



# **STATE OF NORTH CAROLINA**

## **INVESTIGATIVE REPORT**

### **TOWN OF TARBORO**

### **TARBORO, NORTH CAROLINA**

**JULY 2014**

### **OFFICE OF THE STATE AUDITOR**

**BETH A. WOOD, CPA**

**STATE AUDITOR**

## **EXECUTIVE SUMMARY**

### **PURPOSE**

The Office of the State Auditor received an allegation from the Tarboro Town Council concerning the former Town Manager's use of town funds for questionable purchases.

### **BACKGROUND**

The Town of Tarboro (Town) operates under a Council-Manager form of government with a mayor and eight Town Council members elected at-large on a non-partisan basis to four-year terms. The town manager is the chief administrator of the Town and serves at the pleasure of the Town Council.

### **KEY FINDINGS**

- Over a six-year period, the former Town Manager made nearly \$366,000 of purchases that exceeded the scope of his duties.
- The former Town Manager obtained more than \$87,000 for universal life insurance premiums without Town Council approval.
- A former accounting clerk (who left her job voluntarily) may have violated state law by obtaining more than \$30,000 in unemployment benefits for which she was not eligible.
- A former Electric Department director (current Mayor) inappropriately received almost \$28,000 in reimbursements for his ex-wife's health insurance.
- The Town Council failed to adequately oversee town operations to ensure accountability.

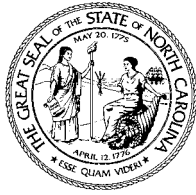
### **KEY RECOMMENDATIONS**

- The Town should seek legal counsel regarding repayment of unauthorized life insurance premiums and civil action for the former Town Manager's imprudent use of town funds.
- The Town Council should review the town manager's performance, including an analysis of expenses, on a regular basis.
- The North Carolina Department of Commerce, Division of Employment Security should determine whether the clerk violated state law by improperly obtaining unemployment benefits.
- The Town should require the former Electric Department Director (current Mayor) to repay misrepresented reimbursements for his ex-wife's health insurance.

### **NOTE**

- Findings were referred to the State Bureau of Investigation, the Internal Revenue Service, the North Carolina Department of Revenue, and the North Carolina Department of Commerce, Division of Employment Security for legal disposition as applicable.

*The key findings and recommendations in this summary may not be inclusive of all the findings and recommendations in the report.*



**Beth A. Wood, CPA**  
State Auditor

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**AUDITOR'S TRANSMITTAL**

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The Honorable Pat McCrory, Governor  
Members of the North Carolina General Assembly  
Tarboro Town Council  
Mr. Alan Thornton, Town Manager, Town of Tarboro

Ladies and Gentlemen:

Pursuant to North Carolina General Statute §147-64.6(c)(16), we have completed an investigation of allegations concerning the Town of Tarboro. 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). We appreciate the cooperation received from the management and employees of the Town of Tarboro during our investigation.

Respectfully submitted,

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

Beth A. Wood, CPA  
State Auditor

July 22, 2014

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## INTRODUCTION

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The Office of the State Auditor received an allegation from the Tarboro Town Council concerning the former Town Manager's questionable purchases with town funds over a six-year period. During the investigation of the initial allegation, instances of inappropriate unemployment benefit payments, inappropriate cash payments in lieu of health insurance, and lack of oversight by the Tarboro Town Council were identified.

To conduct our investigation, we performed the following procedures:

- Review of town purchasing policies as well as North Carolina General Statutes
- Interviews of town employees, management, and current and former Town Council members
- Examination and analysis of available financial documents and records of the Town of Tarboro
- Forensic examination of selected Town of Tarboro computers

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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## ORGANIZATION OVERVIEW

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### **Town of Tarboro**

The Town of Tarboro (Town) is located along the Tar River in the eastern part of North Carolina and is the county seat of Edgecombe County. According to its website, “Tarboro was established by the North Carolina Colonial Legislature in 1760. The town served the area as an important Colonial river port and thriving trade center until the Civil War.”<sup>1</sup> Tarboro has more than 11,000 residents.

The Town operates under a Council-Manager form of government. The Mayor and eight Town Council members are the governing body and are elected at-large on a non-partisan basis for a four-year term. The Town Manager is the chief administrator of the Town and serves at the pleasure of the Town Council.

The Town has eight departments: Planning and Inspection, Finance, Public Works, Electric Utility, Police, Fire, Parks and Recreation, and Human Resources. For fiscal years 2005 through 2011, the Town’s budget ranged from \$41.8 million to \$47.5 million.

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<sup>1</sup> [http://www.tarboro-nc.com/town\\_tarboro\\_government/about+town+government](http://www.tarboro-nc.com/town_tarboro_government/about+town+government)

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## **FINDINGS AND RECOMMENDATIONS**

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### **1. FORMER TOWN MANAGER OBTAINED UNAUTHORIZED LIFE INSURANCE BENEFITS AND MADE QUESTIONABLE PURCHASES**

The former Town Manager received reimbursements that violated the Town of Tarboro's (Town) purchasing policies and exceeded the scope of his duties. He received \$87,043.41 in reimbursements for a universal life insurance policy purchased without Town Council approval. In addition, the former Town Manager received reimbursements totaling \$365,629.24 over a six-year period for supplies, equipment, travel, and meals which may not have been necessary.

#### **Former Town Manager Made Life Insurance Policy Changes without Approval**

Without documented approval from the Town Council, the former Town Manager made multiple changes to his town-provided life insurance policy from 1996 through 2011. He converted his life insurance policy from whole life to universal life and increased the annual premium cost to the Town from \$1,251 to \$9,000. He also increased the policy's death benefit from \$116,787 to \$300,000 and increased the policy's cash value to \$91,797 as of February 27, 2014.

In 1988, the former Town Manager received a town-provided whole life insurance policy as part of his benefits package. The annual premium cost to the Town was \$1,251. The death benefit was \$116,787 which complied with the Town Council approved death benefit limit of 2.5 times his annual salary.<sup>2</sup>

Then in July 1996, without documented approval, the former Town Manager converted his town-furnished whole life insurance policy to a universal life insurance policy. The universal life insurance policy included a provision that allowed him to make additional premium payments that increased the policy's cash value. The new universal life premium payment was \$3,903 with a death benefit of \$250,000, approximately 3.22 times his annual salary, exceeding the approved amount.

In July 2006, again without documented approval, the former Town Manager increased the insurance death benefit to \$300,000 (2.86 times annual salary) and increased the annual premium payments to \$5,500.

The former Town Manager later increased the premium payments two more times which increased the policy's cash value. He increased the annual premium payment to \$8,101 in July 2007 and then to \$9,000 in August 2010, four months before his retirement.<sup>3</sup> His final payment in April 2011 was reimbursed by the Town three months earlier than due. This final payment covered a 12-month period after his employment with the Town ended.

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<sup>2</sup> A memorandum of understanding dated July 19, 1988, specified, "The Town will provide and pay for a whole life insurance policy on your life, having a value of \$116,787 and a premium of \$1,251.24 per year. The beneficiary of the policy shall be designated by you. It is understood that this represents a portion of your annual salary for FY 1988-89 and thereafter."

<sup>3</sup> The former Town Manager retired December 31, 2010. He continued to work for the Town on an interim basis until July 31, 2011.

## **FINDINGS AND RECOMMENDATIONS**

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The former Town Manager also received untaxed benefits as a result of the unauthorized changes to the town-provided life insurance policy. The initial life insurance benefit was part of his compensation package with the annual premium included directly in his salary. Even though the former Town Manager's annual salary already included this benefit, he submitted and received reimbursements from the Town for additional insurance premium payments that he made from 1996 through 2011 totaling \$87,043, which was untaxed. The additional premium payments increased the insurance policy's cash value. Because the policy's cash value earned interest, the former Town Manager accumulated a total of \$91,797 in unauthorized benefits.

There was no available documentation to indicate that the Town Council approved any adjustments or deviations from the initial approved life insurance benefit to the former Town Manager or from the method of simply including the premium payment in the former Town Manager's salary. The former Town Manager's attorney said that he could furnish documentation to show that the policy was properly approved, but he never provided that documentation.

Additionally, none of the Town Council members recalled approving any adjustments or deviations. All past and current Council members interviewed said they were unfamiliar with the insurance policy and did not recall ever seeing it. One current Council member said, "I never voted on approving anything other than that standard life insurance policy that was in his contract."

### **Former Town Manager Made Questionable Purchases and Violated Purchasing Policies**

The former Town Manager used town funds to pay for equipment, travel, and meals that were either for personal use, had a questionable connection to the Town's business operations, or were unnecessary. The former Town Manager regularly failed to comply with town purchasing policies.

#### **Unnecessary Equipment Purchases**

Between July 2006 and July 2011, the former Town Manager was reimbursed by the Town for more than \$220,000 in equipment purchases. Many of the items did not appear to relate to his job as a town administrator.

## FINDINGS AND RECOMMENDATIONS

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Table 1 lists some of the vendors from which the former Town Manager purchased items and for which he was reimbursed by the Town.

Table 1	
Retailer	Total Reimbursed
Apple Store	\$15,404.79
Bass Pro Shops	\$8,532.94
Best Buy	\$11,071.33
Boater's World	\$19,665.05
Cabela's	\$6,286.42
Dick's Sporting Goods	\$8,316.37
Gander Mountain	\$1,880.36
L.L. Bean	\$4,496.35
Lawmen's Safety Supply	\$11,073.63
REI	\$5,835.42
Yeti	\$8,405.78
<b>Total</b>	<b>\$100,968.44</b>

The items purchased include shirts, coolers, gun holsters, life vests, flashlights, helmets, wetsuits, marine equipment and jackets. (See Appendices B and C) The former Town Manager also purchased police equipment – including handguns – that was not necessary to perform his duties. (See Appendix D)

A former police chief said there was no reason the former Town Manager needed all the police equipment and clothing. According to the former Town Manager, he liked to participate with the police department and needed the same supplies. According to the former Town Manager's job description, his duties were to "observe departmental activities to assess operational efficiency," not participate as a law enforcement officer. Most of the items were not used by the Town's police department because they were in the former Town Manager's possession (See Appendix B, Images 4 through 8).

Most purchases made by the former Town Manager were charged to other departments' budgets, which limited them from purchasing needed items. For example, he purchased \$394 of boating supplies from Boater's World and charged it to the electric department although interviews with electric department employees revealed that the department did not have a boat.<sup>4</sup> According to a former department head, prior to making any purchases for his department, he would check his department's account to see how much remained because the former Town Manager would often deplete its funds.

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<sup>4</sup> One of the items listed in the reimbursement was an *Easy Lift Trailer Jack Aluminum*. The former Town Manager returned this item after he retired with his name written on it in numerous places. (See Appendix B, Image 2)

## **FINDINGS AND RECOMMENDATIONS**

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After his retirement, the former Town Manager returned to the Town many of the items he purchased using town funds. Many items had been shipped to his residence and had his name on them instead of the name of the Town. The Town Manager said that he put his name on the items to deter people from stealing. However, items purchased by the former Town Manager on behalf of and used by the departments did not have his name written on them.

### Unnecessary Travel and Meals

An analysis of the former Town Manager's reimbursements showed that over a five-year period he received nearly \$85,000 in reimbursements for 455 trips that may not have been necessary. In addition, he received \$7,000 in reimbursements for 289 potentially unnecessary meals at local restaurants in Tarboro during the same period.

The former Town Manager added to the unnecessary costs by taking employees or council members with him on his trips. Former employees said he did not like to travel alone. Most trips were taken during business hours, resulting in lost production time by the employees and the former Town Manager. Meals during these trips resulted in additional costs.

Between 2006 and 2011, the former Town Manager was reimbursed more than \$11,500 in mileage to "deliver brochures" and to "view" or "purchase equipment." On numerous occasions, the former Town Manager traveled on consecutive days to review, purchase, or return equipment, according to his explanations on the expense reimbursement forms. Some of the items purchased on consecutive days were from retail stores such as Boater's World, Best Buy, and Sears Auto Center.

On numerous occasions, the former Town Manager received reimbursements for travel to Virginia for questionable purposes. A trip to Norfolk was labeled as "purchase equipment." However, the current Mayor, who accompanied the former Town Manager on that trip, said, "I am not sure what the purpose of the trip was... [The former Town Manager] would buy socks or gloves...a lot of it probably didn't make sense..." A former police chief said he traveled with the former Town Manager to Virginia to buy a gift card at Bass Pro Shops for an employee who was retiring. The former Town Manager characterized that trip as "Meeting-Employee Retention." The cost of the gift card and the associated travel to Virginia totaled \$429.

Several in-state trips also resulted in expense reimbursements that appeared unnecessary. In June 2010, the former Town Manager, current Mayor, former Mayor, and a Council member spent \$212 on dinner at McCormick and Schmick's while attending a meeting in Raleigh. Fourteen days later, the same group spent \$176 at 42<sup>nd</sup> Street Oyster Bar in Raleigh. The next month, the former Town Manager, current Mayor, and a former police chief traveled to Fayetteville. They spent \$586 at a military clothing store and \$122 for lunch.

The current Mayor said that there was no real business need for meals reimbursed in Tarboro. Explanations on reimbursement forms for meals in Tarboro included, "Dinner after Council Meetings," "Dinner with Mayor and Council," or "lunch meeting." Several former employees said these meetings could have been held in the office.

## FINDINGS AND RECOMMENDATIONS

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### Violation of Town's Purchasing Policies

The former Town Manager violated town policy by never using a purchase order prior to making purchases. Town procedures required the use of purchase orders for those purchases that did not require a bid. Only in emergency situations or when a company did not accept purchase orders would departments purchase items without a purchase order.

The former Town Manager had a town credit card but preferred to use his personal credit card for routine town purchases, according to a former town department head. The former department head said the former Town Manager used his personal credit card to accumulate rewards points. In contrast to the former Town Manager's practices, multiple department heads said that they submitted purchase orders for normal purchases and used the Town's credit card for emergency purchases.

### RECOMMENDATIONS

The Town of Tarboro should seek legal counsel regarding repayment of the unapproved life insurance premiums. In addition, town officials should determine whether the Town incurred any liability by not reporting insurance benefits to the Internal Revenue Service as well as the North Carolina Department of Revenue.

The Town of Tarboro should seek legal counsel regarding potential civil action concerning the former Town Manager's imprudent use of public resources.

The Town of Tarboro should implement controls to ensure reimbursements are necessary and for legitimate business purposes.

The Town of Tarboro should establish and execute purchasing and travel procedures consistently for all employees.

The Town Council should review and analyze the expenditures of the Town Manager on a regular basis.

**NOTE: Life insurance policy information referred to the North Carolina State Bureau of Investigation to determine if there is sufficient evidence to pursue actions criminally related to misappropriation of public funds or malfeasance related to the former Town Manager's employment. This finding has also been referred to the North Carolina Department of Revenue and the Internal Revenue Service.**

## 2. FORMER ACCOUNTING CLERK IMPROPERLY OBTAINED UNEMPLOYMENT BENEFITS

A former Office Assistant in the accounting department (Clerk) may have violated state law by obtaining \$30,030 in unemployment benefits for which she was not eligible.

## FINDINGS AND RECOMMENDATIONS

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State law requires an individual to meet two conditions to be eligible for unemployment benefits. According to North Carolina General Statute § 96-14.1, unemployment benefits are provided to an individual who is:

- Unemployed through no fault on the part of the individual
- Able, available, and actively seeking work

The Clerk did not meet either of the conditions necessary to be eligible for unemployment benefits.

First, the Clerk was not eligible for unemployment benefits because she was not unemployed “through no fault on the part of the individual.” According to the Clerk’s personnel file, she resigned voluntarily on May 31, 2010. The Town’s former Finance Director said that the Clerk quit her job to travel with her husband.

However, actions of the Town’s Human Resources Director could have made it appear to the North Carolina Department of Commerce, Division of Employment Security (DES) that the Clerk met the requirement of being “unemployed through no fault on the part of the individual.”

Although the Clerk resigned voluntarily, the Town’s Human Resources Director reported to DES that the Town eliminated the Clerk’s job. The Human Resources Director reported the job elimination to DES based upon a budget memo dated July 2010 (one month after the Clerk resigned) stating that the position would be eliminated effective June 1, 2010. According to two Council members, the former Town Manager often eliminated vacant positions when employees left as a way to balance the budget and avoid tax increases.

Nevertheless, the Clerk did not resign because the Town was going to eliminate her position. In fact, the Clerk was not aware that her position would be eliminated. Even though the Human Resources Director submitted information to DES that the position was eliminated, she told investigators that she did not inform, nor was she aware of, any notification sent to the Clerk stating that her job would be eliminated. The Human Resources Director further explained that the Town Manager was responsible for notifying the employee. However, the former Town Manager said, “I didn’t talk to her.”

During our initial interview with the Clerk, she admitted that she did not receive any notification from the Town that her position would be eliminated. She further explained that “nobody actually said, ‘We are going to eliminate your job today.’”

In a subsequent interview, the Clerk confirmed that she did not receive any notification from the Town that her position would be eliminated. The Clerk’s explanation changed after investigators informed her that an employee who voluntarily quits without good cause is not eligible for unemployment benefits. The Clerk said someone mentioned to her that her job would be eliminated but she could not remember who. Later, she claimed the former Finance Director told her that. However, when asked if the Town tried to find her another position, she replied, “No...and it was fine with me... I didn’t have a problem leaving.”

## FINDINGS AND RECOMMENDATIONS

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Second, the Clerk was not eligible for unemployment because she was not “able, available, and actively seeking work” each week that she applied for and received unemployment benefits. DES determines unemployment benefits eligibility on a week-to-week basis and a recipient must meet all requirements for each weekly benefit period. A person who fails to meet any requirement for a given week is ineligible to receive a benefit until the condition causing the ineligibility ceases to exist.

Even though the Clerk frequently traveled out of state for extended periods, she applied for unemployment benefits each week via telephone certifying she was available and actively looking for work, according to DES. She filed unemployment benefits from June 2010 until May 2012, obtaining between \$268 and \$330 per week.

The Clerk and her husband (current Mayor) confirmed that they frequently traveled. The Clerk said that after she left employment with the Town she and her husband frequently went on vacation for weeks at a time. The Clerk mentioned a month-long trip to Hawaii and her husband cited a 35-day road trip to Arizona.

Consequently, the Clerk may not have complied with state law if she knowingly misrepresented her availability for employment when she applied and received unemployment benefits. According to NCGS § 96-18:

- *“It shall be unlawful for any person to make a false statement or representation knowing it to be false or to knowingly fail to disclose a material fact to obtain or increase any benefit...” GS 96-18(a)(1)*
- *“a person who violates this subsection shall be found guilty of a Class I felony” GS§ 96-18(a)(2)*
- *“any person who has received any sum as benefits under this Chapter by reason of the nondisclosure or misrepresentation ... or has been paid benefits to which he was not entitled for any reason shall be liable to repay such sum to the Division...” GS§96-18(g)(2)*

### RECOMMENDATION

The North Carolina Department of Commerce, Division of Employment Security should determine whether the clerk violated state law by improperly obtaining unemployment benefits.

**NOTE: Finding referred to the North Carolina Department of Commerce, Division of Employment Security.**

## **FINDINGS AND RECOMMENDATIONS**

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### **3. FORMER ELECTRIC DEPARTMENT DIRECTOR (CURRENT MAYOR) MISREPRESENTED HEALTH INSURANCE PAYMENTS**

The Town's former Electric Department Director (Director) inappropriately received \$27,770.55 in reimbursements for health insurance payments for his ex-wife after submitting documentation asserting that the health insurance was for him. In addition, payments totaling \$16,757.25 did not have taxes withheld as required by law.

#### **Director Misrepresented Documents Submitted for Reimbursement**

The Director (current Mayor) received reimbursements from the Town for payments for his ex-wife's health insurance that he submitted as if it were for his own supplemental health insurance. He originally told investigators that he submitted documentation for payment each month and implied that it was for his health insurance. He later admitted that this documentation was for his ex-wife's health insurance.

The former Town Manager approved a request from the Director approximately 14 years ago allowing the Director to forgo town-provided health insurance and instead directly receive the amount the Town would have paid for his health insurance premiums. The Director said he already received health insurance coverage as a military retiree and did not need the Town's coverage. He claimed he intended to use the payment from the Town to purchase a supplemental policy for items that his military insurance did not cover; however, he did not buy a supplemental policy.

#### **Town's Failure to Withhold Taxes on Health Insurance**

The Town failed to withhold taxes on \$16,757.25 in payments provided to the Director after his retirement in May 2009. The payments represented the amount the Town would have paid for the Director's health insurance after retirement if he had accepted the benefit. The Director did not submit reimbursement requests to show he had used the money to purchase health care insurance, meaning the payments should have been reported as income under the rules associated with a so-called non-accountable plan.<sup>5</sup>

## **RECOMMENDATIONS**

The Town of Tarboro should require the former Electric Director (current Mayor) to repay \$27,770.55 in misrepresented reimbursements for his ex-wife's health insurance.

The Town of Tarboro should implement controls to ensure all benefits paid to employees are accurately recorded and reported in compliance with tax laws.

The Town of Tarboro should require financial arrangements outside of normal procedures to be approved by the Town Council.

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<sup>5</sup> Non-accountable plan defined—employer's reimbursement or allowance arrangement that does not meet the following rules (*IRS Publication 463*):

1. Expenses must have a business connection
2. You must adequately account to your employer for these expenses



## **FINDINGS AND RECOMMENDATIONS**

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**Note: Finding referred to the North Carolina Department of Revenue and the Internal Revenue Service.**

### **4. LACK OF TOWN COUNCIL OVERSIGHT**

The Town Council (Council) members failed to adequately oversee the former Town Manager's activities to ensure accountability. The former Town Manager received \$452,672.65 in expense reimbursements and obtained a life insurance policy reimbursed by the Town without proper knowledge and oversight from the Council. In addition, the Council engaged in inappropriate actions that violated their Code Ordinances and their Code of Ethics.

#### **Inadequate Review of Former Town Manager's Contract/Performance**

The Council did not adequately review and evaluate the former Town Manager's contract and performance on a regular basis. One Council member said that the former Town Manager wrote his own contract with no real discussions during the evaluation. A Council member said the basis for the evaluations was primarily dependent on whether the former Town Manager raised property taxes.

According to the Committee of Sponsoring Organizations of the Treadway Commission (COSO)<sup>6</sup>:

The [governing] board is responsible for overseeing the system of internal control. With the power to engage or terminate the chief executive officer, the board has a key role in defining expectations about integrity and ethical values, transparency, and accountability for the performance of internal control responsibilities.

#### **Failure to Review Former Town Manager's Purchases**

The Council did not regularly review the purchases made by the former Town Manager despite their responsibility to ensure accountability as specified in Town Ordinances. One Council member said that he "reviewed his expenses once a year, but didn't pay much attention to the totals because I trusted him." Over eight years, the former Town Manager received an average of over \$55,500 a year in expense reimbursements without scrutiny from the Council. (See Appendix A) According to Town Ordinances, Council members "should demand full accountability from those over whom the Council has authority."

Despite the current Town Manager and Police Chief's concerns about the amount and types of items returned by the former Town Manager, two of eight Council members voted not to pursue the matter. In addition, interviews with current and past Council members revealed that, prior to that vote; none of the Council members reviewed the items returned.

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<sup>6</sup> COSO – A joint initiative which provides thought leadership to executive management and governance entities on critical aspects of organizational governance, business ethics, internal control, enterprise risk management, fraud, and financial reporting. (COSO.org)

## **FINDINGS AND RECOMMENDATIONS**

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### **Lack of Knowledge of Life Insurance Policy Changes**

The Council was unaware of changes to the former Town Manager's insurance policy which resulted in the former Town Manager inappropriately receiving \$91,797.02 in life insurance benefits. Included in the former Town Manager's original employment contract was the approval for a life insurance policy (see Finding 1 for further detail of policy). According to Council members, no one reviewed the insurance policy or premium payments. One Council member admitted that "someone should have overseen that." A current Council member described this as "...a reflection on the Council being led by the Town Manager, which is not the way it should be."

### **Code Ordinance and Code of Ethics Violations**

Several Council members violated town ordinances by routinely meeting with the former Town Manager before or after Council meetings at local restaurants. Section 7 of the Town of Tarboro Ordinance states, "[Council members] should be mindful of the need not to engage in communications outside of meetings."<sup>7</sup> The former Town Manager paid for the meals and received reimbursement from the Town. The expense reimbursement forms indicated the purpose of the meals was discussions of agendas or Council meetings.

Council members violated the Council's Code of Ethics by accepting equipment and clothing from the former Town Manager. The Code of Ethics states "Council members should act with integrity and independence from improper influence as they exercise the duties of their office." Between 2006 and 2011, the former Town Manager was reimbursed more than \$6,000 for items purchased for Council members, according to expense reimbursement forms. These purchases included running shoes, knives, watches, foul weather gear, and sunglasses. The former Mayor admitted that the former Town Manager gave him a sport coat. An expense reimbursement form and associated receipt revealed that the Town reimbursed the former Town Manager for the purchase of the sport coat.

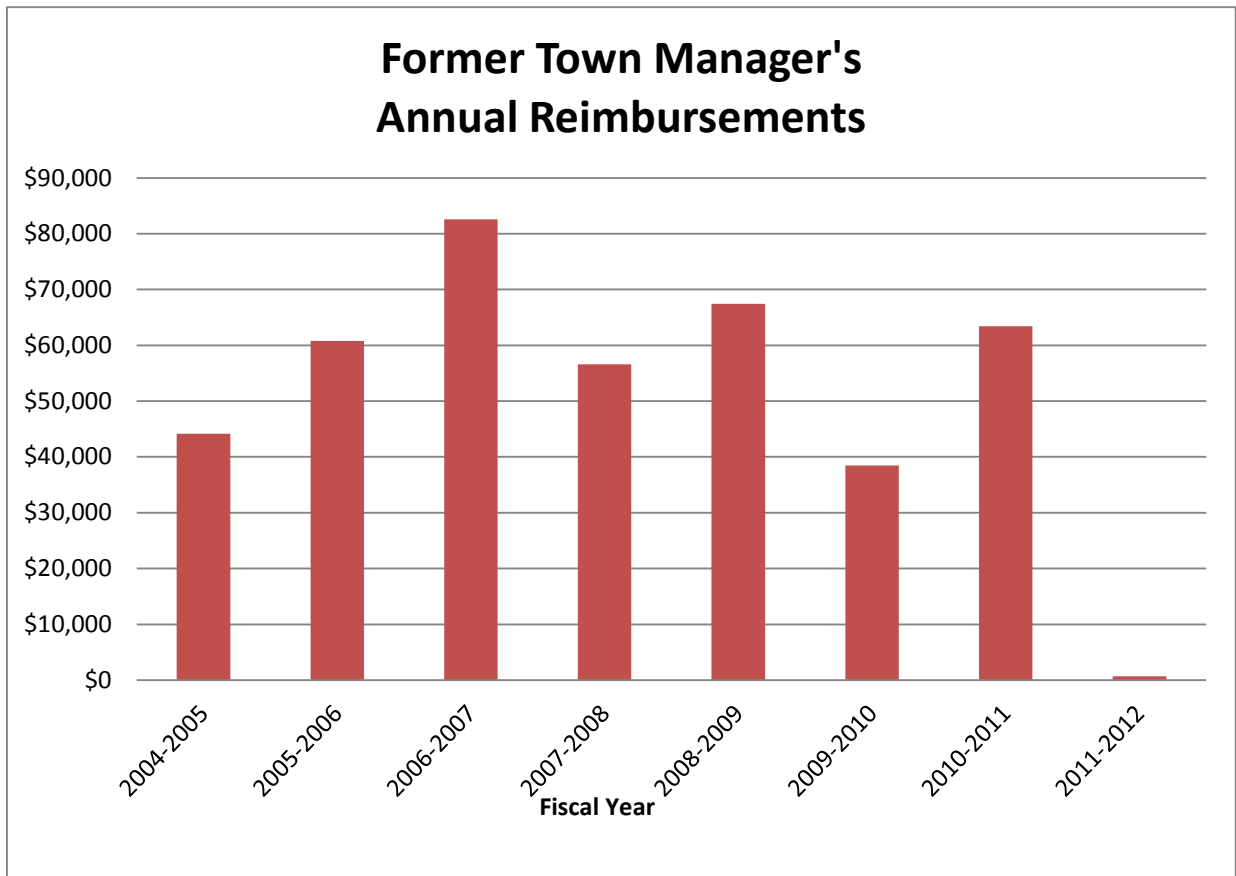
## **RECOMMENDATIONS**

The Town Council should review the Town Manager's performance on a regular basis. This review should include analysis of any payments to the Town Manager and a detailed review of all contract provisions.

The Town Council should adopt resolutions prohibiting acceptance of any gifts (including meals or clothing) provided by the Town Manager and prohibiting informal meetings before/after official Town Council meetings.

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<sup>7</sup> These meetings did not appear to violate the State's Open Meetings Laws.



## APPENDIX B

### Items Returned by Former Town Manager

*Note: Items were inventoried and are listed in Appendix C.*

*Former Town Manager's name was redacted in photos for report purposes.*

*The former Town Manager claimed he kept these items in the back of his Chevrolet Suburban.*

**Image 1**



**Image 2**





Image 3



Image 4

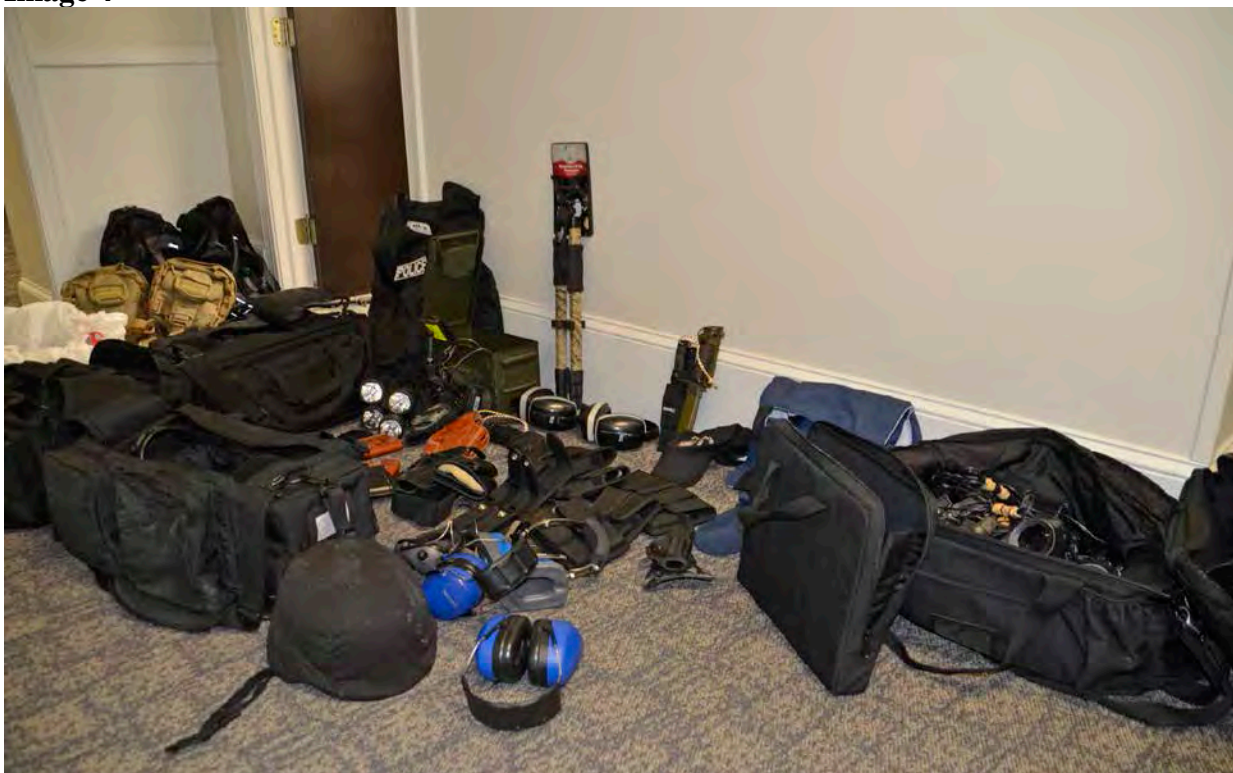
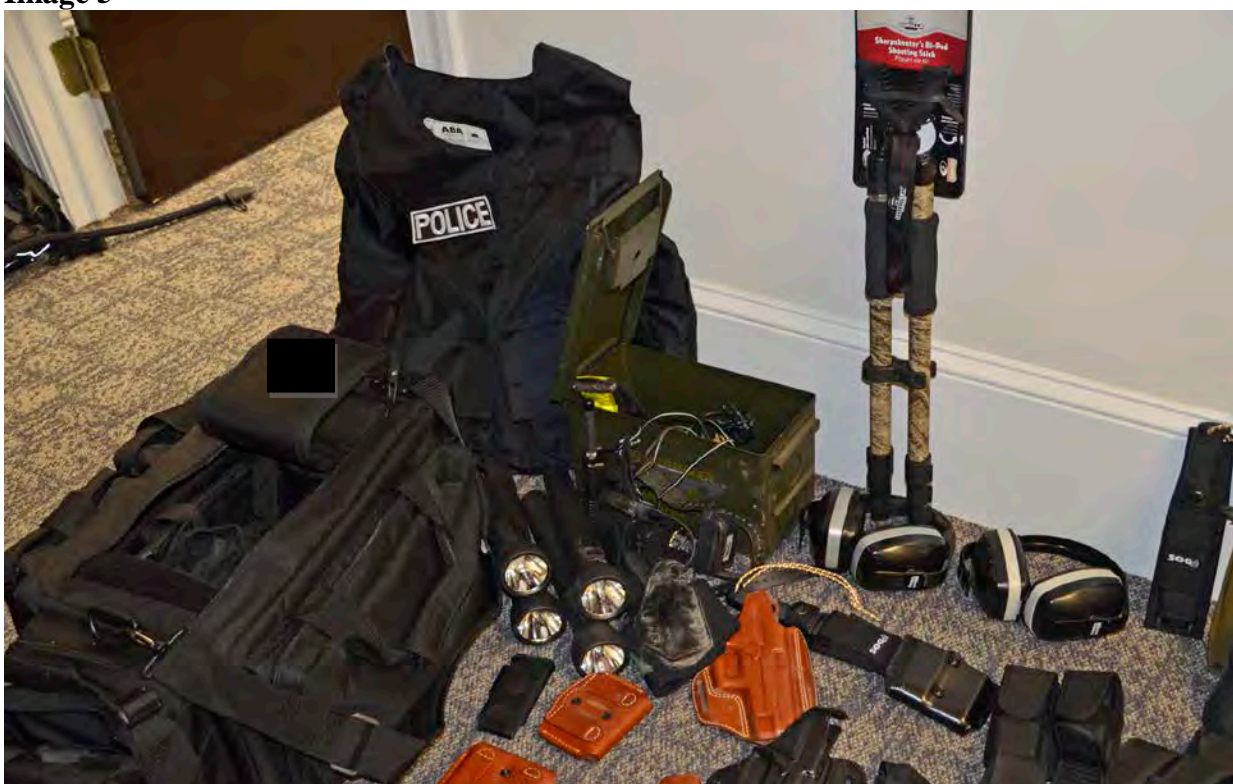


Image 5





## APPENDIX B

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Image 6

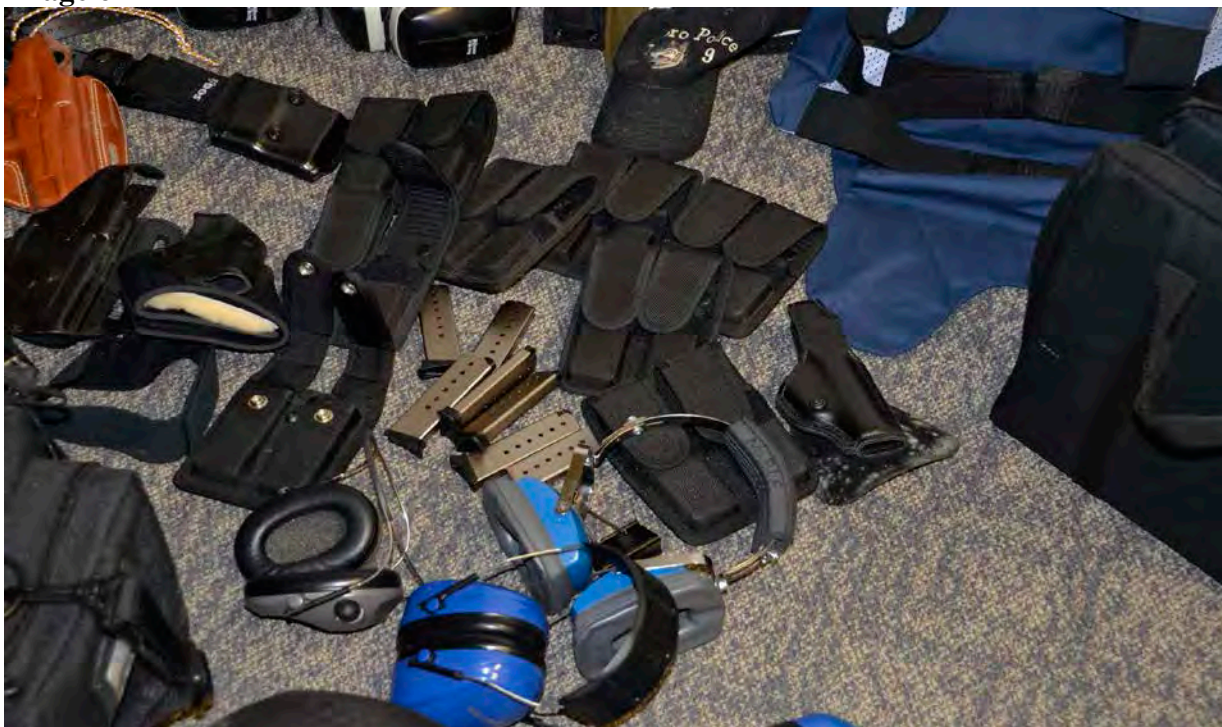
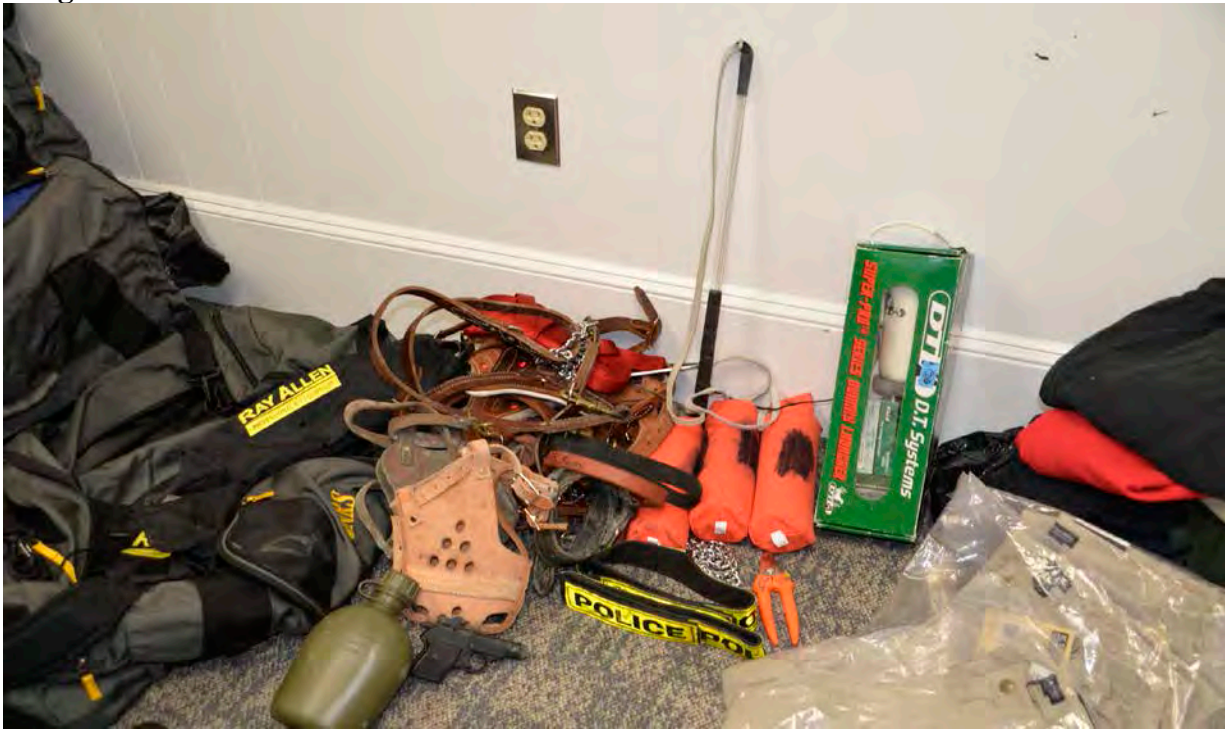


Image 7



### Image 8





## APPENDIX C

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### Items Returned by Former Town Manager

*Note: Items inventoried are shown in Appendix B.*

*Source: Town of Tarboro*

#### Gun Supplies

<u>Quantity</u>	<u>Item Description</u>	<u>Quantity</u>	<u>Item Description</u>
1	.22 caliber short blank pistol	1	Box of Federal 50 rounds
1	.380 ankle holster	19	Boxes 50 Federal .380 rounds
1	.380 black paddle holster	3	Boxes of .22 short blanks
72	.380 caliber bullets in Ziplock bag	3	Boxes of 50 rds Winchester .38 spl +p
1	.380 caliber handgun model p232	2	Boxes of Winchester .45 rounds
4	.380 clips and gun lock	3	Foam ear plugs
1	.380 holster	1	Cable gun lock
2	.380 paddle holster	1	Gargoyle shooting glasses
52	.45 Federal rounds box	1	Green ammo can
1	.45 paddle holster	1	Leather belt .45 holster
7	.380 caliber magazines	19	Loose .45 rounds
2	.45 belt holster	19	Magazine pouches
4	.45 caliber magazines	2	P220 parts kit
3	.45 clips	1	Paddle holster
1	.45 paddle holster	1	Parts kit
1	.45 parts kit	8	Peltor hearing protection
1	Ammo pouch	1	Pouch of 6mm blanks
2	Ankle holster	2	Sharpshooter bi-pods
5	Belt holsters	2	Solid rounds of .45 caliber
1	Beretta ear protection	1	Starter gun blanks
3	Bilsom hearing protectors	13	Target clips
1	Box .45 Federal 50 rounds		
3	Box 50 Winchester rounds		

## APPENDIX C

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### **Items Returned by Former Town Manager**

*Note: Items inventoried are shown in Appendix B.*

*Source: Town of Tarboro*

#### **K-9 Supplies**

<b><u>Quantity</u></b>	<b><u>Item Description</u></b>
2	Agitation whips
2	Bite sleeve
2	Dog choke chain
2	Dog collar
2	Dog leash
4	Electric dog collars
1	Latch with tan dog leash
2	Leather belly harnesses
1	Leather collar
1	Leather lead
2	Muzzle
1	Plastic whistle
3	Police reflective collar
3	Remington dog decoys
1	Remote controller
1	Shock collar and remote controller
1	Super Pro Series dummy launcher
1	Toenail clipper
3	Tracking leads

## APPENDIX C

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### Items Returned by Former Town Manager

*Note: Items inventoried are shown in Appendix B.*

*Source: Town of Tarboro*

#### Miscellaneous

<u>Quantity</u>	<u>Item Description</u>	<u>Quantity</u>	<u>Item Description</u>
1	120 qt Outerbanks Outfitters cooler	1	Gas can
1	511 black bag	1	GPS
3	511 duffle bag	1	Grip Master instrument
1	550 cord	3	Hand grip exerciser
9	AA Energizer batteries	1	Icom marine radio
1	Adapter w/cord	1	Kevlar helmet w/cover
2	Adventure medical kits	1	Kokatat dry suit
1	Allen wrench	1	Leatherman tool
1	B-square screwdriver kit	4	LED batteries
1	Bag of screw parts	2	LED flashlight
1	Battery charger	16	LED stream light batteries
1	Black downloading device	4	LED stream light flashlights
3	Black plastic pieces in plastic bag	7	Loose charging cords
1	Black Ray Allen bag	4	Lotus design vest
1	Black shoulder satchel	1	Mace key ring
1	Blue Adidas duffle bag	1	Maglite
4	Blue towels	2	Marine extinguishers
2	Bulletproof carriers	2	Marine signal kits
1	CamelBak bag	1	Metal rack
1	CamelBak ruck sack	1	Miscellaneous cord
5	Can of pepper spray	5	NRS bags
2	Chargers	1	NRS duffle bag
5	Charging cords	1	NRS throw bag
1	Chem light	4	NRS vest
1	Die Hard battery charger	1	Old style military bayonet
1	Dock ropes	1	Orange plastic piece
2	Extrasport swiftwater vest	1	Kapok vest

## APPENDIX C

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### Items Returned by Former Town Manager

*Note: Items inventoried are shown in Appendix B.*

*Source: Town of Tarboro*

#### Miscellaneous

<u>Quantity</u>	<u>Item Description</u>	<u>Quantity</u>	<u>Item Description</u>
1	Flat head screwdriver	1	Pack of fuses
2	Fulton beacon	12	Packs AA Energizer batteries
2	Streamlight XL 20 charger	2	Peak hiking poles
9	Strion chargers w/ cords	1	Pelican 1400 case
4	Strion flashlight	1	Pelican 1430 case
10	Strion replacement batteries	1	Pelican 1500 case
1	Tactical bulletproof vest	2	Petzl helmets
3	Computer bags	2	Plano boxes
2	Tan 511 shoulder packs	4	Plastic canteens
1	Voyager GPS bag	2	Pro-tec helmets
2	Water bladder	2	Rapid Ditch bags
1	Wireless mouse	1	Ray Allen bag
18	SL 20 flashlight charger w/cord	1	Red shop towel
2	SOG pocket knife	1	Remington hatchet
5	SOG sheath knife	3	Rolls of tape
1	Spyderco folding knife	1	Rosetta Stone Espanol
1	Stanley staple gun	1	Seal line dry bag
2	Stearns throw device	1	Set of Allen wrenches
1	Streamlight battery	6	Sharpies
1	Streamlight Strion flashlight		

## APPENDIX C

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### **Items Returned by Former Town Manager**

*Note: Items inventoried are shown in Appendix B.*

*Source: Town of Tarboro*

#### **Clothing**

<b><u>Quantity</u></b>	<b><u>Item Description</u></b>
3	511 new pants
6	511 new shirts
15	511 shirts
2	511 tactical belts
1	511 tactical shirt
2	511 winter coats
1	Felt coat
1	K-9 ball cap
1	Nomex hood
2	NRS bibs wetsuit
1	NRS hydro skin bottom
1	NRS hydro skin top
1	NRS titanium top wetsuit
1	O'Neill wet suit
8	Pair gloves
13	Pants
1	Shorts
1	Tarboro K-9 hat
7	Under Armour shirts

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## APPENDIX D

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### TARBORO TOWN MANAGER JOB DESCRIPTION

Source: Human Resources Director

#### TOWN MANAGER

##### General Statement of Duties

Performs highly responsible administrative, executive, and supervisory functions in directing and coordinating all municipal activities for the Town of Tarboro; serves as chief administrative/executive officer.

##### Distinguishing Features of the Class

An employee in this class serves as chief administrative/executive officer; performs related work as required. This position reports to and serves at the pleasure of the town council.

##### Duties and Responsibilities

###### Essential Duties and Tasks

Sees that all laws of the State of North Carolina, the Charter of the Town of Tarboro, and all ordinances, resolutions, and regulations of the town council are faithfully executed.  
Directs and supervises the administration of all departments and offices of the town.  
Coordinates the operations and functions of all departments to ensure the smooth, effective municipal government operation.  
Consults with department heads, governing body members, legal staff, and state officials as required.  
Makes on-site visits to observe departmental activities to assess operational efficiency.  
Acts as an agent of the town council in developing, interpreting, and implementing public policy.  
Develops and recommends policy alternatives to the town council.  
Reviews administrative practices and coordinates the need for modifications.  
Works with the Finance Officer to develop and administer the annual budget to include reviewing departmental funds requests, performing budget analyses, developing and presenting budgetary recommendations, and ensuring the satisfying of all legal requirements.  
Serves as the final authority for personnel actions.  
Attends all regular and special meetings of the town council.  
Makes monthly reports to the town council concerning the operations of town departments, offices, and agencies subject to his direction and control.  
Reviews minutes.  
Ensures maintenance of official public records; complies with state requirements.  
Coordinates activities with other public agencies and governments.  
Performs general administrative duties as required.  
Attends various out of town meetings or schools to keep abreast of the developments in local government administration.  
Represents the town in community events and meetings.  
Performs other duties as may be prescribed by the town council.

##### Recruitment and Selection Guidelines

###### Knowledges, Skills, and Abilities

Thorough knowledge of the principles and practices of public administration.

Town Manager  
Page 2

Thorough knowledge of state statutes, procedures, and requirements relating to municipal governments.  
Thorough knowledge of the organization, functions, and operations of municipal government.  
Thorough knowledge of methods and techniques of policy analysis and review.  
Thorough knowledge of supervisory, management, and administrative principles and practices.  
Thorough knowledge of methods and techniques of policy analysis and review.  
Thorough knowledge of supervisory, management, and administrative principles and practices.  
Thorough knowledge of the statutory requirements relating to council proceedings and the maintenance of official public records.  
Good working knowledge of local government finance and accounting procedures.  
Excellent communication and organization skills.  
Ability to effectively plan, supervise and coordinate the activities, personnel, and functions of a municipal operation.  
Ability to develop and implement municipal policies and procedures.  
Ability to review and analyze current policy, practices, and procedures, identifying problem areas or necessary changes.  
Ability to prepare and present comprehensive oral and written reports.  
Ability to secure and retain the confidence of the town council and the public at large.  
Ability to deal courteously yet firmly with the public.  
Ability to establish and maintain effective working relationships with department heads, governing officials, outside agencies, business leaders, and the general public.

### Physical Requirements

Must be able to physically perform the life support functions of fingering, talking, hearing, reaching and walking.  
Must be able to perform sedentary work exerting up to 10 pounds of force occasionally and/or a negligible amount of force frequently or constantly to lift, carry, push, pull, or otherwise move objects.  
Must possess the visual acuity to prepare and analyze data and statistics, operate a computer terminal, and do extensive reading.

### Desirable Education and Experience

Graduation from an accredited college or university with a bachelor's degree in public or business administration, management, planning or civil engineering; preferably possession of a master's degree in one of the above fields.

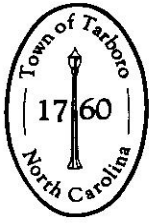
### Special Requirements

Possession of a valid North Carolina driver's license.

January 2011

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## Town of Tarboro

P.O. Box 220 - 500 Main Street

Tarboro, NC 27886-0220

Telephone (252) 641-4200

Fax (252) 641-4286

[www.tarboro-nc.com](http://www.tarboro-nc.com)

July 15, 2014

State of North Carolina  
Office of the State Auditor  
Ms. Beth A. Wood, CPA  
State Auditor  
2 S. Salisbury Street  
20601 Mail Service Center  
Raleigh, NC 27699-0601

Dear Ms. Wood,

Thank you for the confidential draft investigative audit report, and for the presentation by your staff on July 8 to the Tarboro Town Council regarding your office's investigation into the Town of Tarboro. Please find attached a detailed response to the four key recommendations found in the report's executive summary. The Town of Tarboro accepts and plans to pursue the recommendations of the State Auditor, in addition to many corrective actions already implemented.

The Town would like to express its appreciation for the time expended and professional manner in which you and your staff have conducted themselves throughout this process. Thank you for the opportunity to respond to your recommendations. The Town stands ready to cooperate with any other State agencies making further investigation as a result of your report.

Please contact Town Attorney, Chad Hinton, if you have any questions or require additional information while the report remains confidential. Upon publication of the report, please contact Town Manager, Alan Thornton, if you have any questions or require additional information. The Town welcomes continued communication from your office in order to better serve the citizens of Tarboro.

Sincerely yours,

Rick Page,  
Mayor  
Town of Tarboro

CC: Tarboro Town Council, Town Attorney

**Key Recommendation:** The Town should seek legal counsel regarding repayment of unauthorized life insurance premiums and civil action for the former Town Manager's imprudent use of town funds.

**TOWN RESPONSE:** The Town of Tarboro accepts and plans to pursue the recommendation of the State Auditor. The Town of Tarboro has already incorporated specific terms into its contract with the current Town Manager, and intends for future town managers, which define salary and benefits, including permissible life insurance premiums.

**Key Recommendation:** The Town Council should review the town manager's performance, including an analysis of expenses on a regular basis.

**TOWN RESPONSE:** The Town of Tarboro accepts and plans to pursue the recommendation of the State Auditor. Additionally, the Town of Tarboro hired a new Town Manager on August 1, 2011 and since that time has implemented a number of policies to safeguard against possible abuse of taxpayer resources by the Town Manager. Specifically, please find attached copies of the Town's new Ethics Policy, Travel Policy, Purchasing Policy and Procedure, and the Fixed Asset Policy. The Town Manager's performance is to be reviewed annually by the Town Council, and as part of each annual review, the Town Council plans to review and analyze the expenditures of the Town Manager. Furthermore, the Town Council plans to adopt an amendment to its Ethics Policy to prohibit acceptance of any gifts provided by the Town Manager to Town Council members and prohibiting informal meetings immediately before or after official Town Council meetings.

**Key Recommendation:** The North Carolina Department of Commerce, Division of Employment Security should determine whether the clerk violated state law by improperly obtaining unemployment benefits.

**TOWN RESPONSE:** The Town of Tarboro concurs with the recommendation of the State Auditor.

**Key Recommendation:** The Town should require the former Electric Director (current Mayor) to repay misrepresented reimbursements for his ex-wife's health insurance.

**TOWN RESPONSE:** The Town of Tarboro accepts and plans to pursue the recommendation of the State Auditor.



## **Town of Tarboro, North Carolina**

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### **ETHICS POLICY**

#### **I. Purpose**

The purpose of this ethics policy (code of ethics) is to establish guidelines for ethical standards of conduct for Town employees and to provide guidance in determining what conduct is appropriate in particular cases. Ethics is a system of moral principles that govern the behavior of an individual or group of people. This policy should not be considered a substitute for the law or for a Town employee's best judgment. The Town of Tarboro upholds, promotes, and demands the highest standards of ethics from all Town employees, including full-time, part-time, seasonal, and temporary workers. Town employees should maintain high standards of personal integrity, truthfulness, honesty, and fairness in carrying out public duties; avoid any improprieties in their roles as public servants including the appearance of impropriety; and never use their position or power for improper personal gain. In establishing an ethics policy, the Town desires to protect the public against decisions that are affected by undue influence, conflicts of interest, or any other violation of these policies as well as promote and strengthen the confidence of the public in the services provided by the Town employees.

#### **II. Definitions**

The following words and phrases as used in this policy are defined as follows:

1. Business means any corporation, partnership, sole proprietorship, firm, enterprise, franchise, association, organization, self-employed individual, consultant, holding company, joint stock company, receivership, trust, or any legal entity organized for profit.
2. Compensation means any money, thing of value, or economic benefit conferred on or received by a Town employee in return of services rendered or to be rendered by that person or another.
3. Gift means anything of monetary value, which can be converted to cash given or received. Gift shall not include anything for which fair market value, or face value if shown, is paid by the Town employee.
4. Immediate family and person are as defined in the Town of Tarboro Code of Ordinances, Chapter 13, Section 13-190 (b).
5. Consultant means an independent contractor or professional person or entity engaged by the Town.

**III. Prohibited Conduct**

No Town employee is expected to behave in a manner that will bring discredit to the Town; therefore, they shall observe and follow high ethical and moral standards in the performance of their public service. The following will be considered violations of this policy:

1. Conflicts of Interests: No Town employee shall obtain personal gain as a result of obtaining knowledge as to any Town actions (or potential actions) that are not public knowledge. A conflict of interest, real, potential, or perceived, exists when performing work or making decisions for the organization.
2. Acceptance of Compensation, Gifts, Favors, Rewards, or Gratuity:
  - A. No Town employee will directly or indirectly give or receive or agree to give or receive any gift (including but not limited to money, gift cards, food, beverage, loans, promises, services, or entertainment), favor, reward, or gratuity for matters connected with the Town's official business (Code of Ordinances Sect. 13-108) except in these circumstances:
    - 1) Attendance of a Town employee at a banquet or professional association event provided by someone doing business with the Town when it is provided in conjunction with a meeting directly related to Town business or when the Town employee is representing the Town of Tarboro;
    - 2) A plaque publicly presented in recognition of public service;
    - 3) Receipt of honorariums for participation in meetings;
    - 4) Advertising items or souvenirs of nominal value, where \$25 is presumed to be nominal;
    - 5) Meals or non-solicited discounted meals not to exceed \$25 per meal and the employee has no current or anticipated future business relationship to the giver; For example, if the Town has a contract or anticipates having a contract with a developer, the Town employee cannot accept the meal regardless of its value.
    - 6) Publicly acknowledged and approved discounts for all employees.
  - B. However, if the circumstances of the gift, or any value, would lead a reasonable person to conclude that the gift was given with the intent to influence an official action or decision, to affect the performance of a Town employee, or to expect a reward, then the gift cannot be accepted. [NC General Statute 133-32]
  - C. Compensation for an employee performing his/her duties is limited to salaries, fringe benefits and any personal satisfaction that the employee may derive from doing a good job.
3. Improper Use of Position: No Town employee will knowingly use his/her office or position to secure personal benefit, gain, employment, or profit, or use his/her position to secure special privileges or exceptions for him/her or immediate family or to improperly benefit other entities.

4. Improper Use of Town Personnel: No Town employee will employ or use any person under his/her discretion/supervision for the personal gain, benefit, or profit of the Town employee (supervisor).
5. Improper Use of Town Property: No Town employee will use Town-owned vehicles, equipment, materials, money, or property for personal or private convenience or profit. Use is restricted to services that are available to the general public.
6. Certain Private Employment: No Town employee will accept private employment or render services where it would tend to impair independence of judgment or action in the performance of official Town duties.
7. Disclosure of Confidential Information: No Town employee will disclose or use any confidential, privileged, or proprietary information gained by reason of his/her position for a purpose that is for other than a Town purpose.
8. Beneficial Interests in Contracts: No Town employee will use his/her employment with the Town or information gained as a result of his/her employment with the Town for a purpose that is, or gives the appearance of being, motivated by the desire for private gain for himself/herself or other persons, particularly with persons whom he/she has family, business, or financial ties. Additionally, to the restrictions set forth immediately above a Town employee may not participate in any manner in any contracts or subcontracts, for materials, goods, personal services or construction in which a contract or subcontract he/she or his/her spouse, business partner or any organization in which they serve as an officer, director, trustee or employee, has a financial interest or a relationship outside of work. [NC General Statute 14-234]
9. Beneficial Influence in Contract Selection: No Town employee will influence the Town's selection of or the conduct of business with, a corporation, person, or firm having or proposing to do business with the Town if the employee has a personal relationship and/or any financial interest in the company. [NC General Statute 14-234]
10. No public officer or employee may solicit or receive any gift, favor, reward, service, or promise of reward, including a promise of future employment, in exchange for recommending, influencing, or attempting to influence the award of a contract by the public agency he or she serves. [NC General Statute 14-234]
11. Representation of Private Person at Town Proceeding: No Town employee will accept a retainer or compensation to appear on behalf of another person, before any regulatory governmental agency or court of law in an action which the Town is a party, or that is contingent upon a specific action by the Town.
12. Impermissible Conduct Pertaining to Political Activity: No Town employee will subject others to political or partisan coercion or solicitation while performing his/her Town responsibilities and will not use public funds, supplies, or equipment to endorse candidates. Town employees may not be required as a duty or contention of employment, promotion, or tenure of office to contribute funds for political purposes. The intent of this section is not to prevent Town employees from exercising their freedom of speech and to engage in civic activities. [NC General Statute 160A-169; Code of Ordinances Sect. 13-109]

13. Detrimental Personal Conduct: No employee shall conduct themselves in a manner detrimental to the Town or safety of others. Such conduct includes fraud; conviction of a felony or the entry of a plea of nolo contendere thereto; falsification of records for personal profit or to grant special privileges; willful misuse of town funds; willful and wanton damage or destruction of property; willful and wanton acts that endanger the lives and property of others; possession of unauthorized firearms or other lethal weapons on the job; or brutality in the performance of duties. [Code of Ordinances Sect.13-268]
14. Additional provisions applicable to members of the Town Council are covered in the Resolution Adopting A Code of Ethics for the Town Council dated September 13, 2010. [NC General Statutes 160A-83]

#### **IV. Ethics Complaint Procedure**

Except as otherwise provided herein, a complaint that this policy has been violated may be reported to the Town Manager or Human Resources Director. In the event a complaint pertains to the Town Manager, the investigation will be forwarded to the Town Attorney and the Town Council. Likewise, if a complaint pertains to the Town Attorney the investigation will be forwarded to the Town Manager and Town Council.

In the event a complaint pertains to an elected official or an appointed member of a board or commission, the investigation will be conducted by the Town Manager and Town Attorney and only forwarded to the Town Council if further action is necessary.

No person should knowingly file a false complaint or report of a violation of this policy. All reports of complaints are confidential and there will be no retaliation upon the person reporting the complaint.

**THIS POLICY SPECIFICALLY REPEALS AND REPLACES PRIOR TOWN POLICIES AND ADMINISTRATIVE MEMORANDA RELATIVE TO TRAVEL.**

Approved:

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M. Alan Thornton,  
Town Manager

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Date



## **FIXED ASSET POLICY**

### **I. Introduction**

Fixed assets are specific items of property that: (1) are tangible in nature; (2) have a life longer than one year; and (3) have a significant value. The significant value test is important because the Town of Tarboro (Town) has individual assets that are tangible and long-lived, but whose value is so small that the time and expense incurred in maintaining detailed accounting and inventory records for them are not justified.

The value of fixed assets for the Town, including the very smallest ones, is substantial. Maintaining a complete and accurate accounting for fixed assets with significant value is important for several reasons. Adequate accounting procedures and records for fixed assets are essential to effective property management and control. The stewardship responsibility involved in safeguarding such a large public investment is of the utmost importance to sound financial administration.

### **II. Benefits of a Good Fixed Assets Accounting System**

A good system of fixed assets accounting facilitates overall control and custody of the Town's property; permits the assignment of direct responsibility for custody and proper use of specific fixed assets to individual public officials; and provides data essential to the proper management of fixed assets, including repairs/maintenance management and acquisition of adequate insurance coverage. An accounting of fixed assets is required for preparation of a satisfactory and complete financial report. To meet the test of full disclosure, an annual financial report of the Town must include complete fixed assets information.

### **III. Recording Fixed Assets**

The Town may acquire fixed assets by several methods: purchase, lease-purchase, construction, eminent domain, tax foreclosures, and gifts. Once fixed assets have been acquired and properly recorded on the books of account, subsidiary records on each recorded asset should be set up with the following information: (1) class code; (2) sequence or payment voucher number; (3) date of acquisition; (4) name and address of vendor; (5) abbreviated description; (6) department, division, and unit charged with custody; (7) location; (8) cost; (9) fund and account from which purchased; (10) method of acquisition; (11) estimated life; (12) Purchase Order Number (if applicable) and (13) date, method, and authorization of disposition.

### **IV. Controlling Fixed Assets**

All equipment fixed assets should be appropriately marked and numbered by a permanent method of identification. Periodic inventories should be taken by authorized personnel.

**V. Depreciation**

Depreciation should be recorded in the accounts of proprietary funds (Enterprise Funds). Depreciation expense is not recorded in the accounts of governmental funds (the General Fund, Special Revenue Funds, Capital Project Funds, and Debt Service Funds.)

**VI. Classification of Fixed Assets**

Fixed assets are tangible items of significant value having useful lives of more than one year. Fixed assets owned by the Town should be controlled and recorded in the accounting records. Accounting classification of fixed assets are:

1. Land – A fixed asset account that reflects the acquisition cost of land and the rights to land owned by the Town. It includes all lands held in fee simple and all rights to land that have no termination date.
2. Buildings - A fixed asset account that reflects the acquisition cost of permanent structures owned by the Town used to house persons and property. Permanently installed fixtures to or within these structures are considered parts of the structures. The costs of major improvements to structures are included in this account.
3. Improvements Other than Buildings – A fixed asset account that reflects the acquisition cost of permanent improvements, other than buildings, which add value to the land or improve the use of the land. Examples include sidewalks, fences, drainage systems, water lines, sewer lines, and electric lines.
4. Construction in Progress – A fixed asset account that reflects the cumulative total of construction projects that will be capitalized upon completion of the project, but is not yet completed. Examples would include water and sewer lines and building under construction at year end that will be capitalized upon completion.
5. Equipment – A fixed asset account that reflects the value of tangible property, not permanently affixed to real property, which is useful in carrying out operation of the Town. Examples are machinery, furniture, and vehicles.

**VII. Valuation of fixed Assets**

Fixed assets should be accounted for at cost or, if the cost is not practicably determinable, at estimated cost. Donated fixed assets should be recorded at their estimated fair value when received. Valuation considerations by category of fixed assets include:

1. Land – If purchased, valuation of land includes such costs as purchase price, legal fees, filling and excavation, and other costs related directly to acquisition and preparation for use. Right of ways and easements are recorded at purchase cost plus legal costs. If land is acquired by gift, valuation recorded should be the appraised value at the time of acquisition.
2. Buildings – If purchased, valuation of buildings includes such costs as purchase price, acquisition legal fees, and other professional fees (related to design or construction). If acquired by gift, valuation recorded should be the appraised value at the time of



acquisition. Preliminary design and engineering are not included in this valuation and are expensed as incurred.

3. Improvements – The basis of valuation is the same as for buildings.
4. Equipment – The basis of valuation of purchased equipment includes the net contract price, transportation charges, and the cost of installing special devices or other preparations required to place the asset in its intended use. The basis of valuation of donated equipment is the appraised value at the date acquired.

## **VIII. Recording Fixed Assets**

The Town is required by North Carolina General Statutes (G.S. 159-26) to record and control fixed assets. Fixed assets require both physical and fiscal controls. Physically, it is necessary that all assets be identified and clearly marked, and that responsibility be assigned for their custody. Fiscal controls, consisting of records listing the assets owned, location of the assets, custodial responsibilities, and asset values, are intended to facilitate physical controls.

All fixed assets of significant value owned by the Town should be recorded in its fixed assets accounting and inventory records. The following significant values are to be utilized:

1. Land – All land and permanent rights to land (e.g. easements) should be recorded without regard to any significant value.
2. Buildings – All buildings should be recorded at acquisition cost without regard to significant value. Additions to building of less than \$5,000 cost should not be recorded.
3. Improvements – All improvements other than buildings should be recorded at acquisition without regard to significant value. Additions to these improvements of less than \$5,000 should not be recorded.
4. Equipment – Equipment costing \$5,000 and more should be recorded as fixed assets. Additions to equipments costing \$5,000 or more should be recorded as fixed assets. Equipment costing less than the above should not be recorded except:
  - a. Assets costing less than \$5,000 for which property records are required to be maintained by the terms of a grant of other agreement should be capitalized at \$1.00 for each separate asset record.
  - b. Equipment costing less than \$5,000 that the Town desires to control may be capitalized at \$1.00 for each separate asset record.

In the examples listed above, the purpose for recording the asset record at a \$1.00 value is to maintain a dollar amount control over all assets.

**IX. Procedures**

Fixed assets are recorded in the fixed asset records in accordance with the acquisition method of the asset. Methods as noted previously are purchase, donation, and construction of fixed assets. Once an asset has been recorded any change in its status, whether it is moved, sold, or junked, must be recorded within that fixed asset's record.

1. Purchase – Fixed assets to be purchased are acquired and recorded as follows:
  - a. The fixed asset need is identified and estimated cost established.
  - b. The fixed asset is budgeted for in a capital outlay account. No fixed assets may be acquired in an operating account nor may an operating expenditure be charged to a capital outlay account.
  - c. A requisition is completed and sent to the Purchasing Agent.
  - d. Bid Proposals are obtained and reviewed.
  - e. A Purchase Order for fixed assets is issued.
  - f. Upon receipt of fixed asset, the Purchasing Agent assigns a Fixed Asset number to the item. The Fixed Asset is not to be placed into service until the serial number is verified and the Fixed Asset tag is affixed to it.

**X. Transfers**

Fixed assets moved from one location to another location are considered to be transferred. This can be either interdepartmental or intradepartmental transfers. These assets are to be accounted for as follows:

1. The department transferring the asset is to complete a Fixed Asset Change Request.
2. This request is to be signed by the Department Head(s) involved in the move.
3. The Purchasing Agent will update the Fixed Asset Master File with the appropriate information.

The Fixed Asset Change Request contains the following information:

1. Department making the transfer.
2. Department receiving the transfer.
3. The location at which the asset is placed.
4. The signature of the department head of the receiving department.

**XI. Disposals**

Fixed assets that are sold, scrapped, junked, or lost are considered to be disposed of. **No fixed asset is to be sold, scrapped or junked prior to receiving approval from the Purchasing Division.** Fixed assets which are lost will be reported to the Town Manager for disposition. These fixed assets are recorded as follows:

1. The department disposing of the fixed asset will complete a Fixed Asset Change Request. This request is to be signed by the Department Head.
2. The Fixed Asset Change Request is forwarded to the Purchasing Agent.

## Town of Tarboro, North Carolina

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3. The Purchasing Agent will update the Fixed Asset Master File with the appropriate information.

### **XII. Tagging Locations**

The following is a list of various types of equipment and suggested locations for affixing asset control tags or otherwise tagging the equipment.

<b>Illustrative Item of Equipment Tag</b>	<b>Suggested Location of Asset Control</b>
Adding machines, personal computers, printers, manufacturer's ID tag and similar office equipment.	Back of machine, near
Air compressors, welders, generators	Near Manufacturer's ID tag.
Air conditioners, freezers, refrigerators, vending machines, ice machines, and similar type of equipment.	Right side of upper cover.
Chairs	Back edge of underneath bottom of seat.
Copy machines, mail metering and sealing machine, and similar type of equipment.	Near manufacturer's ID tag
Files, safes and other storage equipment.	Top right front corner.
Floor machines, vacuums cleaners, etc.	Top front.
Automobiles, trucks, tractors, and other mobile road equipment.	On the driver's side door.
Portable power hand tools.	Near manufacturer's tag.
Radio receivers, TVs, etc.	Back, near manufacturer's ID tag.
Other miscellaneous equipment.	Near manufacturer's ID tag.

THIS POLICY SPECIFICALLY REPEALS AND REPLACES PRIOR TOWN POLICIES AND ADMINISTRATIVE MEMORANDA RELATIVE TO FIXED ASSETS.

Approved:

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M. Alan Thornton,  
Town Manager

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Date



## **TRAVEL POLICY**

### **I. Purpose**

It is the intent of this policy to provide Town departments a comprehensive reference for uniform interpretation of payment or reimbursement for travel expenses pertaining to official Town business.

### **II. Applicability**

All employees and officials of the Town are subject to this policy. The Town shall provide reimbursement for expenses directly related to attendance at approved conferences, seminars, meetings, and other official functions or purposes.

Payments that can reasonably be directly billed or charged to the Town should be so billed or charged. Departments are encouraged to arrange direct payments for items such as registrations, lodging and airfares.

### **III. Employee and Council Member Responsibility**

An employee or council member traveling on official business is expected to exercise the same care in incurring expenses that a prudent person would exercise if traveling on personal business and expending personal funds. Employees must exercise reasonable judgment to travel at the lowest reasonable cost to the Town. Excess costs, circuitous routes, luxury accommodations, and services unnecessary or unjustified in the performance of official business are not acceptable under this standard. Employees and council members will be responsible for unauthorized costs and any additional expenses incurred for personal preference or convenience. Willful violations of this policy may result in dismissal from Town employment or other disciplinary action.

### **IV. Definitions and General Guidelines**

- A. Authorizing Party – An individual authorized by this policy to approve or disapprove requests for travel, cash advances, travel reimbursements, etc.
- B. Employee's Duty Station – “Duty station” is defined as the job location at which the employee spends the majority of his or her working hours. For an employee in travel status, the duty station should be the point where traveling begins the majority of the time (home or office). The designation of an employee's home as the duty station by a department head requires prior approval from the Town Manager.

## Town of Tarboro, North Carolina

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- C. Prospective Professional Employees – The Town Manager is authorized to approve reimbursement of transportation expenses of individuals visiting for employment interviews. These expenses are limited to transportation and subsistence for one day at the in-State rate.
- D. Registration Fees – The Town encourages prepayment through the standard check writing process to pay for registration fees. These fees are charged to “travel and training expense”. The department must submit itemization and documentation of expenses. When necessary, the Town will allow for registration fees to be reimbursed at the actual amount as shown by a valid receipt or invoice.
- E. Reimbursements – All reimbursement requests shall be filed for approval and payment within five business days after the travel period ends for which the reimbursement is being requested. If a request is not filed within thirty days from the date of travel, the travel expense is no longer eligible for reimbursement.
- F. Requesting Party – The person who will be reimbursed for travel costs incurred while conducting Town business or visiting for employee interview.
- G. Subsistence (Meals and Lodging) – Subsistence is an allowance related to lodging, meal costs, and gratuities thereon.
- H. Transportation – Transportation expenses include personal automobile, airplane, auto rentals, tolls, and parking fees. All travel expenses must be incurred by and for employees, board members or other eligible travelers while conducting official Town business or visiting for employee interview in order to be eligible for reimbursement.
- I. Travel – Travel is defined as going to and from the normal job location to a site located outside Edgecombe County to conduct Town business. Authorization of travel requests will be based upon need and cost/benefit of travel as determined by the authorizing party.
  - 1. In-State-Travel – For all in-State travel, other than travel by the Town Manager and elected officials, the department head (and ultimately the Finance Director) is responsible for determining that a sufficient unexpended appropriation remains in the department budget to reimburse all expected costs of travel. A travel authorization form will be submitted by the requesting party to the department head for authorization of travel at least five working days prior to the date upon which travel will commence. If the department head is the requesting party, the form should be submitted to the Town Manager.
  - 2. Out-of-State Travel – Out-of-State travel status begins when the employee leaves the State and remains in effect until the employee returns to the State. However, in-State allowances and other qualified official travelers use hotel and meal

facilities located in North Carolina immediately prior to and returning from out-of-State travel during the same travel period. Out-of-State travel requests by employees and department heads will be approved by the Town Manager in addition to the department head. The travel authorization form will be submitted to the Town Manager no later than five working days prior to the date travel will commence.

3. Travel Requests by the Town Manager, Other Appointed Officials, and Elected Officials – Travel requests for the Town Manager will be authorized by the Mayor. The Mayor's travel will be approved by the Town Manager and the Mayor Pro-Tem. Travel requests for all other appointed officials and elected officials under \$500 will be approved by the Town Manager; requests \$500 and over must be approved by the Town Council. The travel authorization form will be submitted to the Town Manager no later than five working days prior to the date travel will commence.
4. Travel Advances – Travel advances will be issued at the discretion of the Town Manager or Finance Director. Advances will be submitted with the travel request to the authorizing party no later than five business days prior to the date travel will commence. The amount of the travel advance may not exceed the estimated travel cost. Excess travel advances will be repaid no later than five business days after the completion of the approved travel. The Finance Director will not issue a travel advance unless it has been properly approved.

The Finance Director will receive each approved travel request. The Finance Director is responsible for determining that an unencumbered appropriation sufficient to cover the estimated cost of the approved travel remains in the appropriate expenditure item. If a sufficient balance remains in the expenditure item, the estimated travel cost will be encumbered. If the remaining balance in the expenditure item is insufficient to cover the estimated cost of travel and other moneys are not yet available, the authorizing party will be notified by the Finance Director. The authorizing party should receive a response from the Finance Director before notifying an employee that he/she may travel.

**V. Specific Guidelines Relating to Transportation, Subsistence, and Other Costs**

- A. Transportation – A Town vehicle should be used whenever feasible and is strongly encouraged for day travel.
  1. Personal Vehicle – A requesting party may use his/her personal vehicle for travel and actual mileage will be reimbursed at the rate set by the Internal Revenue Service. Actual mileage is measured from the closer of the duty station or the point of departure to the destination (and return). Parking fees, tolls and storage fees are reimbursable. Original itemized receipts are required for reimbursement.

## Town of Tarboro, North Carolina

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2. Commuting – No reimbursement shall be made for the use of a personal vehicle in commuting from an employee's home to his/her duty station.
3. Town Owned Vehicles – Town owned vehicles may be used for any authorized travel. The requesting party must obey all laws of the jurisdiction in which the vehicle is being operated. The vehicle will be used in conducting Town business and only Town employees may be transported as passengers.
4. By Air - Travel by air will be reimbursed for the lowest cost air fare available for one person traveling from the boarding port to the port of destination and return. The department authorizing travel by air must pay the cost of cancellation of non-refundable ticketing, lost tickets or reissue/change of ticket.

### B. Subsistence –

#### 1. Meals –

- a. Advance Payment – Any employee who does not have access to personal means for making payment for meals may request advance payment from the Town. The following is the maximum allowable per diem rate for meals based on the U.S. General Services Administration's rates ([www.GSA.gov](http://www.GSA.gov)). The per diem amount will be paid in advance to employees who have requested this method of payment. Original itemized meal receipts must be retained by the employee and provided to the Finance Department upon return. Any advance funds in excess of actual receipts will be returned to the Finance Director no later than five working days after the completion of the approved travel. Any additional expense to the employee above the advance may be reimbursed based on the situation that caused the employee to exceed the maximum allowed. Any combination of meals for full day of travel may not exceed \$51.00 per day.

Breakfast	\$ 9.00
Lunch	\$15.00
Dinner	<u>\$27.00</u>
Total for meals per day	<u>\$51.00</u>

Employees may choose to pay for meals during the travel period from personal funds and turn in the original itemized receipts for reimbursement (see item c below).

- b. Tips - The subsistence rates are inclusive of personal gratuities.
- c. Reimbursement – Each employee and council member is responsible for his or her own request for reimbursement. Requests for reimbursement must be filed within five business days after the travel period ends for

which the reimbursement is being requested. Original itemized receipts must be attached for each meal. Amounts exceeding the maximum allowable rate will not be reimbursed. No alcoholic beverages will be reimbursed.

2. Lodging –

- a. Authorization - Department heads must approve requests for overnight lodging. An authorized representative from the department making the request should contact the Finance Department and receive access to the Town debit card to secure the lodging reservation. A government rate should be requested whenever possible. The reservation confirmation with the exact cost for the lodging should be presented to the Finance Department for processing. A check will be provided to the employee to present as payment to the lodging vendor upon the employee's arrival to the travel destination. A receipt for the room must be attached to the travel request and submitted to the Finance Department within five business days from the travel session.
- b. Reimbursement – Each employee and council member is responsible for his or her own request for reimbursement. If the lodging costs were paid by the employee or council member, they must file a request for reimbursement within five business days after the travel period ends. Specific dates of lodging must be listed on the reimbursement request, and substantiated by a receipt from a commercial lodging establishment, at a reasonable nightly rate. Other in-room movies, personal telephone calls, internet access fees, or other in-room amenities that are included with the bill for lodging will not be reimbursed. Exceptions may be allowed on a case-by-case basis.

**VI. Authorization for Reimbursement Procedures**

A. Submitting Expense Reports

1. A requesting party will complete a reimbursement form, attach original itemized receipts for expenses, a copy of the agenda or other documentation to verify attendance at the meeting, and submit it to the authorizing party no later than five working days after returning from travel. Advances will be deducted from reimbursable costs.
2. A requesting party submitting a falsified reimbursement form will be subject to disciplinary action and criminal prosecution. An authorizing party or Finance Director who approves a falsified reimbursement form that they know to be false will be subject to disciplinary action or criminal prosecution. Violations of the Town's travel policy may result in dismissal from Town employment.



B. Approval and Processing of Reimbursement Requests

1. Reimbursement requests will be submitted to the authorizing party for approval. After approval by the authorizing party, the form should be forwarded to the Finance Department.
2. The Finance Director will determine that the reimbursement form has been properly approved, that it is mathematically correct, and that requested reimbursements agree to submitted, original itemized receipts and are within the limits set by this policy. If an error in the reimbursement request is found, the requesting party will be informed and the error must be corrected before payment is made.
3. Before the reimbursement is made, the Finance Director will determine that an amount sufficient to pay the request has been encumbered for payment, or that there is a sufficient unexpended appropriation in the expenditure item. The Finance Director will immediately inform the authorizing party and requesting party if payment cannot be made.

The Department Head or designee may authorize exceptions for compelling reasons on a case-by-case basis. The reason for the exception shall be submitted in writing to the Town Manager.

THIS POLICY SPECIFICALLY REPEALS AND REPLACES PRIOR TOWN POLICIES AND ADMINISTRATIVE MEMORANDA RELATIVE TO TRAVEL.

Approved:

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M. Alan Thornton,  
Town Manager

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Date



**PURCHASING POLICY AND PROCEDURES**

**I. Introduction**

A considerable portion of the expenditures of every government is for purchases of goods and services. A local government's power to make purchases and contracts, like other powers, is derived from the Legislature and is subject to such limitations and restrictions as it may impose. While this policy makes reference to certain statutory provisions relating to purchasing, its primary purpose is not to summarize but to supplement those provisions. It is intended that Tarboro's purchasing and contracting procedures will be consistent with State law and this policy.

Purchasing statutes and rules may change from time to time and this policy shall be updated periodically to reflect these changes.

**II. Authorization for Expenditures**

Funds must be properly appropriated or budgeted to meet contractual obligations. The Finance Director must determine whether a sufficient balance remains in the budget to pay the sums obligated by the transaction. General Statutes Section 159-28(a) requires that a pre-audit certificate signed by the Finance Director to appear on the contract, agreement or purchase order before it becomes an obligation of the Town.

According to G.S. 159-28(e), "if an officer or employee of a local government or public authority incurs an obligation or pays out or causes to be paid out any funds in violation of this section (funds which have not been appropriated), he and the sureties on his official bond are liable for any sums so committed or disbursed. If the finance officer or any properly designated deputy finance officer gives a false certificate to any contract, agreement, purchase order, check, draft, or other document, he and the sureties on his official bond are liable for any sums illegally committed or disbursed thereby."

Any purchase of supplies, materials, equipment or services without proper authorization is prohibited. Unauthorized purchases may not be honored by the Town and the individual involved may be held personally liable for such purchases.

**III. General Procedures**

1. Requisitions for products or services shall be entered into the requisition form approved by the Finance Department, by a person designated by the department head. Sales tax should not be encumbered as an expense on the requisition.
2. All purchases which would result in line item budget overruns shall be approved by the Town Manager prior to purchase.

3. The Purchasing Agent will review requisitions. A purchase order will then be generated and presented to the Finance Director for final review. The purchase order is then forwarded to the department for placing the order.
4. Departments must allow ample time for processing for those purchases that require the competitive bidding process. The amount of time needed to complete the process is outlined in the section "Purchasing Procedures."
5. All purchase orders issued which involve multiple departments should have the approval of all participating department heads or appointed employees prior to issuance.
6. All purchases, except those made from special or recurring bills (e.g. annual dues, subscription renewals, contract billing, utility bills, insurance premiums, postage permits and expenses, medical examinations, professional services for accounting or legal, inter-local fees, appropriations and assessments, etc.), shall be made with a purchase order.
7. It is the desire of the Town to purchase from vendors located within Edgecombe County whenever possible. This can be accomplished by ensuring that local vendors who have goods or services available, which are needed by the Town, are included in the competitive purchasing process. The Town has a responsibility to its residents to ensure the maximum value for each dollar spent. The Town cannot and will not make purchasing decisions solely based on vendor residence. Rather, the Town will endeavor to encourage local vendors and suppliers to compete for all Town business.

#### **IV. Purchasing Procedures**

This section outlines the Town's purchasing procedure. The purchasing process is designed to provide a proper system of internal control over purchasing, to ensure that the proper authorizations are obtained before items are purchased, and to ensure that statutory requirements for purchasing are followed. All purchase contracts must be compliant with North Carolina's E-Verify law (G.S. 160A-20.1). The Town is prohibited from entering into contracts with contractors and subcontractors who have not complied with the requirement of Article 2 of Chapter 64. All vendors must submit an affidavit to ensure compliance prior to the Town enacting business with the vendor.

##### **1. Cash Purchases under \$50**

Cash purchases should be avoided, but in the event that it is not feasible to be billed for very small purchases, the employee may, with department head approval, buy the item and be reimbursed out of petty cash. The employee **must** submit an invoice or receipt for reimbursement. If petty cash is not available, an invoice or receipt must accompany a completed Check Request Form and must be sent to the Finance Department with an explanation or purpose for the expenditure for reimbursement. Reimbursement will be made in the next regularly scheduled check run.

##### **2. Purchases less than \$500**

Purchases may be made with the approval of the department head without a purchase order. Employees must obtain the original invoice or other type receipt, stamp the invoice with the approval stamp, get the department head's written approval and

submit for payment to the Finance Department. These purchases should be made with reputable vendors who are willing to bill the Town. **Dividing purchases in order to evade having to enter a requisition and obtain an assigned purchase order is prohibited.**

3. Purchases \$500 - \$4,999

A requisition must be submitted and approved **prior** to the purchase of any item or group of items exceeding \$500. After the requisition has been checked for accuracy and reviewed by the Finance Department, the requisition will be converted to a purchase order. For items in this price range, the responsibility lies with the department head to establish need for goods or services and determine best quality at lowest cost. Notify the Purchasing Agent of items and quantities that are common to other departments to allow for group purchasing whenever possible.

4. Purchases \$5,000 - \$29,999

Three (3) quotations must be received by either email, fax, hand delivered or by mail and sent to the Finance Department once the requisition is submitted. The requisition will not be approved until the quotes are received. Quotations should be for like items, equal quantities, and at a delivered price. Assistance from the Finance Department in securing these quotes will be available upon request. If three quotations are not available, or if the low quotation is not desirable, a written explanation in the “Note” field will avoid delays in processing the requisition. In cases where the item or service is available from a single source, you must indicate in the note section that it is “sole source”. If you need to re-order an item within 12 months of receiving the verbal quote, you do not have to get new quotes as long as the supplier will honor the earlier prices. This information, showing date of last verbal quote and purchase order number, must accompany the requisition. After the requisition has been checked for accuracy and verified by the Finance Department, the requisition will be converted to a purchase order.

5. Purchases \$30,000 - \$89,999 (Informal Bid)

- a. Informal bid procedures must be followed on contracts for the following:
  - i. Purchases or lease-purchases of apparatus, supplies, materials, or equipment expected to require expenditure equal to or greater than \$30,000, but less than \$90,000;
  - ii. Construction or repair work when expenditures of \$30,000 to \$500,000 are involved (G.S. 143-131).
- b. Detailed specifications including description, brand/model number, quantity, unit, delivery date required, and any known vendors should be forwarded to the Finance Department. The Finance Department will obtain quotes from at least three vendors, if possible. However, contracts in the informal range may be awarded even if only one bid is received. Departments should allow ample time (seven to ten working days) for quotes to be obtained. Since informal bids do not have to be publicly opened, fax or email quotes are acceptable. The Finance Department shall keep a record of all bids

submitted, which record shall not be subject to public inspection until the contract has been awarded. **The Contractor shall submit the E-Verify Affidavit with their bid. Bids that do not include this Affidavit will be considered nonresponsive.** After quotes have been reviewed by the Finance Department, a recommendation based on determination of the lowest responsive responsible bidder, will be made to the department head or designated employee. If the low bid is not desirable, the department head and/or Finance Department shall provide a written explanation. A requisition will be entered into the financial system by the department head or designated employee which after approval, will be converted to a purchase order.

6. Purchases \$90,000 and above (Formal Bid)

- a. With respect to the purchase or lease-purchase of apparatus, supplies, material, or equipment expected to require expenditure equal to or greater than \$90,000 and construction or repair work requiring the estimated expenditure of \$500,000 or more, the Town shall comply with the provisions of G.S. 143-129 and other applicable statutes, as well as the following procedures:
  - i. Detailed specifications including description, brand/model, quantity, unit, delivery date required, and any known vendors should be forwarded to the Finance Department before the bid package is prepared.
  - ii. As provided in G.S. 143-129(b), the Town shall notify prospective vendors of the opportunity to submit bids by advertising in a newspaper having general circulation in the Tarboro area, or by electronic means, or both (except that a decision to advertise by electronic means only must be approved by the Council, either for particular contracts or all contracts). The advertisement shall contain the information required in G.S. 143-129(b). In addition, the Finance Department shall mail to prospective vendors the Invitation to Bid along with the Instructions to Bidders that has been prepared by the Finance Department with the assistance of the department head or designated employee. The published notice must appear, and the electronic or mailed notice must be sent, at least fourteen (14) days prior to the bid opening.
  - iii. An opening date and time shall be set in the bid conditions and all bids shall remain in the Finance Department office sealed until that time. All bids received will be stamped or marked by the Finance Department as to the date and time of receipt. After the bids have been opened, they will be examined and compared by the Finance Department and department head, with respect to compliance with the specifications, quality and suitability of the products, time of delivery and other specific conditions that were included in the bid. **The Contractor shall submit the E-Verify Affidavit with their bid. Bids that do not include this Affidavit will be considered nonresponsive.** A recommendation for the bid award based on determination of the lowest responsive responsible bidder will be made to the Town Manager. If the low bid is not desirable, the department head and/or Finance Department shall provide a written explanation.
  - iv. After bids have been opened, they will become a matter of public record and maintained in purchasing. After approval of the award by the Town Council a

requisition will be submitted to the Finance Department by a designated employee and a purchase order will be issued.

- b. Exceptions to the formal bid process are set forth in G.S. 143-129(e) and other provisions of the law. Special procurement procedures applicable to some of these exceptions are set forth in Section V of this policy.
- c. Although the waiver of competitive bidding is permitted, the use of competitive bidding is required whenever practical. All reasons for a waiver of the competitive bidding process **must** be documented.

## **V. Special Procurement Procedures**

### **1. Blanket Purchase Orders**

The Purchasing Agent will issue blanket purchase orders to selected vendors for the procurement of certain items when the amount of paperwork involved makes it impractical to use the regular purchase order procedure. A blanket purchase made using a blanket purchase order number should not exceed \$500 at any time, with the exception of chemicals used at the Town's treatment plant.

Each department head is to provide a list of authorized personnel who are permitted to execute a purchase order under a Blanket Purchase Order. The authorized Town employee must sign the vendor's delivery ticket or receipt and the purchase order number must be indicated. The account number to be charged for the expenditure must be indicated. Department heads must approve the ticket or receipt and forward it to the Purchasing Department for payment. The issued purchase order will instruct the vendor that unauthorized purchases will not be allowed. It is the responsibility of the individual authorized to purchase under a Blanket Purchase Order to ensure that adequate funds are available for purchases. Any purchase exceeding the funds available under a Blanket Purchase Order will be classified as an unauthorized purchase unless a written purchase order increase request has been submitted in writing.

Blanket Purchase Orders should never be used for equipment purchases such as mowers, weed trimmers, blowers, appliances, etc. These items need more specific documentation than a blanket purchase order allow, including serial number, model number and date of purchase.

Blanket Purchase Orders are only valid for the current fiscal year for which they are entered.

### **2. Emergency Purchases**

Supplies or services which qualify for emergency purchase are those for which immediate procurement is essential to prevent delays in work that may affect the life,

health or safety of the Town employees or citizens. In cases of emergencies, the department head or his/her designee may purchase directly from any vendor.

The user department shall exercise good judgment and use established vendors when making emergency purchases. The best possible price should be obtained and only essential, emergency-related items purchased. A failure to anticipate needs does not constitute an emergency. Needs should be anticipated in advance and emergency purchases avoided whenever possible. Emergency orders may be costly as vendor supplies and/or resources may not be adequate on short notice, often necessitating higher prices for services or goods rendered. The use of emergency purchase procedures should be carefully considered and limited whenever possible.

During working hours, contact the Purchasing Agent and give all pertinent information to obtain a purchase order. The information needed will include vendor name, item(s) to be purchased with quantities, expenditure account to which the item(s) will be charged and the reason for the emergency purchase. After verifying available funds, a purchase order will be issued for the expenditure.

After working hours, the spirit and intent of all purchasing procedures should be followed until such time as normal processing and administration can occur. The invoice received should be coded with the account(s) to be charged and signed. A brief explanation of the nature of the emergency should be attached. The Purchasing Agent must be notified of the purchase and the circumstances the morning of the next business day.

### 3. State of North Carolina Purchase Contract

The Finance Department may use the State of North Carolina Department of Administration Purchase and Contract Division and/or established Cooperative Purchasing Agreements whenever possible for procurement of capital and non-capital items. These systems expedite the purchase of goods, offers pricing compatible with quotes received from formal and informal bids and satisfies North Carolina General Statutes. Examples of goods on State Contract are law enforcement vehicles, office furniture, copiers, janitorial supplies, copier paper, light bulbs, etc. Contact the Finance Department with questions regarding goods on State Contract or cooperative purchasing agreements. The State of North Carolina Interactive Purchasing System can be found on the web at [www.ips.state.nc.us/ips/Default.aspx](http://www.ips.state.nc.us/ips/Default.aspx).

### 4. Debit Cards

The Town maintains two debit cards for such instances as online purchasing, hotel reservations, or other similar purchases. The Manager shall retain possession of one card. The other shall be kept in the Finance Department and shall be provided on an as-needed basis to those authorized to use it by their department head.

It is the card user's responsibility to provide an original detailed receipt for each transaction on the bank statement. Telephone orders that do not generate receipts shall



be evidenced by a catalog page and supplemented by any documentation that becomes available once the transaction is complete. Internet purchases should be evidenced by a printout of the order confirmation page. Authorized employees must give all debit card documentation to the department head for their approval. The approval must include the purchase order number when applicable, the general ledger account number and be signed and forwarded to the Finance Department. Authorization to complete a purchase transaction of \$500 or more using the debit card shall not absolve the user of the obligation to obtain a purchase order before completing the purchase.

Undocumented transactions (transactions turned in to be paid without a receipt) are not allowed and will be considered personal transactions if the employee does not have an explanation that includes a description of the items(s) purchased, date of purchase, vendor's name and reason for the lack of documentation. The Finance Department may request additional information or may disallow the transaction and the employee will be personally responsible for the transaction amount.

### 5. Service Contracts

#### a. Need for and Type of Service Contracts

- i. It is the purpose of this policy to create and maintain an efficient and uniform process in the administration of service contracts. A department shall select service providers according to the procedures set out in this policy. The need for such contracts is based upon the requirement of the department and as approved by the department head.
- ii. Service contracts are contracts that call for a contractor's time and effort rather than for a concrete end product. There are two types of service contracts:
  - a. Professional – those which involve professional, technical and skilled services such as architectural, engineering, legal, design, financial, audit, consultant training, appraisal, survey, planning, environmental and other services of a similar skilled or professional nature.
  - b. All other – those which consist of leases for rental equipment, maintenance agreements, janitorial, demolition, towing, and similar activities.

#### b. Procedure for Negotiating, Awarding, and Executing Service Contracts

- i. Service contracts will be issued after proposals are solicited from two (2) or more service providers. A request for proposal (RFP) is a competitive procurement process that allows the Town to consider factors other than price such as qualification, experience, innovation, creativity, value-added service and project approach. In procuring architectural, engineering, or surveying services, the Town shall comply with Article 3D of Chapter 143 (G.S. 143-64.31 *et seq.*).
- ii. In evaluating proposals, the criteria for selecting a qualified firm should be clearly defined in the proposal. The proposal must state the factors relevant to



the selection of a company and then weigh those factors according to their importance.

- iii. After evaluation, the department head shall prepare a recommendation to the Town Manager indicating the reason(s) for selecting the successful provider, and a list of all the firms to which the request for proposals was mailed and those submitting proposals.
6. Town-wide contracts have been issued for the following and departments are required to use these vendors unless prior approval from the Finance Department has been given. Designated vendors were determined through competitive bidding by the Finance Department.
- a. Information Technology – The Town contracts with a single vendor for Information Technology maintenance service. All major maintenance issues will be approved by the assigned department communicating with the IT company.
  - d. Telecommunication - All land-line telephones, changes, repairs, voice mail, etc. are acquired through the assigned department with no exceptions.
  - e. Fuel Cards- Fuel cards are designated per vehicle and must remain in the vehicle at all times. Designated drivers are assigned a pin number and records are maintained by the assigned department.

### **VI. Construction and Repair Work**

1. Informal Construction Contracts (less than \$500,000 – G.S. 143-129)

Construction contracts within this range will be the responsibility of the department head, contracted engineer (if applicable) and other Town officials as deemed necessary. These officials are responsible for specification development. The Purchasing Department will work with the specific department head to compile the necessary bid documents for release to potential bidders. All North Carolina General Statutes bidding requirements will be followed. After the bid process has been completed, the requesting department head will recommend to the Town Council the lowest responsible bidder deemed in the best interest of the Town. Upon approval by the Town Council, the department head will initiate a requisition and forward all signed contract information to purchasing so that a purchase order can be generated to encumber the expenditure account. When an award is not given to the lowest bidder, a full and complete statement of the reasons shall be filed along with the other papers relating to the transaction.

- a. Bids may be written, faxed or emailed.
- b. Public bid opening is not required.
- c. Bid bonds are not required.
- d. Payment and performance bonds are not required.

### 2. Formal Construction Contracts (\$500,000 and above – G.S. Ch. 143 Article 8)

Construction contracts within this range will be the responsibility of the department head, contracted engineer (if applicable) and other Town Officials as deemed necessary. These officials are responsible for specification development. The Purchasing Department will work with the specific department head to compile the necessary bid documents for release to potential bidders. All North Carolina General Statutes bidding requirements will be followed. After the bid process has been completed, the requesting department head will recommend to the Town Council the lowest responsible bidder deemed in the best interest of the Town. Upon approval by the Town Council, the department head will initiate a requisition and forward all signed contract information to purchasing so that a purchase order can be generated to encumber the expenditure account. When an award is not given to the lowest bidder, a full and complete statement of the reasons shall be filed along with the other papers relating to the transaction.

- a. Must advertise at least fourteen (14) days before bid opening.
- b. At least three competitive bids.
- c. Bids must be sealed.
- d. Public bid opening is required.
- e. Bid bonds are required by North Carolina General Statutes.
- f. Payment and performance bonds are required by Statutes.

### 3. Contract Change Orders

A change order is an amendment to the original contract and is handled through the same process as contracts. Any change that alters the original contract requires either a change order or an addendum to the contract.

### 4. Force Account Work (G.S. 143-135)

The State Statutes authorize the Town to waive the competitive bidding requirements for construction or repair work that is undertaken by the Town's workforce when either (i) the cost of the project including all direct and indirect costs of labor, services, materials, supplies and equipment, does not exceed \$125,000, or (ii) the total cost of labor on the project does not exceed \$50,000.

## **VII. Payments**

Most vendors offer a discount if their invoices are paid promptly. To take advantage of this discount and to maintain good vendor relations, it is important that all invoices, packing slips, and receiving reports be forwarded to the Finance Department without delay. These documents should reach the Finance Department within 1 to 3 business days after their receipt.

Some purchase orders may list several items. It is possible the vendor may complete timely delivery on some items, which are referred to as "partial deliveries". Upon receipt of a partial delivery, photocopy the purchase order; attach the original signed delivery receipt and forward to the Purchasing Agent indicating which lines of the purchase order are to be paid.

**VIII. After the Order**

The procurement function is not accomplished by simply placing an order with a supplier. Satisfactory delivery must also be made. To insure delivery will be made when required, follow-up is necessary. Follow-up or expediting delivery of an order is part of the purchasing process and can be more efficiently handled by the purchasing party.

The Purchasing Agent will, on a regular basis, review outstanding purchase orders to determine if vendors are delinquent in shipping the items requested. The Purchasing Agent will first check with the department initiating the purchase order and then contact these vendors concerning the delinquent delivery. The Purchasing Agent will contact vendors concerning invoice discrepancies and will get approval from the Finance Director and affected department head to correct any invoice amounts.

**IX. Surplus Property**

1. Departments should dispose of surplus property through the Finance Department, as described in N.C.G.S. 160A Article 12. A surplus property declaration request should accompany the surplus property to the Finance Department.
2. Surplus property will be offered to Town departments before being sold by auction, electronic auction, or delivery to the State surplus facility.
3. Property, either individually or a similar group of items, with an estimated current value greater than \$30,000 must only be declared surplus by the Town Council and disposed of in accordance with the provisions of Article 12 of G.S. Chapter 160A.
4. The Town Council has authorized the Town Manager to declare property as surplus if such property has an estimated current value less than \$30,000. The Town Manager may dispose of surplus personal property by any means which is judged to be reasonably calculated to yield the highest attainable sales price.
5. The Town Manager shall maintain records of all property sold or exchanged, which shall include a general description of the property sold, to whom it was sold, or with whom exchanged, and the amount of money or other consideration received for each sale or exchange.

**X. Minority Owned Business Enterprise (MBE) Participation**

The Town follows N.C.G.S. 143-128.2 regarding Minority Owned Business Enterprise Participation in the awarding of building construction contracts.

**XI. Contract Authority of Manager**

1. The Manager shall execute all contracts on behalf of the Town, except that (i) the Council may by resolution authorize other officials to execute specific documents and (ii) the Manager may, in writing, delegate to other employees the authority to execute specific documents or classes of documents.

2. The Manager may enter into contracts that commit the Town to purchase goods and services (i) when the Town Council has previously authorized the acquisition of such goods and services, or (ii) if the Town Council has not previously authorized the acquisition of such goods or services, when the amount is less than \$5,000.
3. In emergencies, the Manager may enter into contractual agreements for any amount. Contractual agreements entered into during an emergency must be brought before the Council during a public meeting for review and approval at the earliest possible date. For the purposes of this subsection, an “emergency” is defined as “a sudden or unexpected occurrence or occurrences, which jeopardize the safety of the Town’s citizens, such as but not limited to a fire or an electrical outage.”

## **XII. Contracts**

1. Except as otherwise provided in Section II of this policy, all contracts need to contain the pre-audit certificate signed by the Finance Director and must include the account number to which the payment will be charged.
2. Contracts requiring approval of the Council should be forwarded to the Town Manager at least ten days before the meeting to be included on the agenda.
3. Contracts need to be encumbered by a purchase order when signed. After the contract has been pre-audited, a copy will be forwarded to the Finance Department to enter a requisition in the system and a pre-numbered purchase order will be generated.

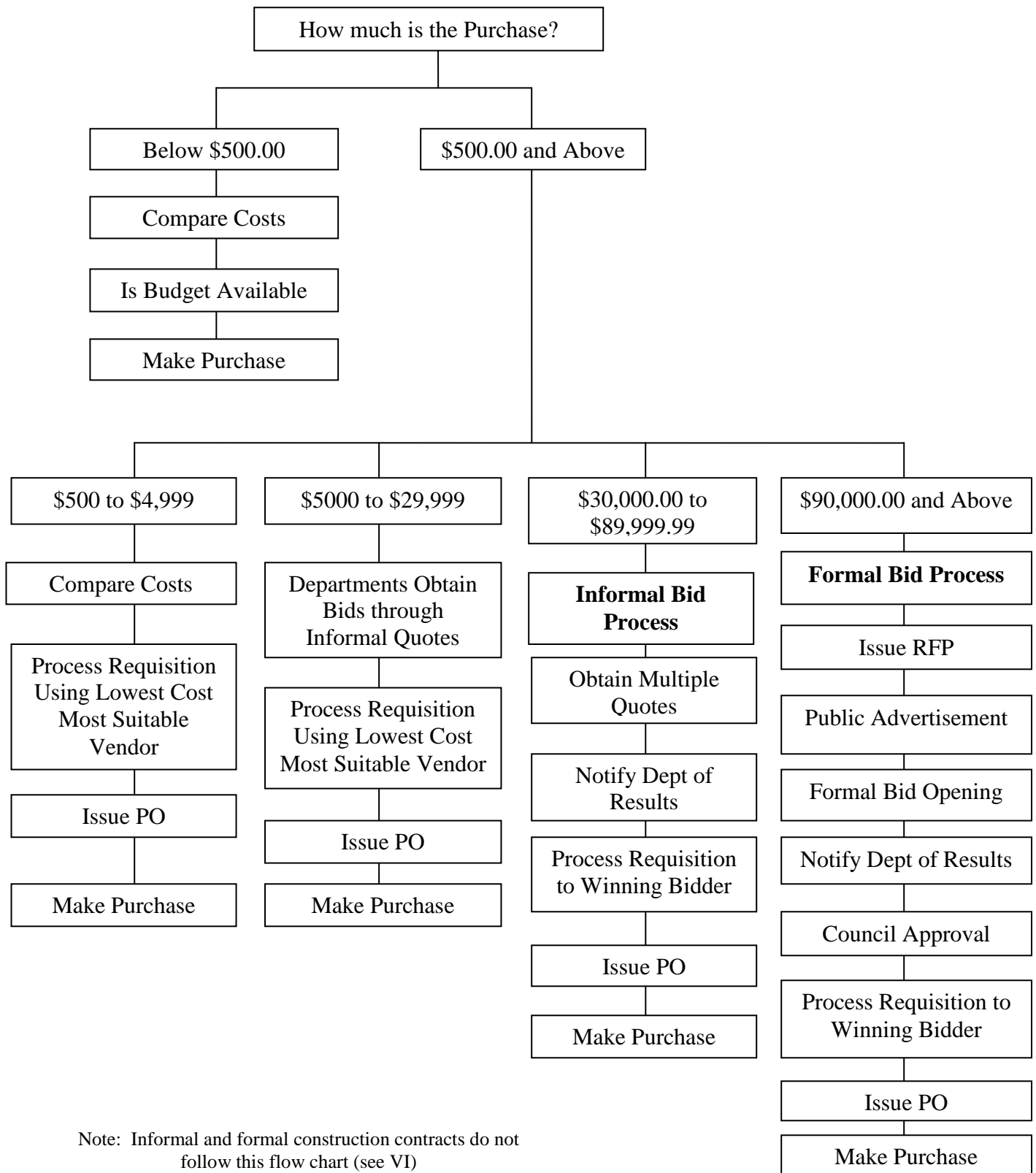
THIS POLICY SPECIFICALLY REPEALS AND REPLACES PRIOR TOWN POLICIES AND ADMINISTRATIVE MEMORANDA RELATIVE TO PURCHASING.

Approved:

\_\_\_\_\_  
M. Alan Thornton,  
Town Manager

\_\_\_\_\_  
Date

**PURCHASING FLOW CHART**



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## ORDERING INFORMATION

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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

Telephone: 919-807-7500

Facsimile: 919-807-7647

Internet: <http://www.ncauditor.net>

To report alleged incidents of fraud, waste or abuse in state government contact the:

Office of the State Auditor Fraud Hotline: 1-800-730-8477

or download our free app



<https://play.google.com/store/apps/details?id=net.ncauditor.ncauditor>



<https://itunes.apple.com/us/app/nc-state-auditor-hotline/id567315745>

For additional information contact:

Bill Holmes  
Director of External Affairs  
919-807-7513

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This investigation required 1,438 hours at an approximate cost of \$103,536.