritt, Jr.
State Auditor
Office of the State Auditor
20601 Mail Service Center
Raleigh, North Carolina 27699-0601

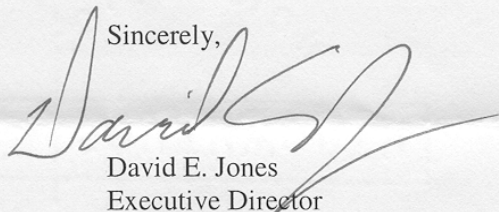
Dear Mr. Merritt:

I am in receipt of your letter to me dated March 3, 2005, regarding the review of the travel expense payments to Mayor Fred Yates. It is apparent based on your investigation that Mayor Yates received duplicate reimbursement for travel expenses charged to the Governor's Crime Commission.

As a corrective action, I have drafted a letter to Mayor Yates requesting that he submit a check to the Governor's Crime Commission in the amount of \$359.00 as repayment for travel expense reimbursements for which he was not entitled. Mayor Yates is to submit said repayment to the Governor's Crime Commission on or before April 29, 2005.

I appreciate the assistance of your staff in this matter. If I can be of further assistance, please advise.

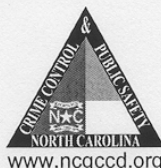
Sincerely,



David E. Jones
Executive Director

DEJ:ww:bcp

MAILING ADDRESS:
4708 Mail Service Center
Raleigh, NC 27699-4708
Telephone: (919) 733-4564



www.ncgccd.org
An Equal Opportunity/Affirmative Action Employer

OFFICE LOCATION:
1201 Front St., Ste. 200
Raleigh, NC 27609
Fax: (919) 733-4625



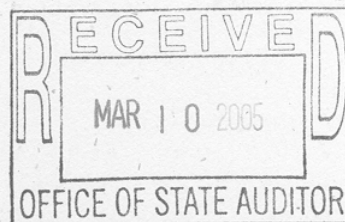


Thomas W. Lambeth
Chairman

Billy Ray Hall
President

Mr. Leslie W. Merritt, Jr., CPA
State Auditor
Office of the State Auditor
20601 Mail Service Center
Raleigh, NC 27699-0601

March 9, 2005



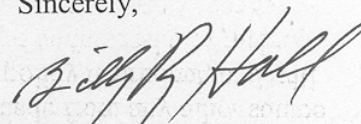
Dear Mr. Merritt:

Thank you for the opportunity to respond to your draft management letter issued March 3, 2005 to the Rural Economic Development Center, Inc. We regret that these events have occurred and will cooperate fully with the other entities involved to reach a satisfactory resolution. We are dedicated to maintaining the highest level of accountability for all funds in our care.

It is the policy of the center to reimburse our directors for their travel while conducting center business, including attendance at board meetings. We reimburse these travel expenses based upon receipt of a signed request form in which the claimant certifies that "no claim will be made from any other source for the same expenses." While we believe that this policy is prudent, and will continue to require and rely upon such a certifications as the basis for making travel reimbursements, we plan to be more proactive in calling this specific requirement to the attention of current and future board members. We will remind our current board members of this requirement at our next regularly scheduled board meeting, and will include specific instruction regarding this requirement in our orientation packages for all incoming board members.

We believe that these steps will help to ensure that duplicative payments to directors will not occur again. Should you have any additional suggestions for improvements in our policies and procedures in this area, we will be happy to consider them for implementation.

Sincerely,


Billy Ray Hall
President

North Carolina

Rural Economic

Development Center, Inc.

4021 Carya Drive

Raleigh, NC 27610

Phone: (919) 250-4314

FAX: (919) 250-4325